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Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods

Final Report

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Assessment of the Economic and Social Characteristics of LIHTC Residentsand Neighborhoods

Final Report

Prepared for:
U.S. Department of Housing and Urban Development
Office of Policy Development and Research

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Foreword

Created as part of the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) program is currently the largest affordable rental housing construction program in the United States. It is estimated that the program has produced nearly one million affordable units since its inception.

Although there have been some major studies of the LIHTC program, few focus on residents and neighborhoods. This study, by Abt Associates Inc., presents an assessment of the economic and social characteristics of residents and neighborhoods in 39 LIHTC developments located in five metropolitan areas - - Boston, Kansas City, Miami, Milwaukee, and Oakland - - that were put into service between 1992 and 1994.

The 39 properties included in this study suggest that the program serves households with low incomes. Ninety-four percent of the units studied were reserved for tenants with incomes below 60 percent of their area's median family income. LIHTC may be used to subsidize developments that have as few as 20 percent of their units reserved for lower income families, but 37 of the 39 the developments studied here served a predominantly low income population.

Although the LIHTC properties served a low income population, there was a mix of incomes in the developments. For example, in more than half the developments at least 20 percent of the families were in poverty and at least another 20 percent of the families had incomes at least 1.3 times the poverty level. And although the LIHTC developments served families with low incomes, on average these families had higher incomes than residents of public housing or recipients of Section 8 who lived in the same metropolitan areas. The LIHTC families also were more likely to be working and less likely to be on welfare than families in public housing or receiving Section 8. There is some overlap between LIHTC and Section 8, as 37 percent of the LIHTC residents in this study also received Section 8 assistance.

This study also examines the rent burden experienced by residents of the developments, the characteristics of the residents relative to their neighborhoods, and the impact of the developments on the neighborhoods in which they are located. This report is a useful first look at how this important housing development program benefits the people it is intended to serve.

Susan M. Wachter
Assistant Secretary for Policy
Development and Research

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Executive Summary

Created by the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) program is the primary affordable housing production program in the U.S. This study explores the social and economic characteristics of LIHTC residents and the neighborhoods in which these properties are located. It is intended to provide both new information on who is served by the tax credit program and to explore tenant and project characteristics in relation to the neighborhoods where the properties are developed.

The findings of this report are based on a sample of LIHTC properties placed in service between 1992 and 1994 in five MSAs: Boston, Kansas City, Miami, Milwaukee, and Oakland. In total, 39 properties are included in the study with between six and nine properties in each MSA. Properties with fewer than 10 units, FmHA Section 515 projects, and projects serving special needs populations were not included in the study. The properties were selected to include a relatively even share of both for-profit and nonprofit-sponsored properties in each MSA (however, the results were weighted to reflect all eligible properties in the five study MSAs). Data collection included field visits and interviews with site managers and owners of each property and a telephone survey of 832 residents in the study properties.

Profile of Study Properties

The 39 properties included in the study reflected some distinct LIHTC development patterns by MSA, in part driven by the priorities set by states in their Qualified Application Plan (QAP). For example, in the Boston MSA, most properties in the study were previously troubled properties, several with project-based Section 8 and state financed mortgages. The State's QAP targeted such properties. In the Oakland MSA, an overwhelming majority of the projects placed in service between 1992 and 1994 were developed by nonprofit sponsors, reflecting the strong presence of nonprofits in the Bay area. The basic characteristics of the properties in our study are as follows.

- The vast majority (94 percent) of units in LIHTC properties are reserved for qualifying tenants. Two for-profit properties in Oakland elected the minimum 20 percent qualifying units; the rest of the study properties have over 80 percent qualifying units with a majority having 100 percent.

- Section 8 assistance plays a substantial role in the LIHTC properties. Three-quarters of the properties had at least one resident with Section 8 assistance, including eight properties that had project-based Section 8 units. Of the eight properties with project-based Section 8 units, five were located in the Boston MSA.

- LIHTC properties are relatively small. Even though properties with fewer than 10 units were excluded from the study, most of the study properties have fewer than 100 units and are less than three-stories tall. Only two study properties are high-rises (both serve non-elderly families). The for-profit properties tend to be larger than the nonprofit properties with about half having more than 100 units compared to less than 20 percent of the nonprofit properties.

- Most of the properties served non-elderly families or singles. Of the six elderly properties, five were developed by for-profit sponsors.

- Most tax credit properties use experienced, professional management companies. The typical property management entity in our study properties is a for-profit management company with around 2,000 units in its portfolio. Although most management companies have a mix of market-rate and subsidized units, about half of the companies could be considered to have a tax-credit specialty (at least one-third of their portfolio).

- Vacancy rates were low at almost every property, but several properties had high turnover rates. The average vacancy rate was only 4 percent, but the average annual turnover rate was 24 percent per year. However, the *median* turnover rate was 15 percent. (The *average* turnover rate is driven by seven properties—primarily serving either young, mobile populations or seasonal farm workers—with reported turnover rates over 50 percent.)

Who lives in LIHTC properties?

As noted earlier, all but two of the study properties have set aside over 80 percent of their units for qualifying tenants. One possible incentive is for LIHTC properties to serve the highest-income households qualifying for tax credit units in order to maximize the amount of rent that can be collected from their tenants. However, this is not the case in our sample properties.

- LIHTC properties serve primarily extremely- and very-low-income households. Approximately 40 percent of the households have income below 30 percent of the area median and 34 percent have income between 31 and 50 percent of the median. There are a number of factors that contribute to the tendency of LIHTC properties to serve such low-income families. These include the use of Section 8 subsidies, restrictions from non-LIHTC sources of funding (e.g., HOME), priorities in state Qualified Allocation Plans (QAPs), the difficulty in attracting higher-income tenants to some locations, and the mission of some developers to serve very low-income families.

- Over one-third (37 percent) of tax-credit households received Section 8 assistance. LIHTC households were much more likely to have project-based Section 8 assistance (31 percent) than tenant-based assistance (6 percent).

- LIHTC households receiving Section 8 assistance were much poorer than non-Section 8 households in LIHTC properties. Over two-thirds of the Section 8 households have extremely low incomes (less than 30 percent of the area median) whereas only 23 percent of the other residents have income that low.

In addition to being very or extremely low-income, LIHTC residents tend to be working families who are members of a racial or ethnic minority.

- Nearly 70 percent of LIHTC households reported an adult working for pay at the time of the survey. Only 10 percent reported receiving income from public assistance in the past year, a finding confirmed by site managers and owners who reported that so few residents received welfare that TANF time limits would not affect the financial viability of their properties. Compared to other LIHTC residents, the Section 8 residents were less likely to be working and more likely to receive welfare or disability assistance.

- Just over 80 percent of the residents are minorities, primarily African-American (56 percent) and Hispanic (20 percent). Within LIHTC properties, Section 8 residents are much more likely to be minorities (95 percent) than other residents (71 percent).

- Residents of for-profit-sponsored properties are less likely to be members of a minority or to have a working adult in the household and more likely to be elderly than those in nonprofit-sponsored properties.

Most residents of LIHTC properties have incomes low enough to qualify for public housing or Section 8 assistance. However, compared to public housing residents and Section 8 recipients, LIHTC residents in all five MSAs have higher incomes, are more likely to have earned income, and are less likely to be on welfare.

- The extent to which LIHTC residents have higher incomes than public housing residents and Section 8 recipients varies considerably by MSA. The income differences range from $3,400 in Boston to $15,000 in Oakland. The small difference in Boston is likely due to the predominance of project-based Section assistance among the study properties and the large difference in Oakland is due, in part, to the presence of two properties with substantial proportions of non-qualifying units.

Rent Levels and Rent Burdens in LIHTC Properties

Rents in LIHTC units (including utilities) are limited to 30 percent of the tax-credit maximum income (usually 60 percent of the area median). While this is intended to promote affordability, families with incomes below the 60 percent benchmark could pay a large share of their income for rent if it is set at the maximum allowed. However, the research shows many properties set rents well below the maximum.

- Rents in approximately 40 percent of the units in LIHTC properties were substantially below (less than 80 percent of) the maximum set by the program. On the other hand, 35 percent of the units had rents above the tax credit maximum, which is due to the presence of market-rate and Section 8 units. Note that gross rents in Section 8 units can be above the tax credit maximum since tax credit rules require only that the tenant-paid portion of rent fall under the tax credit maximum.

- A small share of units in LIHTC properties (9 percent) have rent restrictions beyond those required by the LIHTC program because they also received non-LIHTC subsidies such as HOME funding. Only 6 percent of the units had totally unrestricted rents (market-rate units) and the remaining 85 percent had just the LIHTC rent restrictions.

- Most of the LIHTC units (78 percent) had gross rents below the local FMR level. Since FMRs are set at the fortieth percentile of area rents, this indicates that most LIHTC properties are at least in the modest range.

- Rents in the nonprofit properties are substantially lower than in the for-profit properties. For example, 45 percent of nonprofit units have rents below 70 percent of the FMR whereas only 9 percent of for-profit units are this low. The higher rents in for-profit properties are due to a number of factors, including the higher likelihood of for-profit properties to be in higher-rent suburban areas, the prevalence of project-based Section 8 units among for-profit properties, and the larger share of non-qualifying units in for-profit properties.

- LIHTC households are evenly divided between those who pay 30 percent or less of their gross income for rent and those who pay more than 30 percent of their gross income for rent. Despite rents below the tax credit caps, some 13 percent of households reported rent burdens over 50 percent, and thus are estimated to have worst case housing needs as defined by HUD. An analysis of the inputs into the rent burden calculation indicates that many tenants report utility costs above the utility allowances set for the property and incomes below those reported by the manager (however manager-reported incomes were not available in several properties and many of the manager-reported incomes were verified more than a year before the resident survey). While the data are subject to possible tenant reporting error, it still appears that rent burdens in LIHTC properties are high for many tenants.

How do the LIHTC properties compare to tenants' previous residences?

As part of this study we asked tenants to rate their LIHTC units and neighborhoods on several dimensions and compare them to the previous place they lived. The results showed overall satisfaction with LIHTC units, but less satisfaction with their neighborhood.

- A majority of the residents rated their LIHTC unit favorably, both overall and on specific criteria (e.g., size and condition). For example, 68 percent gave their apartment an overall rating of good or excellent while 32 percent rated it as poor or fair.

- Residents in project-based Section 8 units were more likely than other residents to rate their LIHTC unit unfavorably. Over 60 percent of residents in project-based Section 8 units rated their LIHTC unit as fair or poor compared to approximately 20 percent of other residents.

- Most residents thought that their LIHTC apartment was as good or better than their previous residence. For example, 54 percent of residents thought their current unit was better than their previous residence and 24 percent rated it about the same. Only 22 percent thought their previous residence was better.

- A substantial share of LIHTC residents (23 percent) reported that they lived in public housing immediately prior to moving into their tax credit units. It appears that LIHTC properties may serve as an important stepping stone for many residents moving from public housing to the private sector.

- Residents did not rate their neighborhoods as favorably as their apartments. Less than half (46 percent) rated their LIHTC neighborhood as good or excellent, whereas 54 percent rated it as poor or fair. Residents were evenly divided on whether their current neighborhood was better, the same, or worse than their previous neighborhood.

- Similar to the overall apartment ratings, residents in project-based Section 8 units were much more likely than other residents to rate their LIHTC neighborhood unfavorably. Nearly 80 percent of residents in project-based Section 8 units rated their neighborhood as fair or poor overall, whereas less than half of the other residents rated their neighborhood unfavorably.

In what types of neighborhoods are LIHTC properties located?

In the LIHTC program, owners decide where to develop LIHTC properties, subject only to local laws that apply to all residential development. There are no additional location restrictions in the LIHTC program. Nevertheless, there are several incentives at the federal and state level that may influence where a project is located. If a property is located in a qualified census tract (QCT) or in a difficult development area (DDA), investors are eligible to receive a 30 percent increase in the basis on which tax credits are allocated. Furthermore, most state agencies receive more applicants for tax credits than they have available to award, thus, states must establish their own policies to award credits among eligible projects. The result is that LIHTC properties are built in a variety of areas with significant differences in the type of neighborhood by sponsor type.

- A large share of properties were developed in locations that made them eligible for a 30 percent increase in the tax credit basis. Roughly half of the properties in the five study MSAs were located in QCTs. In addition, both the Boston and Oakland MSAs were designated DDAs in the early 1990s, so all of the properties developed at that time were eligible for the increased tax credit basis. While it is not possible to know what properties would have been developed without these incentives, several owners of properties in QCTs said the increased tax credits were necessary to make development feasible.

- LIHTC properties are typically located in city neighborhoods with a majority of rental units and residents who have lived there a short time. These neighborhood characteristics were more common for nonprofit than for-profit properties. For example, 86 percent of the nonprofit properties are located in city neighborhoods whereas only 56 percent of the for-profit properties are in city neighborhoods.

- LIHTC neighborhoods are evenly divided between very low-income neighborhoods (median income less than 50 percent of area median) and more moderate-income neighborhoods. The patterns were significantly different by sponsor type. For example, nonprofit properties (67 percent) were much more likely to be in extremely low-income neighborhoods than for-profit properties (29 percent).

- LIHTC neighborhoods tend to have a high proportion of minority residents. Roughly half of the neighborhoods had predominately (greater than 80 percent) minority residents and only 12 percent had predominately white residents.

- There are distinct race/ethnicity patterns in the LIHTC neighborhoods by sponsor type. Over one-quarter of the for-profit properties in our study are in a predominately white neighborhood whereas none of the nonprofits are in such neighborhoods. At the other extreme, 61 percent of nonprofit properties are in predominately minority neighborhoods compared to only 35 percent of for-profits.

Do LIHTC properties foster economic diversity?

Several recent housing policy initiatives have been aimed at reducing the spatial concentration of very poor households. The impetus for these policies is the consensus among policy makers and scholars that high concentrations of very low-income households in large developments and/or neighborhoods leads to negative social and behavioral outcomes. Hence, the economic diversity of LIHTC properties and their contribution to economic diversity in the neighborhood are important policy issues.

- In approximately half the properties, a majority of the households are extremely low-income (income less than 30 percent of the area median). However, there are distinct patterns by sponsor type. For-profit properties tend to have either many (more than 50 percent) extremely low-income households or very few (less than 10 percent), whereas the percentage of extremely low-income households in nonprofits tends to fall between these extremes (10 to 50 percent).

- Only two LIHTC properties are economically diverse in terms of having a substantial proportion of qualifying and non-qualifying renters. However, within the qualifying range, there is substantial mixing of higher- and lower-income groups. Overall, 40 percent of the properties can be considered mixed income using a combination of several measures of income diversity. Economic diversity is more common in nonprofit properties (55 percent) than for-profit properties (23 percent). This is consistent with the above finding that for-profits tended to serve primarily extremely low-income residents or primarily relatively higher-income residents.

- Most of the LIHTC properties (76 percent) have residents with Section 8 assistance, and they typically represent a small share (less than one-third) of the tenant population. Only 15 percent of the properties are entirely Section 8, all of which are project-based.

- LIHTC residents at most properties have lower average incomes than their neighbors. At 72 percent of the properties, the median income of LIHTC residents is substantially lower than the neighborhood median. The median income of LIHTC residents is substantially higher than neighborhood residents at only 10 percent of the properties

- Residents of nonprofit properties are much more likely than residents of for-profit properties to be economically better off than their neighbors. This is consistent with the findings that nonprofits tend to be in poorer neighborhoods than for-profits and that for-profit properties in poorer neighborhoods tend to serve primarily extremely low-income residents.

- Overall, many LIHTC properties (42 percent) serve either to provide housing for residents who reduce the level of poverty in the neighborhood or to provide housing for lower-income residents in low-poverty neighborhoods. In total, 27 percent of the properties are located in high-poverty neighborhoods where the poverty-rate of the LIHTC residents is substantially lower than in the neighborhood. Another 15 percent of properties are located in low-poverty areas (poverty rate less than 10 percent) and serve residents whose incomes are much lower than their neighbors. Interestingly, it is primarily the nonprofit properties that serve to reduce the poverty level in the neighborhood (consistent with their more neighborhood revitalization focus) and the for-profit properties that provide housing for LIHTC residents in low-poverty neighborhoods.

Do LIHTC properties foster racial diversity?

Earlier, we reported that approximately 60 percent of LIHTC residents were African-American (non-Hispanic), 20 percent were Hispanic, and less than 20 percent were white, non-Hispanic. However, these results do not indicate whether people of different race/ethnic groups live together in the same LIHTC properties or whether properties tend to be dominated by one race/ethnic group. Furthermore, it does not tell us how the race and ethnicity of LIHTC residents compares to that of neighborhood residents.

- A small proportion of properties (9 percent) have a substantial proportion of white and minority residents. All of these are for-profit properties. Most properties have either predominantly white residents (14 percent) or predominantly minority residents (77 percent). However, 42 percent of the properties have a substantial proportion of both African Americans and Hispanics.

- Only a few properties have a lower proportion of minority households than the neighborhood. Over half of the properties have a higher share of minority households than the neighborhood, 44 percent have about the same share (within 10 percentage points), and only 5 percent have a substantially lower share of minority households than the neighborhood.

- All of the properties with a lower share of minorities than the neighborhood are for-profit sponsored properties. For-profits are also much more likely than nonprofits to have a similar share of minorities as the neighborhood (65 percent versus 26 percent) and less likely to have a substantially higher proportion of minorities than the neighborhood (24 percent versus 74 percent).

How do LIHTC properties fit into the housing market?

Given that the LIHTC program is a publicly subsidized program, but one that is highly decentralized and has private-sector owners and managers, a important question addressed by the study is how LIHTC properties fit in to the local housing market. Do the properties serve the same or different clientele as other subsidy programs? Is property management in contact with the local Section 8 program? Are the properties more like private sector units in terms of amenities and services?

- As discussed previously, 74 percent of LIHTC residents have incomes below 50 percent of median making them eligible for other types of subsidized housing, including public housing and Section 8. In fact, there appears to be considerable overlap in the programs. About 37 percent of the tenants in study properties receive Section 8 (31 percent project based and 6 percent tenant based) and nearly a quarter reported that their previous residence was public housing. Despite this overlap, LIHTC residents have higher average incomes, are more likely to be working, and are less likely to be on welfare than public housing residents and Section 8 recipients in the same MSA.

- There appears to be very little contact between the LIHTC properties and the local Section 8 Voucher program. Only 25 percent of the Tax Credit property managers indicated that they had listed vacant units in their developments with the Section 8 office over the past two years. This was confirmed by Section 8 staff who also reported little contact with LIHTC managers.

- A majority of site managers indicated that their primary competition in the market was other subsidized housing—other tax credit projects or Section 8 developments. Public housing was not viewed as competition, although about 36 percent of the residents surveyed said they were on the public housing waiting list at the time that they found their tax credit unit.

- In terms of their physical characteristics, LIHTC properties are smaller (i.e., fewer units and floors) than most public housing developments in large MSAs and for the most part fit in well with the scale and style of the neighborhood. Most were well maintained and had good "curb appeal."

- The amenities offered at LIHTC properties appear to be basic, not luxurious but similar to standard (i.e., non-luxury) market-rate properties. The most common amenities reported are off-street parking, laundry facilities in the building, and air conditioning. Less than 10 percent reported access to a pool or a washer/dryer in the unit.

How did developers' objectives shape the properties produced?

While states, through their Qualified Allocation Plans, broadly shape the types of properties that receive tax credits, prospective developers respond to many different types of incentives, and, in the end, the units produced with the LIHTC reflect a broad range of motivations and considerations.

- Overall, the study found that 51 percent of the properties were developed *primarily* to improve the neighborhood, 18 percent were developed *primarily* to meet affordable housing goals, and 31 percent were developed with more traditional real estate objectives (including profit) in mind. Consistent with their social missions and local focus, nonprofit sponsors were most likely to identify "neighborhood improvement" or "increasing the supply of affordable housing" as their primary objectives in developing. For-profit sponsors often identified multiple reasons for pursuing the development, but, overall, were most likely to identify financial benefit as the primary goal.

- Different sponsor objectives led to different types of developments being undertaken and noticeable variations in project locations. Nonprofits tended to focus development in blighted areas and on problem properties. Sites included vacant city lots, drug infested buildings, or non-residential uses considered an eyesore or source of crime and other problems. For-profits developed properties in areas ranging from blighted to upscale, but were more likely than nonprofits to develop properties in higher-income neighborhoods or on undeveloped land in more outlying areas.

- Roughly two-thirds of the study properties were found to have a positive impact on the neighborhoods in which they were located. In most cases the positive impact included removing a blighting influence or nuisance property, and in several cases there was reported evidence of classic neighborhood ripple effects such as nearby redevelopment or reductions in crime.

- The properties considered to have no impact included very small properties and properties located in stable neighborhoods or outlying areas where there was no real neighborhood to impact. The three properties considered to have negative impacts suffered from poor screening and/or management and were viewed as a source of drugs or crime in the neighborhood.

Issues for Future Research

The current study represents an exploratory study of the relationship between tax credit projects and their neighborhoods. The results are applicable to the five MSAs and study period selected for the study, but cannot be reliably projected to the program nationally. In addition to verifying the results of this study with larger, nationally representative samples, future research on the tax credit program might include the following.

A study of the ***extent to which the decentralized allocation structure of the LIHTC program is succeeding in meeting local housing needs***. This study would have two basic components. The first would be an examination of state Qualified Application Plans to understand the common elements and variations in state priorities for the LIHTC program. This component could also include an investigation of how states develop and modify their QAPs and the methods they use to implement their priorities. A second component could examine the correlation between state policies and the types of projects actually undertaken. It would include an analysis of the extent to which LIHTC properties being built are meeting the needs of the area. This analysis would have to be done in the context of the housing needs of the State or even sub-state areas. For example, the study could examine whether properties are built in areas where a high share of households have excessively high rent burdens, in areas with a lack of new housing, or in areas with low concentrations of poverty.

A more ***in-depth investigation of the impacts of LIHTC properties on their neighborhoods*** is also needed. The current study has provided a qualitative assessment of the impact of the 39 sample properties, however, it would appear that a more extensive analysis is warranted given that over 50 percent of the study developers cited neighborhood improvement as their primary objective. Some researchers argue that LIHTC is an inefficient tool for providing affordable housing to low-income families, but this research does not usually take into account the impact of LIHTC properties on the neighborhood. Hence more research is needed to understand the extent of neighborhood impact of the LIHTC program. Such research should focus on quantitative measures of neighborhood impact and the perspectives of stakeholders in the neighborhood who are not involved in the LIHTC property. There are a number of possibilities. For example, 2000 Census data should allow analysis of various trends in LIHTC neighborhoods. Data on construction activity in the neighborhood prior to and after the LIHTC project was begun could be compared to overall construction activity in the broader area such as the MSA. Trends in LIHTC neighborhood property values or rent levels relative to other neighborhoods in the city could also be examined. Although there are many practical difficulties in identifying the relevant population, it might also be possible to conduct a survey of non-LIHTC landlords and/or homeowners in the immediate neighborhood to discern the impact of LIHTC properties and any new investment or improvement activity that might be attributable to the presence of the LIHTC development. Finally, it would be useful to examine neighborhood impact in the context of non-LIHTC funding sources that are also used in the development of LIHTC properties. Are LIHTC properties with tax-exempt bonds, CDBG funding, or other sources of funding more likely to have a positive neighborhood impact? In addition to raising the potential level of subsidy available (which by itself may influence the impact of the development), the use of these funding sources may indicate that the LIHTC project has support from key actors involved in local community development or may indicate that the LIHTC property is part of a comprehensive redevelopment effort.

Research on the LIHTC properties and neighborhoods where Section 8 recipients live compared to where other Section 8 recipients live would help to clarify the role of the

LIHTC program in serving Section 8 residents. One issue is whether LIHTC properties are providing opportunities for Section 8 recipients to live in better, worse, or similar properties and neighborhoods than other places where Section 8 recipients live. Such a study might compare the size of LIHTC units, property amenities, and building characteristics such as the number of units and the number of floors as well as either objective measures of maintenance or resident perceptions of maintenance. Neighborhood characteristics to be compared include poverty levels, concentration of Section 8 households, income sources, and quality of the housing stock (e.g., average rent levels or age of structures).

Finally, it would be useful to conduct ***additional research regarding those LIHTC properties with a large proportion of market-rate units***. Although a relatively small share of the total, these projects represent "mixed income" developments in the broadest sense, and should be examined given the current policy emphasis on income mixing. Research questions would focus on the extent of economic and racial diversity in such projects, the neighborhoods where such properties are located, and the characteristics of residents (both qualified and unqualified) living in these properties. It would also be important to understand better the owners' motivation in developing a mixed qualified/non-qualified property as well as resident perceptions of their property and neighborhood.

Chapter 1
Introduction

The Low-Income Housing Tax Credit (LIHTC) program is the primary affordable housing production program in the U.S. The Department of the Treasury provides states with approximately $315 million in new allocation authority each year, representing a total commitment of $3.2 billion over the ten years that investors can use the credit. Given the size of the LIHTC program, surprisingly little is known about LIHTC tenants, properties, management, and neighborhoods. The relative paucity of research is the result of a decentralized program—tax credits are awarded by individual state allocating agencies—and the corresponding lack of a central data repository available to researchers. This study collected and analyzed original data on LIHTC properties in five metropolitan areas to address some of the gaps in our knowledge about the LIHTC program.

This Chapter begins with an overview of the LIHTC program, followed by a brief summary of the history of LIHTC research and the research objectives of this study. The next two sections describe the study sample and the sources of data used. The final section provides an overview of the remainder of the report.

1.1 Overview of the LIHTC

The Low-Income Housing Tax Credit was created by the Tax Reform Act of 1986. The act eliminated a variety of tax provisions that had favored rental housing and replaced them with a program of credits for the production of rental housing targeted to lower income households. Under the LIHTC program, the states were authorized to issue federal tax credits for the acquisition, rehabilitation, or new construction of affordable rental housing. The credits can be used by property owners to offset taxes on other income, and are generally sold to outside investors to raise initial development funds for a project. To qualify for credits, a project must have a specific proportion of its units set aside for lower income households with the rents on these units limited to 30 percent of qualifying income.[1] The amount of the credit that can be provided for a project is a function of development cost (excluding land), the proportion of units that is set aside, and the credit rate (which varies based on development method and whether other federal subsidies are used). LIHTC

[1] Owners may elect to set aside at least 20 percent of the units for households at or below 50 percent of area median income or at least 40 percent for households with incomes below 60 percent of area median. Rents in qualifying units are limited to 30 percent of the elected 50 or 60 percent of median income.

investors claim credits to offset taxes otherwise owed for each year of a 10-year period.[2] However, the IRS can recapture the credits if the property does not stay in compliance over the required period.

Congress initially authorized state agencies to allocate roughly $900 million in credits over three years: 1987, 1988, and 1989.[3] Subsequent legislation modified the credit, both to make technical corrections to the original act and to make substantive changes in the program.[4] For example, the commitment period (during which qualifying units must be rented to low-income households) was extended from 15 years to 30 years.[5] States were also required to ensure that no more credit was allocated to a project than was necessary for financial viability. The credit was also made a permanent part of the Federal tax code (Section 42), providing the states with roughly $315 million in new allocation authority each year. Because credits are taken over a 10-year period, the total amount committed from the Treasury per year is 10 times the amount allocated—or approximately $3.2 billion per year.

Since the first year of the tax credit program in 1987, the LIHTC has become the principal mechanism for supporting the production of new and rehabilitated rental housing for low-income households. However, information on the number of units actually developed and their characteristics has been difficult to assemble. Given the decentralized nature of the program, there is no single federal source of information on tax credit production.[6] Most of the data about the program available in the past have been compiled by the National Council of State Housing Agencies (NCSHA), an association of state housing finance agencies, the

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2 The credit percentages are adjusted monthly, but fall in the neighborhood of 4 percent or 9 percent of qualifying basis. In general, credits are intended to provide a discounted stream of benefits equal to either 30 percent (for the 4 percent credit) or 70 percent (for the 9 percent credit) of the property's qualifying basis. The 4 percent credit is used for the acquisition of an existing building or for federally subsidized new construction or rehab. The 9 percent credit is used for non-federally subsidized rehabilitation or construction. The credit percentage is fixed at the point of final allocation of the tax credits.

3 This is a commitment from the Treasury of $9 billion, based on annual credits taken for 10 years if all the credits are allocated and used.

4 See Technical and Miscellaneous Revenue Act of 1988 and the Omnibus Budget Reconciliation Acts of 1989, 1990, and 1993.

5 The Omnibus Reconciliation Act of 1989 extended the commitment period from 15 to 30 years. However, project owners are allowed to sell or convert the project to conventional market housing if they apply to the state tax credit allocation agency and the agency is unable to find a buyer (presumably a nonprofit) willing to maintain the project as low-income for the balance of the 30 year period. If no such buyer is found, tenants are protected with rental assistance for up to three years.

6 States are required to report on tax credit projects to the IRS. However, these data are not available for analysis due to the confidentiality of tax-related submissions.

entities responsible for allocating tax credits in most states. However, NCSHA data often suffered from incomplete reporting and key data were not consistently available for all years.

Regarding program volume, NCSHA data suggest that some 800,000 LIHTC units (around 90,000 per year on average) were allocated through 1995. However, not all projects that receive initial tax credit allocations are actually completed and placed into service. (A property must receive a certificate of occupancy and be "placed in service" in order to obtain its "final allocation" and begin receiving credits.) Estimates suggest that closer to 55,000 units per year were placed in service during this period.[7] Some of the difference between units receiving allocations and units placed in service is accounted for by time lags—project developers have two years from the initial allocation to complete the buildings and place them in service. However, it also appears that there is a significant fall-out rate for properties receiving LIHTC allocations, reflecting difficulties and risks associated with this complex development program.

The best data currently available on LIHTC properties is the project-level database collected for HUD by Abt Associates Inc. Using data obtained from state agencies—supplemented in certain states with similar data collected by the GAO—the database covers the universe of properties developed between 1992 and 1994.[8] The database also contains a broad range of geographic identifiers and demographic data, which were used to develop the first comprehensive portrait of the nature and location of recent tax credit production. The sample for this study was derived from these data.

1.2 Objectives of the Research

Until recently, there has been little systematic analysis of the LIHTC program. A HUD study undertaken very early in the program provided an initial evaluation of the LIHTC, based on a sample of properties developed in 1987 and 1988.[9] Subsequent to this initial work, very little new research was available until HUD commissioned the creation of the National LIHTC

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7 James E. Wallace. 1998. "Evaluating the Low-Income Housing Tax Credit." *In Evaluating Tax Expenditures: Tools and Techniques for Assessing Outcomes*. pp. 43-62. San Francisco: Jossey-Bass.

8 The initial database also includes available state data (partial) on projects placed in service between 1987 and 1991. An Abt Associates follow-up study funded by HUD is creating a database of all projects placed in service from 1995 to the present.

9 ICF, Inc. 1991. *Evaluation of the Low-Income Housing Tax Credit, Final Report*. ICF

Database, completed by Abt Associates in 1996.[10] At about the same time, GAO was asked conduct its own study of the efficacy of the credit resulting in the GAO report: *Tax Credits: Opportunities to Improve Oversight of the Low Income Housing Program*.[11] Threats to the program in 1995 and 1996 (including a potential sunset) spawned additional efforts to understand and assess the credit usage, including an NCSHA-sponsored response to the GAO study on the first 10 years of the LIHTC program.[12] More recent work on the subject includes Newman and Schnare (1997) on locations of LIHTC properties compared with other assisted housing, Cummings and Denise DiPasquale (1998, 1999) on the financial and investment characteristics of these properties, and Abravanal and Johnson (1999) on the owners' development objectives and future plans for the property.[13]

An important theme running through many of these efforts, particularly the HUD/Abt, Newman and Schnare, and Cummings and DiPasquale research, is an effort to understand LIHTC properties in the context of their neighborhoods. There are many complex factors that potentially affect the location of these properties. For example, initial concerns that program financial incentives would favor suburban development in relatively high rent/low cost areas led to changes in the program to increase the level of subsidy available to developments in "difficult development areas" (where construction costs are high relative to incomes) and in areas where lower income renters predominate (qualified census tracts). Information from HUD's LIHTC database shows that 54 percent of all LIHTC units (and 49 percent of projects) in the early 90s were developed in central city areas, and another 26 percent of units (21 percent of projects) were developed in suburban locations.[14] Roughly two-thirds of the units are in neighborhoods that would be considered "low-income" (a

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10 Abt Associates. 1996. *Development and Analysis of the National Low-Income Housing Tax Credit Database.* U.S. Department of Housing and Urban Development, Office of Policy Development and Research: Washington DC.

11 U.S. General Accounting Office. 1997. *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program.* (GAO/GGD/RCED-97-55).

12 Ernst and Young, 1997. *The Low Income Housing Tax Credit: The First Decade.* E&Y Kenneth Leventhal.

13 Newman and Schnare. 1997. A >... And a Suitable Living Environment=: The Failure of Housing Programs to Deliver on Neighborhood Quality.@ *Housing Policy Debate*, 8(4), 703-741. Cummings and DiPasquale. 1998. "Building Affordable Rental Housing: An Analysis of the Low-Income Housing Credit." City Research. Cummings and DiPasquale. 1999. "The Low-Income Housing Tax Credit: An Analysis of the First Ten Years." *Housing Policy Debate*, 10(2), 251-307. Abravanel and Johnson. 1999. *The Low-Income Housing Tax Credit Program: A National Survey of Property Owners.* A Report Prepared for the Office of Policy Development and Research, U.S. Department of Housing and Urban Development.

14 Abt Associates (1996), cited earlier.

majority of households with income less than 80 percent of the area median) by HUD's community development program standards. The data also indicate an increase over time in the share of units developed by nonprofit sponsors.[15] However, little is known about the differences in the tenants and neighborhoods served by nonprofit and for-profit sponsors.

The relationship of LIHTC tenants to their neighborhoods is another important, but little explored, area for investigation. The program generally serves higher income residents than other HUD rental programs; however, little is known about the extent of income mixing within properties or how tenant composition relates to that of the neighborhood. Regarding racial and ethnic characteristics, there was evidence of a bimodal distribution of neighborhoods where LIHTC projects are located, with many project neighborhoods having a very high share of either white or non-white residents. What was missing, however, was any information on who is served by different projects in different neighborhoods. Put more broadly, do the properties serve residents much like others living in the neighborhood or does the program promote mobility by enabling lower income and minority households to live in higher income, non-impacted areas?

The objective of this study is to address some of these research gaps by collecting and analyzing in-depth data on tenants, neighborhoods, and properties for 39 projects in five different metropolitan areas (the procedures for selecting these properties are discussed in the next section). The principal research issues covered in this report are:

Who lives in LIHTC properties? What are the economic, race/ethnic, family composition, and other characteristics of LIHTC households? Do LIHTC residents rely on earnings, welfare, or some other source as their primary source of income? Do many receive Section 8 assistance? How does the income and race/ethnicity of LIHTC residents compare with that of Public Housing and Section 8 residents in the same MSA?

How does the living environment compare to tenant's previous residence? Is their current apartment larger, better maintained, or have better amenities than their previous unit? Is their neighborhood safer, closer to good schools, more convenient or otherwise better (or worse) than their previous neighborhood? What is the primary reason they moved to the LIHTC property? Where did they live before moving to their current unit (e.g., public housing, a private rental unit, or their own home)?

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15 Cummings and DiPasquale (1999), cited earlier.

What are rent levels in LIHTC properties? How do rents compare to FMRs? Do any residents have an excessive rent burden? Are rents close to the maximum allowed for tax credit units? Are there other restrictions on the rents that can be charged?

In what types of neighborhoods are LIHTC properties located? Do the neighborhoods consist primarily of renters or homeowners? Are properties located in high poverty or low-poverty neighborhoods? Are the neighborhoods racially diverse or dominated by one racial group?

Do LIHTC properties contribute to racial/ethnic or economic diversity? Do households with a broad range of incomes live in the same property? How do the income levels of LIHTC residents compare with income levels of neighborhood residents? Do properties tend to be dominated by one racial group or are they diverse? Do properties have the same race/ethnic composition as the rest of the neighborhood?

How do LIHTC properties fit into the housing market? Do they compete with other subsidized developments or market rate developments? What amenities or services do properties offer on their premises? How do they attract tenants? Does management have a relationship with the Section 8 office or community organizations?

What were the main objectives in developing the LIHTC property? Was it purely a profit-motivated investment or did the developer have an affordable housing or community revitalization mission? How do developers choose the sites for LIHTC developments? Do the properties appear to have a positive impact on the neighborhood?

This study is the first to collect and analyze data on many of these issues that are crucial to understanding the types of properties developed under the LIHTC program and the role of the program in meeting overall housing policy goals. The study also provides insights into the role of for-profit versus nonprofit sponsors in the program and the ways that their developments differ along the dimensions identified above.

1.3 Overview of Study Sample

This report is based on a sample of 39 properties in five metropolitan areas. It is important to understand that this exploratory study is not intended to produce program-wide statistical inferences about LIHTC projects or their residents. Thus, we are not able to draw program-wide generalizations about, for example, resident incomes or other characteristics, affordability of LIHTC units, or project rent levels. To do so would require a national probability sample of properties and their residents and would require a study of substantially larger scope. At the same time, however, a study using a large national probability sample would be less likely to capture neighborhood and market context available from this more in-depth, but limited-site investigation. This section provides a brief description of how the five metropolitan areas and the 39 properties within those five MSAs were selected for the study. (See Appendix A for a detailed description of sample selection procedures.)

Identification of MSAs

The study design called for the selection of eight LIHTC properties placed in service between 1992 and 1994 in each of five different MSAs. In choosing the five MSAs, we were guided by a desire to select:

- MSAs with sufficient production in the 1992 to 1994 period to ensure an adequate number of properties in the study sample;
- MSAs containing a variety of property types in terms of project sponsor-type (for-profit or nonprofit), city and suburban location, and qualified and non-qualified census tract; and
- MSAs that are geographically balanced (e.g., at least one from each Census region) and represent a wide spectrum of housing market conditions.

We used HUD's National LIHTC Database of properties placed in service between 1992 and 1994 to generate a list of MSAs having substantial levels of overall production as well as enough diversity of projects and neighborhoods to meet these criteria. The final stage in the selection was based primarily on: geographic distribution, the number of for-profit and nonprofit sponsored properties, the mix of central city and suburban properties, the presence of qualified census tract and non-qualified census tract properties, tightness of the rental market, and level of production (to better represent areas where LIHTC volume is the greatest). The result is shown in Exhibit 1-1 which identifies the five MSAs included in this study.

Exhibit 1-1
Five Study MSAs

Region	MSA Selected
Northeast	Boston
Midwest	Milwaukee
West	Oakland
South	Miami
Open (Midwest)	Kansas City

Selection of Properties within MSAs

Once the MSAs were identified, properties and neighborhoods were selected. We stratified properties by sponsor type (nonprofit versus for-profit) and then selected a simple random sample of four nonprofit and four for-profit properties in each MSA.[16] With a maximum sample of 40 LIHTC properties, this study could not reliably represent the whole range of LIHTC properties in these MSAs. Therefore, to provide meaningful results for a coherent population of LIHTC properties, we excluded the smallest properties (under 10 units) as well as properties operating under special rules (e.g., the special occupancy and rent rules associated with the FmHA 515 program) or serving special needs populations (e.g., homeless or people with AIDS).

Overall, to be eligible for the study, a property:

- had to be placed in service between 1992 and 1994;
- had to contain 10 or more units;
- could not have received FmHA Section 515 funding (special occupancy and rent rules);
- could not be an SRO or serve a special needs population (e.g., homeless); and
- had to be located in the metropolitan area of one of the five MSAs in the study.

After selecting the sample, a few properties were found to be ineligible or refused to participate in the study. Where possible, the ineligible and refusal properties were replaced with a similar property. The initial selection plan was to select four nonprofits and four for-profits in each MSA for a total of 40 properties evenly split between nonprofits and for-profits. However, Oakland had only three eligible for-profit properties and one refused to participate, resulting in two for-profit properties in Oakland. In addition, a nonprofit property in both Kansas City and Boston was incorrectly listed as a for-profit in the LIHTC database, thus we ended up with five nonprofits in those two MSAs. The discrepancy was discovered early enough to recruit a fourth for-profit in Kansas City, but not in Boston.
Thus, the final sample includes 39 developments: 22 nonprofit properties and 17 for-profit properties. We conducted a brief telephone canvas of non-selected properties to determine eligibility status and confirm the sponsor type. No other sponsor type discrepancies were discovered. From our canvas, we found that 85 properties in the five metropolitan areas met the eligibility requirements to be included in the study, of which 46 were nonprofits and 39 were for-profits. Property-level weights were developed such that the weighted sample

[16] In some MSAs, properties were further stratified into large (more than 100 units) and small properties and then randomly selected within these groups.

accurately represents the distribution of eligible properties by MSA and sponsor type.[17] These weights are used for property-level estimates in this report.

We also selected a sample of residents within these 39 properties for a resident survey.[18] We separately selected households in each property where the number of households selected in each property was directly proportional to the number of households in all eligible properties that were represented by that property. This means that a nonprofit in an MSA with a lot of nonprofit units in the eligible properties would have a larger number of households in the sample than a nonprofit of the same size in an MSA with fewer nonprofit units in the eligible properties (because the nonprofit in the MSA with a lot of nonprofit units is representing more units). Within properties, households were simply selected randomly. With this sample design, household-level estimates (when appropriately weighted) are unbiased estimates of all LIHTC households in the five MSAs and the estimates are more precise (lower standard errors) than would be obtained from a simple random sample of the same number of households in the study properties. See Appendix A for more detail on the sampling plan and the derivation of household-level weights.

1.4 Study Data

This study relied on data from a number of different sources, including:

- In-depth interviews with owners and managers of each property;
- Collection of tenant and rent data from manager files;
- Observations of properties and neighborhoods;
- A telephone survey of LIHTC residents; and
- Secondary data.

The in-depth interviews, collection of data from manager files, and site visitor observations occurred during field visits to each of the 39 study properties and five MSAs. Field visits were conducted between March and May 1999, with study team members spending approximately one week in each MSA. The resident survey was conducted by telephone between May and August 1999.

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[17] See Appendix A for a full description of how weights were calculated.

[18] Approximately 1,325 households were selected for the survey. Of those, 832 completed the survey representing a 63 percent response rate. The resident survey is included as Appendix C.

Appendix B contains a more detailed description of our data collection procedures. The following sections briefly describe the major types of data collected, beginning with information about LIHTC residents.

Resident Data

The primary source of information on residents is the LIHTC Resident Survey, which was completed by 832 respondents. The survey was administered over the telephone by Abt Associates Survey group and achieved a response rate of 63 percent. The major topics covered by the survey were: satisfaction with current apartment and neighborhood, prior living situation, comparison of current and prior apartment and neighborhood, factors involved in choosing their LIHTC apartment, rental payment and assistance information, and demographic information about the household.

A second major source of information on LIHTC residents is data collected from property manager files. Where possible, we collected information on gross monthly income of the household, Section 8 assistance, gross rent, household size, number of bedrooms in the unit, whether unit is a tax-credit qualifying unit, and contact information for the survey. We also explored the availability of data on race/ethnicity information, however this was rarely available at the unit level. The advantage of file sources for resident information is that these data cover all residents in the property. However, not all of the properties could provide all of the requested information and certain items (e.g., income for tenants in market rate units) were not generally available.

Property Data

Property data were primarily collected from interviews with site managers and owners and from the National LIHTC database or similar information from state housing finance agencies. From the interviews, we gathered information on the property's background, development objectives, characteristics of the management entities and owners, characteristics of the tenant population, tenant assistance and rent setting practices, marketing and tenant selection practices, amenities and services provided, and neighborhood and market characteristics. The National LIHTC database provided information on the total number of units in the property, qualifying fraction, and other property features, all of which were confirmed during the interviews. In addition, site visitors recorded observations on the condition of the property, upkeep, design quality, and curb appeal relative to nearby structures. Finally, in interviews conducted with a range of other local actors (e.g., community development representatives, PHA staff, state HFA staff) we asked about specific properties or neighborhoods included in the study.

Neighborhood Data

Information on neighborhoods in which LIHTC properties are located was collected from interviews with key actors, site visitor observations, and 1990 Census Data. In interviews with managers, owners, community development representatives, and local Section 8 staff, we discussed the characteristics of the neighborhood, trends in the neighborhood, and the impact of the LIHTC property on the neighborhood. Site visitors also filled out a windshield survey on the physical condition of the neighborhood, types of residential buildings in the area, and patterns of land use (e.g., commercial, institutional, retail). Census data from 1990 were obtained on the homeownership rate, income levels, poverty rates, and the race/ethnic composition of the census tract where the property was located. Although Census data were nine years old at the time of the study, it is the only source of information available at the census tract level for all MSAs in the study.

MSA Data

MSA-level data were collected primarily from secondary data sources. For comparing the characteristics of LIHTC residents to Public Housing and Section 8 residents, HUD provided data from their MTCS database for each of the MSAs in the study. Data on HUD Fair Market Rents (FMRs) and Gross Median Income were obtained from the HUD website. Estimates of MSA vacancy rates were obtained from the Census website. In addition, we asked the HUD Regional Economist, Community Development Department Representatives, and other knowledgeable actors about the state of the housing market in the MSA.

1.5 Report Overview

This report is organized into six chapters. Chapter 2 provides an overview of the properties in our sample. It includes an MSA-by-MSA discussion of the housing market, characteristics of the study properties, and how the sample properties compare to the universe of eligible LIHTC properties in the MSA. There is also a brief narrative description of each of the 39 study properties and the neighborhoods in which they are located.

Chapter 3 presents a profile of LIHTC households. It describes who lives in LIHTC properties and compares the economic and racial/ethnic composition of LIHTC residents to public housing and Section 8 residents in the same MSA. This chapter also examines the rent-setting practices of LIHTC properties and estimates the rent burden for LIHTC residents. Finally, it presents resident perceptions of their LIHTC apartments and neighborhoods and how these compare to their previous living environment.

Chapter 4 examines the role of the LIHTC in fostering diverse communities. It begins by describing the economic and racial characteristics of the neighborhoods in which the sample properties are located. Then it explores the extent of economic and racial/ethnic diversity within LIHTC properties and compares the composition of property residents to the residents in the surrounding neighborhood. Finally, it investigates whether the economic diversity of a property is associated with resident perceptions of their neighborhood.

Chapter 5 provides a profile of property management and other services offered at properties. It describes the amenities offered in LIHTC properties, resident satisfaction with management, and managers' and owners' perceptions of the impact that changes in welfare legislation will have on the financial viability of their property.

Chapter 6 describes the characteristics of property developers, then investigates their objectives for developing the LIHTC property and their site selection procedures. The final section explores the impacts of the sample LIHTC properties on the neighborhoods in which they are located.

Chapter 2
The Study Properties

The current study is based on information collected for 39 properties located in five metropolitan areas—Boston, Kansas City, Miami, Milwaukee, and Oakland. This chapter introduces the properties and neighborhoods included in the study. We begin with a brief overview of the developments and their characteristics, followed by a description of individual properties, organized by MSA.

2.1 Overview of the Study Properties

As discussed in Chapter 1, the five study sites were selected to include areas with substantial levels of both nonprofit and for-profit LIHTC activity. Profit status was expected to play a major role in explaining development objectives and patterns because nonprofit and for-profit organizations have inherently different motivations. Because of the different motivations of nonprofit and for-profit developers, we expected them to undertake different types of LIHTC projects, resulting in different patterns of project location, resident characteristics, and other features of development. Therefore, an attempt was made to include sufficient numbers of each type property in each market.

As shown in Exhibit 2-1, the study properties are fairly evenly divided between nonprofit and for-profit sponsors—22 (56 percent) versus 17 (44 percent), respectively. This breakdown is similar to that of the universe of properties placed in service in the five MSAs during the study years (54 percent with nonprofit and 46 percent with for-profit sponsors). Within individual MSAs, the ratio of nonprofit to for-profit properties is fairly comparable to that of the study properties as a whole, with the notable exception of Oakland, where more than two-thirds of the properties have nonprofit sponsors. The proportion of nonprofit-sponsored study properties is higher in Oakland because over three-quarters of the tax credit properties placed into service in that MSA from 1992 to 1994 were sponsored by nonprofit organizations.

Exhibit 2-1
Study Properties by MSA and Sponsor Type

MSA	Nonprofit Sponsor		For-Profit Sponsor		Total	
	Number	Percent	Number	Percent	Number	Percent
Boston	5	63%	3	37%	8	100%
Kansas City	5	56%	4	44%	9	100%
Miami	4	50%	4	50%	8	100%
Milwaukee	4	50%	4	50%	8	100%
Oakland	4	67%	2	33%	6	100%
All Properties	22	56%	17	44%	39	100%

Exhibit 2-2 presents basic information about the properties by sponsor type, including information on the fraction of units reserved for qualifying tenants, property size, geographic area, construction and building type, primary population served, presence of Section 8, and vacancy and turnover rates. Appendix A shows a comparison between the characteristics of the study sample to the characteristics of the entire universe of eligible properties in the five MSAs. It shows that the weighted estimates from the study sample are similar to the characteristics of the all eligible properties in the five MSAs on the dimensions for which we have data on all properties.

Qualifying Fraction

As shown in Exhibit 2-2, the overwhelming majority of properties—both nonprofit and for-profit—elected the 40/60 LIHTC set aside, meaning that a minimum of 40 percent of the units must be affordable to residents having incomes 60 percent or less of the area median income. All 22 of the nonprofit properties and 15 of the 17 for-profit sponsored properties (88 percent) use the 40/60 set-aside, while just two properties (both for-profit) have a minimum set-aside of 20 percent of units affordable to residents earning 50 percent of area median (the 20/50 set-aside). Unlike the rest of the study properties, in these two properties, most of the units are market rate units serving middle- or upper-middle-income residents.

While LIHTC rules require a minimum set-aside, almost all of the study properties have a much higher percentage of qualifying units than the minimum. In fact, 74 percent of the study properties had 100 percent qualifying units. The average percentage of qualifying units is 94 percent, with a somewhat higher fraction among nonprofit-sponsored-properties (98 percent) than for-profit sponsored properties (89 percent), although the average among for-profit properties is skewed downward by the presence of the two properties with 20/50 set-

Exhibit 2-2
Characteristics of Study Properties

	Nonprofit		For-Profit		Total	
	Number	Percent	Number	Percent	Number	Percent
All Properties	22	100%	17	100%	39	100%
Minimum Set-Aside						
20/50	0	0%	2	12%	2	5%
40/60	22	100%	15	88%	37	95%
Average Percent Qualifying Units	98%		89%		94%	
Number of Units						
10-29	5	23%	1	6%	6	15%
30-49	7	32%	4	24%	11	28%
50-99	6	27%	4	24%	10	26%
100-199	2	9%	6	35%	8	21%
200 or more	2	9%	2	12%	4	10%
Average Number of Units	70		102		84	
Geographic Area						
Urban	19	86%	8	47%	27	69%
Suburban	3	14%	9	53%	12	31%
Construction Type						
New Construction	9	41%	8	47%	17	44%
Rehab	10	45%	8	47%	18	46%
Both	3	14%	1	6%	4	10%
Building Type						
Elevator/high-rise only	1	5%	1	6%	2	5%
Walk-up/low-rise only	16	73%	14	82%	30	77%
Townhouse only	2	9%	0	0%	2	5%
Mixed	3	14%	2	12%	5	13%
Primary Population Served						
Family	21	95%	12	71%	33	85%
Elderly	1	5%	5	29%	6	15%
Properties with Project-Based Section 8	4	18%	4	24%	8	21%
Of these, Average % Project-Based S8 Units[a]		64%		88%		76%
Properties with Tenant-Based Section 8	17	77%	9	53%	26	67%
Of these, Average % Tenant-Based S8 Units[a]		15%		18%		16%
Properties with Any Type of Section 8	18	82%	12	71%	30	77%
Of these, Average % S8 Units[a]		28%		45%		35%
Overall % of Units with Any Section 8[b]	33%		55%		44%	
Average Vacancy Rate	4.6%		3.1%		4.0%	
Average Turnover Rate	22%		27%		24%	

Notes: Figures are unweighted, thus represent the study sample, not the universe of eligible properties in 5 MSAs. [a]Average of property-level percentages. [b]Average across all study properties (not an average of property-level percentages). **Source:** Property manager interviews.

asides. By way of comparison, in its national database for the same time period, Abt Associates (1996) found the average proportion of qualifying units in LIHTC properties to be 98 percent.[1]

Property Size

The study properties range in size from 12 to 328 units, with an average size of 84 units. While a majority of the sample properties have between 30 and 99 units (54 percent), almost one-third have 100 units or more (31 percent) and a few (15 percent) have between 10 and 30 units.[2] The nonprofit-sponsored properties in the sample tend to be smaller than their for-profit-sponsored counterparts. The average number of units among nonprofit-sponsored properties in the study is 70, versus an average of 102 units in the for-profit-sponsored properties.

In general, it can be assumed that smaller properties are less likely to physically overwhelm the immediate area of the property. However, it should be noted that four of the five largest study properties in Boston—three of which have more than 100 units—are low-rise, scattered-site rehab properties which blend in to their surroundings. At the same time, some properties are part of larger, phased developments, which may be more imposing than would be suggested by the number of units in the portion sampled for this study.

Property Location

Overall, 69 percent of the study properties are located in central city areas and the remaining 31 percent are in suburban locations, as shown in Exhibit 2-2. There is some variation by MSA. While all of the Boston MSA properties and eight of the nine Kansas City MSA properties are in central city locations, the proportions of central city and suburban properties are more evenly split in the Miami, Milwaukee, and Oakland MSAs. (The study excluded properties in rural areas.) Properties in suburban locations were more likely to have for-profit sponsors than nonprofit sponsors. In fact, nine of the 12 study properties located in suburban areas (75 percent) have for-profit developers.

Construction and Building Type

When viewed as a group, the study properties are fairly evenly divided between new construction and rehab, with four mixing elements of both. However, there are regional differences. Only one of the Boston area properties was fully new construction (five were

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1 *Development and Analysis of the National Low-Income Housing Tax Credit Database,* Abt Associates Inc., July 1996.

2 Properties with fewer than 10 units were excluded from the study.

rehabilitated and two included both rehab and new construction), reflecting the state's priority for preserving existing housing in the city. By contrast, all but one of the Oakland area properties were newly constructed.

In terms of building type, walkup buildings dominate: 30 of the 39 properties consist exclusively of walkup buildings (less than four stories), and another five properties consist of walkup buildings combined with duplexes or townhouses/row houses. Two properties are all townhouses, and two properties consist only of buildings with five or more stories. Interestingly, neither of the two high-rise buildings serves the elderly. There is no particular pattern of construction or structure type by sponsor status; presumably these decisions are driven by local market factors.

Population Served

As shown in Exhibit 2-2, most of the properties in the study sample serve non-elderly family households (including single person households): 33 properties (85 percent) serve primarily families, while six (15 percent) serve primarily elderly residents. The population served by our sample properties differs by sponsor type. Nonprofit properties are more likely to serve families. Of the six properties serving primarily elderly populations, five were developed by for-profit entities and serve exclusively the elderly. The sixth property, developed by a nonprofit, serves a mix of families and elderly. Population served also differs by location. Of the six elderly properties, three are in suburban areas within the Milwaukee MSA.

Section 8 Assistance

Many of the properties have Section 8 assistance, either in the form of project-based Section 8 or residents holding Section 8 certificates or vouchers. Eight properties (21 percent) have project-based Section 8, of which five are in the Boston MSA. Properties with project-based assistance are generally rehabilitated properties with pre-existing Section 8 contracts or with loan management Section 8 contracts for troubled properties, or they have project-based certificates. While the properties with project-based Section 8 are evenly split among nonprofit and for-profit sponsors, those developed by for-profit entities have higher percentages of units with project-based Section 8. Among for-profit-sponsored properties with project-based Section 8, an average of 88 percent of the units are Section 8, compared with 64 percent for properties with nonprofit sponsors.

Turning to tenant-based Section 8, 59 percent of the properties have at least some residents with Section 8 certificates or vouchers. The nonprofit-sponsored properties are more likely to have tenant-based assistance: 68 percent of the nonprofit-sponsored properties have at least one resident with tenant-based Section 8, compared with 47 percent of for-profit properties. Among properties with tenant-based Section 8, the average percentage of households with certificates or vouchers is 16 percent, which does not vary much by sponsor type.

Overall, 77 percent of the properties have at least one resident with Section 8 assistance, (either project-based or tenant-based Section 8). In terms of units, we found that nearly half the *units* (44 percent) across all study properties either have project-based Section 8 or are occupied by voucher or certificate holders.[3]

Vacancy and Turnover

On the whole, the study properties have fairly low vacancy rates, with a mean property-level vacancy rate of four percent. As expected, vacancy rates vary by market, with the lowest vacancy rates in the Boston and Oakland MSAs. The relatively low vacancy rates are consistent with the notion that LIHTC properties represent newer and more desirable housing relative to the overall stock of affordable units. As shown in Exhibit 2-2, vacancies are slightly higher in nonprofit-sponsored properties (4.6 percent) compared to properties with for-profit developers (3.1 percent), although the average vacancy among nonprofit-sponsored properties is skewed upward by two properties with vacancy rates exceeding 20 percent.

Turnover rates in the properties are fairly high, with an average annual turnover rate of 27 percent among the for-profit-sponsored properties and 22 percent among the nonprofit properties. However, the *median* turnover rate of 15 percent is considerably lower, suggesting that the relatively high average is driven by a relatively few properties. Of the seven properties with reported turnover rates of 50 percent or greater, four serve highly mobile singles or seasonal farm workers, and one recently changed management.

2.2 Properties and Neighborhoods by MSA

This section briefly describes each of the 39 study properties and the neighborhoods in which they are located. The research shows some distinct patterns by MSA which greatly influence the nature of LIHTC developments. For example, in the Boston MSA, most LIHTC properties placed into service from 1992 to 1994 were previously troubled properties in the urban core, several with project-based Section 8, which were targeted under the state's Qualified Allocation Plan. The tax credit program was used to preserve or "bail out" these state-financed multifamily properties. In Kansas City, the sample properties are almost all located in the urban core, with two for-profit properties in largely redeveloped downtown areas serving primarily singles working in the service industry, and the nonprofit properties generally serving families in poorer inner city neighborhoods. The Miami MSA has a wide variety of projects in both inner city and outlying areas, all of which serve primarily families. In Milwaukee, the for-profit sponsored properties tend to serve primarily elderly people in suburban locations, whereas the nonprofit properties tend to serve families in the city of Milwaukee. The Oakland MSA is characterized by a large proportion (over three-quarters) of

3 See Chapter 3 for further details about Section 8 assistance.

LIHTC properties developed by nonprofit sponsors. In addition, two of the four for-profit-sponsored properties in the Oakland MSA (both of which are in the study) have a 20/50 set-aside. These are the only two properties in the five MSAs that were placed in service between 1992 and 1994 and have a 20/50 rather than 40/60 set-aside.

In the discussion that follows, we begin by characterizing the overall housing market within each MSA. This is followed by a description of the individual study properties and their neighborhoods. For each MSA, we present a table summarizing the study properties and their key characteristics. In addition, accompanying maps show the locations of the study properties within the MSA as well as the locations of all eligible LIHTC properties developed during the period covered by the study

Boston MSA

Overview of Housing Market

The Boston metro area has one of the tightest housing markets in the country. The overall vacancy rate for rental units in the Boston metro area was 4.1 percent in 1998, compared with 6.7 percent for the Northeast region and 7.9 percent for the country as a whole.[4] Rents rose by about 5 percent in 1998, continuing an increase that has lasted for several years.[5] High rents are reflected in high FMRs: the 1999 FMR for a two-bedroom apartment in the Boston area was $906.[6]

The Boston MSA has been designated by HUD as a difficult development area (DDA), which qualifies tax credit projects for higher tax credit subsidies. As defined in IRS Section 42, a DDA is an area that has high construction, land, and utility costs relative to area median gross income. Tax credit projects developed in DDAs are eligible to receive an increase (30 percent) in the eligible basis on which tax credits are calculated. In 1994 for example, some 17 percent of the LIHTC projects developed nationwide were located in a HUD-designated DDA.

The 32 tax credit properties placed into service in the Boston MSA during 1992-1994 reflect state priorities (embodied in Massachusetts' Qualified Allocation Plan) for rehabilitation of troubled inner city properties and for properties designed to serve special needs populations. As shown in Figure 2-1, most of the properties are located in central city areas. More than

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4 Census Bureau rental vacancy rates.

5 Michael Baker, Multifamily Housing Market: Northeast Region, *Multifamily Trends,* Spring 1999.

6 1999 FMRs are used for comparison in this study because the time frame is comparable to that of the rent data collected.

four-fifths of the properties placed in service during this period were rehabilitated rather than newly constructed, and nearly half are project-based Section 8 developments. At the time, the Massachusetts Housing Finance Agency (MHFA) was faced with a large number of troubled Section 8 multifamily properties on which it held the mortgages. The tax credit program was viewed as an important resource for getting these units under new ownership and for financing for needed rehabilitation.

Another important feature of tax credit development in the Boston area during this period is use of the credit for properties designed to serve special needs populations. Although properties identified as serving special needs populations were excluded from the study, we found that more than one quarter of the Boston properties produced during this three-year period serve predominantly special needs populations such as people with AIDS or with a history of homelessness. A final feature of tax credit production in the Boston market is the strong participation in the program of nonprofit sponsors. More than half of all properties developed there in 1992-1994 were sponsored by nonprofit developers, which are particularly numerous and active in the Boston area compared with most other metropolitan areas.

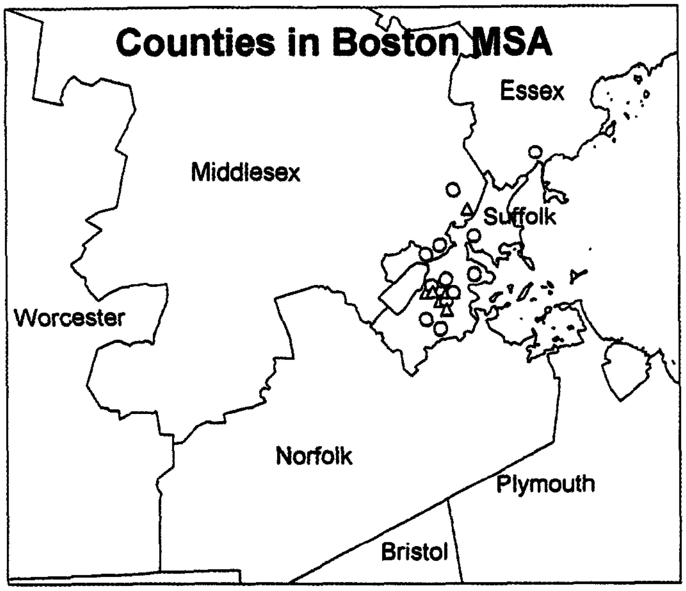
Study Properties and Neighborhoods

The eight properties selected for the study in the Boston area include three for-profit sponsored properties and five nonprofit sponsored properties. As shown in Exhibit 2-3, the properties range from 12 to 220 units, and all serve primarily families, as is reflected in the large unit sizes (all eight properties include three-bedroom units, five include four-bedroom units, and two offer five-bedroom units). Six of the properties have 100 percent qualifying tax credit units, with the two remaining properties having more than 80 percent qualifying units.

In terms of geographic distribution, seven of the properties are located in the city of Boston, and the eighth property is located in Cambridge (see Figure 2-1). Among the Boston properties, five are rehab properties in the impoverished, inner-city neighborhoods of Dorchester and Roxbury.

Five of the properties are located in two of Boston's oldest neighborhoods, Dorchester and Roxbury—two high-poverty, high-crime residential areas characterized by poor-quality housing and a high concentration of minority residents. Dorchester lies south of Boston along Dorchester Bay, and Roxbury lies just west of Dorchester. While we define the borders of Dorchester and Roxbury as the Boston Redevelopment Authority defines them, some consider parts of Roxbury to be Dorchester. One long-time representative of a local

Figure 2-1
Map of LIHTC Projects in Boston MSA by Census Tract Poverty Rate



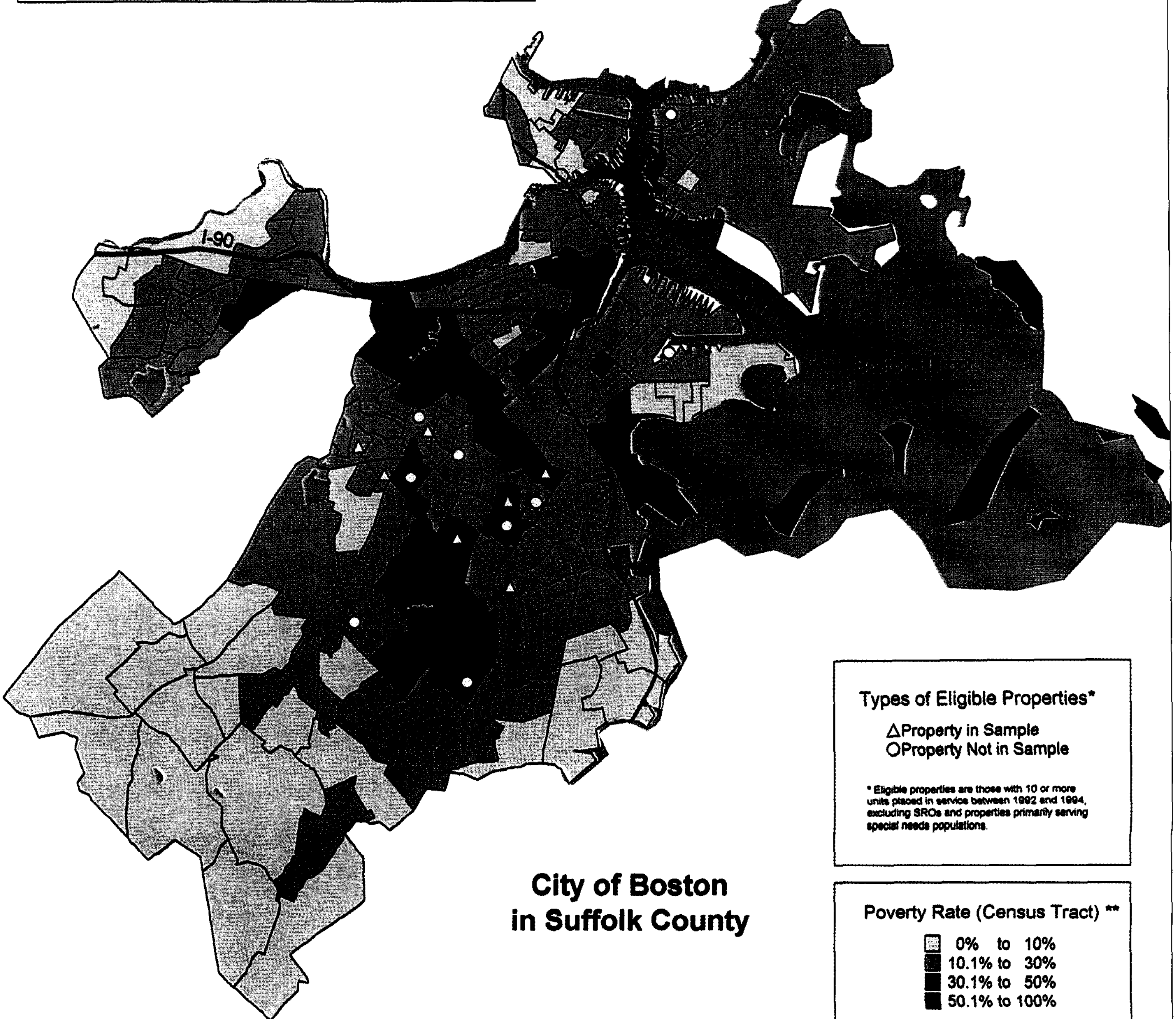


Exhibit 2-3
Boston MSA Study Properties

Property	Total Units	LIHTC Units	Sponsor Type	Construction Type	Primary Population Served	Project-Based Section 8	Tenant-Based Section 8
Hope Bay	45	45	For-profit	Rehab	Families	100%	0%
Morrant Bay	130	130	For-profit	Rehab	Families	100%	0%
Prang Estates	33	33	For-profit	Rehab	Families	0%	61%
Cottage Brook	147	147	Nonprofit	Rehab	Families	100%	0%
Franklin Park	220	203	Nonprofit	Rehab	Families	71%	0%
Hyde Square	41	34	Nonprofit	New	Families	0%	29%
Stony Brook	50	50	Nonprofit	New/Rehab	Families	0%	20%
Putnam Place	12	12	Nonprofit	New/Rehab	Families	67%	33%

Source: Property manager interviews.

nonprofit housing developer attributed this phenomenon to the fact that Dorchester has less of a stigma than Roxbury. Four of the study properties—all of which are scattered-site and project-based Section 8—are located in eastern Roxbury close to the Dorchester border and are considered by some locals to be in Dorchester. A fifth property is located near the western edge of Roxbury not far from the border of Jamaica Plain, another Boston neighborhood featured in the study.

The remaining Boston properties include two properties that were newly constructed in Jamaica Plain by local nonprofits under a unique city-sponsored coop initiative. Jamaica Plain is a very mixed neighborhood in terms of income and race/ethnicity and is the site of considerable gentrification over the past few years. Finally, the eighth property was originally developed by a nonprofit organization in the Cambridgeport/Riverside neighborhood of Cambridge to serve previously homeless women. The City of Cambridge has an extremely tight housing market, owing in part to the presence of Harvard and MIT. Abutting Harvard Square, Central Square, and the Charles River, this neighborhood is one of the more mixed Cambridge neighborhoods in terms of income and race, and, like Jamaica Plain, it is undergoing considerable gentrification.

Below are descriptions of each Boston area property in the study:

Hope Bay. This 45-unit property is a 100-percent project-based Section 8 property developed and managed by a local for-profit developer together with two other Section 8 properties (one of which, Morrant Bay, is also a study property). The units are scattered across several blocks in 16 mostly three-unit, three-story brick or stone walkup buildings. The 85- to 100-year-old buildings are arranged in row-house configurations, interspersed with other non-LIHTC buildings, so that the LIHTC buildings are indistinguishable from (and connected to) other privately owned structures. Located in Roxbury/Dorchester, this property was acquired in very distressed condition from the Massachusetts Housing Finance Agency (MHFA) and rehabilitated using tax credits and HUD's Flexible Subsidy program. The residents almost all have extremely low incomes (less than 30 percent of HUD area median). They are approximately 60 percent African-American and 40 percent Hispanic, mirroring the neighborhood in terms of income and race/ethnicity.

Morrant Bay. This property is similar to Hope Bay and is owned by the same for profit developer. Containing 130 units (100-percent project-based Section 8) and located in Roxbury/Dorchester, the property was acquired in very distressed condition from the Massachusetts Housing Finance Agency (MHFA) and rehabilitated using tax credits and HUD Flexible Subsidy. Like Hope Bay, the buildings are mostly three-unit brick or stone structures scattered over several blocks in row-house configurations. The residents almost all have extremely low incomes (less than 30 percent of HUD area median) and are approximately 60 percent African-American and 40 percent Hispanic, also mirroring the neighborhood in terms of income and race/ethnicity.

Prang Estates. This two-building, 33-unit rehab development in the western part of Roxbury was developed and is managed by a local for-profit construction developer. The wood-frame Victorian building and plain brick walkup adjacent to it are architecturally incongruous with each other and offer no curb appeal, although they appear to be better maintained than other housing in the area, which appears to be distressed. The residents are mostly African American with some Hispanic and have extremely low incomes, with nearly two-thirds having tenant-based Section 8.

Cottage Brook. Cottage Brook is a 147-unit, 100-percent project-based Section 8 property developed by a local community development corporation (CDC) active in Roxbury and Dorchester. Like Hope Bay and Morrant Bay, discussed above, this property consists primarily of units in 85- to 100-year old, scattered-site brick walkup buildings. The property is located in the Dudley Street Triangle, a very small area straddling North Dorchester and Roxbury which has been the focus of a major housing redevelopment effort since the early 1990s and is now being targeted for economic development. At the time it was acquired, Cottage Brook was an existing project-based Section 8 development in very poor physical condition and a haven for drug activity, and, like Hope Bay and Morrant Bay, it was rehabilitated using HUD Flexible Subsidy. The developer enjoyed strong support from the City of Boston, MFHA, and numerous local organizations. Cottage Brook residents are about 60 percent African-American and 40 percent Hispanic, and most have extremely low incomes.

Franklin Park. Also located in Roxbury/Dorchester, Franklin Park Apartments is a 220-unit scattered-site development developed and managed by a nonprofit housing developer. Like other several other Boston properties in the study, this property consists primarily of units in old, scattered-site brick walkups. About three-quarters of the units are project-based Section 8, with the other units covered by a state housing assistance program. The developer worked closely with MHFA (the mortgagee) in developing this existing project-based Section 8 property, which was physically and financially distressed due to deferred maintenance and poor management. The residents, mostly extremely low-income and about 70 percent African American, 20 percent Hispanic, and 10 percent Haitian immigrants, reflect the surrounding area.

Hyde Square Coop. Hyde Square Coop is a 41-unit development located in Jamaica Plain, a very mixed and somewhat gentrifying neighborhood. This property was developed by a nonprofit CDC under the Boston Coop Initiative, a city-sponsored program which used the LIHTC program to develop a total of five properties structured such that they will become coops when the compliance period is over. The two- and three-unit, new construction wood-frame buildings were built in pockets over a two-block area adjacent to a large public housing development. The units appear to be in good condition. Resident income ranges from extremely low to moderate income, and the upper income range at this property is higher than at most of the other Boston study properties. Compared with the somewhat mixed and gentrifying neighborhood, the tenancy of this property is lower income and has a higher proportion of minorities (roughly three-quarters Hispanic and a quarter African-American).

Stony Brook Gardens. Stony Brook Gardens is an attractive 50-unit townhouse-style coop development in Jamaica Plain, a few blocks from Hyde Square Coop in a slightly nicer part of the neighborhood. All but one of the 10 buildings are new construction. Like Hyde Square Coop, this property was developed (and is currently managed) by a nonprofit housing developer under the Boston Coop Initiative (see above). Although the average income at Stony Brook Gardens is very low, incomes range from extremely low to moderate, and this is the most mixed Boston area study property in terms of incomes. As with Hyde Square Coop, the tenancy of this property is lower income and has a higher proportion of minorities (about half Hispanic and half African-American) compared with the neighborhood.

Putnam Place. Putnam Place is a 12-unit, two-building development located in the Riverside/Cambridgeport area of Cambridge. The property, which is in good condition and in a desirable location, includes a century-old wood-frame building and a new construction building in a similar style. While Putnam Place was originally developed by a nonprofit housing developer to serve women with a history of homelessness, it no longer targets this population. All 12 households have Section 8—eight have project-based certificates for participants in the Family Self-Sufficiency program, and four have tenant-based Section 8. This property houses mostly extremely low-income residents, significantly poorer than the surrounding neighborhood. The property also has a higher concentration of minorities: the residents are three-quarters African-American, 15 percent white, and 10 percent Hispanic, compared to the neighborhood, which is about half white and half African-American and other minorities.

Kansas City

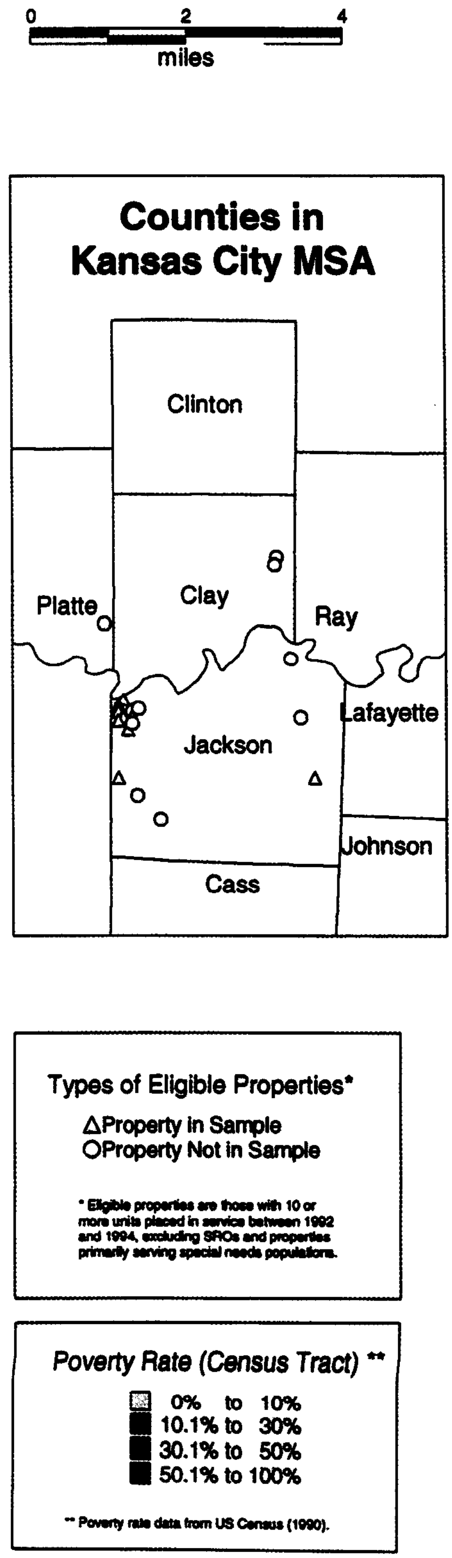
Overview of Housing Market

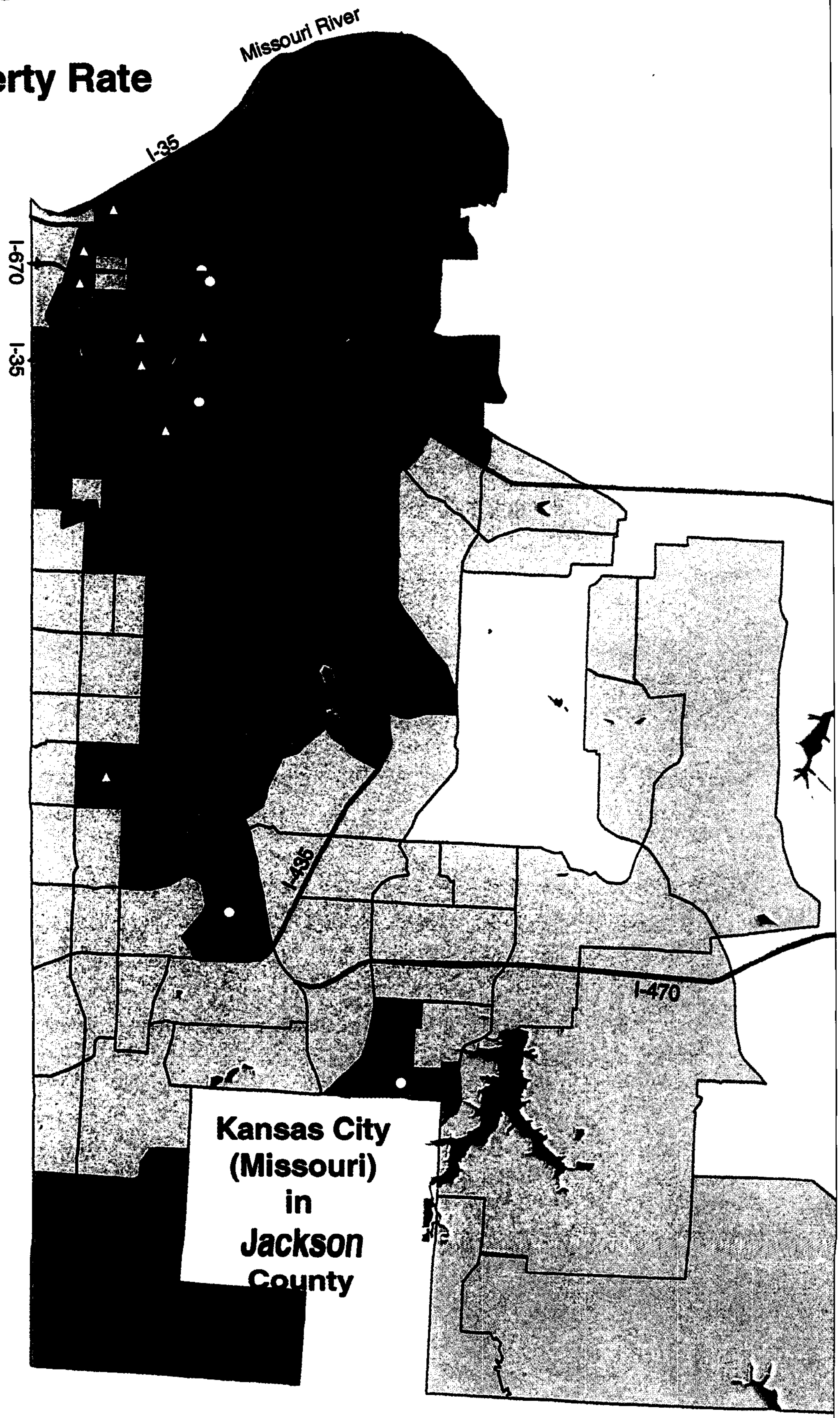
The Kansas City metro area has a moderately tight rental housing market. The vacancy rate for rental units in the Kansas City metro area was 7.5 percent in 1998, slightly lower than the rate of 7.9 percent for both the Midwest region and for the country as a whole.[7] The 1999 FMR for a two-bedroom apartment in the Kansas City area was $534.

The Kansas City area tax credit properties placed in service from 1992 to 1994 are almost all family developments. As shown in Figure 2-2, about two-thirds of the properties in the universe are located in the central city, with about one-third in the suburbs. The properties in the central city reflect the City's goal to revitalize the urban core of Kansas City, which is home to some of Kansas City's worst housing stock and lowest-income citizens. Most of the housing in this area was built in the late teens, 1920s and 1930s, with some structures as old as the 1890s. The City's strategy is to rebuild the city core through mixed-income communities and economic development, with housing tax credits playing a pivotal role. As the largest city in the state of Missouri, Kansas City receives 33 percent of the state tax credit allocation. In making allocations, the Missouri Housing and Development Corporation (MHDC) asks the Kansas City Community Development Department to rate applicant projects. From the City's perspective, projects which involve local funds receive a higher rating than those that do not.

[7] Census Bureau rental vacancy rates.

Figure 2-2
Map of LIHTC Projects in Kansas City MSA by Census Tract Poverty Rate





Study Properties and Neighborhoods

The nine Kansas City area properties selected for the study include four for-profit sponsored properties and five nonprofit-sponsored properties. As shown in Exhibit 2-4, eight of the properties serve families, and one (a for-profit) serves primarily elderly residents. Eight of the properties have 100 percent qualifying tax credit units, and one has 92 percent qualifying units.

Exhibit 2-4
Kansas City MSA Study Properties

Property	Total Units	LIHTC Units	Sponsor Type	Construction Type	Primary Population Served	Project-Based Section 8	Tenant-Based Section 8
Askew Saddlery	60	55	For-profit	Rehab	Families	0%	0%
Quality Hill IIB	84	84	For-profit	New	Families	0%	5%
Squire Park	16	16	Nonprofit	New	Families	0%	0%
The Courtyard	39	39	Nonprofit	Rehab	Families	0%	26%
MLK Village	108	108	For-profit	New/Rehab	Elderly	50%	3%
Blue Hills	20	20	Nonprofit	Rehab	Families	0%	35%
Rockford Hill	78	78	Nonprofit	Rehab	Families	0%	5%
Jefferson Place	15	15	Nonprofit	New/Rehab	Families	0%	0%
Westchester	33	33	For-profit	New	Families	0%	9%

Source: Property manager interviews.

Eight of the nine study properties in the Kansas City MSA are located central city locations, while one is located in the small town of Oak Grove. The eight central city properties are located in the urban core of the city, a 110-square-mile area of Kansas City, defined as the river to 75th Street, State Line to I-435, excluding the Country Club Plaza area. Within the urban core exists some of Kansas City's worst stock and lowest income citizens. As mentioned earlier, most of the housing stock in this area was built in the late teens, 1920s and 1930s. This area has been an area of focus for city revitalization efforts for some time. The urban core could be described as primarily low income and African American.

Within this urban core, the study properties are located within distinct neighborhoods. One property (Askew Saddlery) is located in the River Market neighborhood, bordering downtown, where the city was originally founded. The area is now home to the city's Farmers Market, renovated historic buildings, nightlife, museums, and an eclectic commercial area. Many of the old hotels in the neighborhood have also been converted to loft style apartments. The area is in demand (properties maintain 99 percent occupancy) by young office workers looking for housing near downtown. Demographically the neighborhood is mixed.

Another property (Quality Hill Phase IIB) is located in Quality Hill, a small neighborhood within the 10-block Hospital Hill area that is home to the large Truman medical center which was jointly developed by the city and the University of Missouri at Kansas City (UMKC). Bordered by the river, an interstate highway, and a bluff, the neighborhood was the focus of a major revitalization effort undertaken by the City and private developers to turn around a declining historic neighborhood. The neighborhood has a heavy population of young, single workers and students.

About two miles south of downtown on opposite sides of Troost Avenue are two distinct neighborhoods. The Beacon Hill neighborhood, east of Troost Avenue, is primarily African American longtime residents and is home to one study property. The Longfellow neighborhood, west of Troost Avenue, is a more diverse "melting pot" with longtime residents, but also young professionals moving into the neighborhood. Two properties are located in the area straddling the Beacon Hill and Longfellow neighborhoods, and another is located about six miles further down along the Troost Avenue corridor.

Further south is another central city neighborhood called Squire Park, located along the Paseo, the oldest boulevard in Kansas City. The area, which is home to one of the study properties, has always had a large multifamily housing stock. This neighborhood has been a target for city revitalization for a number of years evidenced by the mix of new construction, rehabilitation, and for-sale development.

The Westside neighborhood, which is home to one study property, is different from the rest of the city in several ways. First, demographically, the residents of the west side are Hispanic, and the neighborhood has the lowest median income in the city. The neighborhood is also characterized by its very old and poor housing stock—some of the oldest in the city. The other distinguishing characteristic of the neighborhood is that it was cut off from the rest of the city and nearly destroyed by highways developed in the 1950s and 1960s.

Finally, the only study neighborhood located outside of Kansas City is the small town of Oak Grove. Though becoming a bedroom community of Kansas City, Oak Grove is still very much a small rural town, surrounded by farmland. Oak Grove has a main street, small businesses, and has been spared the strip malls that characterize suburban neighborhoods. The town is primarily white and low to middle income.

Below are descriptions of each Kansas City area property in the study:

Askew Saddlery. This 84-unit development, located in an up-and-coming, fairly trendy neighborhood just north of downtown called the River Market area, is a converted warehouse that once served as a saddle factory. A local for-profit developer transformed the warehouse into a six-story building offering loft apartments with large windows and 16- to 34-foot ceilings, as well as a host of other amenities. The residents are mostly young, working singles without children. Their incomes are low (50 to 80 percent of area median income) or very low (30 to 50 percent of area median), considerably less than their middle- and upper-income professional neighbors. None have Section 8. The racial mix, which includes both African Americans and whites, is reportedly reflective of the neighborhood in which the project is located.

Quality Hill Phase IIB. Quality Hill Phase IIB is a very nice 84-unit garden-style property newly constructed in Quality Hill, a largely redeveloped inner city neighborhood just west of downtown. Although the property is 100 percent tax credit units, it is part of the larger New Quality Hill, a mostly market-rate development that includes rehabilitated historic buildings and infill housing, developed by a large for-profit developer. The property is very well maintained, and all the units have high-quality appliances and amenities, including access to a pool. Like the rest of the neighborhood, the residents are mostly working, childless singles in their 20s or early 30s, about five percent of whom have Section 8. On the whole, the property's residents are lower income than their professional neighbors.

MLK Village Apartments. Located in the low-income, inner city neighborhood of Beacon Hill, a few miles south of downtown, MLK Village Apartments is the only study property in the Kansas City MSA to serve primarily elderly and disabled residents. The property, developed by a for-profit entity created by the Black Economic Union and the Citizens Housing Information Center, consists of a rehabilitated mid-rise building that once served as a hospital, a newly constructed mid-rise apartment building, and eight new townhouse units, for a total of 108 units. Security is a major emphasis and a major draw of the property, providing relative safety in a neighborhood where crime is perceived to be a problem. Half the units have project-based Section 8 certificates. The residents are over 90 percent African American and extremely low income, like the surrounding neighborhood.

The Courtyard Apartments. This nonprofit-sponsored property (also referred to as Take Part III and unrelated to Blue Hills Take Part III) is a 39-unit rehab property on Troost Avenue, straddling the Beacon Hill and Longfellow neighborhoods. The three attractive three-story walkup buildings facing a common courtyard offer considerable curb appeal, although the interior hallways and units show some signs of wear. The property serves very low- and extremely low-income single-headed African-American families, some working and some on public assistance, about a quarter of whom have Section 8. The neighborhood, although primarily African American, is somewhat more mixed racially than the property.

Blue Hills. Blue Hills Take Part III (Blue Hills) is a 20-unit rehab property developed by a local nonprofit in the area straddling Longfellow and Beacon Hill, near the Courtyard Apartments. The property received CDBG financing, and the "Take Part" reference comes from a city-wide effort to provide low-income housing in the City during the early 1990s. The property's three two-story buildings, which are on different sites a few blocks apart, are well maintained but offer little curb appeal. Its residents are mostly very low- or extremely low-income single-headed families with children and elderly residents. About one-third of the residents receive Section 8 assistance.

Squire Park. Squire Park is a very attractive townhouse property newly constructed by a nonprofit housing developer in Kansas City's Squire Park neighborhood about two miles south of downtown. The well maintained property is striking from the street, with its well tended lawn and a wrought iron fence fronting the street. All 16 of the units in this 100 percent tax credit property are large, three-bedroom townhouse units with individual decks. The working families who live at Square Park fit in well to the surrounding neighborhood, which is low to moderate income and fairly mixed racially. None of the households have Section 8.

Rockford Hill. This 78-unit property is located along the Troost commercial corridor about six miles south of The Courtyard, in the high-crime area of south central Kansas City. The nonprofit developer secured a sizable amount of CDBG funding for the rehabilitation of this property. Situated amidst a heavy concentration of subsidized housing, its eight brick buildings are densely configured with very little open space and no curb appeal. The residents, almost all African American, are mostly working families and some singles and seniors, all of whom have very low or extremely low incomes. About five percent have tenant-based Section 8. In terms of income and race/ethnicity, the residents largely reflect the surrounding neighborhood.

Jefferson Place. This 15-unit property was developed in the mostly Hispanic Westside neighborhood by a local nonprofit housing developer. The small scale of the three new construction buildings and rehabilitated duplex fits in well to this mostly single-family neighborhood. The residents are primarily working Hispanic families with extremely low incomes, reflective of the surrounding neighborhood, and none of the households have Section 8.

Westchester Village. Located in the small town of Oak Grove about 30 miles east of Kansas City, Westchester Village is the only study property in the Kansas City MSA that is not in Kansas City proper. Built by a small for-profit developer in a quiet town, this 33-unit property borders farmland on one side. Its 12 attractive and well maintained one-story serve primarily working families with children. Amenities include carport parking, central air conditioning, microwave ovens, garbage disposals, and two bathrooms. The mostly white residents reflect the racial composition of the greater community. Three households have tenant-based Section 8.

Miami

Overview of Housing Market

The Miami metro area includes the City of Miami, unincorporated Miami/Dade County, and several other towns and cities. The Miami metro area has the softest rental housing market of any in the study, with a vacancy rate for rental units in the Miami metro area of 9.8 percent in 1998, slightly lower than the 1997 rate of 10.0 percent. Miami's 1998 vacancy rate is slightly higher than the rate of 9.6 percent for the South region and considerably higher than the 7.9 percent rate for the nation.[8] The 1999 FMR for a two-bedroom apartment in the Miami area was $566.

The properties placed in service in Miami from 1992 to 1994 reflect Florida's Qualified Allocation Plan's priorities for projects serving families. All but one of the properties serve primarily families, although three properties have a number of units set aside for the elderly under the State Apartment Incentive Loan (SAIL) program. As shown in Figure 2-3, the properties placed into service during the study period are scattered throughout the greater Miami area.

Study Properties and Neighborhoods

The eight Miami area properties selected for the study include four for-profit-sponsored properties and four nonprofit-sponsored properties. As shown in Exhibit 2-5, all of the properties serve primarily families, although two have a number of units set aside for the elderly under the state's SAIL program. Seven of the eight properties have 100 percent qualifying units, and the eighth property has 83 percent qualifying units.

The Miami MSA is home to the study's three largest properties. Another notable characteristic is the surprising amount of rehab, given the amount of new construction in the overall apartment market in the greater Miami area. Four of the properties were rehabilitated: one with Section 8, one as a historic building, and two after heavy damage by Hurricane Andrew.

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8 Census Bureau rental vacancy rates.

Exhibit 2-5
Miami MSA Study Properties

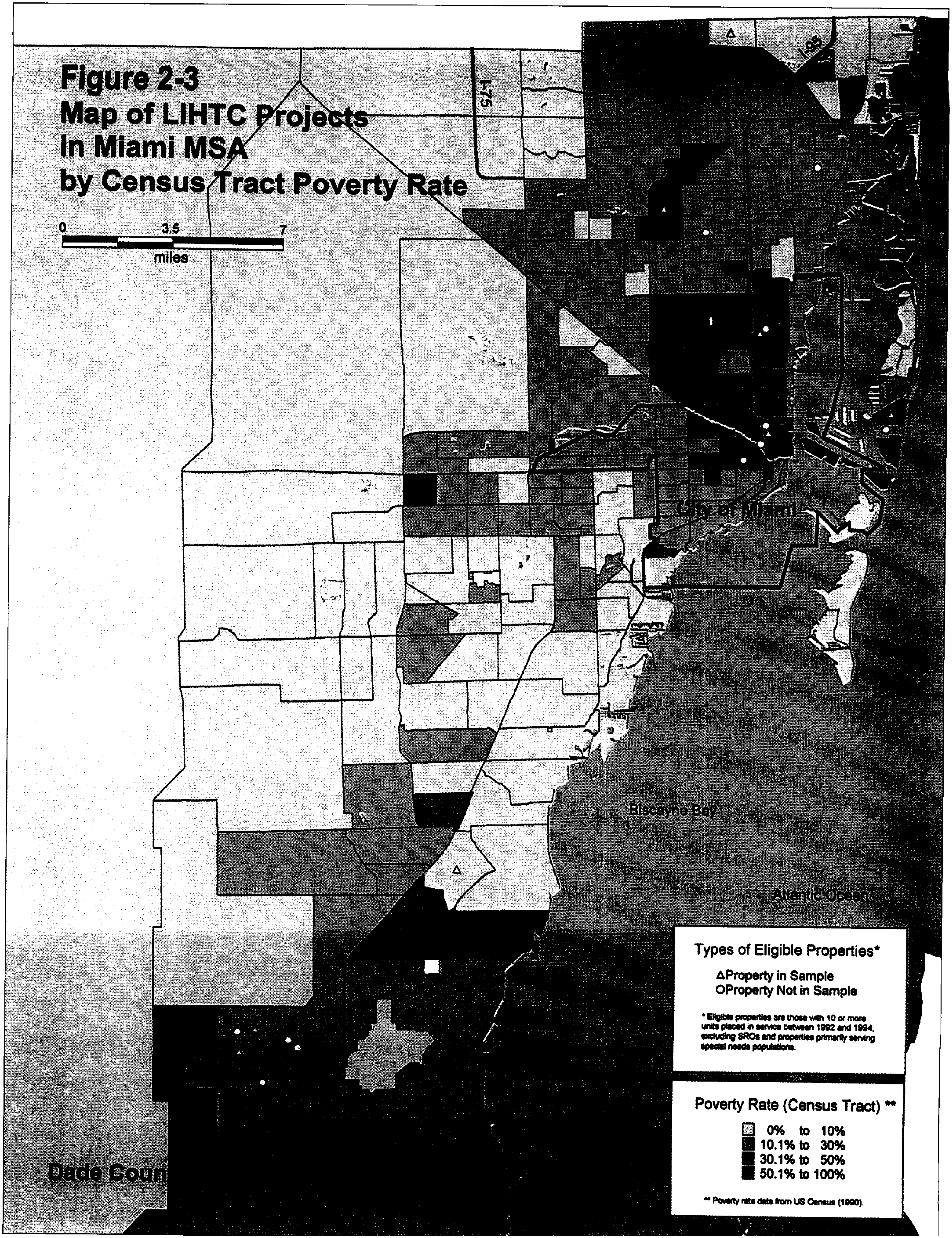
Property	Total Units	LIHTC Units	Sponsor Type	Construction Type	Primary Population Served	Project-Based Section 8	Tenant-Based Section 8
St. John	35	35	Nonprofit	New	Families	0%	6%
Edison Terraces II	60	50	Nonprofit	New	Families	0%	5%
Gardens	328	328	For-profit	Rehab	Families	100%	0%
Walden Pond	290	290	Nonprofit	New	Families	0%	0%
Cutler Hammock	262	262	For-profit	New	Families	0%	0%
Teal Pointe	45	45	Nonprofit	Rehab	Families	0%	0%
Homestead Plaza	28	28	For-profit	Rehab	Families	0%	25%
Riviera	56	56	For-profit	Rehab	Families	0%	38%

Source: Property manager interviews.

The Miami MSA properties are spread out over a large geographical area stretching 50 miles north to south. Two of the properties are located in the City of Miami; one is in Opa-Locka; two are in unincorporated Miami; two are in the city of Homestead; and one is in Miami Beach. The two City of Miami properties are nonprofit-sponsored new construction developments located in poor, African-American neighborhoods. The Opa-Locka property is a for-profit Section 8 project in one of the most troubled areas of Dade County. Two properties were newly constructed in working class areas of unincorporated Miami, and another two properties were rehabilitated (one by a nonprofit and one by a for-profit developer) in marginal areas of Homestead after heavy damage from Hurricane Andrew. The last property is a for-profit sponsored historic rehab project in Miami Beach.

The study neighborhoods in the City of Miami include Liberty City and Overtown, both of which are impoverished, almost exclusively African-American neighborhoods with little viable commercial activity. Despite its central location adjacent to the downtown core, Overtown is a largely decayed neighborhood, with poor housing quality, almost no commercial activity, rampant crime, and a declining population. A few miles north of downtown just off the north-south interstate highway, Liberty City is slightly less impoverished, with somewhat better housing conditions and slightly more commercial activity. Outside the city limits, a few miles northwest of Miami's Liberty City neighborhood, is the small city of Opa-Locka, one of greater Miami's most distressed and crime-ridden areas. Characterized by poor-quality single-family homes and Section 8 buildings, Opa-Locka has almost no economic base and seems to be declining.

Figure 2-3
Map of LIHTC Projects in Miami MSA by Census Tract Poverty Rate



Farther north is the area of North Dade County, a sprawling, low-to-moderate-income area of unincorporated Miami which is home to a large sports arena and racetrack as well as one of the study properties. At the opposite end of unincorporated Dade County, to the south, is Cutler Ridge, a another sprawling, low-to-moderate-income area located just off the Florida turnpike. A few miles south of Cutler Ridge is Homestead, a small working-class city devastated by Hurricane Andrew in 1992. The two Homestead properties are located in the southeast and northeast neighborhoods of the city, both of which are fairly low income and home to migrant farm workers.

The last study neighborhood in the Miami area is South Beach in the City of Miami Beach. South Beach is a tourist destination with a healthy commercial area and a very mixed population in terms of income, race/ethnicity, and age. South Beach's demographics have shifted over the past several years from mostly elderly residents to more young professionals and growing Hispanic and gay populations. The quality of housing has improved since a decade ago, when there were several abandoned buildings and several vacant hotels.

Below are descriptions of each Miami area property in the study:

> **St. John Apartments.** This property is a 35-unit development consisting of three walkup buildings on two sites a block apart in the impoverished inner city neighborhood of Overtown, adjacent to downtown. Developed by a local nonprofit CDC, St. John is the first new construction in Overtown in more than 50 years. Managed by a small for-profit management company, the property is in fair condition but is considerably better maintained than other housing in the neighborhood, and it offers central air conditioning. The residents have mostly very low or extremely low incomes and are African American, mirroring the neighborhood in terms of income and race.

> **Edison Terraces II.** This 60-unit property consists of two five-story buildings in the struggling inner city neighborhood of Liberty City. The development is the fifth new construction tax credit property developed in a two-block area by the same nonprofit CDC—together, the five developments total 341 units—and is currently managed by the same out-of-state for-profit management company that manages the Gardens, another study property. With 50 tax credit units, Edison Terraces II is the only Miami area property in the study that is not 100 percent qualifying, although the non-tax credit units are covered by HOME rent restrictions. The residents, who are all African American and generally have very low incomes, reflect the neighborhood in terms of racial/ethnic mix and income level.

> **Gardens.** This 328-unit development located in the distressed city of Opa-Locka was acquired as a vacant, dilapidated HUD-held property and rehabilitated by a local for-profit developer using tax credits. The development package included a 15-year loan

management Section 8 contract on 100 percent of the units. The development consists of eight very large barracks-style buildings on two sites a few blocks apart, and one of the sites is surrounded on two sides by a junkyard. Despite having been called the "Jewel of Opa-Locka" by the mayor, this property is the target of sting operations to eliminate drug activity and is in perhaps only slightly better condition than much of the poor quality housing stock found throughout this small city. The residents generally have extremely low incomes and are almost all African American. As with the other Miami area properties, the residents are a reflection of the surrounding neighborhood.

Walden Pond. This pleasant and well maintained 290-unit property in North Dade County consists of 14 walkup buildings situated at the edge of a small artificial lake with a fountain. One of the more upscale properties in the study, this property offers a swimming pool, clubhouse, fitness center, and tot lot, as well as individual balconies and central air conditioning. The property was developed by a joint venture that included the same nonprofit CDC that built Edison Terraces II and the same for-profit firm that developed Cutler Hammock (see below). It is managed by one of the country's largest management companies, which also manages the two latter properties. The neighborhood is sprawling and poorly defined, and the immediate area of the property includes a troubled apartment building, a well-maintained seniors building, and a struggling condo development. The residents are mostly working single-parent-headed families with low or very low incomes. The racial/ethnic mix is about half African American and half Hispanic.

Cutler Hammock. Cutler Hammock is another large (262 units) multi-building property newly constructed by the same for-profit developer that helped build Walden Pond. This property lies near the southern border of unincorporated Dade County in an area known as Cutler Ridge. The property, which is well maintained and offers a pool and central air conditioning, is located in a pocket of mostly small, modest single-family homes and three other tax credit properties in good condition. This pocket straddles two neighborhoods: a middle-income neighborhood and the poor, mostly African-American, neighborhood of Goulds. The property's residents are mostly very-low-income families with children, although 53 units are set aside for elderly. The racial mix is about a third African American, a third Hispanic, and a third white, which is similar to the immediate area.

Teal Pointe. Teal Pointe is a two-building 45-unit property located in Homestead. After heavy damage from Hurricane Andrew, it was rehabilitated by a nonprofit-headed joint venture that included the same for-profit enterprise that built Cutler Hammock and Walden Pond. Like those two properties, Teal Pointe offers a swimming pool and central air conditioning. The property's mostly Hispanic and

Haitian residents, many of whom are seasonal farm workers, reflect the greater community.

Homestead Plaza. Like Teal Pointe, Homestead Plaza is located in Homestead and was rebuilt using tax credits after major hurricane damage. The developer is a small construction contractor with no experience with the tax credit program who acquired the property in uninhabitable condition and rehabbed it with intent to sell the units as condominiums after the compliance period. The modest property consists of a single 28-unit concrete-block building and a pool that has been permanently closed due to the high costs of maintenance. A small management company keeps the property in fair condition. The residents are mostly Hispanic and African American with extremely low incomes, and, like the residents of Teal Pointe, many are seasonal farm workers. About one-fourth have tenant-based Section 8.

Riviera. Located in Miami Beach within walking distance of the beach and shopping, this well maintained historic art deco building was restored using tax credits by a local for-profit developer who specializes in historic residential buildings. The residents are about half elderly and half families generally without children. Over a third have tenant-based Section 8, and most of the certificate and voucher holders are elderly. Resident income is generally low or extremely low. About two-thirds of the tenants are Hispanic, close to a third are white, and two families are African American. The property's racial/ethnic mix is similar to the neighborhood, but it has proportionally more elderly than the neighborhood, whose elderly population is declining.

Milwaukee

Overview of Housing Market

The Milwaukee metro area has a relatively soft rental housing market. The vacancy rate for rental units in the Milwaukee metro area was 8.9 percent in 1998, somewhat higher than the rate of 7.9 percent for both the Midwest region and for the country as a whole, and a half a point higher than the 1997 rate of 8.4 percent for the MSA.[9] The 1999 FMR for a two-bedroom apartment in the Milwaukee area was $605.

Twelve LIHTC properties were placed in service between 1992 and 1994 in the Milwaukee metropolitan area.[10] The 12 properties were evenly split between nonprofit and for-profit

[9] Census Bureau rental vacancy rates

[10] In the Milwaukee metropolitan area, there were 13 separately funded LIHTC projects placed in service between 1992 and 1994 with 10 or more units. However, we treat Mariners Pointe I and II as one project,

sponsored owners. As shown in Figure 2-4, five of the properties are located in low-poverty areas outside the city of Milwaukee. By contrast, the Milwaukee City properties tend to border extremely high poverty areas, either in the outermost census tract with a poverty rate above 50 percent or in the first census tract outside the extremely high-poverty area.

The Milwaukee LIHTC properties placed in service between 1992 and 1994 also show a clear distinction between the nonprofit and for-profit sponsored properties. The for-profit sponsored properties tend to serve primarily elderly people in suburban locations, whereas the nonprofit properties tend to serve families in the city of Milwaukee. Four of the six for-profit properties are located in low-poverty suburban areas with three of those four serving elderly tenants. In contrast, all six of the nonprofit properties serve families in the city of Milwaukee with the exception that one nonprofit property is about evenly split between elderly and family residents. The distinction between city and suburban properties, although not necessarily the sponsor type, appears to be driven by two factors. First, almost half of Milwaukee's public housing serves elderly and disabled residents, and the local housing authority is having difficulty maintaining high occupancy rates in these projects.[11] Meanwhile, there is a long waiting list for family public housing units, so city policy makers are more receptive to tax credit properties serving families in the city. Second, developers reported that the suburban areas were more receptive to elderly developments, because they increase the property tax base without utilizing school resources and because elderly people are perceived to be much less likely to engage in criminal activities.

Study Properties and Neighborhoods

Two-thirds of the Milwaukee-area properties were selected for the study, and as shown on the Map (Figure 2-4), they are representatively spread throughout the metropolitan area. The Milwaukee MSA properties and their basic characteristics are shown in Exhibit 2-6. The eight Milwaukee area properties selected for the study include four for-profit sponsored properties and four nonprofit sponsored properties. As shown in the exhibit, four of the properties serve primarily seniors and four serve primarily families. This concentration of elderly properties is unique among the five MSAs included in the study.

The study properties have between 37 and 115 units, almost all of which are qualifying units. Five of the eight properties have 100 percent qualifying units, with the other three having 88 percent, 92 percent, and 99 percent qualifying units. All of the developments consist of townhouses or low-rises/walkups, none higher than three stories. Nevertheless, the new

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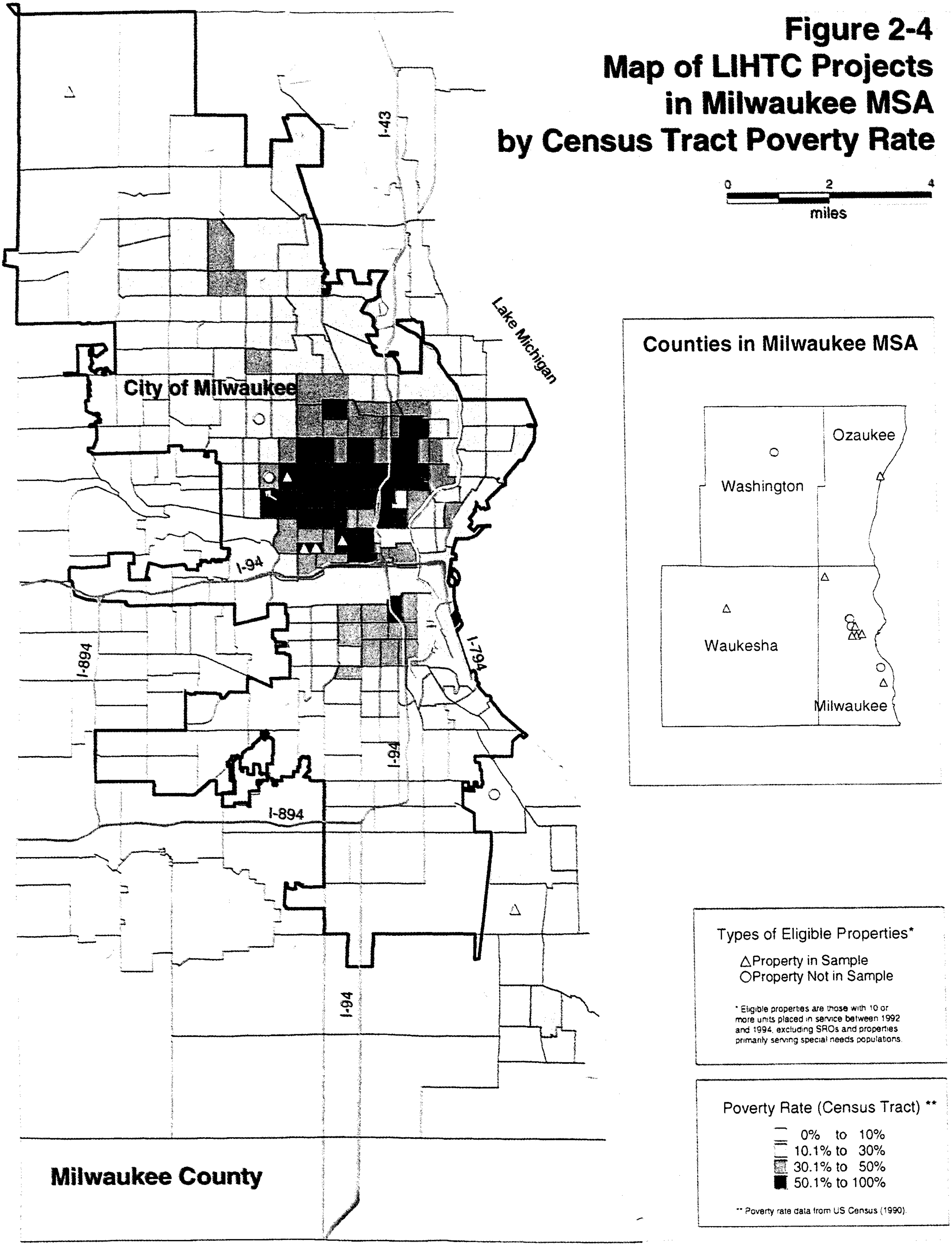
because they are part of the same development and managed as one development, hence we refer to the universe as containing 12 LIHTC projects.

[11] They are studying whether or not there is a shortage of housing for elderly residents who qualify for LIHTC properties, but tend to be higher-income than the public housing residents. (Interview with HUD Regional Economist, April 30, 1999).

Figure 2-4
Map of LIHTC Projects in Milwaukee MSA by Census Tract Poverty Rate



construction properties tend to stand out in their neighborhoods, because they are larger or more spread out than the surrounding housing, are built in relatively undeveloped areas, and because of their newness.

Consistent with the universe of eligible LIHTC properties in Milwaukee, the for-profit study properties tend to serve elderly people in suburban areas, whereas the nonprofit properties tend to serve families in the city. Furthermore, as shown in Exhibit 2-6, the City of Milwaukee properties tend to be rehabilitated developments rather than new construction. Only two of the five city developments are new construction. Milwaukee City development officials prefer rehabilitated properties because of the large amount of multifamily housing with deferred maintenance needs and vacancies in the city. All three suburban properties were new construction and built on previously undeveloped land. Two of them were built on former wooded or marshy areas, whereas the third was built on property owned by a manufacturing company that had unused property on the outskirts of its facility.

Exhibit 2-6
Milwaukee MSA Study Properties

Property	Total Units	LIHTC Units	Sponsor Type	Construction Type	Primary Population Served	Project-Based Section 8	Tenant-Based Section 8
YW Village East II	100	100	Nonprofit	Rehab	Elderly[a]	16%	2%
YW Village West	71	65	Nonprofit	Rehab	Families	0%	7%
Garden West	40	40	Nonprofit	Rehab	Families	0%	3%
Parkwest	38	38	Nonprofit	New	Families	0%	26%
Mariner's Pointe	115	115	For-profit	New	Families	0%	0%
Maple Crest	112	112	For-profit	New	Elderly	0%	2%
Williamstown Bay	52	46	For-profit	New	Elderly	0%	0%
River Oaks	37	37	For-profit	New	Elderly	0%	3%

[a] This property includes a 56-unit building serving elderly and a 44-unit building serving families.
Source: Property manager interviews.

Among the for-profit study properties in the Milwaukee MSA, three are suburban new construction developments for the elderly and one is a new construction family development in Milwaukee. The nonprofit properties, all in central city locations, include two rehab developments serving primarily families, one rehab property serving elderly and families, and a new construction property serving families.

As shown on the map (Figure 2-4), the study properties are located in three suburban areas and four Milwaukee neighborhoods with two properties several blocks apart in the same neighborhood of Milwaukee. The five family developments are all located in the city of Milwaukee, three within a mile of each other in the low-income and predominantly African-American Concordia neighborhood to the west of Marquette University. The city, the university, the YWCA and other nonprofit organizations, and several large employers (e.g., Harley Davidson) are trying to revitalize these areas. One of the family developments is in the Parkwest neighborhood, an extremely distressed neighborhood with lots of vacant land, but bordering one of the more racially diverse and middle income areas of Milwaukee, Sherman Park. Two of the three suburban senior properties are located in different middle-to-upper income, predominately white towns about a 30 minute drive from Milwaukee. The third is a few minutes south of Milwaukee in a working class area.

Below are descriptions of each Milwaukee area property in the study:

YW Village East II. YW Village East is a 100-unit property developed by YWCA through the rehabilitation of a vacant, dilapidated, and crime-ridden project in a very low-income area a few blocks west of Milwaukee's Marquette University. This property was developed in conjunction with YW Village West, a 72-unit development about five blocks west, and while the neighborhood still has a crime problem, the two developments have been a force in removing most of the conspicuous signs of crime and gang activity. One of the two buildings of YW Village East serves exclusively elderly residents (56 units), while the other building serves primarily single-headed households with children (44 units). Sixteen of the senior units have project-based Section 8 certificates. Overall, the facilities and grounds seem very well maintained, but the studio units are extremely small (342 square feet). The residents, who are very low- and extremely low-income and a mix of about 70 percent African American and 30 percent other minorities, reflect the surrounding neighborhood.

YW Village West. YW Village West was developed by the YWCA along with YW Village East II. Like its eastern counterpart five blocks away, this property was once a vacant project taken over by drugs and prostitution. Overall, the facilities and grounds seem well maintained, but the apartments are small (even smaller than YW East). There is a learning center in the main building open to the entire neighborhood and a courtyard with a play ground and barbecue facilities between the other two buildings. The residents are very low income, with rent restricted to people earning less than 50 percent of the median. The income level and racial mix of the residents is similar to the surrounding neighborhood—very low and extremely low income and about 70 percent African American.

Garden West. Garden West is a rehabbed two-building development in the Concordia neighborhood of Milwaukee, about two blocks west of YW Village West and seven blocks west of YW Village East II. Prior to the redevelopment, the area was known as "drug central," and while the property manager claims that the landlords and residents have cleaned it up, there are still crime problems just to the west of the development. The buildings are quite old with minimal curb appeal, like most of the other developments on the street. The apartments are small, bare, and worn, and the only amenity other than carpet and blinds is an outside parking lot. One or two adults live in each unit, and eight units are rented to participants in a homeless assistance program. The residents are extremely low-income African-Americans, although few receive rental assistance other than those in the homeless assistance program.

Parkwest Townhomes. This attractive town house development is a nonprofit sponsored 38-unit property built on land cleared 25 years ago to construct a freeway that was never built and that had been vacant ever since. The area was a poor, central city location with 90 percent African-American residents, boarded-up housing and commercial space, and rampant crime. The goal of the developer was to build high-quality units to attract working and other relatively higher-income people to the neighborhood. Today, Parkwest is credited with reducing reported crime and providing significant symbolic and actual reinvestment in the neighborhood, although there are still several boarded-up houses and commercial buildings in the area surrounding the property. Two more phases of the development will be eventually built on other nearby land that was cleared for the freeway. The residents of Parkwest are mostly African American families with very low or extremely low incomes, similar to the neighborhood.

Mariner's Pointe. Mariner's Pointe is a newly constructed, for-profit development serving primarily families on the north side of Milwaukee. The 112-unit town house development was built on previously undeveloped land and is still bordered by open space but is just blocks away from major roads and shopping centers. The town homes look luxurious, with private entrances, attached garages, central air, dishwashers, and washers and dryers in every unit. The residents are low-income in a neighborhood that has a mix of low- and middle-income residents.

Maple Crest. Maple Crest is a 112-unit for-profit property in upscale Port Washington (the jewel of the Great Lakes), about 40 minutes north of downtown Milwaukee. The four-building development, which is very well maintained, takes up 10 acres of previously wooded land in western Port Washington, just inside the city limits. The residents are all low-income, white elderly residents, although one building contains 10 SRO units that house some younger disabled tenants. Services for the elderly, such as on-site prepared meals and van service, are provided for a fee by social service agencies.

Williamstown Bay. Williamstown Bay-Cudahy II contains 52 units and is the second phase of a three-phase, for-profit sponsored tax credit project (totaling 144 units) serving elderly residents in the working and middle-class suburb of Cudahy. The three newly constructed three-story properties, all blue with the same design, stand out compared to the single-family homes and smaller apartment buildings in the area. The lawns and building are in excellent condition, and each unit is completely disabled accessible. The mostly white elderly residents reflect the racial makeup of the surrounding neighborhood but have lower incomes. None of the residents have Section 8.

River Oaks. River Oaks is a 37-unit, for-profit development serving elderly tenants in Hartland, an upscale suburb about 30 minutes from downtown Milwaukee. Built on previously undeveloped wooded and marshy land, the buildings look out over a scenic marsh. Almost all of the tenants are elderly (average age of 80) widowed, white females who grew up nearby and have a family support network. They have low incomes, tending to be between 50 and 60 percent of the median.

Oakland

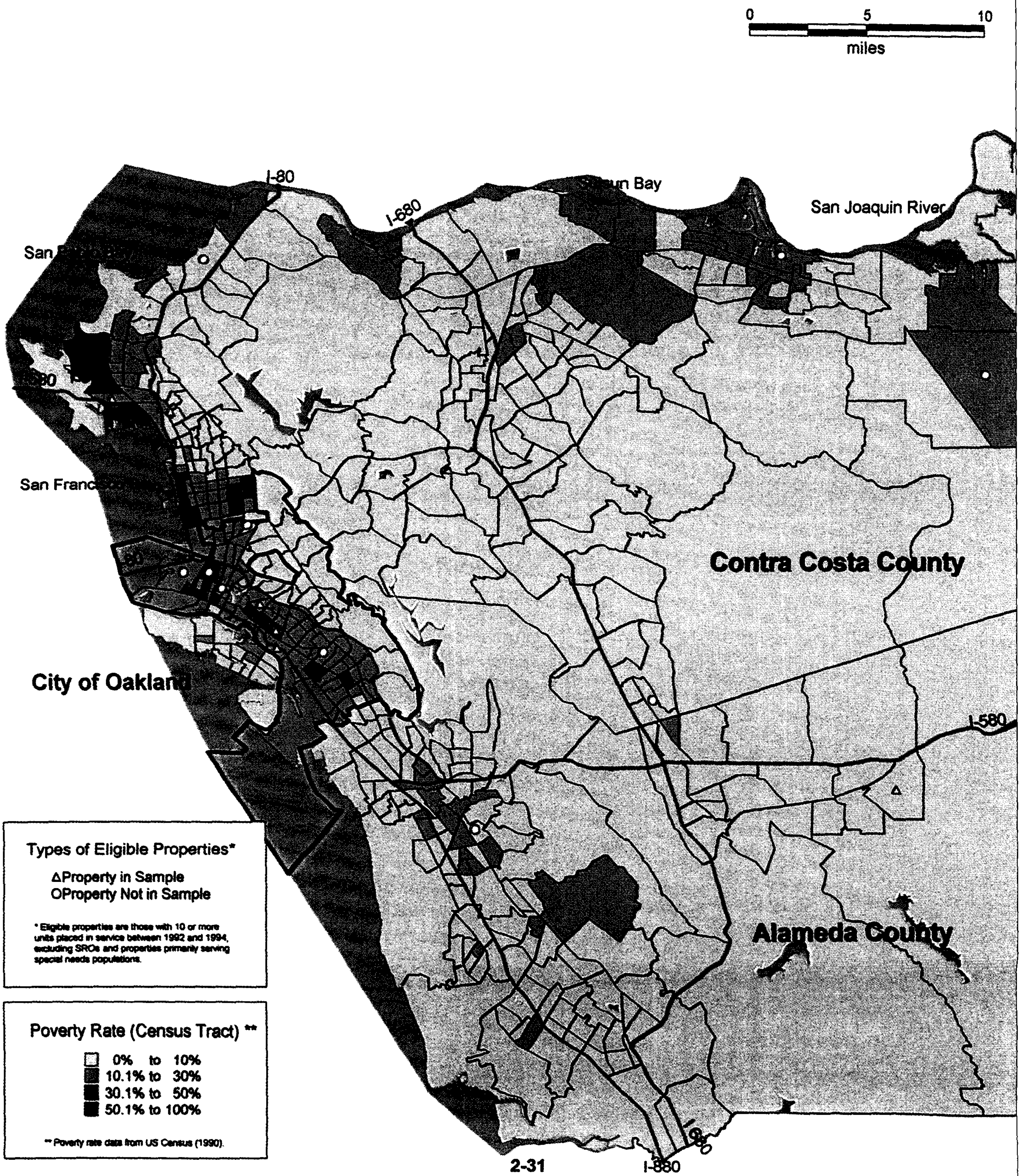
Overview of Housing Market

The Oakland metro area has a relatively tight rental housing market. The vacancy rate for rental units in the Oakland metro area was 6.0 percent in 1998, somewhat lower than the rate of 6.7 percent for the West region and considerably lower than the nationwide vacancy rate. However, the vacancy rate in Oakland rose sharply from 4.4 percent the previous year.[12] The 1999 FMR for a two-bedroom apartment in the Oakland area was $861. Like Boston, the Oakland MSA has been designated by HUD as a DDA.

The properties placed in service from 1992 to 1994 reflect California's Qualified Allocation Plan's priorities for properties developed with the participation of local tax-exempt entities and serving special needs populations. More than three-quarters of the projects placed in service during that period have nonprofit sponsors, and over a third of the developments in the universe serve special needs populations or are single-room occupancy projects (SROs) (again, the study excluded properties serving primarily special needs residents). As shown in Figure 2-5, the properties in the universe are evenly distributed in central city and suburban locations.

[12] Census Bureau rental vacancy rates

Figure 2-5
Map of LIHTC Projects in Oakland MSA by Census Tract Poverty Rate



Study Properties and Neighborhoods

As shown in Exhibit 2-7, the six properties selected for the study include two for-profit-sponsored properties and four nonprofit-sponsored properties. The two for-profit-sponsored properties are the only properties in the study with a 20/50 set-aside, and one of them is the only study property in the Oakland MSA that serves primarily the elderly (the other five properties serve primarily families). All the study properties were newly constructed with the exception of one nonprofit-sponsored property that was rehabilitated after major earthquake damage.

Exhibit 2-7
Oakland MSA Study Properties

Property	Total Units	LIHTC Units	Sponsor Type	Construction Type	Primary Population Served	Project-Based Section 8	Tenant-Based Section 8
Drasnin Manor	26	26	Nonprofit	New	Families	0%	12%
Hismen Hin-Nu	92	92	Nonprofit	New	Families	0%	22%
Santana Apts	30	30	Nonprofit	Rehab	Families	0%	0%
Richmond	64	64	Nonprofit	New	Families	0%	2%
Del Norte	135	27	For-profit	New	Families	0%	0%
Villa San Ramon	118	24	For-profit	New	Elderly	0%	0%

Source: Property manager interviews.

Geographically, three of the properties are located in Oakland, and three are in the cities of Richmond, El Cerrito, and San Ramon. Two of the Oakland properties and the Richmond property were all newly constructed in very distressed neighborhoods by experienced nonprofit CDCs or housing developers. The third Oakland property is located in a somewhat more mixed neighborhood and was rehabilitated after a major earthquake by a nonprofit organization with no prior housing development experience. The property in El Cerrito was developed in a mixed neighborhood by a for-profit firm with extensive experience in the LIHTC program. Finally, the San Ramon property is a fairly luxurious home for the elderly developed in an almost all-white, upper-middle-income community by a for-profit partnership.

The study neighborhoods include two different Oakland neighborhoods, as well as one neighborhood in each of the other three cities. The first Oakland neighborhood, which is home to two of the study properties, is located in the eastern part of the San Antonio district along the East 14th Street (also called International Boulevard) commercial corridor. A very low-income neighborhood characterized by rampant crime, poor housing quality, and struggling mom and pop stores lining the corridor, this neighborhood is one of the most distressed areas in the Oakland MSA. The second neighborhood, also located in the San Antonio district but closer to the moderate-income area of Lake Merritt, is somewhat more mixed than the first neighborhood in terms of income level and quality of housing. The racial/ethnic makeup of both neighborhoods is mostly African American with some Asian and Hispanic residents.

The city of Richmond is a fairly low-income community located just north of Berkeley and Oakland, and the Richmond study neighborhood is another of the most distressed neighborhoods in the Oakland MSA. Called the Iron Triangle, this crime-ridden neighborhood is cut off from the rest of the city by railroad tracks on the northeast and northwest, and by a freeway to the south. The quality of housing and commercial areas in the Iron Triangle is very poor, with many abandoned structures. The only viable commercial activity seems to be the retail development built with federal funds in conjunction with and adjacent to the study property.

Also to the north of Berkeley is the moderate-income suburb of El Cerrito, located just east of Richmond. The study property is located along a major artery that divides two neighborhoods. A block to the west lies a freeway, beyond which are the blue collar/low-income flatlands of Richmond, where mostly African Americans live. A block to the west is the beginning of a moderate-income hillside residential neighborhood which houses mostly white and some Asian residents. The last study neighborhood is in the upper-middle income, almost exclusively white suburb called San Ramon, which lies in a fairly rural area about an hour east of Oakland. The immediate area of the property is a community for the elderly.

Below are descriptions of each Oakland area property in the study:

> **Drasnin Manor.** Developed and managed by Oakland's oldest nonprofit housing developer, Drasnin Manor's single, rather plain-looking 26-unit walkup building was newly constructed in the distressed San Antonio district along the East 14th Street corridor. The property offers no services and no amenities other than a laundry room, community room, and limited parking, but it is in better condition than other housing in the area. The residents are mostly extremely low-income and about 85 percent African American, 11 percent Hispanic, and 4 percent white, reflecting the surrounding neighborhood. As required by the state Rental Housing Construction Program, which provided a deferred payment loan for the project's development, about one-third of the units have rents affordable to residents with 50 percent of median income. Three residents have tenant-based Section 8.
>
> **Hismen Hin-Nu Terrace.** This property, whose Native American name means "Sungate Terrace," is an attractive 92-unit property built along the East 14th Street corridor across the street from Drasnin Manor, on a site previously occupied by an abandoned supermarket. Developed and managed by a well respected local CDC

using CDBG funds, a city grant, and a deferred payment loan from the state's Rental Housing Construction Program, this property offers many amenities, including garaged parking, dishwashers and garbage disposals, wall-to-wall carpeting, and balconies, as well as several on-site services, including Head Start and after-school tutoring. The residents are mostly families with children, and about one-forth have tenant-based Section 8. Resident income is generally extremely low or very low, and the racial mix is about 85 percent African American, 10 percent Asian, and 5 percent Hispanic, mirroring the immediate neighborhood. The state loan program requires that 28 units have rents affordable to those with 50 percent of median income, and 20 units have tenant-based Section 8.

Santana Apartments. Santana Apartments is located in a relatively mixed neighborhood within the generally low-income San Antonio district. Devastated by a major earthquake in 1989, this 30-unit property was subsequently rehabilitated as a tax credit property by a nonprofit religious charity organization with no prior housing development experience. Although eight of the units were originally developed using HUD's Permanent Housing for the Homeless (PHH) program, the property lost this subsidy because of poor management by the developer. Six residents with HIV still occupy these previously subsidized units, protected by a local rent board decision requiring management to subsidize the residents as long as they choose to live there. A new nonprofit organization recently took over management, trying to address the additional problems of deferred maintenance and on-site drug activity. The residents, who are mostly extremely low income (although none have tenant-based Section 8) and about 90 percent African American, are poorer and more likely to belong to minority groups than their neighbors.

Richmond City Center Apartments. This 64-unit walkup building was built in Richmond's notorious Iron Triangle neighborhood by one of the nation's leading nonprofit housing developers. The property was built as part of a larger community development effort which included the publicly funded construction of home ownership units behind the property and an adjacent shopping area anchored by a major chain supermarket, fast food restaurant, and drug store. Secured by a police substation on the ground floor of the apartment building, the block of development forms an island of relative health and safety in a very distressed neighborhood. Similar to Hismen Hin-Nu Terrace in Oakland, this property offers secured garage parking, a nicely landscaped inner courtyard, dishwashers, balconies, and wall-to-wall carpeting. The residents' very low or low incomes are somewhat higher than the surrounding neighborhood, but the racial mix of 90 percent African American, 5 percent Hispanic, and 5 percent white is similar to that of the neighborhood.

Del Norte Place. One of two for-profit study properties in the Oakland MSA, Del Norte Place is a mostly market-rate development newly constructed in the moderate-income city of El Cerrito. The 108-unit development includes 27 tax credit units and consists of four low-rise buildings and commercial space on the ground floor. The property is located on a major commercial corridor, straddling two neighborhoods: the low-income Richmond flatlands which lie just past the freeway two blocks to the west, and a moderate income residential neighborhood rising east on the hillside just behind the property. Adjacent to a stop on the Bay Area's rapid transportation rail and close to major throughways, the location is very convenient to Oakland, Berkeley, and San Francisco. One of the most mixed properties in the study, Del Norte Place serves families, students, commuters, and the elderly, with household incomes ranging from $8,000 to over $100,000 per year. Among the tax credit units, household income is extremely low or very low. The property is also racially diverse, with 20 percent African American, 40 percent white, and 40 percent Asian residents. In terms of both income and race/ethnicity, the property's residents reflect this mixed area that straddles two distinctly different neighborhoods.

Villa San Ramon. The only other for-profit study property in the Oakland MSA, this 118-unit property is a luxury residence for the elderly located in the upper income suburb of San Ramon, about an hour east of Oakland. Like Del Norte Place, this development is mostly market, with 20 percent tax credit units. The market unit rents of $2,000 to $3,000 per month, including meals and services, illustrate the high income levels of most of the residents (or their families). According to the developer, the property could not have been built without the equity raised through tax credits. The Villa San Ramon residents reflect the surrounding neighborhood, a senior community characterized by white, upper-income residents at least 55 years old, most of them living in single-family homes.

Chapter 3
Social, Financial, and Housing Circumstances of LIHTC Residents

This chapter examines the social, financial, and housing circumstances of residents living in tax credit properties. It begins with a profile of LIHTC residents with respect to race and ethnicity, income, and other household characteristics. Section 3.2 examines the extent to which LIHTC residents receive rental assistance, discusses rent-setting practices in LIHTC properties, and examines rent burden levels among LIHTC residents. Section 3.3 presents information on the previous housing situations of study households and their satisfaction with their current LIHTC apartments and neighborhoods. Finally, Section 3.4 compares household characteristics of Section 8 residents in the study with those of LIHTC residents who do not receive rental assistance.

This chapter uses weighted data to represent all residents of eligible tax credit properties across the five MSAs. It draws on a survey of 832 residents and, to a lesser extent, on administrative records collected from property managers.[1] In order to provide context for the results, we compare our findings to the national study published by GAO in 1997.[2] It is important to remember that our sample was chosen to be representative of the five selected MSAs, whereas the GAO study is nationally representative. In addition, because there is limited national information available on the issues covered by this report, only a few results can be compared.

3.1 Profile of Residents in Study Tax Credit Properties

Race and Ethnicity

The majority of residents in the 39 study properties identified themselves as African American. As shown in Exhibit 3-1, 60 percent are African American, 25 percent are white,

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1 Only differences in sample estimates that are statistically significant at the 10 percent level of significance using a t-test (for means) or a chi-square test (for categorical data) are discussed in the text. Using the 10 percent level of significance means that there is less than a 10 percent chance that, although the sample estimates are different, the actual (unknown) population values are the same. See Appendix A for more detailed description of the significance tests performed.

2 GAO, 1997. *Opportunities to Improve Oversight of the Low-Income Housing Program,* GAO/GGD/RCED-97-55 Low Income Housing Tax Credit, March 1997).

and 16 percent identify themselves as being a member of another racial group.[3] On the whole, there is a considerable difference between the study properties developed by nonprofit sponsors and those with for-profit developers. For example, only 8 percent of residents in the nonprofit-sponsored properties are white, compared to 37 percent of those in the for-profit-sponsored properties. (When elderly properties are excluded, the difference narrows to 8 percent and 31 percent, respectively.) Similarly, while more than two-thirds of residents in nonprofit-sponsored properties (69 percent) are African American, only about half of residents in study properties with for-profit sponsors (52 percent) are African American.

In terms of ethnicity, 21 percent of the residents in the study properties identified themselves as Hispanic or Latino.[4] As with race, ethnicity differs by sponsor status, although not as dramatically. While 26 percent of residents in nonprofit-sponsored properties are Hispanic or Latino, about 17 percent of those in for-profit-sponsored properties are Hispanic or Latino.

Combining race and ethnicity, Exhibit 3-1 shows the proportion of households who are non-minority (white, non-Hispanic) compared to the proportion who are members of any ethnic or racial minority. Overall, 81 percent of study households are members of a racial or ethnic minority. This percentage is significantly higher in nonprofit properties (96 percent) as compared to for-profit properties (70 percent).

As a benchmark, we compared the racial and ethnic characteristics of tax credit residents to those of public housing and Section 8 residents in the same metropolitan areas. As shown in Exhibit 3-2, the proportion of minorities is considerably higher in the 39 tax credit properties than in public housing or among Section 8 certificate or voucher holders in two of the five MSAs.

In both Boston and Kansas City, the proportion of ethnic and racial minorities in tax credit properties is considerably higher than in public housing or tenant-based Section 8. In Miami, the proportion of African Americans is dramatically higher but the proportion of Hispanic residents is strikingly lower than in public housing or Section 8. Oakland's mix is just the opposite, with proportionally more Hispanics but fewer African Americans in LIHTC households compared to public housing and Section 8. Finally, Milwaukee LIHTC properties have proportionally fewer racial and ethnic minorities than public housing or Section 8 households.

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[3] By comparison, the GAO study reported 33 percent African-American and 53 percent white heads of household in tax credit properties (GAO, 1997).

[4] This compares with 11 percent Hispanic heads of household in tax credit properties reported by GAO, 1997.

Exhibit 3-1
Race and Ethnicity of Heads of Household by Sponsor Type

	Nonprofit Sponsor (n=391)	For-profit Sponsor (n=441)	Total (n=832)
Race*			
White	8%	37%	25%
African American	69%	52%	60%
Other	22%	11%	16%
Ethnicity*			
Hispanic	26%	17%	21%
Non-Hispanic	74%	83%	79%
Race and Ethnicity Together*			
White Non-Hispanic	4%	30%	19%
Minority	96%	70%	81%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

As a benchmark, we compared the racial and ethnic characteristics of tax credit residents to those of public housing and Section 8 residents in the same metropolitan areas. As shown in Exhibit 3-2, the proportion of minorities is considerably higher in the 39 tax credit properties than in public housing or among Section 8 certificate or voucher holders in two of the five MSAs.

In both Boston and Kansas City, the proportion of ethnic and racial minorities in tax credit properties is considerably higher than in public housing or tenant-based Section 8. In Miami, the proportion of African Americans is dramatically higher but the proportion of Hispanic residents is strikingly lower than in public housing or Section 8. Oakland's mix is just the opposite, with proportionally more Hispanics but fewer African Americans in LIHTC households compared to public housing and Section 8. Finally, Milwaukee LIHTC properties have proportionally fewer racial and ethnic minorities than public housing or Section 8 households.

Exhibit 3-2
Race and Ethnicity of Study, Public Housing, and Section 8 Households By MSA

MSA	LIHTC Heads of Household	Public Housing Heads of Household	Section 8 Certificate/Voucher Holders
Boston MSA	(n=194)		
Race			
White	6%	67%*	68%*
African American	70%	27%*	28%*
Other	24%	6%*	3%*
Ethnicity			
Hispanic	34%	21%*	17%*
Non-Hispanic	66%	79%*	82%*
Kansas City MSA	(n=154)		
Race			
White	43%	61%*	48%*
African American	53%	34%*	52%*
Other	5%	5%*	1%*
Ethnicity			
Hispanic	8%	1%*	2%*
Non-Hispanic	92%	99%*	98%*
Miami MSA	(n=179)		
Race			
White	23%	62%*	75%*
African American	61%	38%*	25%*
Other	16%	0%*	0%*
Ethnicity			
Hispanic	29%	61%*	71%*
Non-Hispanic	71%	39%*	28%*
Milwaukee MSA	(n=143)		
Race			
White	40%	30%*	33%*
African American	53%	69%*	66%*
Other	6%	1%*	0%*
Ethnicity			
Hispanic	2%	17%*	3%
Non-Hispanic	98%	83%*	97%
Oakland MSA	(n=162)		
Race			
White	27%	19%*	25%*
African American	52%	65%*	63%*
Other	22%	16%*	12%*
Ethnicity			
Hispanic	14%	7%*	6%*
Non-Hispanic	86%	93%*	94%*

Sources: LIHTC Resident Survey (1999) and MTCS Data (January 1999) **Notes:** Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs. *Indicates significant difference from LIHTC residents at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.

Income and Income Sources of LIHTC Property Households

In general, households in tax credit properties have very low-income levels, far below the eligibility cutoff of 50 or 60 percent of area median income. As shown in Exhibit 3-3, the average annual gross income of LIHTC residents in the five study MSAs is $18,449.[5] Over a quarter of the study property households (27 percent) have annual incomes of $10,000 or less, and 71 percent have incomes of $20,000 or less. Only 11 percent earn more than $30,000 per year, and these are likely to be predominately residents in non-qualifying units.

Exhibit 3-3
Income and Income Sources of Study Property Households by Sponsor Type

	Nonprofit Sponsor (n=391)[a]	For-Profit Sponsor (n=441)[a]	Total (n=832)[a]
Annual Household Income*			
$10,000 or less	22%	29%	27%
$10,001-$20,000	46%	42%	44%
$20,001-$30,000	21%	17%	19%
More than $30,000	11%	12%	11%
Income as a % of HUD Area Median+*			
0-30%	41%	39%	40%
31-50%	38%	31%	34%
51-80%	18%	21%	20%
Greater than 80%	4%	9%	7%
Mean Annual Household Income	$18,222	$18,625	$18,449
Median Annual Household Income	$16,800	$15,600	$16,138
Adult in Household Currently Working for Pay*	75%	65%	69%
Social Security, Retirement, or Pension*	14%	29%	23%
Public Assistance	11%	10%	10%
Disability Payments*	11%	8%	9%

Source: LIHTC Resident Survey (1999). +Adjusted for family size.

Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.

* Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

Totals may not sum to 100 because of rounding.

[a] Some survey respondents did not know their income but were able to identify a range in which their income lies. These respondents are not included in the calculations of income as a percentage of HUD area median or of mean or median annual household income.

[5] All income is in 1999 dollars. This compares to an average household income of $13,300 (1996 dollars) in tax credit properties reported in the nationally representative study by GAO in 1997.

Nearly three-quarters of the households in tax credit properties (74 percent) have incomes at or below 50 percent of area median income: 40 percent of study property households are considered to be extremely low income (household income is 30 percent or less of area median income), and another 34 percent are very low income (household income is 31 to 50 percent of area median income).[6] Roughly 20 percent of households have incomes between 51 and 80 percent of median income, and just 7 percent have incomes exceeding 80 percent of area median income. There is little difference in household income by sponsor type.

Most households in LIHTC properties have at least one employed adult. Overall, 69 percent have an adult currently working for pay. Residents living in properties developed by nonprofit entities are somewhat more likely to be working, with 75 percent currently working compared to 65 percent in for-profit properties. Turning to other sources of income, almost one-fourth of the residents (23 percent) receive social security, retirement income, or a pension. The percentage is considerably higher among for-profit properties (29 percent) than among nonprofit properties (14 percent), reflecting the relatively large share of for-profit properties serving exclusively elderly populations.

Given that most LIHTC residents work, only a small fraction (10 percent) of the households receive public assistance. There is no significant difference by sponsor type. Approximately, 9 percent receive disability payments, with a slightly higher proportion in nonprofit properties (11 percent) compared to for-profit properties (8 percent). About two-thirds of residents on disability are under age 65.

Because several of the study's for-profit properties serve predominately the elderly, we re-examined the income measures shown in Exhibit 3-3 excluding these developments. When the elderly properties are excluded, the percentage of households in for-profit properties working for pay increased from 65 percent to 76 percent, and the percentage of households on social security, retirement or pension decreased from 29 percent to 16 percent.

Exhibit 3-4 compares household income among LIHTC residents to incomes of public housing households and Section 8 certificate and voucher holders. In all five MSAs, the tax credit households have higher incomes, are more likely to have earned income, and are less likely to be on welfare or TANF than households in public housing or receiving tenant-based Section 8 assistance. However, these differences vary considerably by MSA.

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6 This is similar to GAO's 1997 estimate of three-quarters of tax credit households with incomes at or below 50 percent of area median income.

Exhibit 3-4
Income of Study, Public Housing, and Section 8 Households By MSA

MSA	LIHTC Households	Public Housing Households	Section 8 Certificate/Voucher Households
Boston MSA			
	(n=194)[a]		
Mean Annual Household Income	$16,137	$11,091*	$12,743*
Income as a % of HUD Area Median			
30% or below	62%	74%*	71%*
31-50%	26%	21%*	22%*
51-80%	10%	3%*	5%*
Greater than 80%	2%	1%*	0%*
Earned Income	64%	28%*	42%*
Public Assistance	13%	14%	20%*
Kansas City MSA			
	(n=154)[a]		
Mean Annual Household Income	$18,303	$8,894*	$8,760*
Income as a % of HUD Area Median			
30% or below	35%	77%*	78%*
31-50%	28%	19%*	19%*
51-80%	33%	3%*	2%*
Greater than 80%	4%	0%*	0%*
Earned Income	68%	22%*	37%*
Public Assistance	4%	14%*	29%*
Miami MSA			
	(n=179)[a]		
Mean Annual Household Income	$16,071	$7,794*	$8,831*
Income as a % of HUD Area Median			
30% or below	31%	86%*	77%*
31-50%	39%	13%*	20%*
51-80%	24%	1%*	3%*
Greater than 80%	6%	0%*	0%*
Earned Income	77%	19%*	27%*
Public Assistance	14%	19%*	21%*

Exhibit 3-4 *(continued)*
Income of Study, Public Housing, and Section 8 Households By MSA

MSA	LIHTC Households	Public Housing Households	Section 8 Certificate/Voucher Households
Milwaukee MSA			
	(n=143)[a]		
Mean Annual Household Income	$18,494	$10,133*	$11,540*
Income as a % of HUD Area Median			
30% or below	33%	78%*	72%*
31-50%	46%	18%*	26%*
51-80%	14%	3%*	2%*
Greater than 80%	6%	0%*	0%*
Earned Income	48%	33%*	45%*
Public Assistance	3%	13%*	14%*
Oakland MSA			
	(n=162)[a]		
Mean Annual Household Income	$26,989	$11,340*	$12,246*
Income as a % of HUD Area Median			
30% or below	33%	79%*	81%*
31-50%	32%	20%*	16%*
51-80%	17%	2%*	3%*
Greater than 80%	18%	0%*	0%*
Earned Income	59%	29%*	36%*
Public Assistance	12%	44%*	39%*

Sources: LIHTC Resident Survey (1999); MTCS Data (public housing: Jan. 1999; Section 8: Sep. 1999).
Notes: MTCS data for public housing have the following rates of unavailable data: Boston, 2 percent; Kansas City, 6 percent; Milwaukee, 2 percent; Oakland, 1 percent. MTCS data for Section 8 have the following rates of unavailable data: Boston, 2 percent; Kansas City, 7 percent; Miami, 1 percent; Milwaukee, 1 percent; Oakland, 2 percent.
Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference from LIHTC residents at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.
[a]Some survey respondents did not know their income but were able to identify a range in which their income lies. These respondents are not included in the calculations of income as a percentage of HUD area median or of mean annual household income.

In Boston, for example, the incomes of LIHTC households are more similar to those of public housing residents or Section 8 recipients than in the other MSAs. The mean annual income among Boston tax credit households is approximately $5,000 larger than the mean income of Boston public housing households and $3,400 larger than the mean for Section 8 certificate and voucher holders. This is the smallest difference between tax credit and assisted-housing households in any of the five study MSAs. In terms of income relative to the MSA median, 62 percent of tax credit households are classified as extremely low income (income below 30 percent of the median) compared to 74 percent of public housing households and 71 percent of tenant-based Section 8 households. Again, these are the most similar proportions of any MSA in the study. The relative similarity of Boston tax-credit and public housing/Section 8 households' incomes is likely due to the predominance of project-based Section 8 assistance among the study properties in Boston, a pattern which is not found in the other study sites.

By contrast, in the Oakland MSA the incomes of study property households exceed those of public housing and tenant-based Section 8 households by dramatic margins. The mean income among Oakland tax credit households is $26,989—about $15,000 higher than that of public housing and Section 8 residents. While around 80 percent of Oakland's public housing and Section 8 families have extremely low incomes, only one-third of the LIHTC households do. Similarly, while none of the public housing or Section 8 households have incomes that exceed 80 percent of area median, 18 percent of the LIHTC households do. The proportion of study households with incomes exceeding 80 percent of area median is considerably larger in the Oakland MSA than the other MSAs due to the presence of the two study properties with a large share of non-qualifying units.

The other three MSAs lie between these extremes. Mean household income among tax credit households in Kansas City and Miami is about twice that of public housing and Section 8 tenants. In Milwaukee, there is a somewhat smaller difference. In all five MSAs, the proportion of households with earned income is significantly higher for LIHTC residents than for public housing or Section 8. Similarly, the proportion on public assistance (welfare or TANF) is lower. Overall, LIHTC properties serve a higher income population that is more likely to be working and less likely to be on public assistance.

Size and Composition of LIHTC Households

Exhibit 3-5 presents key characteristics of the LIHTC households, by sponsor type, including household size, number of children, and age, marital status, and education level of the head of household.

As shown, the size and composition of the study households differ greatly by sponsor type. Nonprofit properties serve more large families, while for-profit properties serve more one- and two-person households. For example, there are nearly twice as many households with four or more persons living in the nonprofit properties as compared to for-profit properties. Similarly, there are twice as many one-person households in the for-profit properties (42 percent) as in properties with nonprofit sponsors (21 percent). And while fewer than half the households in for-profit properties (46 percent) have children, nearly two-thirds of households in nonprofit properties (64 percent) have children.

Exhibit 3-5
Characteristics of Study Property Households by Sponsor Type

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Household Size*			
One	21%	42%	33%
Two	21%	26%	24%
Three	27%	17%	21%
Four or more	31%	16%	22%
Number of Children*			
None	36%	54%	46%
One	20%	22%	21%
Two	25%	13%	18%
Three or more	19%	10%	14%
Age of Head of Household+*			
Less than 25	12%	13%	12%
25-34	33%	35%	34%
35-44	24%	12%	17%
45-59	22%	10%	15%
60 or older	10%	31%	22%
Marital Status of Head of Household*	48%	44%	45%
Single, not living with partner	7%	5%	6%
Single, living with a partner	19%	15%	16%
Married	21%	20%	21%
Divorced or separated	5%	16%	11%
Widowed			
Highest Level of Education by Head*			
No high school degree	21%	23%	22%
High school degree	29%	28%	28%
Trade school	5%	8%	7%
Some college, no degree	27%	20%	23%
Associate degree	9%	6%	7%
Bachelor or higher degree	8%	16%	13%

Source: LIHTC Resident Survey (1999)
+Age of Head of Household is as of December 31, 1999
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

These differences in household composition stem in large part from the fact that the heads of households in for-profit properties are three times as likely to be elderly. Only 10 percent of households in nonprofit properties are headed by someone 60 or older, compared to 31 percent in for-profit properties. Despite the sizable population of elderly in for-profit properties, the largest proportion of households (about one-third) in both types of properties is in the 25-to-34-year-old category.

In terms of marital status, nearly half the study households in both types of properties are single and not living with a partner, and another 21 percent are divorced. Many of these households are single-parent households: close to two-thirds of the single-headed households (62 percent) and over half of the divorced heads of households (56 percent) have children. Not surprisingly, because of the relatively high proportion of elderly residents, the proportion of widowed heads of households is three times higher in for-profit-sponsored properties than in nonprofit-sponsored properties (16 percent compared to 5 percent).

Overall, the LIHTC households are fairly well educated. The vast majority of the heads of household (78 percent) have at least a high school degree. A full 43 percent have had at least some college, and 20 percent have a college degree. There is not a dramatic difference in education level by sponsor type.

3.2 Rent Burdens and Project Rent-Setting Practices

This section examines the rent burdens of study property households. To provide a context for the analysis of rent burdens, we begin with a summary of the extent to which LIHTC households receive rental assistance and of how rents are set in different types of properties.

Housing Assistance Among LIHTC Property Households

Section 8 housing assistance plays an important role in the housing situation of many LIHTC households. As shown in Exhibit 3-6, 37 percent of the residents in the study properties have Section 8 assistance, either in the form of project-based Section 8 or a Section 8 certificate or voucher.[7] The proportion of residents with Section 8 differs by sponsor type. About 31 percent of residents in nonprofit properties have some form of Section 8, as compared to 41 percent of the residents in for-profit properties.

[7] This is comparable to GAO's estimate of 39 percent of tax credit households receiving rental assistance, GAO, 1997.

Exhibit 3-6
Households with Section 8 Assistance by Sponsor Type

	Nonprofit Sponsor (n=1,466)	For-Profit Sponsor (n=1,708)	Total (n=3,174)
Section 8*			
Project-based	23%	36%	31%
Tenant-based	8%	5%	6%
None	69%	59%	63%

Source: Administrative records and property manager interviews for all occupied units.
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

Project Rent-Setting Practices

Exhibit 3-7 summarizes the types of rent restrictions that apply to units in the study properties. For purposes of discussion, we group these units into four categories:

- Units covered by project-based Section 8
- Units funded by programs such as HOME or state housing programs that require affordability for residents with incomes 35 to 50 percent or less of area median income[8]
- Units whose rents are restricted by the tax credit maximum only
- Units with no rent restrictions (market-rate units)

The use of Section 8 certificates or vouchers may also affect owners' rent-setting practices, because units occupied by Section 8 certificate or voucher holders must meet PHA rent reasonableness standards.

The rent restrictions applicable to the study properties vary by sponsor type. Of the units in properties with nonprofit sponsors, 22 percent have project-based Section 8, 20 percent have rent restrictions associated with HOME or state program financing, and 56 percent have no

[8] Under the HOME Program, there are two types of HOME-assisted rental units: Low HOME units and High Home units. Projects with five or more HOME units must have at least 20 percent Low HOME units. Low HOME units must be affordable for residents with incomes 50 percent of area median income, while High HOME units must be affordable to those with incomes 65 percent of median. For the purposes of this category, we included only Low HOME units.

rent restrictions beyond the tax credit maximum rents (i.e., rents set at 30 percent if 50 or 60 percent of the area median). Only 2 percent of units in properties with nonprofit sponsors are market-rate units.

Exhibit 3-7
Rent Restrictions on Study Property Units

	Nonprofit Sponsor (n=1,529)	For-Profit Sponsor (n=1,735)	Total (n=3,264)
Rent Restriction*			
Project-based Section 8	22%	36%	30%
HOME or Similar Program (35-50% of Area Median Income)	20%	0%	9%
LIHTC Maximum Only (50 or 60% of Area Median Income)	56%	55%	55%
No Rent Restrictions (market rate units)	2%	9%	6%

Source: Administrative records and property manager interviews for all study property units.
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

By contrast, units in for-profit properties are more likely to be market-rate (no income or rent restrictions) and more likely to have project-based Section 8, but less likely to have any rent restrictions from participating in the HOME, or similar state programs. As shown in Exhibit 3-7, 36 percent have project-based Section 8, none have rent restrictions associated with HOME or state program financing, 55 percent have no restrictions beyond the tax credit maximum rents, and 9 percent have no rent restrictions (i.e., they are market-rate).

Exhibit 3-8 shows gross rents in the study property units as a percentage of area Fair Market Rents (FMRs) and tax credit maximum rents. These measures provide a market-based indication of affordability, except in project-based Section 8 units and in units occupied by Section 8 certificate holders, where residents pay 30 percent of income regardless of gross rent.

As shown, LIHTC rents vary considerably by sponsor type. Nearly half of the nonprofit units (45 percent) have rents that are 70 percent or less of FMRs, compared with 9 percent of for-profit property units. Similarly, only 21 percent of units in nonprofit properties have rents above 90 percent of FMRs, compared to 58 percent of for-profit property units. The higher rents in for-profit properties is consistent with locational differences by sponsor type. For-profit properties are much more likely than nonprofits to be located in low-poverty and suburban neighborhoods where rents tend to be higher (See Exhibit 4-1).

Exhibit 3-8
Rents as a Percentage of FMRs and Tax Credit Maximum Rents, By Sponsor Type

	Nonprofit Sponsor (n=1,439)	For-Profit Sponsor (n=1,591)	Total (n=3,050)
Gross Rent as a % of FMR*			
70% or less	45%	9%	26%
71-80%	17%	14%	16%
81-90%	18%	19%	18%
91-100%	7%	26%	17%
Greater than 100%	14%	32%	22%
Gross Rent as a % of Tax Credit Maximum*			
50% or less	10%	1%	5%
51-80%	48%	24%	36%
81-100%	20%	28%	24%
Greater than 100%	22%	47%	35%

Source: Administrative records, HUD.
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

In addition, for-profit units are more likely than nonprofit units to be near or above the tax credit maximum.[9] Specifically, three-quarters of units in for-profit properties have rents above 80 percent of the tax credit maximum, compared to less than half the units in nonprofit properties, and 47 percent of the for-profit units are above the tax credit maximum, compared to 22 percent of units in nonprofit properties. (Gross rents may exceed the tax credit limit in units with Section 8 assistance [project- or tenant-based], and in non-qualifying units.)

Rent Burden

An important policy issue is the extent to which households in "shallow subsidy" programs, such as the LIHTC, have rent burdens that are within an acceptable range. This is considered to be 30 percent of adjusted income in HUD assistance programs. In analyzing rent burden for this study, we examined tenant rent including tenant-paid utilities as a percentage of gross

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9 Tax credit maximum rents are 30 percent of 50 percent or 60 percent of area median income, depending on the property's minimum set-aside.

household income.[10] We were also interested in the change in rent burden associated with moving to a tax credit property. Although change in rent burden could not be measured directly, as a proxy, we asked survey respondents to compare their current rent to their rent before they moved to the LIHTC property, and the relative difficulty in paying the rent now compared to their previous residence.

As shown in Exhibit 3-9, half of the study households (50 percent) pay 30 percent or less of their gross income for rent and utilities. One-quarter (25 percent) pay 31 to 40 percent, 12 percent pay 41 to 50 percent, and 13 percent pay over 50 percent of their gross income toward rent and utilities. Rent burdens among households living in the study properties do not vary dramatically based on sponsor type.

Exhibit 3-9
Rent Burdens Among Study Property Households by Sponsor Type

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Rent Burden*			
20% or Less of Gross Income	13%	16%	15%
21-30%	40%	31%	35%
31-40%	25%	25%	25%
41-50%	11%	13%	12%
Greater than 50%	11%	15%	13%
Rent Compared to Previous Apartment			
Lower than Previous Apartment	48%	46%	47%
About the Same	13%	12%	13%
Higher than Previous Apartment	39%	42%	40%
Perceived Rent Burden Compared to Previous Apartment			
Easier to Pay than Previous Apartment	34%	33%	34%
About the Same Rent Burden	39%	38%	39%
Harder to Pay than Previous Apartment	26%	29%	28%

Source: LIHTC Resident Survey (1999) **Notes:** Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs. *Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.

10 Tenant rent, tenant-paid utilities, and gross income for rent-burden calculations were all self-reported by survey respondents. Where utilities data were missing, the utility allowance was used as a proxy. Where tenant-reported income was missing, manager-reported income was used.

This finding is surprising, suggesting that 13 percent of LIHTC households have worst case housing needs (i.e., rent burdens exceeding 50 percent). In order to understand better the reasons for these apparent high rent burdens, we examined the 95 households with calculated rent burdens of greater than 50 percent. More than one-third (35 percent) have elderly heads (65 or older), who are more likely to have fixed incomes than non-elderly. A substantial portion of these elderly households (39 percent) are in Villa San Ramon, the mostly market-rate luxury residence for the elderly in California. It is possible that these households may have substantial asset income or family resources that they may not have included in their incomes reported in the survey. Surprisingly, however, 20 percent of the households with rent burdens of at least 50 percent receive Section 8 rental assistance (project- or tenant-based).

To identify possible sources of data error, we examined more closely each input to the rent burden calculation—tenant-paid rents, tenant-paid utilities, and gross household income. For each of these inputs, we used tenant-reported data from the survey. Where available, we compared these tenant-reported data with data provided by the property manager.

At several properties, managers provided information on tenant-paid rents as well as gross rents. For these properties, we compared tenant-paid rents from the survey and from the managers to assess whether there was a significant discrepancy. In a few cases, it was clear that residents pay for some additional service, such as parking, along with their basic rent, and therefore overstated their actual rent. For the most part, however, the two sources were in agreement, thus eliminating tenant-paid rents as a significant source of data error.

We also compared tenant-reported utilities with the utility allowance reported by the property manager. In a large number of cases, tenant-reported utilities exceeded the utility allowance, and in several instances, particularly among Section 8 residents, high utilities were the primary driver of high rent burden. There are several possible explanations for the discrepancy between tenant-reported utilities and the utility allowance. First, very often, actual consumption of electricity, gas, and other utilities exceeds the utility allowance provided for the unit. This may be because the allowance is insufficient or because the tenant's usage is excessive, or a combination of the two. It is also possible that some tenants overestimated the amount they spend on utilities, in which case rent burden would be overstated.

Finally, we compared gross household income as reported by the resident with income as reported by the property manager, where available. Very often, there was a significant discrepancy between the two sources, and more often than not, the tenant-reported income was lower than the manager-reported income. A number of factors may be at work. It is possible that residents did not include asset income when they provided their gross household income for the survey (as noted above, many of those with worst case housing needs are elderly, and these households may have substantial asset income). The discrepancy may also be the result of simple reporting error. However, it is important to note that the income data provided by property managers was often over a year old by the time of our survey, and that the households' financial circumstances may have changed between the last recertification and the time of the study survey.

To determine the effect of the income data source on the estimation of rent burden, we recalculated rent burden using management-reported tenant income instead of tenant-reported income. Using this approach, we found that 50 percent of households had calculated rent burdens exceeding 30 percent, and 10 percent had rent burdens exceeding 50 percent (as compared to 13 percent using tenant-supplied data). We also compared the two rent burden calculation approaches to determine the percentage of households that had high rent burdens according to *both* approaches. We found that 38 percent had rent burdens exceeding 30 percent according to both approaches, and 8 percent had rent burdens exceeding 50 percent.

With regard to changes in rent burden, the majority of households pay less rent or similar rent in their current apartment compared to their previous residence. Specifically, 47 percent indicated that they pay less rent in the LIHTC property than they did in their previous housing situation, and 13 percent said they pay about the same. However, about 40 percent of residents reported that they pay more now than in their previous residence. There was little variation based on sponsor type.

Overall, most residents reported that their current rent was easier to pay than their previous rent or about the same level of difficulty considering both changes in income and rent since they moved. About one-third of the households (34 percent) said their current rent was easier to pay now than in their previous residence, and 39 percent said it was about the same. About one-quarter (28 percent) said it was harder since they moved to their LIHTC development.

Exhibit 3-10 shows rent burden by income as a percentage of area median income. As shown, residents with the highest rent burdens are those with the lowest incomes. Nearly one-fourth (23 percent) of extremely low-income households (earning 30 percent or less of median income) have rent burdens exceeding 50 percent, more than twice the proportion of households in higher income groups. Furthermore, while a substantial proportion of the extremely low-income households (43 percent) and very low-income households (38 percent) have rent burdens below 30 percent, low-income households (74 percent) and more moderate income households (79 percent) are almost twice as likely to have rent burdens of 30 percent or below.

Exhibit 3-10
Rent Burdens Among Study Property Households by Income as a Percentage of Area Median

	Income as a Percentage of Area Median				
	30% or less	31%-50%	51%-80%	>80%	Total
Rent Burden*					
20% or Less of Household Income	10%	13%	18%	54%	15%
21-30%	33%	25%	56%	25%	34%
31-40%	21%	31%	22%	5%	24%
41-50%	14%	20%	2%	3%	13%
Greater than 50%	23%	10%	3%	13%	14%

Source: LIHTC Resident Survey (1999)

Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.

*Indicates significant difference at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.

Data on income as a percentage of area median was not available for all residents. For this reason, the number of households in the Total column is slightly lower than that in Exhibit 3-9 and the percentages in the Total column are slightly different (no more than one percentage point different in any category) in the two exhibits.

3.3 Housing Circumstances and Satisfaction with Housing and Neighborhood

In this section, we examine the previous housing situations of LIHTC households, and why they moved to the tax credit property. We then examine resident satisfaction with their current LIHTC apartment and how it compares to their previous place of residence. Finally, we discuss resident satisfaction with their current neighborhood and how the current neighborhood compares with the neighborhood in which they previously lived.

Prior Housing Situation

Exhibit 3-11 shows the prior housing situation of the LIHTC households. Overall, close to one-fourth of the residents in the study properties (23 percent) reportedly lived in public housing before moving to their LIHTC property and 7 percent received rental assistance. Half the residents (50 percent) previously rented an apartment with no assistance, 9 percent owned their own home, and 10 percent shared rent with another family or lived with friends and family and did not pay rent.

Exhibit 3-11
Prior Housing Situation of Study Property Households

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Prior Housing Situation*			
Owned Home	4%	13%	9%
Rented with No Housing Assistance	52%	48%	50%
Rented with Housing Assistance	7%	7%	7%
Lived in Public Housing	29%	18%	23%
Shared Rent with Another Family	3%	7%	5%
With Friends/Family (paid no rent)	5%	6%	5%
Other	0%	1%	0%
Type of Building*			
Single-family Home	26%	37%	32%
Two-to-four Unit Building	33%	22%	27%
Five-to-nine Unit Building	12%	9%	10%
Building with Ten or More Units	30%	31%	30%

Source: LIHTC Resident Survey (1999)

Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.

*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

Totals may not sum to 100 because of rounding.

Residents living in nonprofit-sponsored properties were more likely to have lived in public housing or received rental assistance in their prior housing situation (36 percent) compared to residents living in for-profit properties (25 percent). Conversely, households living in for-profit-sponsored properties were much more likely to have been homeowners in their previous housing situation. While only 4 percent of household heads in nonprofit properties owned their previous place of residence, 13 percent in for-profit properties were homeowners prior to moving into their tax credit apartment.

Regardless of tenure type or assistance status, about one-third of the households lived in a single-family home prior to moving into their tax credit apartment. This figure is somewhat higher among households in for-profit properties (37 percent) compared to nonprofit properties (26 percent).

Primary Reason for Moving to LIHTC Property

Exhibit 3-12 presents information on the primary reasons residents moved into their tax credit developments. As shown, the most commonly cited reasons for moving were to pay less rent and to have a nicer or bigger apartment. Overall, 29 percent of survey respondents said the main reason they moved into their current apartment was because the rent was lower, and 27 percent said they chose their apartment because it is nicer or bigger.

Exhibit 3-12
Primary Reason for Moving to LIHTC Property

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Reason for Moving to LIHTC Apartment*			
Lower Rent	26%	31%	29%
Nicer or Bigger Apartment	37%	19%	27%
Safer Place	8%	9%	9%
Closer to Job or Work	6%	8%	7%
Smaller, More Easily Managed Place	3%	8%	6%
Closer to Friends or Relatives	4%	7%	5%
To Have Own Apartment	3%	6%	5%
Other	13%	13%	13%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

Other reasons given were that it was a safer place (9 percent) or because it was closer to a job or workplace (7 percent). Among households in for-profit properties, another commonly cited reason was to move into a smaller, more easily managed place (8 percent), reflecting the elderly population who often moved from single-family homes.

Motivations for moving differ based on property sponsor type. While the largest proportion of households in nonprofit properties (which are more likely to serve families) chose their apartment because it was nicer or bigger than where they were living previously, the most commonly cited reason among households in for-profit properties was to pay lower rent.

Ratings of LIHTC Property Apartment

For the most part, the LIHTC residents are satisfied with their tax credit apartments. As shown in Exhibit 3-13, more than two-thirds of the study households (68 percent) rated their apartment as good or excellent overall, and one-third (32 percent) rated it as fair or poor. Roughly three-quarters of the households rated their apartment as good or excellent in the categories of size, layout, and condition of appliances, while two-thirds rated their apartment as good or excellent in terms of amenities and the condition of the building. In addition, three-quarters said they were somewhat or very satisfied with the property management.

Exhibit 3-13
Resident Ratings of LIHTC Property Apartment

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Overall Rating of Apartment			
Fair or Poor	30%	33%	32%
Good or Excellent	70%	67%	68%
Size of Apartment			
Fair or Poor	26%	25%	26%
Good or Excellent	74%	75%	74%
Layout			
Fair or Poor	20%	26%	23%
Good or Excellent	80%	74%	77%
Condition of Appliances			
Fair or Poor	18%	21%	20%
Good or Excellent	82%	79%	80%
Condition of Building*			
Fair or Poor	27%	33%	31%
Good or Excellent	73%	67%	70%
Amenities*			
Fair or Poor	30%	40%	35%
Good or Excellent	70%	60%	65%
Good Place for Children*			
Fair or Poor	42%	59%	51%
Good or Excellent	58%	41%	49%
Satisfaction with Management			
Somewhat or Very Dissatisfied	18%	22%	20%
Neither Satisfied nor Dissatisfied	4%	5%	5%
Somewhat or Very Satisfied	78%	72%	75%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding. The categories of fair and poor, and of good and excellent, were combined to enhance readability of the table without losing important information.

Despite these high overall ratings, only about half the households said they thought the development was a good place for children, with a higher proportion of households in nonprofit properties (58 percent) voicing this opinion than in for-profit properties (41 percent). In general, the households in the nonprofit properties rated their apartments slightly higher than the households in the for-profit properties, with the widest margin of difference in the category of being a good place for children.

Comparison to Previous Residence

Exhibit 3-14 presents survey results showing how residents compared their tax credit development unit to their previous residence. On the whole, they rated their tax credit property apartment favorably. Roughly half the households (54 percent) said their tax credit apartment was better than the place they used to live, about a quarter (24 percent) said it was about the same, and 22 percent said their current apartment is not as good as their previous residence. A similar pattern was found for most of the individual rating categories listed in Exhibit 3-14. However, again the ratings fell short in the category of being a good place for children: only 36 percent of all the households said their tax credit apartment was better than their previous residence, while 38 percent said it was not as good.

In all categories of comparison, the nonprofit-sponsored properties scored higher than the for-profit-sponsored properties. The proportion of households in nonprofit properties who said their apartment is better than their previous residence was 10 to 14 percentage points higher than the proportion of households in for-profit properties in the category of size, layout, condition of appliances, and amenities. Similarly, in all categories of comparison, a higher proportion of households in for-profit-sponsored properties than in nonprofit properties rated their tax credit apartment as not as good as their prior housing.

One factor driving the relatively unfavorable comparison of the current apartment to the previous residence by households in for-profit properties may be the relatively large proportion of these residents who lived in a single-family home prior to living in the tax credit development. As noted earlier in this section, households in for-profit properties were more likely than those in nonprofit properties (37 percent versus 26 percent) to have lived in a single-family home prior to moving into the tax credit property.[11] And, residents who previously lived in a single-family home were more than twice as likely as others to compare their current apartment unfavorably with their previous residence.

Ratings of LIHTC Property Neighborhood

Exhibit 3-15 shows how residents in the study properties rated their neighborhood along various dimensions. In general, residents did not rate their neighborhoods as positively as

[11] If we exclude properties serving primarily the elderly, the percentage of households in for-profit properties who previously lived in a single-family home drops slightly from 37 percent to 35 percent.

they did their LIHTC apartment. Overall, 46 percent of the households rated their neighborhood as good or excellent, while 54 percent rated it as fair or poor. In both for-profit and nonprofit properties, households rated their neighborhood more favorably in specific categories than they did overall. Within the specific categories, neighborhoods of both types of projects fared best in the categories of access to public transportation and transportation to work, and less well in terms of safety and access to good schools and recreation.

Exhibit 3-14
Resident Comparison of LIHTC Property Apartment to Previous Residence

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Overall Comparison*			
LIHTC Apartment Not as Good	19%	25%	22%
LIHTC Apartment About the Same	22%	25%	24%
LIHTC Apartment Better	59%	50%	54%
Size of Apartment*			
LIHTC Apartment Not as Good	24%	34%	29%
LIHTC Apartment About the Same	18%	21%	20%
LIHTC Apartment Better	58%	45%	51%
Layout*			
LIHTC Apartment Not as Good	20%	30%	26%
LIHTC Apartment About the Same	25%	25%	25%
LIHTC Apartment Better	55%	45%	49%
Condition of Appliances*			
LIHTC Apartment Not as Good	7%	14%	11%
LIHTC Apartment About the Same	39%	45%	42%
LIHTC Apartment Better	54%	40%	47%
Condition of Building*			
LIHTC Apartment Not as Good	18%	24%	21%
LIHTC Apartment About the Same	32%	35%	34%
LIHTC Apartment Better	49%	41%	45%
Amenities*			
LIHTC Apartment Not as Good	17%	26%	22%
LIHTC Apartment About the Same	31%	36%	34%
LIHTC Apartment Better	51%	38%	44%
Good Place for Children*			
LIHTC Apartment Not as Good	30%	44%	38%
LIHTC Apartment About the Same	27%	25%	26%
LIHTC Apartment Better	42%	31%	36%

Source: LIHTC Resident Survey (1999)

Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.

*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.

Exhibit 3-15
Resident Ratings of LIHTC Property Neighborhood

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Overall Neighborhood Rating*			
Fair or Poor	59%	50%	54%
Good or Excellent	41%	50%	46%
Access to Good Schools*			
Fair or Poor	44%	52%	48%
Good or Excellent	56%	48%	52%
Access to Public Transportation*			
Fair or Poor	11%	31%	22%
Good or Excellent	89%	69%	78%
Transportation to Work*			
Fair or Poor	16%	29%	23%
Good or Excellent	84%	71%	77%
Access to Grocery Stores*			
Fair or Poor	26%	46%	37%
Good or Excellent	74%	54%	63%
Access to Social Services*			
Fair or Poor	32%	42%	38%
Good or Excellent	68%	58%	62%
Access to Recreation			
Fair or Poor	45%	47%	46%
Good or Excellent	55%	53%	54%
Proximity to Friends and Family*			
Fair or Poor	32%	40%	36%
Good or Excellent	68%	60%	64%
Proximity to Job Opportunities*			
Fair or Poor	41%	49%	45%
Good or Excellent	59%	51%	55%
Safety*			
Fair or Poor	58%	48%	52%
Good or Excellent	42%	52%	48%
Environment for Children			
Fair or Poor	59%	64%	61%
Good or Excellent	41%	36%	39%

Source: LIHTC Resident Survey (1999). **Notes:** Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs. *Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.

The households in for-profit properties were more satisfied than those in nonprofit properties with their neighborhoods overall, with 50 percent rating their neighborhood as good or excellent compared to 41 percent of households in nonprofit properties. However, households in the nonprofit properties were more satisfied than their counterparts in for-profit properties in every specific rating category except safety, including access to good schools, access to public transportation, transportation to work, access to grocery stores, access to social services, access to recreation, closeness to friends and family and jobs, and the neighborhood as a good environment for children. This suggests that the perception of neighborhood safety may be driving residents' overall neighborhood rating.

Comparison to Previous Neighborhood

Exhibit 3-16 shows the proportion of households whose previous residence was in the same neighborhood, a different neighborhood in the same city, a different city in the same state, a different state, or a different country. As shown, 19 percent of the residents moved into a tax credit property in the same neighborhood in which they were already living, 58 percent lived in a different neighborhood within the same city, and 23 percent moved there from a different city, state, or country.

Exhibit 3-16
Location of Previous Apartment or Home Compared to Current Apartment*

	Nonprofit Sponsor (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Same Neighborhood	22%	17%	19%
Different Neighborhood, Same City	62%	54%	58%
Different City, Same State	14%	22%	18%
Different State	1%	7%	4%
Different Country	1%	1%	1%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

For those residents who moved to the LIHTC property from a different neighborhood or area, Exhibit 3-17 presents residents' ratings of their current neighborhood compared to their previous neighborhood. Again, residents were far less favorable about the change in neighborhood than the change in property. Overall, about a third of the households (34 percent) said their current neighborhood was better than the previous neighborhood, a third (34 percent) said it was not as good, and a third (33 percent) said it was about the same.

In almost all the specific categories of comparison, the largest proportion of residents rated the LIHTC neighborhood as being about the same as the previous neighborhood. However, in most areas of comparison, households in nonprofit properties were more likely to compare their current neighborhood favorably and less likely to compare it unfavorably with their previous neighborhood than households in for-profit properties.

Exhibit 3-17
Resident Comparison of LIHTC Neighborhood to Previous Neighborhood

	Nonprofit Sponsor (n=304)	For-Profit Sponsor (n=358)	Total (n=362)
Overall Comparison			
LIHTC Neighborhood Not As Good	33%	34%	34%
LIHTC Neighborhood About the Same	33%	32%	33%
LIHTC Neighborhood Better	33%	34%	34%
Access to Good Schools*			
LIHTC Neighborhood Not As Good	18%	31%	25%
LIHTC Neighborhood About the Same	56%	43%	49%
LIHTC Neighborhood Better	25%	26%	26%
Access to Public Transportation*			
LIHTC Neighborhood Not As Good	6%	21%	15%
LIHTC Neighborhood About the Same	50%	43%	46%
LIHTC Neighborhood Better	44%	37%	40%
Transportation to Work*			
LIHTC Neighborhood Not As Good	10%	19%	15%
LIHTC Neighborhood About the Same	52%	44%	48%
LIHTC Neighborhood Better	38%	37%	37%
Access to Grocery Stores*			
LIHTC Neighborhood Not As Good	18%	31%	25%
LIHTC Neighborhood About the Same	40%	42%	41%
LIHTC Neighborhood Better	43%	27%	34%
Access to Social Services*			
LIHTC Neighborhood Not As Good	9%	16%	13%
LIHTC Neighborhood About the Same	55%	53%	53%
LIHTC Neighborhood Better	37%	31%	34%

Exhibit 3-17 *(continued)*
Resident Comparison of LIHTC Neighborhood to Previous Neighborhood

	Nonprofit Sponsor (n=304)	For-Profit Sponsor (n=358)	Total (n=362)
Access to Recreation*			
LIHTC Neighborhood Not As Good	24%	32%	28%
LIHTC Neighborhood About the Same	39%	37%	38%
LIHTC Neighborhood Better	38%	31%	34%
Proximity to Friends and Family*			
LIHTC Neighborhood Not As Good	16%	27%	23%
LIHTC Neighborhood About the Same	55%	42%	48%
LIHTC Neighborhood Better	29%	30%	30%
Proximity to Job Opportunities*			
LIHTC Neighborhood Not As Good	13%	25%	20%
LIHTC Neighborhood About the Same	51%	46%	48%
LIHTC Neighborhood Better	36%	29%	32%
Safety			
LIHTC Neighborhood Not As Good	28%	34%	31%
LIHTC Neighborhood About the Same	37%	32%	34%
LIHTC Neighborhood Better	35%	34%	35%
Environment for Children*			
LIHTC Neighborhood Not As Good	30%	46%	39%
LIHTC Neighborhood About the Same	31%	27%	28%
LIHTC Neighborhood Better	39%	27%	33%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

3.4 Characteristics of Section 8 Households

While the previous sections have examined household characteristics based on property sponsor type, this section focuses on differences in tax credit households according to the households' Section 8 status—whether they receive Section 8, and if so, whether the assistance is project-based or tenant-based. We present only those characteristics where there is a notable difference by Section 8 status, including race, income and income sources, and satisfaction with housing and neighborhood.

Race and Ethnicity by Section 8 Status

One area of notable difference by Section 8 status is race. Tax credit households with Section 8 are much more likely to be members of a racial minority than tax credit households without Section 8. As shown in Exhibit 3-18, 71 percent of heads of households with tenant-based Section 8 and 84 percent of those with project-based Section 8 are African American, compared with less than half (47 percent) of those without Section 8. Strikingly, 99 percent of tax credit households in project-based Section 8 properties and 95 percent of those with certificates or vouchers are either members of a racial minority or are Hispanic. This compares to 71 percent of unassisted households.

Exhibit 3-18
Race and Ethnicity of Heads of Household by Section 8 Status

	No Section 8 (n=513)	Tenant-Based Section 8 (n=78)	Project-Based Section 8 (n=204)
Race*			
White	36%	8%	5%
African American	47%	71%	84%
Other	17%	21%	11%
Ethnicity			
Hispanic	21%	24%	19%
Non-Hispanic	79%	76%	81%
Race and Ethnicity Together*			
White Non-Hispanic	29%	5%	1%
Minority	71%	95%	99%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

Income and Income Sources

There are also significant differences in the income levels of LIHTC households, depending on whether they receive Section 8 assistance. As shown in Exhibit 3-19, the median income of study households without Section 8 ($19,200) is approximately twice that of Section 8 recipients. Similarly, approximately half the study households on Section 8 have incomes of $10,000 or less, compared with only 12 percent of households without Section 8. Roughly two-thirds to three-quarters of those with Section 8 have extremely low incomes (30 percent or less of area median income), compared to less than a quarter of those without.

Income sources differ, as well. More than two-thirds (71 percent) of households without Section 8 have at least one adult currently working, compared to just over half of those with Section 8. Section 8 households are also roughly three times more likely than non-Section 8 households to receive welfare or TANF or disability payments.

Exhibit 3-19
Income and Income Sources of Study Property Households by Section 8 Status

	No Section 8 (n=513)[a]	Tenant-Based Section 8 (n=78)[a]	Project-Based Section 8 (n=204)[a]
Annual Household Income*			
$10,000 or less	12%	54%	47%
$10,001-$20,000	45%	36%	42%
$20,001-$30,000	26%	6%	8%
More than $30,000	17%	4%	3%
Income as a % of HUD Area Median+*			
0-30%	23%	74%	65%
31-50%	39%	18%	29%
51-80%	28%	6%	5%
Greater than 80%	10%	2%	1%
Mean Annual Household Income	$22,337	$12,366	$12,313
Median Annual Household Income	$19,200	$9,780	$10,800
Adult in Household Currently Working for Pay*	71%	51%	55%
Social Security, Retirement, or Pension	23%	24%	16%
Welfare or TANF*	6%	21%	18%
Disability Payments*	5%	18%	14%

Source: LIHTC Resident Survey (1999)
+Adjusted for family size.
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.
[a] Some survey respondents did not know their income but were able to identify a range in which their income lies. These respondents are not included in the calculations of income as a percentage of HUD area median or of mean or median annual household income.

Satisfaction with Housing and Neighborhood

Another area of significant difference for Section 8 and non-Section 8 households is satisfaction with the tax credit apartment and neighborhood. In general, residents in project-based Section 8 developments rated their tax credit apartment much lower than certificate or voucher holders or residents with no Section 8. As shown in Exhibit 3-20, 78 percent of those without Section 8 and 86 percent of certificate and voucher holders rated their apartment as good or excellent, compared with only 38 percent of residents with project-based assistance. Similarly, in every rating category, project-based Section 8 residents consistently rated their apartments significantly lower than certificate and voucher holders and those without Section 8. For example, in the category of amenities, project-based Section 8 residents were three times less likely to rate their apartment as good or excellent than those with tenant-based assistance or no assistance.

Exhibit 3-20
Resident Ratings of LIHTC Property Apartment by Section 8 Status

	No Section 8 (n=513)	Tenant-Based Section 8 (n=78)	Project-Based Section 8 (n=204)
Overall Rating of Apartment*			
Fair or Poor	22%	14%	62%
Good or Excellent	78%	86%	38%
Size of Apartment*			
Fair or Poor	22%	18%	39%
Good or Excellent	78%	82%	61%
Layout*			
Fair or Poor	16%	9%	44%
Good or Excellent	84%	91%	56%
Condition of Appliances*			
Fair or Poor	14%	10%	37%
Good or Excellent	86%	90%	63%
Condition of Building*			
Fair or Poor	25%	20%	49%
Good or Excellent	75%	80%	51%
Amenities*			
Fair or Poor	21%	27%	73%
Good or Excellent	79%	73%	27%
Good Place for Children*			
Fair or Poor	43%	34%	73%
Good or Excellent	57%	66%	27%
Satisfaction with Management*			
Somewhat or Very Dissatisfied	18%	9%	29%
Neither Satisfied nor Dissatisfied	4%	6%	5%
Somewhat or Very Satisfied	78%	85%	66%

Source: LIHTC Resident Survey (1999). **Notes:** Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs. *Indicates significant difference at the 10 percent significance level (see Appendix A for a description of the significance tests performed). Totals may not sum to 100 because of rounding.

At the same time, those with certificates or vouchers rated their apartments somewhat higher than those without Section 8. This may be because they are comparing their tax credit apartment with another privately owned unit previously rented with their certificate or voucher, or with public housing (28 percent of certificate and voucher holders in the study properties lived in public housing prior to moving into their tax credit apartment, compared with 16 percent of those without Section 8).

With regard to neighborhood, project-based Section 8 residents rated their neighborhoods significantly lower than residents with tenant-based assistance or no assistance. As shown in Exhibit 2-1, 79 percent of tax credit households in project-based Section 8 developments rated their neighborhood overall as fair or poor, compared with 44 percent of those without Section 8 and 55 percent of certificate and voucher holders. Again, in each of the specific rating categories, residents in Section 8 projects rated their neighborhood lower. The biggest differences were found in the categories of access to grocery stores, proximity to job opportunities, safety, and the suitability of the neighborhood for children. Large differences in these areas highlight the distressed nature of the neighborhoods in which many of the study's project-based Section 8 developments are located.

Exhibit 3-21
Resident Ratings of LIHTC Property Neighborhood by Section 8 Status

	No Section 8 (n=513)	Tenant-Based Section 8 (n=78)	Project-Based Section 8 (n=204)
Overall Neighborhood Rating*			
Fair or Poor	44%	55%	79%
Good or Excellent	56%	45%	21%
Access to Good Schools*			
Fair or Poor	42%	57%	60%
Good or Excellent	58%	43%	40%
Access to Public Transportation*			
Fair or Poor	18%	11%	35%
Good or Excellent	82%	89%	65%
Transportation to Work*			
Fair or Poor	18%	9%	38%
Good or Excellent	82%	91%	62%
Access to Grocery Stores*			
Fair or Poor	27%	33%	59%
Good or Excellent	73%	67%	41%

Exhibit 3-21 ***(continued)***
Resident Ratings of LIHTC Property Neighborhood by Section 8 Status

	No Section 8 (n=513)	Tenant-Based Section 8 (n=78)	Project-Based Section 8 (n=204)
Access to Social Services*			
Fair or Poor	33%	38%	50%
Good or Excellent	67%	62%	50%
Access to Recreation*			
Fair or Poor	40%	41%	62%
Good or Excellent	60%	59%	38%
Proximity to Friends and Family*			
Fair or Poor	33%	31%	45%
Good or Excellent	67%	69%	55%
Proximity to Job Opportunities			
Fair or Poor	37%	45%	63%
Good or Excellent	63%	55%	37%
Safety			
Fair or Poor	43%	57%	73%
Good or Excellent	57%	43%	27%
Environment for Children			
Fair or Poor	53%	54%	84%
Good or Excellent	47%	46%	16%

Source: LIHTC Resident Survey (1999)
Notes: Estimates weighted to reflect households in eligible LIHTC properties in five study MSAs.
*Indicates significant difference at the 10 percent significance level (see Appendix A for a description of the significance tests performed).
Totals may not sum to 100 because of rounding.

3.5 Summary

Data from the resident survey and from property manager files were used to examine the social, financial, and housing circumstances of households living in tax credit properties. In general, LIHTC households are very-low- or extremely low-income working families who are members of a racial or ethnic minority. Residents of for-profit-sponsored properties are less likely to be members of a minority group and more likely to be elderly than those in nonprofit properties. Compared to public housing and tenant-based Section 8, tax credit properties have a higher percentage of racial minorities in three of the MSAs, and a lower percentage in two MSAs.

Overall, almost one-third of LIHTC households have project-based Section 8, and about 5 percent have tenant-based Section 8. Project-based Section 8 is more common among for-profit properties, while rent restrictions associated with HOME and other capital subsidy programs are much more common in nonprofit properties. In general, gross rents in nonprofit properties are considerably lower than rents in for-profit properties in relation to FMRs or to the tax credit maximum rents. Approximately 50 percent of study households have rent burdens exceeding 30 percent, and 13 percent have rent burdens exceeding 50 percent, while 50 percent have rent burdens of 30 percent or less.

Interestingly, close to one-third of tax credit residents lived in public housing or received rental assistance prior to moving into their tax credit development. This suggests that LIHTC units may be a stepping stone to the private market for some public housing residents. On the whole, residents in nonprofit properties are more likely to have moved from subsidized housing and less likely to have been homeowners than their counterparts in for-profit properties. They were also more likely to have moved into their tax credit property in order to live in a bigger or nicer apartment, while those in for-profit developments were more likely to move there to pay lower rent. Overall, residents in tax credit properties are satisfied with their housing: most households rated their LIHTC unit as good or excellent overall and compared their unit favorably with their previous housing situation. However, survey respondents were less positive about their neighborhoods than they were about their development. In general, residents in nonprofit properties were slightly more likely to be satisfied with both their housing and their neighborhood than were residents of for-profit properties.

Finally, when we examined resident characteristics by Section 8 status, we found that Section 8 residents of tax credit properties are considerably more likely to be members of a racial or ethnic minority, less likely to be working, and have lower incomes than those without housing assistance. We also found that residents in tax credit properties with project-based Section 8 were more dissatisfied with both their apartment and their neighborhood than were residents with tenant-based assistance or no housing assistance.

Chapter 4
Role of the LIHTC in Fostering Diverse Communities

To be eligible for tax credits, a property owner must agree to allocate at least 20 percent of the units to families below 50 percent of the area median income or 40 percent of the units to families below 60 percent of the area median income.[1] Other than meeting this commitment and following fair housing laws, LIHTC properties are not restricted in the population they serve. Furthermore, owners decide where to build (or rehabilitate) LIHTC properties, subject only to the same local zoning laws that apply to all housing construction. There are no additional location restrictions in the LIHTC program.

Nevertheless, there are several incentives at the federal and state level that may influence where a property is located and who resides at the property. For example, the amount of tax credits that can be awarded increases with the percentage of units set aside for families meeting the tax-credit income limit. Also, if a property is located in a qualified census tract (any tract where at least half of the households have incomes below 60 percent of the area median) or in a difficult development area (a metro area designated by HUD as having high construction costs relative to rents), investors can receive a 30 percent increase in the basis on which tax credits are allocated. State tax-credit allocation policies also influence who is served and where properties are located. Most state allocation agencies receive more applications for credits than the state has available, thus they must establish procedures to award credits among eligible projects. States can institute their own preferences or set asides beyond the minimum eligibility and set aside requirements established at the federal level. As noted in Chapter 2, state policies (as articulated in their Qualified Allocation Plans) do seem to influence the types of projects undertaken by developers. Finally, if LIHTC developers receive additional subsidies from non-LIHTC sources, there may be additional restrictions that are imposed by the funding source. For example, if a LIHTC developer obtains HOME funding, 20 percent of the HOME units must be affordable to tenants with incomes below 50 percent of the MSA median.

Thus, except for the restrictions noted in the first paragraph, the property owners choose the population to target for their development and where to locate properties based on their knowledge of the market, their objectives, their response to the incentives provided by federal and state policies, and their decision to agree to restrictions attached to any non-LIHTC subsidies obtained.

[1] In addition, rent in the tax-credit qualifying units can be no higher than 30 percent of the income-eligibility limit (either 50 or 60 percent of the median, depending on the allocation chosen).

This chapter explores the location of LIHTC properties and the characteristics of the residents in the context of the neighborhoods in which the properties are located. It begins with a description of the neighborhoods where LIHTC properties are located then investigates the extent of income and racial diversity both within properties and relative to the neighborhood. The final section investigates the relationship between the residents' perceptions of their neighborhood and income diversity within the LIHTC property.

4.1 Characteristics of LIHTC Neighborhoods

One of the important questions about any assisted housing program is the quality of the neighborhoods where the housing is provided. However, existing research on neighborhood effects has not reached consensus on what combination of neighborhood characteristics matter and how neighborhoods interact with individual and family characteristics to influence socio-economic outcomes. Hence, there is no definitive measure of neighborhood quality. In a study of the quality of neighborhoods where public housing and other residents of assisted housing live, Newman and Schnare (1997)[2] examined the quality of the housing stock, socioeconomic status, racial diversity, and the concentration of assisted housing in the neighborhood. We examine similar measures of neighborhood quality for the LIHTC properties represented by this study, except we did not collect data on the concentration of assisted housing and we use homeownership rates and the percent of vacant housing units as a proxy for the quality of housing stock rather than the median gross rent in the census tract.[3] The results are presented in Exhibit 4-1.

LIHTC properties in the five study MSAs are in neighborhoods dominated by rental units according to the 1990 U.S. Census. In three-fourths of the neighborhoods, a majority of the units are rental units, and consistent with the nature of rental units, a majority of residents have lived in the neighborhood less than five years. In addition, in nearly one-fifth of the neighborhoods more than 20 percent of the units are vacant. For-profit sponsored properties appear to be more likely to be located in more stable neighborhoods (lower turnover) than nonprofit properties. A much higher proportion of for-profit properties than nonprofit properties are in majority homeownership neighborhoods (42 percent versus 8 percent) and neighborhoods where a majority of residents have lived in the neighborhood for over five years (31 percent versus 17 percent).

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2 Newman, Sandra J. and Ann B. Schnare. 1997. "And a Suitable Living Environment: The Failure of Housing Programs to Deliver on Neighborhood Quality." *Housing Policy Debate*, 8(4), 703-741.

3 Their published results are not comparable to the results in this report. Newman and Schnare (1997) use a nation-wide dataset of assisted housing and use housing units as the unit of analyses, whereas this report is based on LIHTC properties in five MSAs and this chapter uses the property as the unit of analysis.

Exhibit 4-1
Characteristics of LIHTC Neighborhoods

Neighborhood Characteristic	Nonprofit Sponsor (n=22)	For-Profit Sponsor (n=17)	Total (n=39)
Percent owner-occupied housing*			
0-19%	31%	22%	27%
20-50%	61%	36%	49%
51% or higher	8%	42%	24%
Percent of vacant housing units			
0-9%	49%	51%	50%
10-20%	30%	35%	32%
21% or higher	21%	14%	18%
Residents who have lived in neighborhood five years or longer			
0-50%	82%	69%	76%
51% or higher	18%	31%	24%
Median income relative to MSA median			
0-29%	13%	7%	13%
30-50%	54%	22%	37%
51% or higher	33%	71%	50%
Poverty rate*			
Low (0-9%)	0%	31%	14%
Moderate (10-29%)	45%	34%	40%
High (30% or higher)	55%	35%	46%
Location*			
Central city	86%	56%	72%
Suburbs	14%	44%	28%
Percent minority*			
0-20%	0%	26%	12%
21-79%	39%	39%	39%
80-100%	61%	35%	49%
Neighborhood type			
Low-poverty, white, suburban	0%	28%	13%
Other suburban neighborhoods	14%	17%	15%
Low/moderate-poverty, city, minority (> 40%)	29%	15%	23%
Low/ moderate-poverty, city, white	9%	11%	10%
High-poverty, city, minority	48%	30%	40%

Sources: Census (1990: owner-occupied housing as a percent of occupied housing; vacant housing; neighborhood tenure; median income; poverty rate; location; race/ethnicity) and HUD data (1998: MSA median income).

Notes: Estimates weighted to reflect all eligible LIHTC properties in 5 study MSAs.

*Indicates significant difference between nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

LIHTC neighborhoods are evenly split between very-low income and more moderate-income neighborhoods. Approximately one-half of the neighborhoods have a median income below 50 percent of the MSA median and just under half were considered high-poverty neighborhoods (poverty-rate of 30 percent or higher) based on the 1990 census.[4] In terms of sponsor-type, nonprofit properties are located in substantially poorer neighborhoods than for-profit properties. Over half (55 percent) the nonprofit properties are located in high-poverty neighborhoods compared to one-third (35 percent) of for-profit properties.

LIHTC properties tend to be located in city (rather than suburban) neighborhoods and in neighborhoods where a majority of the residents are minorities. Nearly three-fourths of the LIHTC properties (72 percent) are located in the city and about half the properties (49 percent) are in neighborhoods where the population is at least 80 percent minority. Nonprofit properties are significantly more likely than for-profit properties to be in city neighborhoods (86 percent versus 56 percent) and to be in predominately minority neighborhoods (61 percent versus 35 percent).

The bottom panel of Exhibit 4-1 combines the poverty-rate, city/suburban location, and the racial composition to describe the LIHTC neighborhoods. As can be seen in the exhibit, high-poverty, city neighborhoods with at least 40 percent minorities are the most common neighborhood type (40 percent) followed by similar neighborhoods except they are low/moderate poverty-rate (23 percent). Two patterns stand out by sponsor-type. First, 28 percent of for-profit properties are in low-poverty, white, suburban neighborhoods, but no nonprofits are located in such neighborhoods. A majority of these for-profit suburban properties serve primarily elderly residents. Second, 48 percent of the nonprofit properties are in high-poverty, city neighborhoods with at least 40 percent minorities compared to only 30 percent of for-profit properties.

4.2 Income Mixing within LIHTC Properties and Compared to Neighborhoods

Several recent housing policy initiatives have been aimed at reducing the concentration of very poor households. The impetus for these policies is the consensus among policy makers and scholars that high concentrations of very low-income households in large developments and/or neighborhoods leads to negative social and behavioral outcomes. This argument is

4 In 1989 (the year for which annual income data is collected as part of the 1990 census), 10.4 percent of U.S. families had income below the poverty line. By 1998, the poverty rate of families had declined to 10.0 percent. (U.S. Census Bureau website)

advanced, for example, by Wilson (1987) in his book The Truly Disadvantaged.[5] Wilson attributes the rise of inner-city neighborhoods characterized by high rates of welfare dependency, weak labor force attachment, and crime to the increasing isolation of poor communities from the middle- and working-class role models.[6]

As described earlier, the federal eligibility rules for the LIHTC program do not address the issue of whether or not the LIHTC properties will be mixed-income properties or contribute to neighborhood income diversity. Instead, it is left up to the individual developers and the state agencies overseeing the program. In this section, we investigate the resident income levels and extent of income diversity within LIHTC properties and compare the income levels of LIHTC residents to income levels of residents in the surrounding neighborhood.

Income Level of LIHTC Residents

As noted earlier, LIHTC properties can have both qualifying units (which must be rented to families under 50 or 60 percent of the MSA median income) and market rate units (which have no restrictions on who can rent them). If all of a property's units are qualified units, then we know that all of the families will have incomes below 60 percent of the MSA median income.[7] The top panel of Exhibit 4-2 shows the percent of qualified units in LIHTC properties. This is where the investigation of income levels and income-mixing of residents in LIHTC properties begins. Most of the LIHTC properties (82 percent) consist entirely of qualified units. Furthermore, even among properties that have some market-rate units, most still have more than 80 percent qualified units. Only 4 percent of all the properties were predominately market-rate (two Oakland properties). Overall, these results indicate that LIHTC properties serve almost exclusively very low-income families.

The next two panels of Exhibit 4-2 show the proportion of extremely low-income families (income below 30 percent of the MSA median) and the poverty rate at LIHTC properties.

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5 Wilson, William Julius. 1987. *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy.* Chicago: University of Chicago Press

6 The research in this field has very little empirical evidence supporting or refuting the purported benefits of mixed-income housing and neighborhoods. For a discussion of the empirical research on mixed-income housing and poverty deconcentration strategies, see Schwartz and Tajbakhsh. 1997. "Mixed-Income Housing; Unanswered Questions." Cityscape, 3(2): pp. 71-91; and Popkin, Buron, and Levy. 1999. "Mixed Income and Dispersal Strategies: Will They Help the Most Distressed Public Housing Residents?" manuscript.

7 All but two properties in the study sample chose the 40/60 regime (set aside a minimum of 40 percent of their units for households below 60 percent of the MSA median). Both properties that chose the 20/50 regime are for-profits in Oakland. See Chapter 2 for a description of the study properties.

Exhibit 4-2
Distribution of Income and Related Characteristics at LIHTC Properties

Property Characteristics	Nonprofit Sponsor (n=22)	For-Profit Sponsor (n=17)	Total (n=39)
Percent of tax-credit qualifying units in property			
20-25%	0%	8%	4%
26-79%	0%	0%	0%
80-90%	11%	4%	8%
91-99%	8%	7%	7%
100%	82%	81%	82%
Percent of households in property with extremely-low income (< 30% of the MSA median)*			
<10 %	6%	34%	20%
10-29%	40%	19%	30%
30-49%	37%	19%	28%
50% or higher	16%	28%	22%
Poverty rate in property*			
Low poverty (<10% of households)	14%	42%	27%
Moderate poverty (10-29%of households)	58%	8%	33%
High poverty (30-49% of households)	18%	8%	13%
High poverty (>49% of households)	10%	43%	26%
Percent of households in property with at least one adult working for pay			
0-49%	4%	30%	17%
50-74%	39%	24%	32%
75% or higher	57%	46%	51%
Percent of households in property receiving Section 8 assistance			
0%	20%	28%	24%
1-33%	62%	29%	47%
34-66%	3%	22%	12%
67-99%	4%	0%	2%
100%	10%	21%	15%

Sources: Administrative data from site managers or owners (1999: qualified units; Section 8 assistance, most resident income data) and LIHTC Resident Survey (1999: adults working for pay; resident incomes for properties with predominately market-rate units and several properties where administrative records with resident incomes were not provided).

Notes: Estimates weighted to reflect eligible LIHTC properties in 5 study MSAs.

Two nonprofit properties did not have enough reported data (either administrative data or Resident survey data) to determine the income distribution of residents and hence are missing for median income and poverty rate calculations.

*Indicates significant difference between nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

Most properties have at least a sizeable share of extremely low-income residents, but only 22 percent have a majority of extremely low-income residents. On the other extreme, 20 percent of the properties have fewer than 10 percent extremely low-income residents. The comparison of residents' income relative to the national poverty line shows that properties are fairly evenly divided among properties with low (27 percent), moderate (33 percent), and high poverty rates (39 percent).

There are distinct patterns in the income levels of residents at by sponsor type. For-profit properties are more likely than nonprofits to have fewer than 10 percent extremely low-income residents (34 percent versus 6 percent), but for-profits are also more likely than nonprofits to have a majority of extremely low-income residents (28 percent versus 16 percent). The pattern for poverty rates is similar. Almost all of the for-profit properties have either a low internal poverty rate (less than 10 percent of households with income below the poverty line) or a very high-poverty rate (50 percent or more of the households with income below the poverty line). In contrast, nonprofit properties tend to have moderate poverty rates (between 10 and 29 percent of households below the poverty line).

Most of the LIHTC properties are dominated by working families. At 83 percent of the properties, over half of the households had at least one working adult at the time of the survey. Nonprofit properties are substantially more likely than for-profit properties to have a majority of working households (86 percent versus 58 percent), which is, in part, due to the higher share of elderly properties in the for-profit portfolio. Taken together, the above results indicate that LIHTC properties are serving the working-poor or near poor population.

Consistent with the low-incomes of LIHTC households, a substantial portion receive Section 8 assistance – 37 percent in all (see Exhibit 3-6). However, as can be seen in the bottom row of Exhibit 4-2, most LIHTC properties have a low proportion of residents receiving Section 8 assistance. At 71 percent of the properties, less than one-third of the residents receive Section 8 assistance, including one-quarter of the properties with no Section 8 recipients. On the other extreme, at 15 percent of the properties, all the residents are Section 8 recipients. All but one of the properties in this category are 100 percent Project-Based Section 8 developments. At the other 100 percent Section 8 property, 75 percent of the households live in Project-Based Section 8 units and the other residents are Section 8 Certificate and Voucher holders. For-profit properties tend to have a higher share of residents receiving Section 8 assistance than nonprofits.

Income Mixing within LIHTC Properties

LIHTC properties have a low-incidence of non-qualifying units, that is very few families have incomes above 60 percent of the MSA median. This rules out the presence of many LIHTC properties with income-diversity ranging from extremely poor residents traditionally served by the Public Housing and Section 8 program and higher-income residents above the 80 percent of area median eligibility-cutoff for assisted housing. Any diversity in family income levels within an LIHTC property has to be primarily among families below 60 percent of the area median income level. However, even within that portion of the income distribution, family income levels can vary considerably and properties can serve a diverse income mix of residents.

In the discussion that follows, we present four definitions of a mixed-income property that are applicable to LIHTC properties. These definitions are patterned after (but not exactly the same as) the definitions used by Khadduri and Martin (1997)[8] to define properties as mixed-income in their study of privately-owned rental housing projects subsidized by HUD programs.

Mixed-income measures are based on qualifying fraction, income relative to the MSA median, and income relative to the poverty line. Each of the definitions requires that at least 20 percent of the property's households fall into the extremes: a very low-income group and a relatively higher-income group. The choice of a 20 percent minimum in each group, rather than either a higher or lower threshold, is based on several factors. First, several states have used the 20 percent cutoff in programs designed to promote mixed-income development.[9] Second, it is consistent with recent research categorizing subsidized housing as either mixed-income or not.[10] Third, 20 percent is a large enough proportion that it indicates a substantial number of a property's residents fall into this category, not just a unique family or two.

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8 See Khadduri and Martin. 1997. "Mixed-Income Housing in the HUD Multifamily Stock." *Cityscape, 3(2)*, pp. 33-69.

9 The Massachusetts Housing Finance Agency (MHFA) has an explicit goal of promoting economic integration. Since 1990 MHFA has structured most of its mixed-income projects to include 20 percent low-income units and 80 percent market rate units (See page 90 of Schwartz and Tajbakhsh. 1997. "Mixed-Income Housing: Unanswered Questions." *Cityscape, 3(3)*, pp. 71-92). Under the New Jersey Fair Housing Act of 1985 many municipalities provide density bonuses for mixed-income housing that set aside at least 20 percent of the units for low- and moderate-income households. Similarly, the Montgomery, Maryland's Moderately Priced Dwelling Unit program requires that all large (50 or more units) residential developments make 12.5 to 15 percent of the units affordable to low- and moderate-income households and provides density bonuses for properties that set aside more than 12.5 percent of their units for low- and moderate-income households. In the New York City Vacant Cluster Program, the city finances rehabilitation of large clusters of tax-foreclosed building in low-income neighborhoods for formerly homeless and low-income households, but reserves 25 percent of the units for moderate-income households (50 to 80 percent of area median). See Schwartz and Tajbakhsh (1997) for more details on state and local programs encouraging mixed-income housing.

10 Khadduri and Martin's (1997) "Broad Range of Incomes" definition of a mixed-income property required that 20 percent of the households earn below \$10,000 and 20 percent earn above \$20,000.

The percent of properties that are categorized as mixed-income using alternative definitions are shown in Exhibit 4-3. The first definition of a mixed-income property is that at least 20 percent of the residents are in subsidized units (either tax-credit qualified or otherwise subsidized) and 20 percent are in unsubsidized units with no rental assistance.[11] As noted earlier, almost all the properties have more than 80 percent tax-credit qualifying units, thus only 4 percent of all properties are categorized as mixed-income by this definition.

Exhibit 4-3
Percent of Properties Meeting Alternative Definitions of Mixed-Income Property

Definition of Mixed-Income Property	Nonprofit Sponsor (n=20)	For-Profit Sponsor (n=17)	Total (n=37)
At least 20% of units are market rate and 20 percent are tax-credit qualifying units*	0%	8%	4%
At least 20% of households have income below 30 percent of MSA median income and 20% have income above 50 percent of MSA median income.	25%	19%	22%
At least 20% of families have income below the poverty line and 20% have income 1.85 times the poverty line.*	40%	8%	24%
At least 20% of families have income below the poverty line and 20% have income 1.30 times the poverty line.*	70%	39%	55%
Meet at least one of the first 3 definitions of a mixed-income property.*	55%	23%	40%

Sources: Administrative data from site manager/owner (1999: tax credit qualifying units and most income data) and LIHTC Resident Survey (1999: resident incomes for properties with predominately market-rate units and several properties where administrative records with resident incomes was not provided).
Notes: Estimates weighted to reflect eligible LIHTC properties in 5 study MSAs.
Two nonprofit properties did not have enough reported data to determine the income distribution of residents.
*Indicates significant difference between nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

The second definition of a mixed-income property requires that 20 percent of the families have incomes below 30 percent of the MSA median and 20 percent have incomes above 50

[11] Khadduri and Martin (1997) used a "Partly Subsidized" definition of mixed-income housing which categorized a subsidized development as mixed-income if it had at least 10 market-rate units. Given the various sizes of the LIHTC developments, we use a definition requiring 20 percent market-rate units for our definition.

percent of the MSA median. The 30 percent of the median ceiling for low-income families was selected because it is the cutoff for housing programs targeting extremely low-income families (e.g., the 1998 housing bill established set asides in both the Public Housing and Section 8 program for families below 30 percent of the median). The 50 percent of the median income floor for high-income families was chosen because it was the cutoff for very low income families that were given federal preferences for public housing through the mid-1990s. Hence families above 50 percent of the MSA median are eligible for housing assistance but were not given preferences in the past nor in the current federal law. In dollar terms, the income difference between a family of three at exactly 30 percent and exactly 50 percent of the MSA median ranges from $7,632 in Miami to $11,826 in Oakland.[12] Overall, 22 percent of the LIHTC properties meet the "under 30/ over 50 median income" definition of mixed-income housing. Using this definition, the proportion of mixed-income properties does not vary much by sponsor type (25 percent of nonprofits versus 19 percent of for-profits).

The third and fourth definitions are based on family's income relative to the poverty line. In both cases, households with income levels below the poverty line are defined as poor. The non-poor category is defined as families above 185 percent of the poverty line for the third definition and above 130 percent of the poverty line for the fourth definition. These cutoffs were chosen based on cutoffs for food assistance programs: 130 percent of the poverty line is the eligibility cutoff for the Food Stamp program and 185 percent of the poverty line is the cutoff for the free and reduced-price school lunch program. Both cutoffs reflect policy makers' decisions on the income levels below which families are most in need of assistance.

For a family of three, the poverty threshold in 1998 is $13,003. Thus a family at exactly 185 percent of the poverty line would have income of $24,056. Therefore, a three-person family in the non-poor group has a minimum of $11,053 higher income than a three-person family with income below the poverty line. The percent of LIHTC properties defined as mixed-income using the "under 100/ over 185 poverty line" definition is 24 percent, as shown in Exhibit 4-3. Nonprofit properties (40 percent) are significantly more likely to be mixed income than for-profit properties (8 percent).[13]

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[12] For a family of three in 1998, the difference between 30 and 50 percent of the median is $7,632 in Kansas City, $10,026 in Miami, $10,368 in Milwaukee, $11,286 in Boston, and $11,826 in Oakland.

[13] This measure is conceptually similar to Khadduri and Martin's (1997) "Broad Range of Incomes" definition of mixed-income housing which used dollar-income categories roughly based on the poverty line. A mixed-income property was defined as a property where 20 percent of the families have income below $10,000 and 20 percent have income above $20,000. Using their definition, we found 19 percent of properties were defined as mixed-income (not shown).

The fourth alternative for defining a property as mixed-income also relies on the poverty line as a cutoff for the poor group, but uses 130 percent of the poverty line as the floor for the non-poor group. This alternative is considerably more liberal than the other definitions. That is, the required difference in income levels between the low- and high-income groups is considerably smaller than the other definitions—only $3,900. Overall, 55 percent of the properties are categorized as mixed-income with the "under 100/ over 130 poverty line" definition. As with the previous definition, nonprofit properties (70 percent) are significantly more likely than for-profit properties to be mixed-income (39 percent). Since this definition of mixed-income is more liberal than the prior definitions, the result is that it includes most of the properties defined as mixed-income from the three prior definitions plus a substantial number of additional properties.

Overall, even though most family incomes are below 60 percent of the MSA median these results suggest a sizeable proportion of LIHTC properties in the five study MSAs have residents with a diverse mixture of incomes. The more conservative definitions suggest about one-fifth of the properties are mixed-income while the more liberal definition suggests more than half the properties are mixed-income. For analysis of mixed-income properties in the next section, we define a property as mixed-income if meets any one of the first three definitions of a mixed-income property (i.e., definitions based on market/qualified-units, under 30/ over 50 median income, or under 100/ over 185 poverty-line). As can be seen in the bottom panel of Exhibit 4-3, 40 percent of the LIHTC properties are classified as mixed-income with this combined definition. Nonprofit properties (55 percent) are significantly more likely than for-profits (23 percent) to be defined as mixed-income using the combined definition.

Factors Associated with Mixed-Income Properties

This section explores the neighborhood and property characteristics that are associated with properties with a diverse mix of incomes. For this analysis we classify a property as mixed-income if it meets any one of the first three criteria for a mixed-income property as discussed in the previous section (see Exhibit 4-3).

Exhibit 4-4 shows the percent of properties in different groups that are mixed-income for groups defined by key characteristics of the property (sponsor type, primary population served, and the proportion of residents on Section 8) and neighborhood (city or suburban location, poverty rate, and homeownership rate). The exhibit presents the results in descending order of the proportion of properties in the group that are mixed-income (shown in right most column) so that the group with the highest proportion of mixed-income properties is in the top row and the group with the lowest proportion is in the bottom row. Note that the groups are not mutually exclusive and each property is in multiple categories.

Overall, 40 percent of properties are classified as mixed-income. The two groups with the highest proportion of mixed-income properties are properties sponsored by nonprofit owners (55 percent) and properties located in moderate-poverty neighborhoods (54 percent). These are the only two groups to have a majority of mixed-income properties. However, almost half of the properties in neighborhoods with less than a 50 percent homeownership rate and properties located in the city are also classified as mixed-income. On the other end of the spectrum, properties that are sponsored by for-profit owners, or serve primarily elderly residents, or are in suburban areas, or in low-poverty neighborhoods, or in neighborhoods with over a 50 percent homeownership rate are the least likely to be mixed-income: all have less than 25 percent mixed-income properties. The remaining groups, including whether or not over 20 percent of the residents receive Section 8 assistance, have about the same percentage of mixed-income properties as the overall average of 40 percent.

The above results control for one factor at a time (e.g., nonprofit or for-profit sponsored). We also estimated a multivariate model with all (or subsets) of the variables in Exhibit 4-4 to try to distinguish the neighborhood and property factors that were significantly correlated with mixed-income properties when controlling for other factors. In general, moderate-poverty neighborhood was the only variable that was usually significantly correlated (in positive direction) with mixed-income properties across model specifications. Properties with nonprofit sponsors or with over 20 percent Section 8 residents also were consistently positively associated with the likelihood of a property being mixed-income, but the estimates were usually not significantly different from zero. The coefficient estimates on most of the other variables varied considerably across models and were rarely significant. Since the results were very sensitive to minor changes in the model specification, they are not reported here. With only 39 property-observations, the factors associated with mixed-income properties when controlling for other relevant factors are difficult, if not impossible, to discern.

Income of LIHTC Residents Relative to Neighborhood

Earlier results have shown that residents of LIHTC properties and the neighborhood in which they are located tend be low-income, but there is substantial variation across properties and across neighborhoods. In this section, we explore how the incomes of LIHTC residents compare to the income of residents in the surrounding neighborhood (where neighborhood is defined as the Census Tract where the property is located).

Exhibit 4-4
Percent of Properties Defined as Mixed-Income by Various Characteristics

Subpopulation based on Property Characteristic	Unweighted Sample Size	Percent of these properties that are mixed-income
Nonprofit property sponsor	20	55%
Moderate-poverty neighborhood (10-29 % poverty rate)	12	54%
Under 50% homeownership rate in neighborhood	28	49%
Central city location	26	49%
Property serves predominately families	32	42%
More than 20% of residents receive Section 8	14	42%
All Properties	*37*	*40%*
Less than 20% of residents receive Section 8	23	38%
High-poverty neighborhood (>29% poverty rate)	18	37%
For-profit property sponsor	17	23%
Property serves predominately elderly	5	17%
Suburban location	11	14%
Low-poverty neighborhood (0-9% poverty rate)	7	12%
Over 50% homeownership rate in neighborhood	9	8%

Sources: Census (1990; census tract median income inflated to $1999), LIHTC Resident Survey (1999) and property files (1999) for resident income.

Notes: Property is defined as mixed-income if it meets any one of the following criteria: (1) At least 20% of the units are market-rate and 20% are tax-credit qualified units; or (2) At least 20 percent of the household incomes are below 30% of the MSA median and 20 percent are above 50% of the MSA median; or (3) At least 20 percent of the households have income below the poverty line and 20 percent have income above 185% of the poverty line. Two nonprofit properties did not have enough reported data to determine the income distribution of residents. Estimates weighted to reflect eligible LIHTC properties in 5 study MSAs.

As shown in Exhibit 4-5, LIHTC households on average have substantially lower incomes than neighborhood residents. At 72 percent of the LIHTC properties, the median income of LIHTC residents is lower than the median income of neighborhood residents. By contrast, only 10 percent of the LIHTC properties have a higher household median income than the neighborhood and 19 percent have about the same level (within 10 percent). All of the properties with higher median income than the neighborhood are located in extremely poor neighborhoods where the median income of the neighborhood is less than 30 percent of the area median. Hence, these properties are providing housing for families who are raising the income level of the neighborhood which may have a positive influence on the neighborhood.

Exhibit 4-5
Income Levels at LIHTC Property Compared to Neighborhood

Income Measure of Property and Neighborhood being Compared	Nonprofit Sponsored (n=20)	For-Profit Sponsored (n=17)	Total (n=37)
Median income*			
Lower property income	55%	89%	72%
About the same (within 10 percent)	26%	11%	19%
Higher property income	19%	0%	10%
Poverty rate*			
Higher poverty rate in property	31%	55%	42%
About the same (within 10 percentage points)	17%	31%	24%
Lower poverty rate in property	52%	14%	33%
Poverty rate classification (low: 0-9%; moderate: 10-29%; high: 30% or higher)*			
High-poverty neighborhood			
High-poverty property	12%	28%	20%
Low/moderate-poverty property	43%	7%	27%
Moderate-poverty neighborhood			
High-poverty property	13%	23%	19%
Low/moderate-poverty property	32%	11%	19%
Low-poverty neighborhood			
High-poverty property	0%	0%	0%
Low/moderate-poverty property	0%	31%	15%

Sources: Census (1990: census tract poverty rate in 1989 and median income inflated to $1998), Administrative data from site manager/owner (1999: most resident income), and LIHTC Resident Survey (1999: resident incomes for properties with predominately market-rate units and several properties where administrative records with resident incomes was not provided).

Notes: Estimates weighted to reflect eligible LIHTC properties in 5 study MSAs.

Two nonprofit properties did not have enough reported data to determine the income distribution of residents

*Indicates significant difference between nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

The properties with lower income than the neighborhood are evenly split between neighborhoods with median income less than 30 percent of the area median, income between 30 and 50 percent of the area median, and income above 50 percent of the area median (not shown in exhibit). Hence, in approximately one-third of the situations where the property income is lower than the neighborhood, the LIHTC properties are providing an opportunity for lower-income families to live in relatively higher-income neighborhoods which may increase their own economic opportunities.

A comparison of poverty rates also indicates that LIHTC residents tend to be economically worse off than neighborhood residents, but the tendency is not as strong as it appears to be when comparing median incomes. While 42 percent of the properties have a higher poverty rate than the surrounding neighborhood, 33 percent have a lower rate and 24 percent have about the same rate (within 10 percentage points).

There are distinct differences based on the sponsor-type of the property. Residents of nonprofit properties tend to have higher incomes than residents of their neighborhood, whereas the opposite holds true for for-profit properties. While 45 percent of nonprofit properties have about the same or higher median income levels than the neighborhood, only 11 percent of for-profit properties do. Furthermore, 55 percent of nonprofit properties have lower poverty rates than the neighborhood, whereas only 31 percent of the for-profit properties have lower poverty rates. This result may be due to the tendency of for-profit properties to be in higher-income neighborhoods than nonprofit properties (see Exhibit 4-1). The bottom panel of Exhibit 4-5 shows the distribution of properties (based on poverty-rate classification) across high-, moderate-, and low-poverty neighborhoods.[14] The results indicate that 20 percent of LIHTC properties have high, internal poverty rates and are located in high-poverty neighborhoods and that 27 percent of properties have low/moderate, internal poverty rates, but are located in high-poverty neighborhoods. Only 15 percent of the properties have low/moderate poverty rates and are located in low-poverty neighborhoods. However, the most interesting results are the patterns by sponsor type. Nonprofit properties tend to have lower poverty rates than the neighborhood, but are exclusively located in moderate- or high-poverty neighborhoods. On the other hand, for-profit properties are evenly spread out across neighborhood types classified by poverty rate (see Exhibit 4-1), but tend to have higher poverty rates than the neighborhood. For example, 43 percent of nonprofit properties have low/moderate poverty rates, but are located in a high-poverty neighborhood, whereas only 12 percent are both high-poverty properties and neighborhoods. In contrast,

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[14] Neighborhoods and properties are classified by poverty rate as follows: 0-9 percent is low-poverty; 10-29 percent is moderate poverty; 30 percent or higher is high-poverty. The choice of these particular categories was guided by definitions of low- and high-poverty neighborhoods used in Section 8 mobility counseling programs. The Moving to Opportunity Demonstration (MT0) defined a low-poverty neighborhood as one with a poverty rate below 10 percent, thus we chose this definition for low-poverty neighborhoods. In the Regional Opportunity Counseling (ROC) program, each PHA used their own definition of low-poverty and high-poverty neighborhoods. In the 15 ROC sites, the definition of high-poverty neighborhoods ranged from neighborhoods with poverty rates above 10 percent to only neighborhoods with poverty rates above 40 percent, but a majority of the definitions were between 20 and 30 percent. Hence, we chose to define a high-poverty neighborhood as one with a poverty rate above 30 percent.

only 7 percent of for-profit properties are low/moderate poverty properties in high-poverty neighborhoods, but 28 percent are both high-poverty properties and neighborhoods. So even though a smaller proportion of for-profits than nonprofits (35 percent versus 55 percent) are located in high-poverty neighborhoods, a higher proportion of all for-profits are high-poverty properties in high-poverty neighborhoods (28 percent versus 12 percent). A second prominent difference is that 31 percent of for-profit properties are low/moderate poverty properties in low-poverty neighborhoods, whereas none of the nonprofit properties in our sample are even located in low-poverty neighborhoods.

The distinctly different patterns by sponsor-type may be related to the differences in the development objectives of nonprofit and for-profit properties. As discussed later in this report (Chapter 6), owners of nonprofit properties tend to report community revitalization as the objective of their LIHTC development efforts whereas, for-profit owners more frequently report traditional real estate objectives (e.g., profit or interesting development opportunity) as the objective of their LIHTC development efforts. Given the community revitalization goals of nonprofit owners, it makes sense that they have a propensity to develop properties in moderate- or high-poverty neighborhoods (where revitalization is needed) and serve a higher-income clientele than the surrounding neighborhoods (to raise the income level of the neighborhood). At the same time, given the traditional real estate objectives of the for-profit owners, it makes sense that they would be more spread out across neighborhood types to take advantage of profit opportunities wherever they exist. It is not evident why for-profit properties tend to have higher-poverty rates than the neighborhood in moderate- and high-poverty neighborhoods.

4.3 Racial/Ethnic Diversity within Properties and Compared to Neighborhoods

In Chapter 2, we reported that approximately 60 percent of LIHTC residents were African-American, 20 percent were Hispanic, and 20 percent were white. However, these results do not indicate whether or not African-Americans, Hispanics, and whites live together in the same LIHTC properties or whether properties tend to be dominated by one race/ethnic group. In this section, we investigate the racial/ethnic composition of LIHTC properties then compare it to the composition of the neighborhood.

Racial/Ethnic Diversity within LIHTC Properties

The proportion of the LIHTC property's residents who are minorities is presented in the top panel of Exhibit 4-6. Given the high proportion of minority residents in our study properties that was mentioned earlier, it is not surprising that over half of the properties (52 percent) have entirely minority residents. Another 26 percent of the properties have between 70 to 99 percent minority residents, thus 78 percent of the properties have more than 70 percent minority residents. On the other extreme, 5 percent of the properties have only white (non-Hispanic) residents. The racial composition of properties differs significantly by sponsor type. All of the nonprofit properties have more than 70 percent minorities whereas only 52 percent of the for-profit properties show this high concentration of minorities. However, while none of the nonprofit properties have more than 70 percent white residents, 29 percent of for-profit properties show this high concentration of whites.

The bottom half of Exhibit 4-6 presents the categorization of properties by whether they are racially/ethnically diverse or dominated by a particular race/ethnic group. Properties are classified as diverse if at least 20 percent of the residents are from two different race/ethnic groups. Consistent with the results just discussed, we found few properties with a mixture of whites and minorities (defined as at least 20 percent whites and 20 percent minorities in the property). Overall, only 9 percent of the properties have a mixture of whites and minorities. However, a substantial proportion of the properties had a diverse mix of minority groups (defined as at least 20 percent in two different minority groups).[15] Over forty percent of the properties are mixed-minority, usually because they have a substantial proportion of African-Americans and Hispanics. Residents at one-half of the properties are predominately one race/ethnic group. At 36 percent of the properties, over 80 percent of the residents are minorities (usually African-American) while at 14 percent of the properties, over 80 percent of the residents are white.

The pattern for race/ethnic diversity varies significantly by sponsor type. Approximately one-half of both nonprofit (53 percent) and for-profit (46 percent) properties are predominately one race/ethnic group, but in these properties, nonprofits are predominately minority whereas for-profit properties tend to be predominately white. None of the nonprofit properties are predominately white compared to 30 percent of for-profit properties. On the other hand, 53 percent of the nonprofit properties are predominately minority whereas this is true for only 16 percent of for-profit properties. The racially/ethnically diverse nonprofit properties (47 percent) are all mixed-minority while 36 percent of for-profits are mixed-minority and an additional 19 percent are a mixture of whites and minorities.

[15] The mixed-minority definition is based on the definition used by Khadduri and Martin (1997) in their analysis of the race/ethnic diversity of HUD-subsidized private developments. The minority groups we use are African-American (non-Hispanic), Hispanic, and Asian/Native American/other non-whites.

Exhibit 4-6
Racial/Ethnic Diversity in LIHTC Properties

Property Characteristic	Nonprofit Sponsor (n=22)	For-Profit Sponsor (n=17)	Total (n=39)
Percent minority*			
0%	0%	11%	5%
1-29%	0%	19%	9%
30-69%	0%	19%	9%
70-99%	41%	9%	26%
100%	59%	43%	52%
Racial/Ethnic diversity*			
Mixture of whites and minorities (at least 20% of each)	0%	19%	9%
Mixed-Minority (at least 20% from two different minority groups)	47%	36%	42%
Predominately minority (over 80%)	53%	16%	36%
Predominantly white (over 80%)	0%	30%	14%

Sources: LIHTC Resident Survey (1999: primary source for race/ethnicity) and administrative data from managers/owners (1999: racial/ethnic composition for a few properties)
Notes: Estimates weighted to reflect eligible LIHTC properties in 5 study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

Racial/Ethnic Composition of LIHTC Property Compared to Neighborhood

Next, we compare the racial/ethnic composition of LIHTC properties to the composition of the neighborhood. First, we compare the percent of minorities in each property to the neighborhood, then we categorize properties based on a combined measure relating property and neighborhood race/ethnic composition.

As shown in Exhibit 4-7, properties are fairly evenly split between those that have a proportion of minorities similar to their neighborhood and those that have a higher proportion of minorities than their neighborhood.[16] Very few properties have a lower proportion of minorities than their neighborhood. Overall, 44 percent of properties have about the same race/ethnic composition of their neighborhood while 51 percent have a higher proportion of minorities and only 5 percent have a lower proportion of minorities.

Exhibit 4-7
Racial/Ethnic Diversity in LIHTC Properties Compared to Neighborhoods

	Nonprofit Sponsor (n=22)	For-Profit Sponsor (n=17)	Total (n=39)
Percent of minorities living in project compared to neighborhood*			
Lower proportion of minorities in property	0%	11%	5%
About the same (within 10 percentage points)	26%	65%	44%
Higher proportion of minorities in property	74%	24%	51%
Racial/Ethnic composition in property compared to neighborhood*			
Majority of whites in both the property and neighborhood	0%	37%	17%
Majority of minorities in both the property and the neighborhood	77%	47%	63%
Majority of whites in property, but majority of minorities in the neighborhood	0%	0%	0%
Majority of minorities in property, but majority of whites in neighborhood	23%	17%	20%

Sources: LIHTC Resident Survey (1999) and/or property files (1999) for racial composition of property residents and Census (1990) for racial/ethnic composition of neighborhood.
Notes: Estimates weighted to reflect eligible LIHTC properties in 5 study MSAs.
*Indicates significant difference between nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

16 Properties within plus or minus 10 percentage points of the proportion of minorities in the neighborhood were classified as having about the same composition as the neighborhood.

The bottom panel of Exhibit 4-7 combines the race/ethnic composition of the property and neighborhood into one of four groups: majority of whites (non-Hispanic) in both; majority of minorities in both; majority of whites in property, but majority of minorities in neighborhood; or majority of minorities in property, but majority of whites in neighborhood. By this classification system, 20 percent of the properties have a majority of minority residents, but are located in a neighborhood with a majority of white residents. These are the only properties where a majority of the residents in the property and neighborhood are not the same, because none of the properties have a majority of white residents in a minority neighborhood. The most common combination is a majority of minority residents in both the property and neighborhood (63 percent).

Not surprisingly, the patterns are significantly different by sponsor type. At 77 percent of nonprofit properties, a majority of both the property and neighborhood residents are minorities while this is true for only 47 percent of for-profit properties. By contrast, none of the nonprofits have a majority of white residents in a white neighborhood, while 37 percent of the for-profit properties do. About one-fifth of nonprofit (23 percent) and for-profit properties (17 percent) have a majority of minority residents but are in neighborhoods with a majority of white residents.

4.4 Residents' Satisfaction with their Neighborhood

An important question addressed by this research is LIHTC residents' perceptions of the quality of their neighborhood and whether they feel a part of the neighborhood. In this section we investigate residents' overall rating of their neighborhood, perceptions of social cohesion in the neighborhood, and several indicators of whether residents feel a part of their neighborhood. We first compare residents' responses based on whether they live in a nonprofit or for-profit property, then we compare responses based on whether or not they live in a mixed-income property.

Residents perceptions of their neighborhood are mixed. Depending on the measure, between one-half and three-fourths rated it favorably and the remainder rated it unfavorably. Under one-half of the residents gave their neighborhood an overall rating as good or excellent (46 percent) and over one-half rated it as fair or poor (54 percent) as can be seen in Exhibit 4-8. Residents overall rating of their neighborhood were consistent within properties indicating some agreement of whether the LIHTC property was in a "good" or "bad" neighborhood. At 10 of the 39 properties, over two-thirds of the respondents rated their neighborhood as good or excellent, while at 15 of the properties over two-thirds of the respondents rated their neighborhood as fair or poor. The residents at the other 13 properties were more evenly divided between residents who rated their neighborhood favorably and those who rated it negatively.

Exhibit 4-8
Residents' Perceptions of their Neighborhood by Sponsor Type

	Nonprofit Sponsored (n=391)	For-Profit Sponsor (n=441)	Total (n=832)
Overall rating of neighborhood as a place to live*			
Good or Excellent	41%	50%	46%
Fair or Poor	59%	50%	54%
Indicators of "social cohesion and trust": Percent of residents who somewhat or strongly agree with following statements:			
People in this neighborhood generally get along with each other	76%	71%	73%
People around here are willing to help their neighbors	68%	62%	65%
This is a close-knit neighborhood*	61%	52%	56%
Whether resident feels a part of or isolated from neighborhood*			
Feels part of neighborhood	55%	50%	52%
Feels isolated from neighborhood	13%	19%	17%
Somewhere in-between	31%	31%	31%
Socialize with people in neighborhood who do not live in the same building*	51%	41%	45%
Somewhat or very active in neighborhood*	50%	39%	44%

Source: LIHTC Resident Survey (1999).
Notes: Estimates weighted to reflect residents in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

On measures of "social cohesion and trust"[17] the overall favorable responses ranged from 56 percent who reported "This is a close-knit neighborhood" to 73 percent who reported that

[17] These measures of social cohesion and trust come from: Sampson, Raudenbush, and Earls. 1997. "Neighborhoods and Violent Crime: A Multilevel Study of Collective Efficacy." *Science*, v.277 (August 15), pp. 918-924.

"People in the neighborhood generally get along with each other." The third measure was in the middle: 65 percent somewhat or strongly agreed that "People around here are willing to help their neighbors."

Nevertheless, most residents do not feel isolated from their neighborhood. Over half (52 percent) reported feeling part of their neighborhood, while only 17 percent reported feeling isolated from their neighborhood and 31 percent reported that neither extreme accurately portrayed their situation. Approximately 45 percent of the respondents reported being somewhat or very active in their neighborhood (in terms of attending meetings and other events) and socializing with people in the neighborhood who do not live in the same building.

Many of the results are significantly different by sponsor type. Residents of for-profit properties (50 percent) are more likely than residents of nonprofits (41 percent) to give their neighborhood an overall rating of good or excellent. However, on the community measures, residents of nonprofits are significantly more likely than residents of for-profits to rate their neighborhood favorably. For example, 61 percent of nonprofit residents perceive their neighborhood as close-knit, whereas 52 percent of for-profit residents do so. Furthermore, 51 percent of nonprofit residents report socializing with neighborhood residents while only 41 percent of for-profit residents report socializing with neighborhood residents.

One of the concerns about mixed-income properties is that residents may not interact with each other (thus defeating the presumed benefits of mixed-income housing) and may feel isolated from their neighborhood. We explore that issue in this section using the combined definition of mixed-income properties described earlier. Specifically, we compare the residents' perceptions of their neighborhood by whether or not they live in a mixed-income property (see Exhibit 4-9). Since we already discussed the overall results above, here we focus on the responses of residents in mixed-income properties versus the residents of other properties.

On most dimensions, residents of mixed-income and non-mixed-income properties have similar perceptions of their neighborhood. Approximately one-half give their neighborhood an overall rating of good or excellent and between one-half and three-fourths rate their neighborhood favorably on the social cohesion and trust questions regardless of the mixed-income status of their developments. However, there are significant differences in resident reports of how active they are in their neighborhood and whether they socialize with people in the building or neighborhood. Residents of mixed-income properties are significantly more likely than residents of other properties to report socializing with people in their building (63 percent versus 55 percent) and to report being somewhat or very active in the neighborhood (57 percent versus 39 percent). But, residents of mixed-income properties are

Exhibit 4-9
Residents' Perceptions of their Neighborhood by Mixed-Income Status of Property

	Not in Mixed-Income Property (n=591)	In Mixed-Income Property (n=234)	Total (n=825)
Overall rating of neighborhood as a place to live			
Good or Excellent	45%	51%	46%
Fair or Poor	55%	49%	54%
Indicators of "social cohesion and trust": Percent of residents who somewhat or strongly agree with following statements:			
People in this neighborhood generally get along with each other	74%	71%	73%
People around here are willing to help their neighbors	63%	69%	65%
This is a close-knit neighborhood	55%	57%	56%
Whether resident feels a part of or isolated from neighborhood			
Feels part of neighborhood	52%	53%	52%
Feels isolated from neighborhood	16%	19%	17%
Somewhere in-between	32%	28%	31%
Socialize with people in the same building*	55%	63%	57%
Socialize with people in neighborhood who do not live in same building*	48%	39%	45%
Somewhat or very active in neighborhood*	39%	57%	44%

Source: LIHTC Resident Survey (1999).
Notes: Estimates weighted to reflect residents in eligible LIHTC properties in five study MSAs.
*Indicates significant difference between residents of nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

less likely to report socializing with other people in the neighborhood (39 percent versus 48 percent). The survey question on how active a person is in their neighborhood includes both activities with building residents and with other neighbors. Hence, taken together, these results suggest that residents of mixed-income properties have more interaction than residents of non-mixed-income properties with their neighbors in the LIHTC property, but less with neighbors outside of their building. Thus overall, in mixed-income LIHTC properties, the residents appear be interacting with each other and feel as much a part of their neighborhood as residents of non-mixed-income properties, although they do not socialize quite as much with their neighbors outside of their building.

4.5 Summary

This chapter explored the location of LIHTC properties and the characteristics of the residents in the context of the neighborhood.

LIHTC properties in the five study MSAs are in neighborhoods dominated by rental units and as is typical of rental neighborhoods, predominately residents who have not lived there for more than 5 years. LIHTC neighborhoods are evenly split between low-income neighborhoods with median income less than 50 percent of the MSA median and more moderate income neighborhoods. Approximately half of the neighborhoods have predominately minority residents (80 percent or more) and 12 percent have predominately white residents. Overall, 72 percent of the properties are located in the central city of the MSA with more than half of those located in high-poverty (poverty rate greater than 30 percent) neighborhoods with more than 40 percent minority residents. The other LIHTC properties located in the city are in low- or moderate poverty areas. Of the 28 percent of the properties in the suburbs, half are in low poverty areas with predominately white residents. In terms of sponsor type, nonprofit properties were typically located in high-poverty, city neighborhoods with predominately minority residents. The neighborhoods where for-profit properties were located were more evenly spread out in terms of urban/suburban location, poverty rate of the neighborhood, and racial characteristics of the neighborhood residents.

The residents of LIHTC properties are typically the working poor or near poor. At over 80 percent of the properties, a majority of the households have at least one wage-earning adult. Nevertheless, almost 40 percent of the properties have high internal poverty rates (poverty rates greater than 30 percent). Consistent with the low-incomes of LIHTC households, a substantial portion receive Section 8 assistance (37 percent). At most properties, only a small share of residents receive Section 8 Assistance, but only one-quarter of the properties had no Section 8 recipients. On the other extreme, at 15 percent of the properties, all the residents receive Section 8 Assistance. Properties with for-profit sponsors tended to have either very few households with income below the poverty line or a majority of households with income below the poverty line. In contrast, a majority of nonprofit properties had moderate internal poverty rates (between 10 and 29 percent).

Only two of the study properties had a substantial share of market-rate units in their property. The other properties all had more than 80 percent tax-credit qualifying units with most of these properties having 100 percent qualified units. Hence, income diversity in LIHTC properties is generally limited to households with income less than the tax-credit qualifying maximum (60 percent of the MSA median in most properties). However, within that range, 40 percent of the properties could be considered mixed-income developments.[18] Consistent with the pattern of for-profit properties to have either primarily extremely low-income residents or primarily moderate-income tenants, for-profit properties were significantly less likely to be categorized as mixed-income (23 percent) than nonprofit properties (40 percent).

The median income at 72 percent of LIHTC properties was lower than the neighborhood median. These properties were fairly evenly split across extremely low-income neighborhoods, low-income neighborhoods, and more moderate income neighborhoods. At only 10 percent of the properties, all in extremely low-income neighborhoods, was the median property income higher than the neighborhood median. The income at the other 20 percent of properties was similar to the neighborhood (within 10 percent). Hence, over 40 percent of LIHTC properties are either providing housing for residents who raise the neighborhood income level or provide opportunities for lower-income residents to live in more moderate income neighborhoods.

Most LIHTC properties have either predominantly minority residents or predominantly white residents. There is substantial racial diversity in terms of whites and minorities at less than 10 percent of the properties. However, 42 percent of the properties have substantial racial diversity across minority groups.

Just over half of the properties have a higher proportion of minorities than the neighborhood and most of the other properties have about the same proportion of minority residents as the neighborhood (within 10 percentage points). The most common scenario is a majority of minorities in both the property and the neighborhood (63 percent). Less common, but still substantial, is a majority of whites in both the property and the neighborhood (17 percent). No properties have a majority of white residents in a neighborhood with a majority of minority residents, but one-fifth have a majority of minority residents in a neighborhood with a majority of white residents

[18] A property is defined as mixed-income if it meets any one of the following criteria: (1) At least 20% of the units are market-rate and 20% are tax-credit qualified units; or (2) At least 20 percent of the household incomes are below 30% of the MSA median and 20 percent are above 50% of the MSA median; or (3) At least 20 percent of the households have income below the poverty line and 20 percent have income above 185% of the poverty line

Resident perceptions of their neighborhood are mixed. Depending on the measure, between one-half and three-fourths rated it favorably and the remainder rated it unfavorably. Under one-half of the residents gave their neighborhood an overall rating as good or excellent and over one-half rated it as fair or poor. On measures of "social cohesion and trust", the overall favorable responses ranged from 56 percent who reported "this is a close-knit neighborhood" to 73 percent who reported that "people in the neighborhood generally get along with each other." Nevertheless, only 17 percent of the residents reported they felt isolated in their neighborhood and approximately 45 percent reported being active in their neighborhood and socializing with people in their neighborhood. Many of these results are significantly different by sponsor type with residents of for-profit properties more likely than nonprofits to rate their neighborhood favorably overall, but less likely to describe it as a close-knit neighborhood or to be active or socialize in their neighborhood.

Chapter 5
Property Management and Resident Services

This chapter reviews the property management arrangements and operations of the study properties, along with the other services provided to residents. The chapter also examines the relationship of the study properties with community organizations and the potential impacts of welfare reform on the properties and their residents.

5.1 Profile of Property Management Entities

The 39 study properties are managed by a total of 31 management entities, including both for-profit companies and nonprofit organizations. In every MSA except Oakland, there is at least one company managing more than one of the sample properties. For example, in Miami, one company manages three properties, and a second company manages two of the study properties. In Boston there are two companies each managing two sample properties. In Kansas City, one nonprofit manages two sample properties, and two organizations in Milwaukee each manage two study properties. This overlap suggests that there are certain "players" or companies that manage tax credit and affordable housing in each market. This conclusion is also supported from information on the management companies' experience with the tax credit program. Overall, nearly half of the property managers can be considered to have a tax credit specialty (at least one-third of the units in their management portfolio), with most of the companies reporting this specialty being for-profit management entities. It should be noted that most companies report a portfolio that includes a mix of units, including affordable housing and market rate housing. However, only about 13 percent of the management entities report a portfolio composed predominantly of market rate housing.

An important characteristic of management entities is their relationship to the developer/owner. Often, properties are managed by a related company or a division of the owner/developer entity. If the management company is independent, it is usually referred to as an independent fee manager. The LIHTC properties are evenly divided along this dimension, with half of properties managed by an entity that has a relationship with the owner/developer, and half managed by independent fee managers. In our sample, nonprofit properties are less likely to have a management company related to the owner than the for-profit properties.

Despite the fairly even numbers of for-profit and nonprofit sponsors in the sample, most of the property management agents (71 percent) are for-profit entities. In fact, all of the for-profit properties are managed by for-profit management companies, while the nonprofit properties are evenly split between nonprofit and for-profit management companies. In the vast majority of cases (8 of 11) where nonprofit properties are managed by nonprofit managers, the manager is either the nonprofit sponsor itself or a subsidiary organization. Some variations by MSA were observed. For example, Miami was the only MSA where all of the properties are managed by for-profit companies; Oakland is the only MSA with more nonprofit managers than for-profit managers (4 of the 6 properties are managed by a nonprofit, which is consistent with the sponsorship split). Overall, there appears to be a strong trend in the study properties for utilizing professional management companies, both for-profit and nonprofit.

The sample properties in the study are managed by companies that range in size from the largest in the country with nearly 400,000 units in its portfolio to small organizations or individuals, managing fewer than 200 units. However, the typical portfolio is between 1,100 and 3,000 units, with the for-profit managers having a typical portfolio of approximately 2,600 units and the nonprofit managers having a portfolio of about 1,800 units.

The largest management company in the study (and the country), AIMCO, managed three of our sample properties in the Miami MSA. On the other extreme, the two smallest management entities in the study are a nonprofit in Kansas City, the Westside Housing Organization, with approximately 170 units under management, and 2 individuals in Oakland managing one property of 118 units. Westside Housing serves both as the developer and manager of many of its properties which are located exclusively on the Westside of Kansas City, a predominately Hispanic neighborhood. The individual investors in Oakland are the developers and managers of Villa San Ramon, a 118 unit luxury elderly property in San Ramon, a suburb of Oakland. The two investors are currently adding another 150 units of elderly housing to their portfolio.

Most of the management entities in our study also have a local focus versus a multi-state or national focus. Almost three-fourths focus their operation in a single city or at most in one state. The greatest degree of local focus can be found in Boston and Oakland. Not surprisingly, nonprofit management entities are more likely (77 percent) than for-profits (64 percent) to have an exclusively local focus.

5.2 Profile of Management Operations

How are tax credit properties managed? Exhibit 5-1 presents the management data on a number of dimensions. In terms of management presence, we found that one-half of the tax credit properties in the study had an on-site management office and one-quarter had a resident manager. Management presence did not vary significantly by sponsor type.

Exhibit 5-1
Profile of Management Entities and Operations

	Nonprofit Sponsor (n=22)	For-profit Sponsor (n=17)	Total (n=39)
Management Type*			
Nonprofit	54%	0%	29%
For-profit	45%	100%	71%
Relationship to Owner			
Related management entity	41%	60%	50%
Independent fee manager	59%	40%	50%
On-site Management Office			
Yes	50%	51%	51%
No	50%	49%	49%
Resident Manager			
Yes	33%	15%	25%
No	67%	85%	75%
Marketing Methods (in last two years)			
Newspaper	33%	48%	40%
Signs	30%	45%	37%
Contacts with Section 8 Office	21%	29%	25%
Apartment Finder*	9%	35%	21%
Contacts with community organiz.	20%	19%	19%
Contacts with social service org.	23%	15%	19%
Competition			
Other subsidized developments	63%	70%	66%
Market-rate developments	28%	23%	26%
Both	9%	7%	8%
Screening Methods			
Credit Check*	100%	88%	95%
Rental History/Landlord References*	100%	76%	89%
Criminal Background Check*	94%	63%	80%

Source: Interviews with site managers (1999).
Notes: Estimates are weighted to reflect all eligible properties in 5 study MSAs.
*Indicates significant difference between nonprofit and for-profit properties at the 10 percent significance level (see Appendix A for a description of the significance tests performed).

Marketing and Finding LIHTC Units

Exhibit 5-1 also shows that the most popular mechanisms for marketing tax credit properties, according to property managers, are advertising in the newspaper and posting "for rent" signs on the front of the property—approximately 40 percent report using each of these methods. No other marketing method, including contacting the Section 8 office about openings, was reported by more than one-quarter of the managers. Given that over one-third of LIHTC tenants receive some form of Section 8 assistance (see Chapter 3) and over three-fourths of the properties have at least one tenant on Section 8 assistance (see Chapter 2), it is somewhat surprising that only 25 percent of the property managers contact the Section 8 office when they have vacancies. However, the lack of regular contact between most LIHTC managers and the local Section 8 office was reported by both site managers and Section 8 staff. It appears that at most of the LIHTC properties, the residents who receive Section 8 assistance found out about vacancies on their own.

There is little difference in marketing methods between nonprofits and for-profits. However, almost every marketing method asked about was reportedly used by a higher proportion of for-profits than nonprofits. Nevertheless, the only significant difference was in the use of apartment finder publications which were used by 35 percent of for-profits, but only 9 percent of nonprofits.

It should also be noted that 9 properties (just under one-fourth of the study properties) reported no formal marketing in the last two years. Seven of these nine properties were in the Boston area, reflecting a very tight housing market in Boston and the fact that managers do not need to advertise in order to fill vacancies.

While managers relied heavily on newspapers for advertising, residents reported word of mouth as the most common source for finding their LIHTC unit. (No exhibit is provided on resident sources for finding their unit.) Overall, 51 percent of the residents found their current home through family and friends. This is true for both nonprofit and for-profit properties. Residents identified newspapers and signage/walking by the property (the most common marketing methods reported by managers) as the next most frequent methods for learning of their new homes, though neither of these was reported by more than 15 percent of respondents. No other method for finding out about their new unit was reported by more than seven percent of the respondents.

Competition for LIHTC Properties

Managers reported that the major competition for their tax credit property is other subsidized housing including other tax credit properties and project-based Section 8 housing. None specifically reported public housing as their competition. As can be seen in Exhibit 5-1, there is no difference on this measure between nonprofit and for-profit properties, with 63 percent of nonprofits citing other subsidized housing as their major competition and 70 percent of for-profits reporting the same. Likewise, only one-quarter of nonprofits or for-profits reported market rate housing as their primary competition, although a few properties identified both market rate and subsidized housing as their competition.

In terms of MSAs, managers in four out of the five areas identified subsidized housing as the competition. Oakland is the exception where managers reported that market rate housing was the primary competition. Several managers indicated that there was effectively no competition in their neighborhood for the types of units they provide. For example, one new construction townhouse property in Kansas City provides 3 bedrooms units, with private garages, in a nicely landscaped property. The manager said that there are no units in the area with comparable features and affordable rents.

Examining this issue from the perspective of the residents, more than one-third of the residents (36 percent) reported they were on a public housing waiting list when they found their current apartment. This figure is slightly higher for residents of nonprofit properties—40 percent as compared to 32 percent of the residents in for-profit properties. Overall, 27 percent of residents reported that they were living in public housing prior to moving to their current home. Residents of nonprofit properties were more likely to have moved to their current unit directly from public housing (32 percent) than residents in for-profit properties (22 percent).

These data demonstrate the relationship between tax credit properties and public housing and Section 8. Given scarce affordable housing resources, families typically try a number of different avenues to secure safe, decent housing at an affordable rent. What is interesting, is that even if managers do not consider public housing their competition, a fairly substantial number were on the public housing waiting list at the time they found their tax credit unit. The fact that roughly one-fourth of the LIHTC residents report they came directly from public housing suggests that these properties do serve as a stepping stone or transition out of public housing and into more market oriented housing.

Screening

Property managers view the screening of applicants as an essential management tool in creating a safe and comfortable community for all residents. Good screening on the front end eliminates problems later on that may lead to nonpayment of rent and eventually eviction. As indicated in Exhibit 5-1, the vast majority of the study properties report using three screening methods: a credit check, landlord references and/or rental history, and a criminal background check. However, nonprofits are more likely than for-profits to use each of these methods. While 100 percent of the nonprofit properties report using credit checks and rental history, just 82 percent and 76 percent of for-profits reported using the two methods respectively. Likewise, 91 percent of the nonprofits said that they use a criminal background check compared to 59 percent of the for-profits who use that method of screening. Almost all managers report using third party income verifications, but this is a requirement of the tax credit program.

5.3 Property Amenities and Social Services

There has long been a debate regarding the provision of social and community services combined with housing. Traditionally, public housing authorities have provided such services but the broader multifamily housing industry has not. Service provision by management is a point of interest since tax credit properties are serving primarily the working poor or special populations, such as the elderly. This section reviews the amenities and the services provided by the study properties as well as the services residents take advantage of in the broader community.

Security

Security is an important issue for many of the neighborhoods in which the study properties are located. In fact, when asked about the most important consideration for moving into their current building, increased safety was the third most frequently cited reason, following paying lower rent and living in a nicer apartment (see Chapter 3). In line with the importance of security to residents, eight in ten study properties provide some kind of security system or measure. As can be seen in Exhibit 5-2, the two most popular measures are restricted entry (63 percent) and buzzer systems (56 percent). In addition, over one-third of the properties reported having security guards at the development for at least part of the day, usually the evening or overnight hours. The use of security guards varied from a dedicated guard at the building entrance for selected shifts (including a few with security cameras) to a security service that checks the grounds and entrances each evening while also providing the same service for other developments. While there is little difference across sponsor types in the use of restricted entry or security systems, for-profits are twice as likely as nonprofits to hire security guards (51 percent vs. 25 percent).

Site Visitor Observations of Properties

A fundamental question is what kind of living environment do tax credit properties provide? To supplement the resident ratings of their property discussed in Chapter 3, site visitors rated the appearance and curb appeal of the study properties, the maintenance, upkeep, and cleanliness of the property and buildings, as well as their "fit" in the larger neighborhood. These ratings are shown in Exhibit 5-2 and discussed below.

Exhibit 5-2
Property Amenities and Conditions

	Nonprofit Sponsor (n=22)	For-profit Sponsor (n=17)	Total (n=39)
Security			
Restricted Entry	63%	63%	63%
Buzzer	56%	56%	56%
Security Guard*	25%	51%	37%
Site Visitor Observations			
Neighborhood Fit			
Poor	0%	0%	0%
Fair	3%	8%	5%
Good	49%	55%	52%
Excellent	48%	37%	43%
Overall Curb Appeal			
Poor	0%	5%	2%
Fair	26%	31%	28%
Good	46%	42%	44%
Excellent	27%	22%	25%
Maintenance/Upkeep			
Poor	0%	6%	2%
Fair	11%	15%	13%
Good	51%	31%	42%
Excellent	38%	48%	42%
Overall Rating			
Poor	0%	5%	2%
Fair	8%	15%	12%
Good	58%	35%	47%
Excellent	34%	44%	39%
Property Amenities			
Off-street parking	75%	77%	76%
Laundry facilities in building	70%	74%	72%
Air conditioning*	69%	42%	55%
Community Room	51%	54%	52%
Playground	42%	27%	35%
Dishwasher	27%	38%	32%
Pool	7%	9%	8%
Washer/dryer in unit	0%	11%	5%
Services provided on-site	39%	38%	39%
Relationship with Outside Agency to Provide Services to Residents	27%	24%	26%

Sources: Site manager interviews and site visitor observations (1999). **Notes:** Estimates are weighted to reflect eligible properties in 5 study MSAs. *Indicates significant difference between nonprofit and for-profit properties at 10 percent significance level (see Appendix A for description of significance tests).

In general, site visitors ranked developments as either "good" or "excellent" in each category with only small differences between nonprofit and for-profit properties. Almost all of the properties (95 percent) were judged good or excellent in terms of neighborhood fit. Although site visitors noted that some properties were slightly taller or larger than other residential structures in the neighborhood, tax credit properties tend to be smaller than public and assisted housing projects built in previous decades and thus fit in better with the neighborhood. The rehabilitated properties maintained the original look of the building and the new properties were generally built to fit in with the neighborhood.

Curb appeal was rated as good or excellent at 69 percent of the properties. The lower curb appeal ratings relative to neighborhood fit ratings is a reflection of both the standard multifamily architecture of many of the newly constructed buildings and the distressed neighborhoods in which some of the rehabilitated LIHTC properties are located where even recently revitalized buildings are challenged to maintain their initial luster and may have limited curb appeal. Nevertheless, several of the properties were described as the best-looking developments in the area. These ratings did not vary much by sponsor type.

The study properties were also rated on the maintenance and upkeep of the properties. Most of the properties were highly rated on this factor with 89 percent of the nonprofits receiving a good or excellent rating and 79 percent of the for-profits receiving the same rating. Finally, site visitors were asked to give the properties an overall rating taking into account all of the above factors (neighborhood fit, curb appeal, and maintenance/upkeep). The overall ratings were also very positive: 86 percent of the properties had an overall rating of good or excellent. Similar to maintenance and upkeep, more for-profit properties were rated as excellent overall, but more nonprofit properties were rated as good, resulting in more nonprofit than for-profit properties receiving a positive (good or excellent) rating (92 percent versus 79 percent).

Amenities

For the most part, the tax credit properties in our study provide basic amenities for residents but are not luxurious. The most common amenities were off-street parking (76 percent) and laundry facilities in the building (72 percent). On the other extreme, very few properties provided higher-end amenities: only 8 percent of the properties offered access to a pool and only 5 percent had washers and dryers in the units. However, air conditioning, a somewhat luxurious amenity was available in over half of the properties (55 percent). With respect to other amenities, about half of the properties had community rooms (52 percent), one-third had playgrounds (35 percent), and a similar share had dishwashers (32 percent). In general, the amenities recorded do not differ systematically by sponsor type, however nonprofits (69 percent) were significantly more likely than for-profits (42 percent) to provide air conditioning.

Social Activities

In terms of social activities (as distinct from social services), we found a handful of properties that provide some activities for residents, though these tend to be focused on senior residents. For example, Williamstown Bay-Cudahy II in Milwaukee brings in speakers and hosts health fairs and other social activities, such as Bingo. Also in Milwaukee, the YW Villages have a senior choir and provide various field trips for senior residents.

On-Site Community and Social Services

When asked about the needs of their residents, many managers articulated similar needs. These include: day care, job training, budget/finance counseling, education, health, and nutrition. However, the majority of tax credit properties in our study (more than half) do not provide any kind of social services on-site. As shown in Exhibit 5-2, only 39 percent of the properties provide services on-site and this does not vary by sponsor type. The kinds of services provided on-site include: children's activities such as summer camp and tutoring; adult job training and computer literacy classes; and domestic violence counseling. In 18 percent of the properties, there is a resident service coordinator who makes referrals and other kinds of linkages to services that residents may need. Five of the seven properties providing a service coordinator are nonprofit properties. Most of the property managers said that lack of interest on the part of residents and lack of budget resources were the primary reasons that they did not provide social services on site.

Interestingly, several organizations said that they had provided services in the past, but that there was not enough interest to keep the programs operating. For example, in Kansas City, a nonprofit sponsor, KC Neighborhood Alliance (KCNA), indicated that most of their residents are single, working mothers who do not have extra time and energy for activities or services. KCNA also noted that residents found KCNA's role confusing when the organization was providing services: was KCNA the landlord or a service provider? Both to maintain clarity about their role, and as a result of lack of resident interest, KCNA has ceased service provision and now makes a community organizer available to residents.

Relationships with Outside Agencies

While LIHTC properties are limited in the extent to which they provide on-site services, residents may access outside services to meet their needs. In many cases managers were unaware of the outside services that residents use. Those that did have some idea mentioned common services including medical care, children's after school and summer programs, senior services, daycare, and emergency services (primarily for rental assistance) from local churches and agencies such as the Salvation Army.

Approximately one-quarter of the managers at nonprofit and for-profit properties reported having some kind of relationship with an outside community group or agency, as indicated in Exhibit 5-2.

Some examples of the kinds of relationships that tax credit properties have with outside agencies include Cottage Brook Apartments in Boston that has a direct relationship with an organization called Project Hope. Project Hope provides training for non-working mothers intended to lead to employment in the in-home day care field. Also in Boston, Putnam Place has a relationship with a local family support program, Families First. The program helps families to deal with family structure issues. Also, next to the property is a teen center and a community health center. Just a Start (the developer) also refers residents to the employment services offered by the organization.

In Oakland, the Richmond City Center Apartments has a resident services coordinator that provides referrals to local service providers. There is also a Police Substation in the commercial space where they operate Project READ, a tutoring program.

In Kansas City, the Blue Hills Homes Corporation does not provide direct services, but they do have a Community Services staff person who develops networks with local providers to establish linkages to needed services. Jefferson Place developer and manger, the Westside Housing Organization (WHO) has close relationships with at least four other nonprofit organizations operating in the neighborhood. These organizations provide counseling, ESL, job skills, and transportation.

An example of an interesting partnership is Garden West, in Milwaukee, which contracts eight units to Safe Haven, a homeless prevention program, which has a case manager living on the property. Also in Milwaukee, YW Village East II provides a variety of services to their residents including SHARE, a program that drives seniors to food shopping and medical appointments. The property also has a relationship with the Senior Development Center that works with senior residents on mental and physical development. Finally, the property also provides GED and job training on-site through a learning center located at their nearby YW Village West property.

When residents were asked about social services in their neighborhoods, 62 percent reported having good or excellent access to social services in their neighborhoods. This was slightly higher for nonprofits: 68 percent of nonprofit residents reported good or excellent access to services compared to 58 percent of for-profit residents. When comparing their current neighborhood to their previous neighborhood, more than half of all residents (53 percent) said that the access to services was the same, one-third (34 percent) said the access to services was better, and the remaining 13 percent said the access to services in their new neighborhood was not as good. However, services did not seem to play a factor in the selection of their current home. Access to services was very low on the list of reasons for choosing their current home (see Chapter 3).

5.4 Resident Satisfaction with Management and Services

Given the property features and services they receive, are tax credit residents satisfied with the management of their units? According to our resident survey, 41 percent of the residents said they were very satisfied with the management of their current unit. Another 34 percent said they were somewhat satisfied, resulting in a total of 75 percent of the residents reporting satisfaction with the current management. Nonprofit residents reported slightly higher levels of satisfaction with 78 percent indicating that they were satisfied versus 72 percent of the for-profit residents. Overall, 20 percent of the residents report being somewhat or very dissatisfied with their current management company. From the data available it is not clear what accounts for this dissatisfaction.

5.5 Service Needs/Impacts of Welfare Reform

According to the resident survey, only 6 percent of the respondents report someone in their household was currently receiving TANF, with no significant difference between for-profits and nonprofits. This is consistent with the property managers' perceptions that there were few residents in the study properties that received public assistance. Accordingly, most of the managers did not think that welfare reform would have a great impact on the properties. A few noted that welfare reform would result in a decrease in resident incomes, and that Section 8 would likely pick up the slack.

5.6 Summary

The management entities for LIHTC study properties ranged from the largest in the country to entities managing only the property in the study, but the typical management entity managed portfolios with between 1,000 and 3,000 units. There is an even split between the management companies that are related to the owner/developer entity and those that are independent fee managers. Most are for-profit management companies, including all the managers of for-profit properties and a little under half of the managers of nonprofit companies About half of the companies could be considered to have a specialty in tax-credit properties (at least one-third of their portfolio), but almost all had a combination of market-rate and subsidized developments in their portfolio. Approximately three-quarters of the residents reported being somewhat or very satisfied with their management company.

Two-thirds of the managers report other subsidized units, but not public housing, as their primary competition. However, only one-fourth report contacting the local Section 8 office about vacancies or regularly receiving referrals from the Section 8 office. Almost all of the properties conduct a credit and landlord reference check as part of their tenant screening and four-fifths also do a criminal background check with nonprofits more likely than for-profits to use each of these screening methods.

Approximately 40 percent of the properties provided on-site services which tended to be services for seniors, children's activities (including tutoring), or a resident service coordinator who made referrals to outside agencies. The properties tend to provide basic amenities like off-street parking and laundry facilities in the building, but very few reported high-end luxuries like pools or washer/dryers in the unit. However, over half had air conditioning with nonprofits more likely than for-profits to provide it.

Site visitors reported that almost all the properties fit in with the style and scale of the surrounding neighborhood and most were clean and appeared to be well maintained. Taking into account neighborhood fit, curb appeal, and visible maintenance and upkeep, site visitors rated 86 percent of the properties as good or excellent and only 14 percent as fair or poor.

Finally, the site managers reported very few residents received welfare (consistent with resident survey), thus they did not think welfare reform would affect the financial viability of their development.

Chapter 6
Developer Motivation and Project Impact

The LIHTC is a highly decentralized program. While states, through their Qualified Allocation Plans, broadly shape the types of properties that receive the credits, prospective developers respond to many different types of incentives, and, in the end, the units produced with the LIHTC may reflect a broad range of motivations and considerations. This chapter focuses on the developers who participate in the LIHTC, the factors that shape the specific projects they have developed, and how the projects impact the neighborhoods in which they are located. Findings presented in this chapter are based on interviews with the developers, owners, and managers of the study properties.

6.1 Characteristics of Study Developers

As discussed previously, the study sample consists of 39 properties, 22 of which were produced by nonprofit developers and 17 of which were produced by for-profit developers. Among the 22 nonprofit properties, nearly three-quarters were sponsored by neighborhood-based CDCs or similar types of organizations serving a broader geographic area--in some cases, an entire city. The group of 22 nonprofit properties also included several produced by large regional affordable housing developers, as well as a few sponsored by nationally affiliated charitable or service organizations.

Examples of neighborhood-based development organizations include the Jamaica Plain Neighborhood Development Corporation (developer of Hyde Square Coop) near Boston and Westside Housing (Jefferson Place) in Kansas City. Jamaica Plain Neighborhood Development Corporation (JPNDC) was founded in the late 1970s with the mission of providing affordable housing opportunities in the context of stabilizing the Jamaica Plain neighborhood. The organization is engaged in economic development as well as housing activities and is credited with rehabbing some 80 percent of the abandoned structures in Jamaica Plain. In Kansas City, Westside Housing (WHO) serves a primarily Hispanic community on the west side of the city. This organization was formed in 1973 by a group of activists, concerned about the neighborhood, who saw a need for affordable housing development to complement social services being brought into the area. By the time of this study, WHO had developed nine affordable rental properties and built or rehabilitated 186 single family homes.

East Bay Asian Local Development Corp (Hismen Hin-Nu Terrace) in Oakland provides an example of a CDC with a with a broader, city wide focus. Founded in 1975, EBALDC's first project was the rehabilitation of a warehouse in Oakland's Chinatown district into a multicultural center. Since 1983, EBALDC has completed some 550 units of housing in various parts of the city, ranging from SROs to mixed use, multifamily and commercial buildings.

Overall, the local CDCs in the study tended to have substantial experience with housing development prior to developing the sample property, although the total numbers of units produced tended to be in the hundreds. The least experienced of the local nonprofits were two church-related organizations, both of which were embarking on their first housing development projects. Inexperienced organizations often used development consultants to assist them in their projects, and, in a few cases, nonprofit sponsors entered into joint venture arrangements with more experienced for-profit developers.

In contrast to the locally-oriented CDCs, the nonprofit developer group also includes three affordable housing developers with a more regional reach. The first is Community Builders (TCB), which since 1964 has developed over 13,000 units of affordable housing, mostly in Massachusetts. TCB is a full service, nonprofit housing organization, providing both development and management services. BRIDGE Housing in San Francisco is another, well known nonprofit development entity which produces thousands of units per year and also serves as a development advisor to many local Bay Area nonprofits. Similarly, the Wisconsin Partnership for Housing Development (WPHD) serves as a developer and syndicator for LIHTC projects statewide. WPHD served as a development consultant to one of the church-related CDCs in Milwaukee and also took over the management of another sample property when the original nonprofit disbanded.

Finally, the nonprofit developer group includes two nationally affiliated service organizations: Catholic Charities (Santana Apartments in Oakland) and the YWCA (YW Villages East and West in Milwaukee). Despite their national ties, these organizations function like neighborhood-based nonprofits and have a distinctly local focus. They are also among the least experienced of the nonprofits, relying on local development consultants for tax credit expertise. Both organizations had previously been engaged in operating shelters and/or transitional housing facilities for the homeless, but the sample properties were their first rental housing developments.

The for-profit developers in the study cover a broad range of organizations and missions. Several of these are companies that specialize in affordable housing (typically Section 8 project-based) and develop properties to help increase the supply of affordable units. For example, the stated mission of Long Bay, a minority-owned development company working in the Dorchester area of Boston is to provide quality real estate services and to benefit the community. Long Bay developed two study properties, both of which were previously distressed Section 8 developments. McCormack Baron is another example of a development firm which has made its name in affordable housing, working closely with public housing authorities (St. Louis) and local governments (Kansas City) to redevelop and revitalize deteriorated inner city areas. The McCormack Baron property included in this study is part of the company's New Quality Hill development, a mixed income community consisting of renovated historic structures and new garden apartment units located in a formerly blighted section of downtown Kansas City. Another revitalization-oriented developer is Creative Choice Homes (The Gardens at Opa-Locka) in Miami. This entity works primarily in the southeast and has developed some 15 properties in distressed inner city areas as well as several troubled public housing sites under HUD's HOPE VI program. Finally, the study includes one case in which the developer entity is a for-profit spin-off of a nonprofit organization. Although classified as a for-profit for the purposes of this study, the goals of the parent organization (the Black Economic Union, an organization formed in 1967 to promote economic development and provide technical assistance to small business in Kansas City) clearly drove this development effort.

The remaining for-profit developers vary tremendously in scope and structure. Most are traditional real estate development and management companies, along with a few construction-oriented firms. They include national development and investment companies, such as the Related Group—involved in four of the Miami properties—as well as firms serving smaller niche markets—such as the Renaissance Group which specializes in small and rural communities in Wisconsin. While most are corporations, a few were small partnerships or essentially solo practitioners. For example, Affordable Landmarks (developer of Riviera Plaza in Miami) is a "one man show" which purchases and rehabs vacant historic buildings in Miami Beach.

6.2 Development Objectives and Site Selection Process

Understanding developer motivations and objectives in producing their LIHTC developments may shed additional light on the types of areas where LIHTC projects are located and the ways these projects relate to their neighborhoods. However, untangling these motivations is far from simple. While financial benefit is assumed to be a major motivator for for-profit developers, those with whom we spoke often identified multiple reasons for developing the subject sites, including meeting the need for affordable housing in the project area or the desire to revitalize a distressed site. By the same token, nonprofits may pursue housing development projects in part to earn developer fees for the organization, which can then be reinvested in the properties or in other neighborhood projects.

In this section, we attempt to sort the study properties into three groups: 1) those intended ***primarily*** to serve community development objectives, i.e., elimination of a blighting influence or the improvement of a specific neighborhood or area; 2) those developed ***primarily*** to increase available affordable housing or serve a particular, under served population; and 3) those developed ***primarily*** to serve more traditional profit-oriented real estate objectives. We also investigate the process that led to the selection of the specific site for development using the LIHTC.

Not surprisingly, nonprofit sponsors were more likely than their for-profit counterparts to articulate community development goals for their projects. (See Exhibit 6-1.) For example, consistent with its goal of stabilizing the Jamaica Plain neighborhood, JPNDC's primary motive in developing the Hyde Square Coop was a desire to eliminate blight in the neighborhood, specifically a number of vacant lots in the lower part of Jamaica Plain near the Roxbury line. JPNDC worked with the community to determine which lots to develop as housing and which should be used for open space. Similarly, Urban Edge in Boston built Stony Brook Gardens on a block that had been acquired by the state for an unbuilt extension of an interstate. Prior to Urban Edge's acquiring the parcels, the site had been essentially vacant, with one run down building which was rehabbed as part of the development.

Exhibit 6-1
Breakdown of Properties by Primary Development Objective

Primary Objective	**Nonprofit Properties (N=22)**	**For-profit Properties (N=17)**	**All Properties (N=39)**
Neighborhood Improvement	17	3	20
Expand Affordable Housing	5	2	7
Traditional Real Estate/Profit	0	12	12
Total	22	17	39

Altogether, three-quarters (17) of the nonprofit properties in the study were identified by their developers as located in a previously blighted area that the organization took on to improve the neighborhood. Most commonly these sites were vacant or dilapidated buildings and were often described as drug havens. Examples include: Cottage Brook, developed by Dorchester Bay EDC, which was a Section 8 project-based building in poor condition and a haven for drug activity; Garden West, developed by the Wisconsin Partnership for Housing Development, also described as a drug haven; Rockford Hill, developed by the East Meyer Development Corporation, described as filled with drugs and gangs; and YW Villages (East and West), developed by the YWCA, consisting of several vacant buildings at least one of which was occupied by gangs. Other developments intended to address blight and improve neighborhoods by addressing vacant buildings or lots included: Parkwest, developed by the New Covenant Housing Corporation; Jefferson Place, developed by the Westside Housing Organization; Blue Hills Take Part III developed by the Blue Hills Homes Corporation; Squire Park, developed by Neighborhood Housing Services; and Take Part III (unrelated to Blue Hills Take Part III) developed by the Kansas City Neighborhood Alliance.

In Oakland, two of the study sites were initially identified by design classes from the University of California at Berkeley as possible affordable housing sites and were ultimately developed by local CDCs. These include Drasnin Manor (developed by Oakland Community Housing) and Hismen Hin-Nu Terrace (developed by EBALDC). These properties are located directly across the street from each other. The Hismen Hin-Nu site contained a abandoned supermarket building with a large parking lot and was the site of many drug deals. The Drasnin Manor site was a vacant lot next to a dry cleaners. Another Oakland area property, Richmond City Center Apartments was also intended to redevelop what was considered one of the worst corners in that city. However, the initiator of the effort in this case was the City Redevelopment Agency, which issued an RFP to redevelop the property; BRIDGE Housing, a large nonprofit developer, won the competition and built the LIHTC property as well an adjacent shopping center.

The remaining nonprofit properties (7) were developed to serve affordable housing goals, with less emphasis on neighborhood improvement. These include properties such as Franklin Park in Boston, which was developed by the Community Builders. Franklin Park was selected by Community Builders because it fit the organizations "product line" of distressed multifamily properties which it could acquire, rehab, and preserve. Others in this group include Teal Pointe in Miami and Santana Apartments in Oakland. The former was rehabilitated by Greater Miami Neighborhoods after it was damaged during Hurricane Andrew. Santana Apartments was rehabilitated by Catholic Charities after it was rendered uninhabitable by the 1989 Bay Area earthquake.

Turning to the for-profit properties, three-quarters (12) appeared to be developed primarily to serve traditional real estate objectives, including realizing a profit from developing, owning, and/or managing residential properties. Although their product includes a number of properties in blighted areas, other factors, such as an upturning market or a unique development opportunity were also usually present in the decision to pursue projects in these areas. For example, the developers of Askew Saddlery, a vacant warehouse in a blighted but revitalizing area of downtown Kansas City, simply loved the building and wanted to restore it. Similarly, the developer of Riviera Plaza specializes in saving historic structures. This property, located in a gentrifying but still poor area of Miami Beach, is reflective of the neighborhood's tropical/art deco flair and is now beautifully restored. The fact that it now provides good housing for its primarily elderly residents is an added benefit as is the displacement of squatters and crack users who previously controlled the building.

Others with traditional motives include the developers of Westchester Village near Kansas City and Homestead Plaza in the Miami area. Westchester Village is located in Oak Grove, a small community that is quickly being swallowed up by Kansas City. The developers were looking for new business opportunities, having previously developed a number of FmHA Section 515 properties. Westchester Village was their first tax credit property. Homestead Plaza was acquired by its current owner in uninhabitable condition after Hurricane Andrew. The developer purchased the units, rehabbed them, and converted them to condos, which he hopes to sell after renting them for the 15-year rental compliance period.

While profit motives are a part of the development story in all of these cases, several of the for-profit developers have clearly adopted a broader mission. For example, as mentioned previously, Long Bay in Boston (developer of Hope Bay and Morrant Bay) worked closely with the Massachusetts Housing Finance Agency to preserve units in foreclosed Section 8 buildings. This developer sees as a part of its mission preserving affordable units and returning them to decent condition. The Gardens at Opa-Locka and Quality Hill in Kansas City represent projects initiated by developers with broader community revitalization missions. Creative Choice Homes, developer of Gardens at Opa-Locka, specializes in revitalizing distressed properties, although in this case the results are somewhat mixed, with the property still suffering from problems with drugs and poor physical design. McCormack Baron, developer of Quality Hill, is nationally recognized for its forward thinking design and development work which includes several showcase revitalization projects and some of the first mixed-income housing redevelopments in the country.

Altogether, about half of the properties (20) were developed to meet neighborhood improvement goals, 20 percent (7) were developed to increase the supply of affordable housing, and the remaining 30 percent (12) were primarily intended to serve traditional real estate objectives. Somewhat surprisingly, the vast majority of the sites developed with tax credits were already identified or targeted by their developers before a decision was made to seek tax credits. This seems natural, for example, for projects developed by neighborhood-based groups, where the focus is on dealing with a problem site or providing a new housing resource; in such cases tax credits are simply one of tools available to support redevelopment. However, even among traditional profit motivated developers, in only a few cases did we find developers seeking out locations specifically to use credits. Two properties in Wisconsin (both built on undeveloped land) provide the best examples of this. The developers of Maple Crest, an elderly property in Port Washington Wisconsin, search for LIHTC development sites. The particular property selected in this case was chosen because it was an attractive wooded site in an upscale community, in a growing market, and in an area with a shortage of elderly housing. Similarly, the original developer for Williamstown Bay in Cudahy, seeks out sites for affordable housing, particularly in modest income, blue collar communities. In this case, the property was designed for the elderly and the subject site, near a grocery store and pharmacy, fit the bill well.

The fact that so few of the study properties were "located" in this way tends to undercut the hypothesis suggested by researchers at the outset of the program that developers would systematically seek out ideal tax credit locations—in particular, areas with low construction costs but relatively high family incomes. (The idea was that such locations would allow developers to minimize construction, financing, and operating costs while maximizing rents charged, since the later are based on area incomes.) The concern was that this process would ultimately lead to a locational mismatch between housing need and LIHTC projects. In response, the Tax Credit program was amended to include additional incentives to produce properties in poor neighborhoods (qualified tracts) and metro areas with low incomes relative to costs (Difficult Development Areas). While this study cannot assess the effect of these incentives, the siting process described by study developers rarely entailed a systematic search for the most advantageous location. Rather, it would seem that credits are more commonly used—by both types of developers—as one among several tools for addressing specific, pre-identified buildings or sites.

Nevertheless, there are some important locational differences by developer type. As noted in Chapter 4, nonprofit properties are overwhelmingly located in central cities; the only real exceptions are two nonprofit properties in Miami, where the nonprofit teamed with a for-profit developer to create affordable housing opportunities. Almost all of these central city, nonprofit properties were developed explicitly to serve neighborhood improvement goals. Types of sites include a mix of vacant city lots and occupied and unoccupied residential structures. By contrast, for-profit properties are evenly split between city and suburban locations, with the almost half built on undeveloped land in suburban areas or outlying towns. These types of properties were most likely to have been developed primarily with profit motives in mind. For-profit properties in city locations reflected a mix of motivations as well as a mix of previous land uses.

6.3 Project Impact

A final question of interest is whether the LIHTC projects included in the study had a positive impact on the neighborhoods in which they are located. Like the assessment of developer motivations, the answers are necessarily judgements. They are based on discussions with developers and managers, interviews with objective local observers (e.g., CD agency staff or other local experts) where available, and on the observations of site visitors who toured the subject properties and the surrounding areas. The study was not intended to collect any hard data on trends (e.g., property values, crime rates, investment patterns, or community perceptions) that might support or refute a claim of impact. Rather we looked, in a qualitative way, for elements of potential "neighborhood impact" including a positive visual impact, reported improvements in crime (or removal of a source of crime), changes in investment climate (i.e., nearby owners undertaking repairs or improvements) and subsequent development activity that might have been stimulated or accelerated by the development of the tax credit property.

In reviewing the 39 sample properties, we concluded that about two-thirds (25) could be said to have had substantial, positive impact on the neighborhoods in which they are located—that is, they treated a problem site, served as a stimulus for improvement activity, or at least provided a foothold for future revitalization of an area. (See Exhibit 6-2.) For the remaining properties that were not deemed to have had this kind of impact, there were several reasons. First, some of the properties, such as Putnam Place in Cambridge were judged to be too small to have much impact on their neighborhoods; this 12-unit property was developed to increase the stock of affordable units and was not really intended as a neighborhood improvement effort. Another example is Blue Hills in Kansas City: comprised of three small buildings (20 units total) in three different neighborhoods, it is simply too small and dispersed to have any critical impact.

Exhibit 6-2
Breakdown of Sites by Neighborhood Impact

Type/Level of Impact	Nonprofit Properties (N=22)	For-profit Properties (N=17)	All Properties (N=39)
Strong Positive Impact	15	1	16
Moderate Positive Impact	3	6	9
No Impact	2	9	11
Negative Impact	2	1	3
Total	22	17	39

Second, some of the properties were in areas that were not really neighborhoods at all. An example is Maple Crest outside of Milwaukee. This project is located in an undeveloped area and, while it enhances the tax base and may be the start of a new development site, there is little physical neighborhood for it to impact as of yet. Several Florida and California properties fell into this category, located in suburban-feeling areas, bordered by commercial uses with no clear neighborhood boundaries.

Third, several of the sample properties were located in very stable areas which showed no signs of distress or need for improvement. An example of this situation is Villa San Ramon, which is located in a high income senior community near Oakland. Properties such as Villa San Ramon provide many benefits to the low income seniors who can occupy the units and perhaps stay in a community that has been their long time home, however, it is difficult to say that the tax credit property "improved" the area in the sense used in this study.

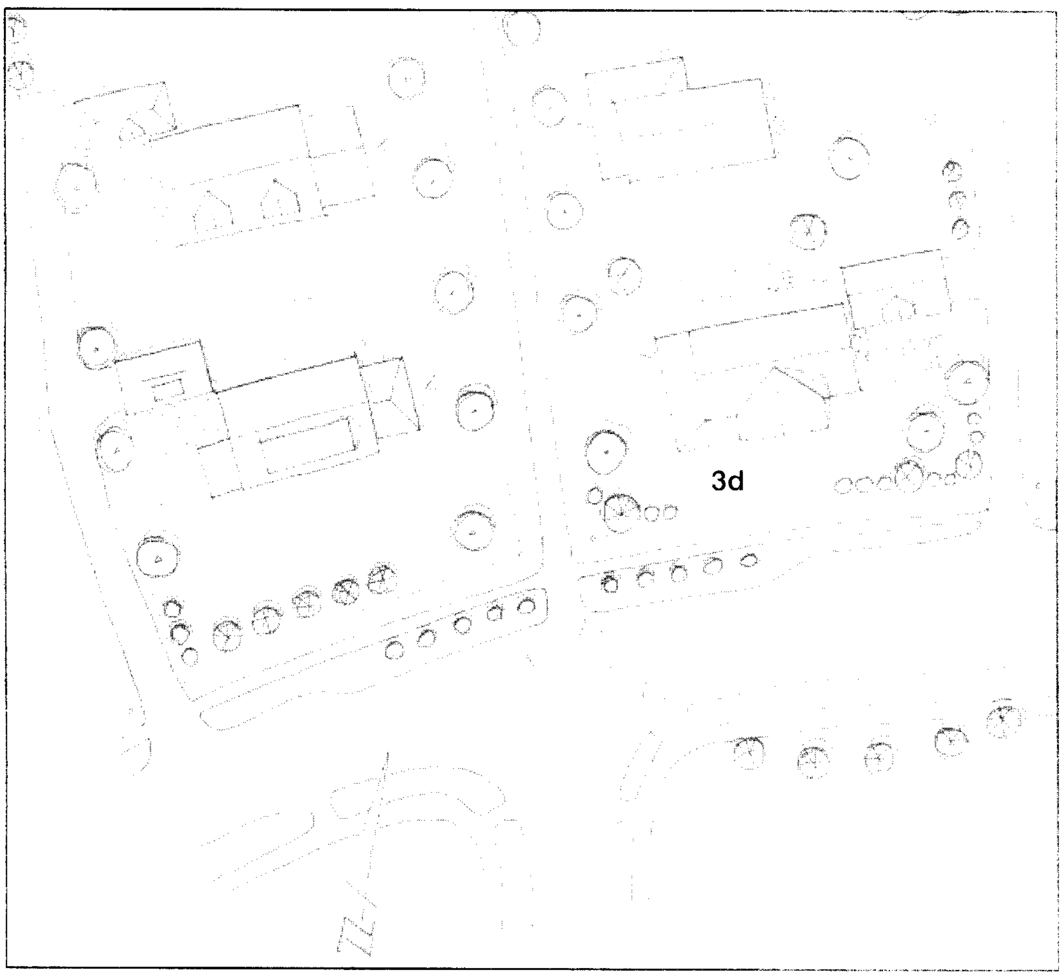
Finally, three properties were judged to be so poorly managed that their impact on the surrounding neighborhood verged on negative. Two of these were rehabs, one of a distressed property that by virtue of its size and design may not have been a good choice for reinvestment. Drug dealing was reported at both properties. The third was a new construction property, which while physically attractive (though somewhat imposing), had been allowed to become a "neighborhood problem" by the previous management. Current management attributes the problem primarily to poor tenant screening; many of the units sustained tenant damage and neighbors blamed the residents for car break-ins and other theft in the area. New management instituted criminal background checks and evicted problem tenants in early 1999, but still reports problems with minor theft and vandalism as well as domestic violence.

Of the 25 properties considered to have had a positive neighborhood impact, three-quarters (18) were developed by nonprofit sponsors, virtually all of which had neighborhood improvement as an explicit goal. The remaining seven properties had for-profit developers and reflected the gamut of development objectives. In general, these for-profit properties were more likely to be rated as having moderate as opposed to strong impact on the neighborhood. In some cases they were located in better (already gentrifying neighborhoods); they were also more likely to be part of a larger redevelopment effort and therefore not on the cutting edge of neighborhood improvement.

Examples of breakthrough projects with classic neighborhood ripple effects include Parkwest in Milwaukee and the Hyde Square Coops in Jamaica Plain. Parkwest is the only new housing in this part of Milwaukee and serves as an important (and visible) symbol of reinvestment. Since the development of the townhomes, crime in the area reportedly has declined and there has been other improvement activity in the surrounding area, including rehab of local single family homes and duplexes. Having proved the feasibility of this type of redevelopment, the sponsor, New Covenant Housing Corporation, started a second phase of townhomes and is planning a third. New Covenant hopes to convert the units to homeownership at the end of the compliance period and once the neighborhood has become more stable.

MADE Demonstration Home Summary of Concepts

1 Expandability/ Flexibility	*2* Curb Appeal/ Marketability	*3* Affordability	*4* Durability
1a *Stairs for Future Attic Expansion* 1b *Steep Sloped Roof* 1c *Flexible/Open Living Area* 1d *Expandable Areas* 1e *Easy Access/ Wider Doorways*	2a *Front Porch/ Entry* 2b *Variations in Roof Line* 2c *Landscaping*	3a *Modular Dimensions* 3b *Modest Square Footage* 3c *Kitchen Pantry* 3d *Lot Reconfiguration* 3e *Strategic Window Placement* 3f *OVE Framing Techniques* 3g *Stacked Bathrooms*	4a *Front Porch (Shading)* 4b *Grade Sloped Away From Foundation* 4c *Roof Overhangs* 4d *Gutters and Downspouts/ Sheltered Entryway*



6.4 Compliance Period

As a part of this study we asked developers about the length of the compliance/extended use period for the property and what was likely to happen to the property once the compliance period was over. The original legislation creating the tax credit provided for a 15-year period during which qualifying units must be rented to low income households. The Omnibus Reconciliation Act of 1989 extended the commitment period to 30 years but permits owners to sell or convert the property to market rate after 15 years if the state agency which allocated the credits is unable to find a buyer (presumably a nonprofit) willing to own and maintain the units as low income housing for the balance of the 30 years. Based on their placed in service dates, the properties in the study sample should be covered by this later provision.

Questions regarding the compliance period proved fairly difficult for developers to answer. Seven of the respondents could not tell us the compliance or use period for their properties. Of the remainder, just under half indicated a 15-year period, one-fifth indicated a 30-year extended use period, and another handful indicated that their properties were covered by additional use restrictions (some up to 50 years) as a result of state agency requirements or the terms of a subsidized loan. Overall, nonprofits seemed to expect the properties to remain affordable in perpetuity, although only a few were able to point to specific agreements (e.g., right of first refusal) in the LIHTC arrangement that would return the property to nonprofit control at the end of the period. Three of the nonprofit properties were intended to be converted to homeownership—the two co-ops in Boston and Parkwest Townhomes in Milwaukee.

Among for-profits, there was a similar expectation that the properties would remain low income indefinitely. The exceptions were the two Oakland area properties with low qualifying percentages (20/50 regime), along with one Miami property that the developer hopes to convert to condos. Despite the general sentiment that the properties would remain affordable, the process to be followed and the future ownership form were not clear. Several of the developers said that the properties would remain low income primarily because the neighborhoods were not good enough to support a higher income use. A number also said that they expected "another program would come along" to keep the units low income once initial use restrictions expired.

6.5 Summary

Overall, roughly half of the properties in the sample were developed primarily to serve neighborhood improvement goals. The vast majority of these were developed by nonprofit sponsors and were undertaken to address a specific problem site in the neighborhood. Close to 20 percent of the properties were developed primarily to increase the supply of affordable housing, with less emphasis on improving a neighborhood. Again, most of these properties were developed by nonprofits, although two were developed by a community oriented for-profit. Finally, the remaining 30 percent were developed by for-profit developers with traditional real estate objectives in mind.

Regardless of motivation, roughly two-thirds of the properties could be said to have had a substantial, positive impact on their neighborhoods. This assessment was based on our discussions with project owners and managers, the views of local experts, and our observations of the properties and their surrounding neighborhoods. Nonprofit properties accounted for most of this group, with an important difference being that nonprofits tended to represent the first new development in their neighborhoods, compared to for-profit properties, which were more likely to be part of a larger trend towards revitalization. Most developers, both nonprofit and for-profit, expected the properties to remain affordable essentially in perpetuity. This expectation appeared to be driven by a combination of affordability and use restrictions (both federal and state-imposed), the low-income character of some of the neighborhoods, and the sense that funding sources would become available in the future to preserve the units for continued low-income use.

Appendix A

Sample Selection Procedures

Appendix A
Sample Selection Procedures

This appendix explains how our study sample was derived. It starts with a description of the criteria used to identify the five metropolitan areas to include in the study. Then we describe the sampling procedures for selecting a sample of LIHTC properties. This section includes a comparison of our property-level sample with all eligible properties in the five metropolitan areas. The next section describes our procedures for selecting a household sample for the LIHTC Resident Survey. The final two sections describe the derivation of the property- and household-level weights and the tests of statistical significance used in this report.

A.1 Identification of Study MSAs

Identifying the MSAs to include in the study was the first step in deriving the study sample. This selection was guided by the number and type of properties available for selection in subsequent stages. The HUD LIHTC data indicates that about 4,000 LIHTC properties were placed in service between 1992 and 1994. However, the focus of the study is on properties in metropolitan areas, thus the properties located in non-metropolitan areas (31 percent) were excluded from the study universe. Most FmHA Section 515 properties are located in non-metropolitan areas; however, we also excluded any remaining FmHA properties in metropolitan areas. Because these projects operate under their own distinct set of occupancy and rent rules, it would not be useful to allocate sample to those few FmHA projects which may be located within metropolitan boundaries.[1] After removing the properties that are not in the scope of this study—non-metropolitan and FmHA Section 515 properties—2,550 properties remain in the initial property-level universe.

Two further cuts to the property list were made for practical reasons. First, we removed properties that did not have adequate geographic data to identify the MSA and Census Tract in which they were located.[2] The ability to link the property to the Census tract data is

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[1] The HUD database indicates that 3 percent of central city units and 19 percent of suburban metro units use FmHA financing. [See Abt Associates. 1996. *Development and Analysis of the National Low-Income Housing Tax Credit Database.* U.S. Department of Housing and Urban Development, Office of Policy Development and Research: Washington DC.]

[2] In the HUD project that created the LIHTC database, extensive efforts were made to geocode all the LIHTC properties. It would not have been worthwhile to spend additional resources in this project trying to geocode the properties with missing MSA and Census Tract information, especially since most of them would not end up being located in the MSAs selected for this study.

necessary to describe the community where the property is located and compare the characteristics of the property and its residents to the other properties and residents in the community—an important part of this study. Second, to increase the number of observations in each property/tract, we also excluded properties with fewer than 10 units. With a maximum of 40 properties in this study, it would be inefficient to choose properties with fewer than 10 units: such properties account for 22 percent of all properties, but only 3 percent of the LIHTC units. After these cuts, there were 1,304 properties in 236 MSAs from which to select the sample.

To pare down the list to five MSAs, we were guided by the following three principles:

- Choose MSAs with sufficient production in the 1992 to 1994 period to ensure recruitment of an adequate number of properties;
- Choose MSAs containing a variety of property types in terms of project sponsor-type (for-profit or nonprofit), city and suburban location, and qualified and non-qualified census tract;
- Choose five MSAs that are geographically balanced (at least one from each Census region) and represent a wide spectrum of housing market conditions.

Below we explain our implementation of these principles to narrow the list of MSAs and then discuss our MSA selections.

To ensure an adequate number of properties and neighborhoods from which to select, we examined areas with substantial LIHTC production. The study design required selection of eight properties from at least five different census tracts in each MSA; thus, an MSA must have at least five census tracts where a LIHTC property was placed in service between 1992 and 1994 to be eligible for selection. Furthermore, we set a minimum threshold of 10 properties in each MSA in order to provide a reasonable expectation that we would gain the cooperation of at least eight properties in the MSA.

Following the process above, we used the LIHTC database to generate a list of 38 MSAs(containing 739 properties) meeting our criteria of adequate LIHTC production--at least 10 properties in five tracts with LIHTC projects. At this stage, we used the characteristics of the properties and the need for balancing geographic and economic conditions to choose our five MSAs. We considered the following factors: geographic distribution; the number of for-profit and nonprofit sponsored properties; the mix of central city and suburban properties; the presence of qualified census tract and non-qualified census tract properties; and tightness of the rental market.

Selection at this stage was also informed by what was known about Tax Credit production in different areas of the country, often the result of different policy preferences reflected in state allocation plans. For example, in Los Angeles, state and local officials have a pronounced preference for using the LIHTC program to support SRO development, with roughly half of all units in this area being efficiencies. Thus, even though Los Angeles had more LIHTC production overall, Oakland was the first choice in the West because its properties are likely to be more representative of the properties in other metropolitan areas in the region. The resulting MSA-selection is shown in Exhibit A-1, which identifies the five MSAs included in the study.

Exhibit A-1
MSAs Included in the Study

Region	MSA
Northeast	Boston
Midwest	Milwaukee
West	Oakland
South	Miami
Open (Midwest)	Kansas City

As can be seen in Exhibit A-1, we have two MSAs from the Midwest and one each from the other regions. In deciding which region to allocate two MSAs, we considered regional distribution of LIHTC properties and the geographic balance of all five sites together. Since the Midwest and the South have more properties and units than the other two regions, we wanted the fifth MSA to come from one of these regions. Among those MSAs, Kansas City was the best fit geographically, had a relatively high production rate and has a looser rental market to balance some of the other selections with tighter housing markets. We also chose two MSAs in Difficult Development Areas (DDA)–Boston and Oakland--and three that are not in DDAs.

It is also worth noting that except for Kansas City, very few properties were excluded because they had fewer than 10 units or because they were in the FmHA Section 515 program. In Kansas City, two-thirds of the properties were excluded because they had fewer than 10 units.[3] If we had included the smaller properties in the study, many of these

[3] The exclusion of the smaller units does not bias the results, but does mean that the results should only be interpreted as representative of LIHTC properties with at least 10 units.

properties would have likely been included in the sample and the Kansas City properties would have represented a very small share of the LIHTC units there. In the other four MSAs, less than seven percent of the properties (and a negligible percentage of the total units) were excluded because they had fewer than 10 units or were in the FmHA program. The sampling universe for these MSAs is a nearly exhaustive list of the properties placed in service between 1992 and 1994 according to HUD's LIHTC database.

A.2 Selection of Study Properties

Once the five MSAs for the study were finalized, we selected the properties for the study. Ideally, we wanted to ensure a mix of central city and suburban locations and qualified and non-qualified census tracts in each area, as well as both profit and nonprofit projects. In choosing the MSAs, all these factors were considered because we wanted to ensure sufficient representation of each in the final property sample. However, if we used all of these dimensions for selection of properties (eight combinations in all, e.g., a nonprofit, suburban, qualified census tract property), we would be severely restricted in our selection process and might end up with a sample of properties that is not very representative of the MSA. As a result, we selected properties based on just the sponsor type (nonprofit versus for-profit), allowing neighborhood location to fall out naturally. Because of the inherently different motivations of nonprofit and for-profit developers, they are expected to undertake different types of LIHTC projects which might result in different patterns of project location, resident characteristics, and other features of the development and this sample selection method ensured adequate representation of each sponsor type. The sampling plan called for allocating half of the eight observations in each MSA to nonprofit properties and half to for-profit properties.

Within each MSA, selection of properties was randomly chosen from separate lists of for-profit and nonprofit properties. Theoretically, this could have resulted in properties in fewer than five census tracts being chosen (e.g., two properties in each of four census tracts); however, analysis of the data showed there are almost the same number of census tracts as properties in the selected MSAs, indicating there are very few census tracts with more than one property placed in production between 1992 and 1994. Hence, this was not a concern in the selection process.

We also identified replacements for each first-choice property to accommodate problems due to lack of cooperation or to possible errors in the LIHTC database. It is important to recognize that the data in the LIHTC database was provided by states and was largely unverified, thus some of the initially-selected properties could be ineligible. In addition, our eligibility criteria regarding special populations served and SROs was not available in the

LIHTC database. However, only Boston had more than one ineligible property--it had six of them. Of the six ineligible properties in Boston, three were serving people with AIDS and the other three consisted of a SRO project, a transitional housing property, and a property with FmHA financing (not indicated on the LIHTC database). In Oakland, one selected property was found to be a SRO and thus was ineligible to be in the sample. None of the selected properties in Kansas City, Miami, or Milwaukee were found to be ineligible. Exhibit A-2 presents the final property-level sample by MSA and sponsor type.

Exhibit A-2
Study Properties by MSA and Sponsor Type

MSA	Nonprofit Sponsor	For-Profit Sponsor	Total
Boston	5	3	8
Kansas City	5	4	9
Miami	4	4	8
Milwaukee	4	4	8
Oakland	4	2	6
All Properties	*22*	*17*	*39*

The final property-level sample consists of 39 properties, 22 nonprofit properties and 17 for-profit properties. It comes very close to our goal of 4 nonprofits and 4 for-profits in each MSA. However, as can be seen in Exhibit A-2, the Oakland sample ended up with only two for-profit properties. This is because the Oakland MSA had only four for-profits placed in service between 1992 and 1994. Of those, one was ineligible because it was a SRO property (noted earlier) and one property owner declined to participate, hence the final Oakland sample includes two of the three eligible for-profit properties in the MSA. Both the Boston and Kansas City samples have one more nonprofit property than originally targeted. This is due to discrepancies in our original data, which indicated that a selected property was a for-profit sponsored property when it was actually a nonprofit sponsored property.[4] In Kansas City, we were able to recruit an additional for-profit property, but the discrepancy was discovered too late to do so in Boston.

4 Partially as a result of this discrepancy, we collected basic information from all of the properties to ascertain the population of eligible nonprofit and for-profit properties in our five MSAs. These turned out to be the only two properties where we found a discrepancy in sponsor type.

As mentioned above, some of the initially-selected properties did not end up in the final sample because they refused to participate. No more than three property owners refused to participate in four of the MSAs, but six property owners refused in Kansas City. Of the six that refused in Kansas City, two were nonprofits and four were for-profits.[5] The reasons for refusals varied: some owners reporting they did not want to further burden their staff or tenants because they had just finished a state audit or some other activity; other owners were unwilling to participate in any data collection effort (i.e., interviews and/or data from property files); and some owners could never be reached.[6] Nevertheless, as can be seen in Exhibit A-3, the sample properties look very similar to all the eligible (including refusal properties) properties in the MSA.

We compared weighted estimates from the sample to the population figures on all eligible properties for 12 different characteristics.[7] The characteristics compared include sponsor type, central city location, qualified census tract, construction type, number of units, percent of qualified units, primary population served, and the type and prevalence of Section 8 assistance. As can seen in Exhibit A-3, location in a qualified census tract (QCT) is the only dimension where there was a significant difference between the sample properties and all the eligible properties in the five MSAs. The study sample indicates 58 percent of the properties are located in qualified census tracts, whereas the all-eligible sample indicates only 46 percent of the properties are in qualified census tracts. Examining the results by sponsor type indicates that this difference appears for both nonprofit and for-profit sponsored properties, but only the nonprofit sample properties are significantly more likely to be in qualified census tracts than their all-eligible counterpart (78 percent in nonprofit sample versus 59 percent of all eligible nonprofits).

All other comparisons, overall and by sponsor type, indicate no significant differences between the study sample and the population of eligible properties. Overall, it appears, at

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5 We compared the observable characteristics of eligible properties in Kansas City to the study sample of properties to find out if the refusals skewed the Kansas City in any particular manner. The sample characteristics are similar to the population of eligible properties in terms of construction type, size of the property, ratio of qualified units, primary population served, Section 8 assistance, and non-LIHTC funding sources. However, the sample properties are more likely to be in qualified census tracts within the urban core than the universe of eligible Kansas City properties.

6 We made numerous efforts to contact the owner. We started with the name and phone number of the developer and owner in the LIHTC database. If that did not work, we tried directory assistance and asked the State Finance Agency for updated contact information. Finally, we used directory assistance to track down the site manager of the property, then worked through them to talk to the owner. In all but one case, we were at least able to track down a number for the owner, but a few did not return multiple phone calls and letters. In the end, we coded them as refusal.

7 Derivation of the weights is discussed in the last section of this appendix.

least on observable characteristics, that the study sample is fairly representative of the eligible properties in the five MSAs.

Exhibit A-3
Sample Properties Compared to All Eligible Properties in Study MSAs

	Nonprofit		For-profit		Total	
	All Eligible (n=46)	Sample (n=22)	All Eligible (n=39)	Sample (n=17)	All Eligible (n=85)	Sample (n=39)
Nonprofit sponsor	100%	100%	0%	0%	54%	54%
Central city metro area	78%	86%	51%	56%	66%	72%
Qualified census tract	59%	78%*	31%	35%	46%	58%*
Construction type						
Entirely rehab.	34%	40%	45%	51%	39%	45%
All or partially new	66%	60%	55%	49%	62%	55%
Total units						
10-20	17%	15%	6%	0%	12%	8%
21-50	48%	51%	31%	34%	41%	43%
51-99	24%	20%	25%	26%	24%	23%
100+	12%	14%	38%	40%	23%	26%
Mean # of units	58.0	63.0	97.7	94.6	75.2	77.5
Percent of qualified units						
1-60%	2%	0%	6%	8%	4%	4%
61-80%	0%	0%	0%	0%	0%	0%
81-90%	7%	9%	3%	4%	5%	7%
91-99%	4%	4%	9%	7%	7%	6%
100%	86%	87%	81%	81%	84%	84%
Mean percent	97.5	98.3	94.0	92.8	96.0	95.8
Primary population served						
Family	90%	97%	77%	78%	85%	88%
Elderly	10%	3%	23%	22%	15%	12%
Any units with project-based (PB) Section 8	12%	18%	25%	28%	19%	22%
Type of PB Section 8						
No PB Section 8	88%	82%	78%	72%	83%	77%
Existing	7%	9%	15%	15%	10%	12%
New	5%	9%	7%	12%	7%	11%
Any units with tenant-based (TB) Section 8	78%	77%	57%	57%	69%	68%
Percent of Section 8 units						
0	22%	20%	26%	28%	23%	24%
1-20	51%	46%	37%	22%	45%	35%
21-100	27%	34%	37%	51%	32%	41%
Mean percent	18.9	22.7	30.6	35.0	24.6	28.4

Sources: HUD LIHTC database and interviews with site managers and owners. **Notes:** Estimates for sample are weighted. The "all eligible" figures incorporate the entire population of eligible properties, thus are not weighted. *indicates significant difference between sample and population parameter (all eligible properties at the 10 percent significance level).

A.3 Selection of Residents for Survey

This section describes our procedures for selecting a sample of households from the 39 study properties for the LIHTC Resident Survey.

The average property size in five MSAs ranges between 54 (Milwaukee) and 101 (Miami) units. Based on the desired precision of the estimates, the expected response rate, and resources available, the study design called for selecting an average of 270 units at each of the MSAs for the survey. Because the sample properties had far more units than that, we had to select a sample of tenants in each property.

The sample for the resident survey was selected using proportionate stratified sampling procedures. This procedure typically results in more precise estimates (i.e., lower standard errors), and never results in less precise estimates than a simple random sample of the same sample size. First we divided the population of eligible properties into separate strata based on MSA (5 strata). Then, we allocated the survey sample to each MSA in the same proportion as their units in the population. For example, LIHTC units in Boston comprise approximately 25 percent of units in the five MSAs, thus 25 percent of the survey sample was allocated to Boston. Within strata we allocated sample to each property in the same proportion as the population represented by that property. However, to increase the chances of obtaining and adequate sample size at each property for property-level estimates using survey data, we added additional sample for properties with less than 30 units. Prior to adjustments for nonresponse to the survey, this sampling procedure results in approximately equal sampling probabilities (taking the probability of selection of the property and the tenant into account) of all LIHTC residents in the sample properties. The end result is a sample with more precision than a simple random sample of households in the sample properties.

Following the procedures discussed above, we selected our survey sample. Out of approximately 1,325 eligible households, we completed surveys with 832 respondents, representing a 63 percent response rate. The eligible survey sample and response rate by MSA is presented in Exhibit A-4. Response rates by MSA ranged from 53 percent in Miami to 73 percent in Oakland. As discussed in the weighting section, tenant weights were developed to account for differential nonresponse to the survey.

Exhibit A-4
Survey Sample and Response Rate by MSA

MSA	Eligible Survey Sample	Completed Surveys	Response Rate
Boston	337	194	58%
Kansas City	271	154	57%
Miami	337	179	53%
Milwaukee	209	143	68%
Oakland	221	162	73%
Total	*1,326*	*832*	*63%*

Note: Eligible survey sample excludes vacant units and units where household identified in tenant files (from March or April 1999) no longer lived in the unit.

A.4 Weights

This study required estimates at both the property level and the household level, thus weights were developed for each. The property weight is simply the inverse of the probability of a property being selected for the sample. For example, there were 8 nonprofit properties in Miami and if we randomly selected 4 of the 8 properties, each property would have a 0.5 chance of being in the sample, thus the property weight would be equal to 2.0 (1/0.5) Since properties were randomly selected within MSA-Sponsor type groups, the property weight varies across these dimensions.[8] All estimates with the property as the units of analysis or with administrative data on all households in a property use the property-level weights.

Household-level weights for estimates using survey data were also developed. Like the property weights, these weights are based on the inverse probability of being selected, but in this case it is the probability of a household being selected for the survey. In addition, an adjustment is made to account for survey non-response. The probability of being selected for the survey sample is a product of the probability of the household's property being included in the study, and conditional on that, the probability of a household in the property being selected for the survey sample. In sum, the probability of being selected for the survey is the: probability of the property being selected multiplied by the probability of the household

8 There were some extreme differences in the sizes of properties among the Boston nonprofits and the Miami for-profits, thus in these two situations we further created two separate groups based on size (less than or greater than 100 units) and separately selected samples within these groups. A few extremely large properties were also chosen with certainty. The property weights account for these sampling procedures.

being selected given that the household is in a selected property. In the above example, the probability of a Miami nonprofit being selected is 0.5. If at one of the sample properties, 75 percent (0.75 probability), of the households were selected for the survey, then the overall probability of that household being selected for the survey is 0.375 (0.5 * 0.75). Thus, the household-sampling weight is 2.67 (or 1 / 0.375). To arrive at the final household weight, these weights were adjusted for nonresponse within properties. The non-response factor is simply the inverse probability of selected properties completing the survey.[9] The overall response rate was 63 percent (or 0.63 probability), hence, on average sampling weights were multiplied by approximately 1.6 (or 1 / 0.63). Thus, in our example the final weight for a survey respondent would be 4.3 (2.67 * 1.6) if there was a 63 percent response rate at the property. All estimates from survey data used the household-level weights.

A.5 Tests of Significance

As in most studies, the findings in this study are based on a sample (a subset) of the population rather than the entire population. Hence, we present sample estimates of the population parameters of interest. Because the results are from a sample, there is sampling error associated with the estimate. That is, there is some uncertainty surrounding the estimate because we could have had different estimates if we had chosen a different sample. Hence, in comparing two sample estimates (such as mean earnings of residents of nonprofit and for-profit properties) this sampling error (or uncertainty) must be taken into account. The sampling error is taken into account in tests of statistical significance. These tests objectively indicate whether it is likely that the true population parameters are different as suggested by differences in the sample estimates. We have chosen to use the 10 percent level of significance as the criteria for reporting differences as statistically significant. Using the 10 percent level of significance as our criteria for reporting significant results means there is less than a 10 percent chance that the population parameters are not truly different even though there are statistically significant differences in sample estimates.

The tests of statistical significance used in this report include both the t-test for comparisons of means (e.g., comparison of mean income for residents of nonprofit and for-profit properties) and the chi-square test for comparisons of categorical data (e.g., comparisons of categorized earnings—such as <=30%, 31-50 %, >50% of the area median—between residents of nonprofit and for-profit properties).

9 This assumes nonrespondents are missing at random.

The **t-test** is based on a comparison of the t-statistic to the critical value from the standard normal distribution. The t-statistic (t) is the difference between the two means being compared divided by the standard error of the estimate. The formula is shown below.

$$t = (X_1 - X_2) / \sqrt{Var(X_1 - X_2)}$$

where

X_1 = mean of group 1

X_2 = mean of group 2

$Var(X_1 - X_2)$ = Variance of the estimated difference between group 1 and group 2 means $(X_1 - X_2)$.

$\sqrt{Var(X_1 - X_2)}$ = Standard error of estimates difference between group 1 and group 2 means.

The t-statistic measures the magnitude of the difference in standard error units rather than the natural units of the outcome variable (e.g., dollars). Thus the sampling distribution of the t-statistic is the same for all variables under the null hypothesis that there are no differences in the two means being compared. This means that, regardless of the outcome variable, one can test hypotheses using the same distribution of t-values. The t-statistic has a mean zero (because the null hypothesis is that there is a zero difference between the two means being compared) and the 90 percent confidence interval for the t-statistic ranges from –1.64 to 1.64. That is, if there is truly no difference in the population means, 90 percent of the samples that could have been chosen will have differences in means that will result in a t-statistic within the 90 percent confidence interval. If the t-statistic is outside that range (less than -1.64 or greater than 1.64), then we reject the null hypothesis (that the means are the same in the population) at the 10 percent significance level. Hence, the critical value for a 10 percent significance level test is 1.64. If the t-statistic is greater than 1.64 (or $<$ -1.64), then we reject the hypothesis that the two population means are equal. If the t-statistic is between –1.64 and 1.64, the we do not reject the hypothesis that the two population means are the same even though the sample estimates may be different.

Note that because of the complex sample design (stratifying by MSA and sponsor type), it was not appropriate to calculate $Var(X_1 - X_2)$ using the standard variance formula for simple random samples. Hence, we used the STATA procedure, SVYTEST, to conduct the t-tests. SVYTEST uses a linearization based variance estimator that takes into account the stratified sampling design in calculating variances used in the significance tests.[10] The calculation of

[10] See pages 67-72 of *STATA Reference Manual, Release 6, Volume 4: Su-Z. (1999)* for more details on the variance calculation.

the t-statistic is the same as it would be with a simple random sample, just the calculation of the variance (and thus the standard error) of the estimate is different because of the complex sample design.

Here is an example. Assume the mean income of for-profit households is \$18,500 (X_1) and the mean income of nonprofit households is \$18,000 (X_2) and the variance of the estimated difference between X_1 and X_2 [$Var(X_1 - X_2)$] is equal to \$100,000. To get the standard error of the variance, take the square root of \$100,000 which is equal to \$316.20. Then calculate the t-statistic. Since the difference between X_1 and X_2 is \$500 and the standard error of the difference is \$316.20, the t-statistic is \$500 divided by \$316.20, which equals 1.58. Since, this t-statistic is within the 90 percent confidence interval (between –1.64 and 1.64) under the null hypotheses that the population means are the same, we cannot reject the null hypothesis at the 10 percent significance level. That is, even though the sample mean incomes are \$500 different, we are not confident that the true population means are not the same. Now, instead assume that the for-profit households had a mean income of \$19,000 making the difference between for-profit and nonprofit households \$1000. Now, the t-statistic would be equal to 3.16 (\$1000 divided by \$316.2). Since this t-statistic is outside the 90 percent confidence interval, we say would say the two means are statistically significantly different at the 10 percent significance level.

The **chi-squared test** is used for comparisons of categorical data such as a comparison of the proportion of residents of nonprofit and for-profit properties that are extremely low-income, very low-income, low income, or moderate income. The chi-square test is based on a comparison of the χ^2 (chi-squared) statistic to the critical value from a chi-squared table. The χ^2 statistic is the sum of the squared deviations of the actual number of households in each cell (e.g., one cell is the number of nonprofit households that are extremely low-income) from the number expected to be in that cell if residents of nonprofit and for-profit properties had the same categorical distribution of the variable of interest. Algebraically, the formula for the chi-squared statistic is:

$$\chi^2 = \sum_{i=1}^{s} [(X_i - \theta_i)^2 / \theta_i]$$

where

subscript i denotes the ith cell in the table and s the total number of cells;

X_i is the observed value for cell i; and

θ_i is the expected value for cell i on the assumption that there is no difference between the two groups being compared (e.g., no difference between the percent of residents of nonprofit and for-profit properties in that particular income category).

The calculated χ^2 is then compared to the critical value at the 10 percent level of significance from a chi-square table. If the calculated χ^2 is greater than the critical value, then we reject the hypothesis that the two populations have the same distribution of the variable being compared. If the calculated χ^2 is less than the critical value, then we do not reject the hypothesis that the two populations have the same distribution of the variable being compared. In the chi-squared test, the critical value depends on the sample size and the degrees of freedom in the categorical data being compared,[11] thus it varies across calculations.

As in the case of the t-test, we relied on a procedure available in the STATA software package, SVYTAB, to conduct the chi-squared tests. SVYTAB takes into account the complex sample design in conducting the significance tests. To account for the survey design, the SVYTAB procedure converts the test statistic into an F-statistic with noninteger degrees of freedom using a procedure developed by Rao and Scott (1981, 1984).[12] The p-value for the new F-statistic can be interpreted in the same way as the p-value from the ordinary χ^2 statistic.[13]

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11 The degrees of freedom are usually determined by (r – 1) * (c – 1) where r equals the number of rows in the table (e.g., the number of income categories) and c equals the number of columns (e.g., the number of subgroups whose income distribution is being compared).

12 Rao and Scott. 1981. "The Analysis of Categorical Data from Complex Sample Surveys: chi-squared tests for goodness of fit and independence in two-way tables. *Journal of the American Statistical Association 76*: 221-230.

Rao and Scott, 1984. On Chi-Squared Tests for Multiway Contingency Tables with Cell Proportions Estimated From Survey Data." *Annals of Statistics* 12: 46-60.

13 See pages 76-92 of *STATA Reference Manual, Release 6, Volume 4: Su-Z. (1999)* for more details on the chi-square test used for this study.

Appendix B

Data Collection Methods

Appendix B
Data Collection Methods

Data collection methods included:

- In-depth interviews with actors for each property;
- Collection of resident data from manager files;
- Site visitor observations of properties and neighborhoods;
- Resident survey; and
- Collection of secondary data.

The in-depth interviews, collection of resident data from manager files, and site visitor observations of properties and neighborhoods occurred on-site during field visits to each of the 39 study properties in the five MSAs.[1] Field visits were conducted by study staff from March to May 1999, spending approximately one week in each MSA.

B.1 In-Depth Interviews

During the field visits, the site visitors conducted a series of discussions with key actors for each property. Discussions were used to gather qualitative information about the properties, residents, and neighborhoods and to explore development decisions and motivations. Key actors include:

Property Managers;
Developers/Owners;
Representatives of the Local Community Development Department;
Public Housing Authority (Section 8) Staff;
Police Department Representatives; and
State Housing Finance Agency Staff.

Most of the discussions were conducted during the site visits; however, some were conducted by telephone. Below, we describe the types of information we gathered in discussions with each type of actor.

[1] Appendix A details the process of selecting the study sample.

Property Manager. In our discussions with the property managers, we gathered information on the property's background, characteristics of the management entity, characteristics of the tenant population, tenant assistance and rent setting practices, marketing and tenant selection practices, amenities and services provided, and neighborhood and housing market characteristics.

Developer/Owner. In the discussions with developers/owners, we gathered background information on the development and financing of the property, with particular emphasis on how and why the particular site was selected for development (or redevelopment) using the LIHTC.

Community Development Department Representative. Discussions with representatives of the local Community Development Agency/Planning Department were conducted while on site in each MSA. In talking to CD department representatives, we gathered data on the city's role in and perspectives on LIHTC development in general, the neighborhoods surrounding each sample property, and the perceived impact of the property on the areas in which they are located.

Public Housing Authority Staff. In talking to PHA Section 8 staff, we gathered information about whether the PHA refers Section 8 certificate and voucher holders to LIHTC properties in general and to the study property in particular. We also explored the availability of housing for certificate and voucher holders in general and in tax credit properties in particular.

State Housing Finance Agency. Representatives of the State Tax Credit Allocating Agency were contacted via telephone, as they were often in a different locality. We obtained copies of the states' Qualified Allocation Plans (QAPs) and gathered information about the states' overall objectives in allocating tax credits and the specific allocation/selection criteria in effect at the time the properties were developed.

HUD Regional Economist. We spoke to the HUD Regional Economist about housing market conditions in the study MSA. We also asked about the impact of LIHTC projects, if any, on local Public Housing and Section 8 programs.

B.2 Collection of Resident Information from Property Manager Files

A key element of the on-site data collection was the collection of basic resident data from property manager files. Exhibit B-1 shows the resident information we collected from management records.

Exhibit B-1
Data Collected from Property Manager Files

Tenant Contact Information
Tenant Gross Monthly Income
Date of Income Verification
Section 8 (yes/no)
Qualifying Unit (yes/no)
Number of Bedrooms
Gross Rent
Race/ethnicity (if available)
Household size (if available)

It should be noted that, while managers were generally cooperative in providing data, there were some limitations to these data. First, managers generally were not able to provide data for residents in market rate units because they usually do not have the requested information for these residents, since LIHTC compliance regulations indicate that annual certifications must be collected for low-income residents only. Second, state policies and certification forms vary, therefore, the information was not consistent across MSAs and did not always include race or other characteristics. Finally, it is our experience that even if property managers collect certain data at application, they are unlikely to update it unless specifically required as a part of a reporting requirement.

In light of these concerns, we collected complete income and demographic data as a part of the resident survey. Available data were collected from managers, however, and was used to verify or augment the survey data as needed. Resident data obtained from property managers were entered into an electronic Tenant Data Spreadsheet. These data formed the basis for sampling residents and for conducting the resident survey.

B.3 Site Visitor Observations of Properties and Neighborhoods

During site visits, field staff recorded a variety of observations about each property and its immediate neighborhood. The data from this "windshield survey" were used to document the design and configuration of the development (relative to surrounding properties), rate observable aspects of maintenance and upkeep, and assess physical conditions in and around the development. The latter included noting any major signs of disorder (trash, vacant lots, boarded up buildings, groups of people hanging out) and assessing the overall quality of the housing stock in the area.

Information was recorded on a Property and Neighborhood Data Coding Sheet. In addition to the observations, we used the Property and Neighborhood Data Coding Sheet to record (post code) descriptive data about the property and the neighborhood obtained from our discussions with key actors and/or any written materials about the property or neighborhood obtained during our site visits.

B.4 Data Collection for Non-Sample Properties

In addition to the data collected for sample properties, we also collected data on the properties not selected for the study in the five MSAs, thus creating a database on the universe of properties in the study. Exhibit B-2 shows the data collected for the universe of properties. The purpose of this data collection was to place sample properties in context and to find out how many properties placed in service between 1992 and 1994 in the MSAs were eligible for the study even though they were not selected.

Exhibit B-2
Data Collected for Non-Sample Properties

Category	Data Item
Population Served	Age (Family/Elderly) Special Needs (specify)
Relationship with Section 8 Program	Existing Section 8 project at time of development (yes/no) Project-based Section 8 as part of LIHTC project (yes/no) Proportion of tenants with tenant-based Section 8
Public Subsidies	Tax Exempt Bonds (yes/no) CDBG Funds (yes/no) HOME Funds (yes/no) FmHA (yes/no) Historic Tax Credits (yes/no) Other (yes/no)
Confirmation of Data in LIHTC Database	Number of Qualified/Non-Qualified Units Sponsor Type Construction Type (New/Rehab/Combination) Year Placed in Service

B.5 Resident Survey

Administration of Survey

The Resident Survey was carried out by Abt's Survey Group with oversight from the study team. About 20 minutes in length, the survey was administered by telephone only.[2] The instrument was pre-tested in January 1999, and the survey was conducted from June through August 1999. At the end of the survey period, we had completed 832 interviews, with a response rate of 63 percent.[3]

The biggest challenge faced by the research team in administering a telephone-only survey for this study was in obtaining all the resident phone numbers. Our strategy for accomplishing this goal began with recruitment, when we discussed the need for contact information with the manager and assured him or her that the contact information would only be used for the survey. Resident phone numbers were generally collected from the property manager while the team was on site. We were able to collect phone numbers for about 70 percent of the residents. However, in some cases, phone numbers provided were out-of-date or incorrect. For eight properties, managers did not provide a roster of phone numbers. At three of these properties, however, managers agreed to post sign-up sheets at the property so that residents could sign up if they were interested in the survey.

The survey team sent an advance letter to each resident in the survey sample to introduce the survey and to expand and improve our database of contact information. The letter, which was sent in May 1999, informed respondents of the study effort, indicated that a $20 incentive payment would be made for each completed interview, and requested that residents provide their phone number if we did not have it, or their correct phone number if we had an incorrect number. The residents provided this information on a form and sent it back in a business reply envelope. This letter also offered a toll free number that they could call 24 hours per day/seven days a week to schedule a convenient time to complete the survey or provide updated contact information. As Spanish was the first language spoken by a large portion of the residents in the Boston and Miami properties, residents living in properties with a sizable number of Spanish-speaking residents received bilingual advance letters. For households who did not respond to the letter (and for whom no valid telephone number was obtained from the property manager), we attempted to obtain their phone numbers from

[2] This method was chosen because it was more cost-efficient, less obtrusive, and did not require relying on property managers to gain access to locked properties.

[3] Of the interviews completed, 55 were in Spanish.

directory assistance and reverse directories. In addition, at several properties, we asked the managers if updated telephone numbers were available for those residents for whom we had incorrect contact information.

The Survey Group began administering survey on June 1, 1999 and continued through August 15, 1999, a total field period of ten and a half weeks. Spanish-speaking residents were interviewed by Spanish-speaking interviewers using a translation of the survey. A second letter was mailed at the end of the seventh week of the survey to residents in the sample who had not yet completed the survey.

Our telephone procedures included a minimum of 12 attempts to contact each respondent including calls at various times of day and on weekends as needed to conduct the interview. In the event that the respondent did not want to conduct the interview at the time we called, interviewers were instructed to schedule appointments at a more convenient time. The interviews were conducted using Abt's Computer Assisted Telephone Interviewing (CATI) process. After the survey period was over, the responses were weighted to account for probability of selection and non-response to reflect the universe of eligible properties in the five MSAs.[4]

Finally, about three-quarters of the way through the survey, we sent a second advance letter to all households we had not reached by telephone. We included a $2 bill to catch their attention and again requested and updated telephone number.

Topics Covered in the Resident Survey

Appendix C contains the complete resident survey instrument. Major topics covered by the survey are highlighted below:

> ***Satisfaction with Current Apartment.*** This section of the survey asked respondents to rate their LIHTC apartment, both overall and in terms of specific aspects of the apartment, such as size, layout, physical condition, amenities, and building management. The section also asked residents about how long they expect to live in their LIHTC unit and whether their next residence is likely to be a home that they own or another rental unit.

[4] Please refer to Appendix A for a more detailed discussion of selection methods, response rates, and weighting.

Satisfaction with Current Neighborhood. This section asked respondents to rate their current (LIHTC) neighborhood, both overall and on specific features, such as: access to public transportation, shopping, services, and schools; proximity to job opportunities; and being a safe environment. This section also included questions used in other research as measures of social cohesion (e.g., willingness of neighbors to help each other and extent to which they "get along") as well as direct questions related to respondents' sense of belonging or isolation and the extent to which they participate in community activities.

Comparison of Current Apartment to Previous Apartment or Home. This section of the survey asked respondents to compare their current (LIHTC) apartment to their previous house or apartment in order to assess changes in housing quality. Again these comparisons included an overall rating as well as questions focusing on specific items, such as size, layout, physical condition, and amenities.

Comparison of Current Neighborhood to Previous Neighborhood. This section asked respondents to compare their current (LIHTC) neighborhood to their previous neighborhood in order to assess changes in neighborhood quality. Again, questions were both general and specific (e.g., access to public transportation, shopping, and services, proximity to job opportunities, and being a safe environment).

Factors Involved in Choosing Current Apartment. This section focused on the housing search process that led respondents to their LIHTC unit. Questions examined key factors in their selection of the particular unit, whether they already had a Section 8 certificate or voucher, what sorts of properties they looked at, and where they first heard about the subject (LIHTC) property.

Rent Assistance Information on Current Apartment. These questions solicited information on the current rent and utilities and ask whether respondents receive rental assistance, such as project-based Section 8 or Section 8 certificates or vouchers.

Background on Prior Housing Situation. This section included a series of more detailed questions about the respondents' housing situation immediately prior to moving into their LIHTC unit, including the location, type, and size of the old apartment or home, how many people lived there, and whether the previous unit was owned or rented.

Rent Burden and Assistance Associated with Previous Apartment or Home. These questions asked respondents about the rent burden of the prior housing situation compared to the current housing situation and solicit information about previous rental assistance. The questions were also used to determine whether respondents shared rent in the previous unit and whether they previously lived in an institutional setting, including a shelter for the homeless or for victims of domestic violence.

Satisfaction with Previous Apartment or Home. In this section, respondents were asked to rate their level of satisfaction with their previous dwelling unit.

Satisfaction with Previous Neighborhood. This section asked respondents to rate their previous neighborhood and collects descriptive information about the income and racial mix of this neighborhood. The section also asked respondents about their perceptions of belonging or isolation in the previous neighborhood and their level of participation in that community.

Household Information. This final section of the survey gathered demographic information about the household, including the respondent's age, ethnicity, race, and household size and composition. It also asked about employment status, receipt of welfare, and sources and amount of household income.

B.6 Collection of Secondary Data

In addition to the data collected by our field team, we also used secondary data sources in our analysis, including MTCS and TRACS, HUD Area Gross Median Income (AGMI), and HUD Fair Market Rents (FMRs). Abt staff worked with HUD staff to obtain current MSA-level MTCS and TRACS data on demographic characteristics for both public housing and Section 8 residents. These measures included:

- distribution by race;
- distribution by age;
- mean household size;
- median/mean household income and distribution by income range;
- percentage of residents with earned income; and
- percentage of residents receiving welfare.

We obtained FMR and AGMI data from HUD's webpage. In addition, we used Census data to geocode sample property addresses as well as survey respondents' prior addresses.

Appendix C

Low-Income Housing Tax Credit Resident Survey

Case ID#	
Study #	
Stratum #	
Interviewer ID #	
Date	___/___/___
OMB#	2528-0200
OMB Exp. Date	03/25/2000

ASSESSMENT OF ECONOMIC AND SOCIAL CHARACTERISTICS OF LIHTC RESIDENTS AND NEIGHBORHOODS

Resident Survey

Survey Research Group

Abt Associates, Inc.

May 1999

INTRODUCTION TO RESPONDENT:

Hello, may I speak with (RESPONDENT NAME)?

Hi, this is (NAME) calling from Abt Associates. We recently sent you a letter explaining that we are working with the U.S. Department of Housing and Urban Development on an important study about apartment buildings that were built using federal tax credits.* As we explained in the letter, you will receive $20 for participation in this phone survey about what makes different apartments or neighborhoods a good place to live. The information from this survey is completely confidential; no one will be identified in our report.

I just want to confirm that you still live in the same building. Is your address still (STREET ADDRESS)?
[IF CONFIRMED, START INTERVIEW. IF NOT, END THE INTERVIEW.]

*If respondent asks: These are buildings where the developer applied for and received a tax subsidy in order to keep rents affordable.

Section A: Current Housing Situation

I'd like to start by asking you some questions about where you live now.

Satisfaction with Current Apartment

A1.Overall, how would you rate the apartment where you currently live? Is it...

An excellent place to live	4
A good place to live	3
A fair place to live, or	2
A poor place to live?	1

A2. How would you rate your **current** apartment in the following areas. Would you say it is excellent, good, fair, or poor in terms of... [(ROTATE) START WITH FIRST ITEM. CONTINUE UNTIL ALL ITEMS HAVE BEEN RATED.]?

ITEM	Excellent	Good	Fair	Poor	Don't Know
A. the size of the apartment	4	3	2	1	8
B. the layout of the apartment	4	3	2	1	8
C. the condition of appliances like stoves and refrigerators, and the plumbing and electrical systems	4	3	2	1	8
D. the condition of the common areas and hallways in the **building**	4	3	2	1	8
E. the availability of amenities like dishwashers and laundry facilities	4	3	2	1	8
F. being a good place for children to live	4	3	2	1	8

A3. How long ago did you move into your **current** building or development?

(A3Y) ___ years, (A3M) plus ___ months ago

A4. How many bedrooms does your **current** apartment have? ____ bedrooms

A5. How satisfied are you with the building management where you currently live? Are you...

Very satisfied	5
Somewhat satisfied	4
Neither satisfied nor dissatisfied	3
Somewhat dissatisfied, or	2
Very dissatisfied	1

A6. Do you think you will still be living in this building...

A.	five years from now?	YES......1 [SKIP TO A7] NO........2
B.	three years from now?	YES......1 [SKIP TO A7] NO.........2
C.	one year from now?	YES.......1 NO.........2

A7. [IF SHORTER = 1 THEN GO TO A8 INTRODUCTION] When you move, do you think it will be to...

a house or unit that you own	1
another rental apartment	2
or someplace else	3
DON'T KNOW	8

Satisfaction with Current Neighborhood

I would like to ask you some questions about the **neighborhood** you live in now.

A8. Overall, how would you rate your current neighborhood as a place to live? Is it...

An excellent place to live	4
A good place to live	3
A fair place to live, or	2
A poor place to live	1

A9. How would you rate your current neighborhood in the following areas. Would you say it is excellent, good, fair, or poor in terms of...[ROTATE]

ITEM	Excellent	Good	Fair	Poor	Don't Know
A. having access to good schools	4	3	2	1	8
B. having access to public transportation	4	3	2	1	8
C. having good transportation to work	4	3	2	1	8
D. having access to grocery stores	4	3	2	1	8
E. having access to social services	4	3	2	1	8
F. having access to parks and recreation facilities	4	3	2	1	8
G. being close to friends and relatives	4	3	2	1	8
H. being close to job opportunities	4	3	2	1	8
I. being safe	4	3	2	1	8
J. being a good environment for children	4	3	2	1	8

A10. Please tell me how much you agree or disagree with the following statements about Your neighborhood. [(ROTATE) READ ITEM, AND SAY...Do you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.]

ITEM	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
A. People around here are willing to help their neighbors	5	4	3	2	1
B. This is a close-knit neighborhood	5	4	3	2	1
C. People in this neighborhood generally get along with each other	5	4	3	2	1

A11. Which of the following statements seems most true with regard to how you feel about your neighborhood? [CHOOSE EITHER VERSION]

"I feel like I am a part of my neighborhood."....................3
"I feel isolated from my neighborhood."...........................2

Or do neither of these statements seem true.......................1
OR
"I feel isolated from my neighborhood"............................2
"I feel like I am part of my neighborhood".......................3
Or do neither of these statements seem true.......................1

A12. How active are you in the neighborhood in terms of attending meetings and events? Would you say you are...

Very active 3
Somewhat active or..2
Not active 1

A13. Do you socialize with people in your building on a regular basis?

YES........ 1 NO......2

A14. Do you socialize with people who live in your neighborhood, but not in your building, on a regular basis?

YES....... 1 NO......2

Comparison of Current Apartment to Previous Apartment or Home

[IF SHORTER = 1 THEN GO TO A20 INTRODUCTION]

Now, I would like to ask you a few questions comparing your current apartment to your **previous** apartment or home. By previous, I mean the house or apartment you lived in immediately before your current apartment.

A15. In general, how would you compare your current apartment to your previous apartment or house. Is your current apartment...

better than the previous place	3
about the same, or	2
not as good as the previous place?	1

A16. For each of the following specific items that I read, tell me whether your current apartment is better than your previous house or apartment, about the same, or not as good as the previous house or apartment. [ROTATE]

ITEM	Better than the previous place	About the Same	Not as good as the previous place?	Don't Know
A. the size of the apartment	3	2	1	8
B. the layout of the apartment	3	2	1	8
C. the condition of appliances (like stoves and refrigerators), and the plumbing and electrical systems	3	2	1	8
D. the condition of the common areas and hallways in the **building**	3	2	1	8
E. the availability of amenities such as dishwashers and laundry facilities	3	2	1	8
F. being a good place for children to live	3	2	1	8

Comparison of Current Neighborhood to Previous Neighborhood

Now, I would like you ask you a few questions comparing your current neighborhood to your previous neighborhood. By previous neighborhood, I mean the neighborhood where you lived immediately before your current apartment.

A17. Where was your previous apartment or home located? Was it located...

In the same neighborhood as your current apartment	1 [SKIP TO A20]
In a different neighborhood but the same city	2
In a different city, but the same state	3
In a different state	4
In a different country	5

A18. In general, how would you compare your current neighborhood to the neighborhood where you used to live? Is your **current** neighborhood....

Better than the previous neighborhood	3
About the same, or	2
Not as good as the previous neighborhood	1

A19. For each of the following items, would you say your current neighborhood is better, about the same, or not as good as your previous neighborhood? [ROTATE]

ITEM	Better than the previous neighborhood	about the same	Not as good as the previous place?	DON'T KNOW
A. having access to good schools.	3	2	1	8
B. having access to public transportation.	3	2	1	8
C. having good transportation to work	3	2	1	8
D. having access to grocery stores	3	2	1	8
E. having access to social services	3	2	1	8
F. having access to parks and recreation facilities	3	2	1	8
G. being close to friends and relatives	3	2	1	8
H. being close to job opportunities	3	2	1	8
I. being safe	3	2	1	8
J. being a good environment for children	3	2	1	8

Factors Involved in Choosing Current Apartment

Now, I would like to ask you a few questions about how you chose your current apartment.

A20. What reason best describes why you moved into your **current** building? [(ROTATE) CHOOSE ONLY ONE. READ LIST]:

To pay lower rent	1
To live in a nicer or bigger apartment	2
To be closer to friends or relatives	3
To live in a safer place	4
To have better access to social services	5
To be closer to job/work	6
To be near better schools for your children	7
To live in smaller/easier to manage apartment	8
For some other reason? Please specify: ____________ ____	9 [RECORD VERBATIM]

A21. What is the second most important reason you moved into your **current** building? [(ROTATE) CHOOSE ONLY ONE. IF NEEDED, READ LIST AGAIN]:

To pay lower rent	1
To live in a nicer or bigger apartment	2
To be closer to friends or relatives	3
To live in a safer place	4
To have better access to social services	5
To be closer to job/work	6
To be near better schools for your children	7
To live in smaller/easier to manage apartment	8
For some other reason? Please specify: ____________ ____	9 [RECORD VERBATIM]

A22. [IF SHORTER = 1 THEN GO TO A24] When you were looking for your **current** apartment, [READ]:

A. Were you on the public housing waiting list?

YES ....1 NO 2

B. Did you have a Section 8 certificate or voucher you were trying to use?

YES ....1 NO 2

A23. Which of the following considerations best describes the types of buildings you looked at or considered **most** while you were looking for your current apartment? [READ]

Buildings that would accept Section 8	1
Buildings with some other kind of subsidy to help low-income families, or	2
Buildings not involved with government subsidies	3

A24. Compared to the other buildings or apartments you looked at, was your current apartment: [READ]

the least expensive?	YES 1	NO 2
the best in terms of size or amount of space?	YES 1	NO 2
in the best location?	YES 1	NO 2
in the best condition?	YES 1	NO 2
offering the most/best amenities (like dishwashers, laundry, etc.)	YES 1	NO 2

A25. How did you first hear about your current apartment? Was it from [READ]: CIRCLE ONE RESPONSE

friends or relatives	1
the newspaper	2
a realtor	3
a sign on the property	4
the Section 8 Office	5
another social service office or a community group or	6
someplace else? Please Specify: ____________________ ____	7 [RECORD VERBATIM]

Rent and Assistance Information on Current Apartment

Now, I would like to ask you some questions about your rental costs and payments.

A26A. [IF SHORTER = 1 THEN GO TO A27] Do you currently receive any governmental rental assistance, such as Section 8 or help from a local government in paying rent?

YES.......1
NO.........2 [SKIP TO A27]

A26B. Is this assistance....

a Section 8 certificate or voucher that you can use in a different place if you move	1
project-based Section 8 that is tied to the apartment or building you live in now,	2
or some other type of rental assistance Please Specify: ____________	3 [RECORD VERBATIM]

A27. How much do you currently pay each month for rent?

$_______ rent per month [IF 0, SKIP TO A29]

A28. Are all, some or no utilities, such as electricity, gas, and water, included in your rent?

All of the utilities included	1	[SKIP TO SECTION B]

Some of the utilities included	2
No utilities included	3

A29. On average, how much do you currently pay each month for...[READ EACH ITEM ONE AT A TIME. ENTER ZEROS AS APPROPRIATE]:

a) Electricity $________
b) Gas $________
c) Heating Oil/Propane $________
d) Water/Sewer $________
e) Trash Collection $________

Section B: Prior Housing Situation

Now I would like to ask you some questions about the place you lived right before you moved to your current apartment.

Background on Prior Housing Situation

B1. SKIPPED ON PURPOSE

B2. Was the building you lived in a...

Single-family house	1
Two-to-four-unit building	2
Five-to-nine unit building or an	3
Apartment building with 10 or more units?	4

B3 . How many bedrooms did your **previous** (house/apartment) have?

____ bedrooms

B4. How many people lived with you in that (home/apartment), including yourself?

____ total number of people [IF 1, SKIP TO B6]

B5. Including yourself, how many were adults and how many were children age 17 or younger?

a) ____ number of adults
b) ____ number of children

[SUM MUST BE EQUAL TO NUMBER IN B4. IF NOT, WORK WITH RESPONDENT TO RECONCILE NUMBERS]

B6. Did you own the place that you lived in prior to your current apartment?

YES.....1 [SKIP TO B14]
NO........2

Rent Burden and Assistance Associated with Previous Apartment or Home

B7. Was your **previous** apartment or home located in a public housing development or scattered-site public housing unit?

YES ....1 [SKIP TO B11]
NO..........2

[IF SHORTER = 1 THEN GO TO B11]

B8. Which best describes your living situation before you moved to your **current** apartment? Were you living [READ]:

In a house or apartment where you or your family were responsible for paying the rent 1

In a house or apartment where you or your family shared the rent with another family 2
With friends or family and not responsible for paying rent 3 [SKIP TO B14]
In a homeless shelter or shelter for domestic violence, OR 4 [SKIP TO B14]
In the military or another institution 5 [SKIP TO B14]

B9A. Did you receive any governmental rental assistance where you used to live, such as Section 8 or help from a local government in paying rent?

YES............1
NO.............2 [SKIP TO B10]

B9B. Was the rental assistance ...

A Section 8 certificate or voucher that you could take with you when you moved 1

project-based Section 8 tied to that apartment or building, or 2

some other type of rental assistance? 3 [RECORD VERBATIM]

Please Specify: ______________________________

[SKIP B10A AND B10B IF B2=1]

B10A. Were there other tenants in your **previous** building that received Section 8 assistance?

YES..........	1
NO............	2
DON'T KNOW ...	8

B10B. Were there other tenants in your **previous** building that received rental assistance other than Section 8 assistance?

YES..........	1
NO............	2
DON'T KNOW	8

B11. Did you pay more or less rent where you used to live compared to your current rent? Was...

The rent higher at the previous place	1
About the same at the previous place,	2
or was the rent lower at the previous place?	3

B12. When you were living in your **previous** place, was your income, including earned income and any public assistance or social security...

Higher than it is now	1
About the same as now, or	2
Was your income lower than it is now?	3

B13. Thinking about the income you had when you were living at your **previous** place and the rent you had to pay, would you say the rent was...

Harder to pay than it is now	1
About the same, or	2
The rent was easier to pay then than it is now	3

Satisfaction with Previous Apartment or Home

B14. Overall, how would you rate the (house/apartment) where you used to live? Was it...

An excellent place to live,	4
A good place,	3
A fair place, or	2
A poor place to live?	1

[IF A17=1 THEN SKIP TO SECTION C (PREVIOUS NEIGHBORHOOD SAME AS CURRENT NEIGHBORHOOD)]

Satisfaction with Previous Neighborhood

B15. Overall, how would you rate your **previous** neighborhood as a place to live? Was it [READ]:

An excellent place to live,	4
A good place,	3
A fair place, or	2
A poor place to live?	1

B16. [IF SHORTER = 1 THEN GO TO C1] Which of the following best describes the income level
of your **previous** neighborhood. Would you say it was [READ]:

All or mostly low-income households	1
A mix of low and moderate income households, or	2
All or mostly moderate or upper-income households?	3

Other (SPECIFY) ______________________________

____

B17A. Which of the following best describes the racial mix of your **previous** neighborhood. Would you say it was [READ]:

Mostly one race or ethnic group, or	1
Racially or ethnically mixed	2 [SKIP TO B18]

B17B. Which group was it? READ LIST

Mostly White	1
Mostly Black or African American	2
Mostly American Indian or Alaska Native	3
Mostly Hispanic or Latino	4
Mostly Asian	5
Mostly Native Hawaiian or Pacific Islander	6

B18. We would like to look up census data for your previous neighborhood; could you give us the mailing address of your previous place?

Number and Street ______________________________

City ______________________ State ___ Zip _________

REFUSED 7

DON'T KNOW 8

B19. Which of the following statements seems most true with regard to how you felt about your previous neighborhood? [CHOOSE EITHER VERSION]

"I felt like I was part of my neighborhood."................3
"I felt isolated from my neighborhood."......................2
Or do neither of these statements seem true.................1
OR
"I felt isolated from my neighborhood."......................2
"I felt like I was part of my neighborhood."................3
Or do neither of these statements seem true.................1

B20. How active were you in that neighborhood in terms of attending meetings or events? Would you say you were...

Very active 3
Somewhat active or 2
Not active? 1

Section C: Household Information

Finally, I would like to ask you just a few background questions.

C1. In what year were you born? __ __ __ __

C2. Would you describe your ethnicity as

Hispanic or Latino, or	1
Non-Hispanic or Latino	2
REFUSED	7

C3. How would you describe your race?

White	1
Black or African American	2
American Indian or Alaska Native	3
Asian	4
Native Hawaiian or Pacific Islander	5
Other (SPECIFY) ______________	6
REFUSED	7

C4. How many people currently live in your apartment, including yourself?

____ person/people [IF "1" IN C4, SKIP TO C6]

C5. Including yourself, how many household members are adults and how many are children under the age of 18?

a) ____ adults
b) ____ children

C6. [IF SHORTER = 1, THEN GO TO C10] Do you currently work for pay?

YES	1
NO	0 [SKIP TO C8]
REFUSED	7 [SKIP TO C8]

C7. On average, do you work 20 hours a week or more?

YES	1
NO	0

REFUSED 7

C8. [If C4=1 SKIP TO C10.] Does anyone else in your household currently work for pay?

YES	1
NO	0 [SKIP TO C10]
REFUSED	7 [SKIP TO C10]

C9. On average, (does that person/do those persons) work 20 hours a week or more?

YES	1
NO	0
REFUSED	7

C10. What is your total household income before taxes or any deductions? Please include income from all members of your household. [IF NECESSARY: You can give me that on a monthly or yearly basis.]

$_______ [If DK or REFUSED, GO TO C10B]

C10A. Is that...

per month	1 [SKIP TO C11]
or per year?	2 [SKIP TO C11]

C10B. [PROBE IF C10 IS DK or REFUSED: Is your total annual household earnings ***more*** than. . . **(CONTINUE UNTIL YOU HEAR "*NO*")]**

	Yes	No	REF	DK
$10,000	1	2	7	8
$20,000	1	2	7	8
$30,000	1	2	7	8
$40,000	1	2	7	8

C11. What amount comes from each of the following sources? Please include all members of the household for each source.

a1) Earned income from work	$______	a2)	per month	1	per year	2
b1) Public assistance	$______	b2)	per month	1	per year	2
c1) Social Security, retirement, or a pension	$______	c2)	per month	1	per year	2
d1) Disability payments	$______	d2)	per month	1	per year	2
e1) Other sources	$______	e2)	per month	1	per year	2

[INTERVIEWER: SUM COMPONENTS AND CHECK AGAINST TOTAL. IF DIFFERENT, PROBE TO RECONCILE TOTAL AND COMPONENTS.]

[IF C11b1 =0 (NO PUBLIC ASSISTANCE), SKIP TO C14.]

C12. Are you or anyone else in your household currently receiving AFDC or TANF payments?

YES	1 [SKIP TO C14]
NO	2
REFUSED	7

C13. Have you or other household members ever received AFDC or TANF payments as an adult?

Yes	1
No	2
REFUSED	7

C14. What is the highest level of education you have achieved?

Grade/Primary School	1
High School, no degree	2
High School degree	3
Trade School	4
Some College, no degree	5
Associate Degree	6
Bachelor Degree or higher	7

C15. Which of the following best describes your current marital status?

Single, not living with a partner	1
Single, living with a partner	2
Married	3
Divorced or separated	4
Widowed	5

THANK YOU STATEMENT: Thank you for completing the survey. As we said earlier, we would like to pay you $20.00 for taking the time to answer these questions. Please give me the address where we should send the check.

Name ____

Number and Street ____________________________ Apt # ________

City ______________________________ State ______ Zip ___________

Thanks again for taking the time to participate in our survey. The $20 check will arrive in ____ to ____ weeks. Have a good (day/evening).

U.S. Department of Housing and Urban Development
HUD USER
P.O. Box 6091
Rockville, MD 20849

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