New Low-Income Housing Tax Credit Project Data Available

The U.S. Department of Housing and Urban Development's (HUD) Office of Policy Development and Research has just released an update of the Low-Income Housing Tax Credit (LIHTC) Database to include LIHTC-financed projects placed in service through 2002. The LIHTC Database is the only comprehensive source of information on the federal government's largest subsidy program for the construction and rehabilitation of low-income rental housing. This article provides a brief synopsis of the LIHTC Program, discusses some of the findings from the recently added data, and explains how the public can access the LIHTC Database.

Although HUD has almost no direct administrative responsibility for the LIHTC Program, the LIHTC's importance as a source of funding for low-income housing compels HUD to collect information on this program and provide it to the public. The LIHTC Database serves as a complete list of LIHTC projects, providing a set of basic data on each project in the universe of projects. The database can be used in its entirety, or representative samples can be drawn for more indepth analysis. The database is available to the public and used not only by HUD but by other federal, state, and local government agencies as well as academic and private-sector researchers.

Overview of the LIHTC

The LIHTC was created by the Tax Reform Act of 1986 as Section 42 of the Internal Revenue Code. 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, 58 state and local agencies are authorized, subject to an annual per capita limit, to issue federal tax credits for the acquisition, rehabilitation, or construction of affordable rental housing. The credits can be used by property owners to reduce federal income taxes and are generally taken by outside investors who contributed 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, and the rents on these units are limited to a maximum of 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 set aside, and the credit rate (which varies based on development method and whether other federal subsidies are used). Credits are provided for a period of 10 years.[2]

Congress initially authorized state agencies to allocate roughly $9 billion in credits over 3 years: 1987, 1988, and 1989.[3] Subsequent legislation modified the credit to make both technical corrections to the original act and 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 tax credit was allocated to a project than was necessary for financial viability. The LIHTC was made a permanent part of the federal tax code in 1993, and in 2000 the per-capita allocation of credit authority of the states was increased from the original $1.25 per capita to $1.50 in 2001, $1.75 in 2002, and indexed to inflation thereafter.

Since 1987—the first year of the credit program—the LIHTC has become the principal federal subsidy mechanism for supporting the production of new and rehabilitated rental housing for low-income households. The number of units actually developed, however, is difficult to determine. Given the decentralized nature of the program, no single federal source provides information on tax-credit production. Although the Internal Revenue Service (IRS) administers the program, the data on LIHTC projects held by the IRS are oriented toward enforcing the tax code rather than measuring a housing production program. Thus, the IRS is not a potential source for compiling this information. Through competitive application processes in which LIHTC allocation decisions are made, state and local allocation agencies collect more information on the nature of the housing that would be produced by the LIHTC applicants. Therefore, HUD collects the data from these state and local agencies.

Most of the data about the early implementation of the program was compiled by the National Council of State Housing Agencies, an association of state housing finance agencies, the entities responsible for allocating tax credits in most states. HUD and its contractor Abt Associates have been collecting data and publishing it in the LIHTC Database since 1996. The recent update to this database makes available data on projects placed in service through 2002.

Characteristics of Tax-Credit Projects

HUD's LIHTC Database has data on 22,361 projects and 1,141,650 units placed in service between 1987 and 2002. The best data coverage is available in the 1995 through 2002 period when data were obtained from all 58 tax-credit-allocating agencies, and data reporting was most complete. The LIHTC Database contains information on the following characteristics:

- Project location including address, state, county, place, census tract, and latitude and longitude geocodes.
- Contact information for project sponsors.
- Number of total units and credit-eligible units.
- Unit distribution by number of bedrooms.
- New construction/rehabilitation.
- Credit type (30- or 70-percent present value).
- For-profit/nonprofit sponsorship.
- Tax-exempt bond or Rural Housing Service (RHS) Section 515 financing.
- Increased basis due to location in a Qualified Census Tract (QCT) or Difficult Development Area (DDA).
- Year placed in service.
- Year credits allocated.

Exhibit 1 shows the rates of missing data for the various variables in the database for projects placed in service between 1992 and 2002. The exhibit shows the percentage of projects and units missing the indicated data elements. For comparison purposes, the exhibit breaks the data into two periods: one representing the best data from an earlier collection effort and the other the years included in more recent updates. Thanks to the cooperation of the state and local agencies, data coverage from 1995 through 2002 is vastly improved over the 1992 to 1994 period.

Exhibit 1. LIHTC Database: Percent Missing Data by Variable, 1992–2002

Variable	1992–94		1995–2002	
	Percent of Projects With Missing Data	Percent of Units With Missing Data	Percent of Projects With Missing Data	Percent of Units With Missing Data
Project Address[a]	1.1	1.5	0.4	0.2
Owner Contact Data	18.4	18.3	6.8	4.8
Total Units	0.7	—	0.4	—
Low-Income Units	2.1	3.2	0.4	0.4
Number of Bedrooms[b]	53.6	58.3	14.3	13.0
Allocation Year	12.5	14.4	0.2	0.2
Construction Type (New/Rehab)	26.8	28.7	2.1	2.5
Credit Type	47.9	48.3	8.3	9.3
Nonprofit Sponsorship	26.9	23.7	10.3	11.4
Increase in Basis	49.8	46.8	18.9	14.1
Use of Tax-Exempt Bonds	23.5	24.3	9.4	9.8
Use of RHS Section 515	25.5	27.0	11.9	14.2

[a] Indicates only that some location was provided. Address may not be a complete street address.

[b] For some properties, bedroom count was provided for most but not all units, in which case data is not considered missing. The percent of units with missing bedroom count data is based on properties in which no data were provided on bedroom count.

Exhibit 2 presents information on the basic characteristics of LIHTC properties, by year placed in service for the 1995 through 2002 period (the years with the most complete data coverage). Placed-in-service projects are those that have received a certificate of occupancy and for which the state has submitted an IRS Form 8609 indicating that the property owner is eligible to claim LIHTCs.[6]

On average, approximately 1,300 projects and 91,000 units were placed in service during each year of the covered period. On average, LIHTC projects placed in service during this period contained 69 units, with average project size increasing over the period. Tax-credit properties tend to be larger than the average apartment property. Fully 42 percent of LIHTC projects are larger than 50 units compared to only 2.2 percent of all apartment properties nationally.[7]

Of the total units produced, the vast majority were qualifying units—that is, units reserved for low-income use, with restricted rents, and for which low-income tax credits can be claimed. Overall, more than 95 percent of total units placed in service from 1995 through 2002 were qualifying units. The distribution of qualifying ratios shows that the majority of projects (84 percent) are composed almost entirely of low-income units. Only a very small proportion of the properties have lower qualifying ratios, reflecting the minimum elections set by the program (that is, a minimum of 40 percent of the units at 60 percent of median income or 20 percent of the units at 50 percent of median).

Exhibit 2. Characteristics of LIHTC Projects, 1995–2002

Year Placed in Service	1995	1996	1997	1998	1999	2000	2001	2002	All Projects, 1995–2002
Number of Projects	1,374	1,303	1,335	1,290	1,462	1,303	1,346	1,175	10,588
Number of Units	79,293	81,989	87,447	91,604	106,988	95,301	99,281	89,338	731,241
Average Project Size	57.7	63.0	65.5	71.0	73.7	73.2	74.0	77.7	69.3
Distribution:									
0–10 Units	13.5%	14.3%	7.6%	7.3%	6.3%	6.0%	4.7%	4.2%	8.0%
11–20 Units	11.9%	11.8%	12.5%	10.9%	12.1%	11.5%	10.7%	10.8%	11.6%
21–50 Units	41.5%	36.3%	41.6%	38.4%	37.3%	35.3%	40.3%	35.4%	38.3%
51–99 Units	17.1%	17.8%	18.9%	21.3%	21.3%	22.7%	21.4%	24.1%	20.5%
100+ Units	15.9%	19.7%	19.4%	22.0%	23.0%	24.6%	22.9%	25.6%	21.6%
Average Qualifying Ratio	97.3%	96.8%	96.0%	95.7%	95.0%	94.6%	94.3%	92.8%	95.3%
Distribution:									
0–20%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0.0%
21–40%	0.6%	1.5%	1.4%	1.6%	1.2%	1.1%	1.1%	4%	1.2%
41–60%	2.4%	2.1%	2.3%	2.4%	2.9%	3.5%	2.5%	3.7%	2.7%
61–80%	2.1%	2.7%	5.1%	5.7%	7.5%	7.5%	10.2%	12.6%	6.6%
81–90%	2.4%	1.7%	2.2%	2.0%	2.3%	3.2%	4.3%	6.0%	3.0%
91–95%	1.9%	1.6%	1.6%	1.5%	2.9%	2.7%	3.0%	2.4%	2.2%
96–100%	90.7%	90.5%	87.4%	86.8%	83.3%	82.0%	78.9%	74.0%	84.3%
Average Bedrooms	1.93	1.96	1.93	2.01	1.95	1.89	1.90	1.89	1.93
Distribution:									
0 Bedroom	3.7%	4.0%	4.2%	2.9%	4.3%	3.4%	3.0%	2.5%	3.5%
1 Bedroom	30.7%	29.3%	29.4%	27.4%	28.5%	32.4%	29.4%	31.2%	29.8%
2 Bedrooms	43.8%	44.3%	42.7%	43.5%	42.7%	41.8%	44.2%	43.0%	43.2%
3 Bedrooms	18.7%	19.5%	20.6%	22.3%	20.9%	20.0%	20.5%	20.5%	20.4%
> 4 Bedrooms	3.1%	2.9%	3.2%	4.0%	3.6%	2.4%	2.8%	2.7%	3.1%

Notes: The analysis data set includes 10,588 projects and 731,241 units placed in service between 1995 and 2002.

The average number of units per property and the distribution of property size are both calculated based on the 10,547 properties with a known number of units, and not on the full universe of 10,588 properties.

The database contains missing data for number of units (0.4 percent), qualifying ratio (percentage of tax-credit units) (0.7 percent), and bedroom count (14.3 percent). Totals may not add to 100 percent because of rounding.

Exhibit 2 also presents information on the size of the LIHTC units based on the number of bedrooms. As shown, on average the units had 1.93 bedrooms. Nearly 24 percent of LIHTC units in the study period had three or more bedrooms compared to only 11 percent of all apartment units nationally and 17 percent of all apartments built from 1995 to 2002.[8] Over the 8-year period, the distribution of units by bedroom count fluctuated around the average distribution for the period with no clear trends.

Exhibit 3 presents additional information on the characteristics of the LIHTC projects and units, beginning with the type of construction: new, rehabilitation, or a combination of new and rehabilitation (for multibuilding projects). As shown, LIHTC projects placed in service from 1995 through 2002 were predominately new construction, accounting for close to two-thirds (62.9 percent) of the projects. Rehabilitation of an existing structure was used in 35.5 percent of the projects, while a combination of new construction and rehabilitation was used in only a small fraction of LIHTC projects.[9]

The tax-credit program requires that 10 percent of each state's LIHTC dollar allocation be set aside for projects with nonprofit sponsors. As shown in Exhibit 3, overall 30.2 percent of LIHTC projects placed in service from 1995 to 2002 had a nonprofit sponsor.

Exhibit 3 also presents information about two common sources of additional subsidy: use of tax-exempt bonds (which generally are issued by the same agency that allocates the LIHTC), and RHS[10] Section 515 loans (which imply a different regulatory regime and different compliance monitoring rules). Overall, RHS Section 515 loans were used in just less than 13 percent of the projects placed in service during the study period, with the proportion of RHS projects dropping fairly steadily throughout the period related to the dramatic decrease in funding for the Section 515 program over the study period. At the same time, the proportion of projects with mortgages financed by tax-exempt bonds increased nearly every year, with 16 percent of projects receiving bond-financed mortgages over the 4-year period. Properties with bond-financed mortgages may be eligible for tax credits outside the annual per-capita state allocation limits.

The final characteristic presented in Exhibit 3 is the credit type used by LIHTC projects. The 30-percent present value credit is used for acquisition and when other federal financing, such as tax-exempt bonds, is used for the rehab or new construction, while the 70-percent present value credit is available to non-federally financed rehab or construction. A little less than two-thirds (64 percent) of the LIHTC projects placed in service during the study period have a 70-percent credit, nearly 27 percent have a 30-percent credit, and just more than 9 percent have both.

Exhibit 3. Additional Characteristics of LIHTC Projects, 1995–2002

Year Placed in Service	1995 (%)	1996 (%)	1997 (%)	1998 (%)	1999 (%)	2000 (%)	2001 (%)	2002 (%)	All Projects, 1995–2002 (%)
Construction:									
New	65.9	62.4	62.5	63.5	64.1	60.0	60.8	63.2	62.9
Rehab	32.7	36.3	34.6	34.9	34.3	38.8	37.7	34.8	35.5
Both	1.4	1.2	2.8	1.6	1.7	1.0	1.5	2.0	1.6
Nonprofit Sponsor	19.0	25.3	35.4	36.6	34.8	30.8	31.6	28.2	30.2
RHS Section 515	23.4	15.7	13.5	11.3	10.4	9.3	10.5	7.5	12.9
Tax-Exempt Bonds	3.9	6.4	8.2	13.1	19.3	25.9	23.4	29.3	16.1
Credit Type:									
30%	26.0	20.2	20.1	26.0	28.8	31.0	30.0	32.3	26.7
70%	62.9	68.4	70.4	64.0	63.6	62.4	61.0	59.5	64.0
Both	11.0	11.5	9.4	9.9	7.7	6.6	8.9	8.2	9.2

Notes: The analysis data set includes 10,588 projects and 731,241 units placed in service between 1995 and 2002.

The database contains missing data for construction type (2.1 percent), nonprofit sponsor (10.3 percent), RHS Section 515 (11.9 percent), bond financing (9.4 percent), and credit type (9.0 percent).

Totals may not add to 100 percent because of rounding.

LIHTC and Housing Markets

As part of the Omnibus Budget Reconciliation Act of 1989, Congress added provisions to the LIHTC Program designed to increase production of LIHTC units in hard-to-serve areas. Specifically, the act permits projects located in DDAs or QCTs to claim a higher eligible basis (130 percent of the standard basis) for the purposes of calculating the amount of tax credit that can be received. Designated by HUD, DDAs are defined by statute to be metropolitan areas or nonmetropolitan areas in which construction, land, and utility costs are high relative to incomes, and QCTs are tracts in which at least 50 percent of the households have incomes less than 60 percent of the area median income.[11] The data are based on DDA designations for the year placed in service. The QCT designations are from 1999.[12]

Exhibit 4 presents the distribution of LIHTC projects across DDAs and QCTs. As shown, 20.3 percent of projects are located in DDAs, and 25.8 percent are located in QCTs, with a total of 39.7 percent in designated areas.[13] In looking at units, the proportions are similar.

Not all projects located in a DDA or QCT actually received a higher eligible basis. The data indicate that more than one-third of properties located in a DDA and almost one-fourth of those in a QCT did not receive a higher eligible basis.[14]

Exhibit 5 presents information on project characteristics for properties located inside and outside designated areas. As shown, projects tend to be slightly larger and qualifying ratios slightly higher in nondesignated areas compared with projects in DDAs or QCTs. Minimal differences in average unit size are found across DDAs, QCTs, and nondesignated areas. Projects in QCTs and DDAs are considerably more likely to be rehabilitated than projects in nondesignated areas, which are more likely to be newly constructed. Projects in QCTs and, to a lesser extent, those in DDAs are more likely to have a nonprofit sponsor than projects in nondesignated areas. Only 2.1 percent of projects in QCTs have RHS Section 515 financing compared with 16.1 percent in nondesignated areas. QCTs also have the smallest proportion of tax-exempt, bond-financed projects and projects with the 30-percent credit, the latter indicating the presence of subsidized financing. Tax-exempt bond financing is most common in DDAs, accounting for 21.3 percent of projects.

As noted previously, DDAs are defined as metropolitan areas or nonmetropolitan counties in which construction, land, and utility costs are high relative to incomes. Although developers have an incentive to place tax-credit properties in DDAs because they can claim a higher eligible basis, the assumption is that, all other things being equal, the developer would favor a location with low development costs relative to incomes. To test this hypothesis, examining development costs relative to incomes would be optimal. Local development costs are not available, but assuming that development costs are correlated with local market rents, HUD-defined Fair Market Rents (FMRs) relative to local incomes can serve as a measure of development costs relative to incomes. The analysis uses the LIHTC maximum income limit (60 percent of area median income) as the measure of local income.[15] For the analysis, non-DDA metropolitan areas and nonmetropolitan counties in the United States were sorted based on the ratio of FMR to 30 percent of 60 percent of area median

Exhibit 4. Distribution of LIHTC Projects and Units by Location in DDAs and QCTs, 1995–2002

Year Placed in Service	1995	1996	1997	1998	1999	2000	2001	2002	All Projects, 1995–2002
Projects	1,239	1,206	1,223	1,161	1,345	1,217	1,261	1,095	9,747
DDA (%)	14.8	12.3	20.0	22.1	22.5	24.0	23.6	23.5	20.3
QCT (%)	20.9	23.7	26.1	27.2	27.4	24.1	27.2	30.5	25.8
DDA or QCT (%)	30.9	32.1	39.4	42.2	42.8	40.8	42.7	46.8	39.7
Units	75,501	76,849	83,205	85,060	102,037	90,843	94,715	85,666	693,876
DDA (%)	15.7	11.6	17.6	21.4	21.5	23.1	19.8	19.6	19.0
QCT (%)	19.6	24.7	24.1	23.9	26.5	22.3	25.3	27.6	24.4
DDA or QCT (%)	31.0	32.6	37.0	41.0	42.9	39.7	39.5	42.4	38.6

Notes: The data set used in this analysis includes only geocoded projects.

Totals may not add to 100 percent because of rounding.

Exhibit 5. Characteristics of LIHTC Projects by Location in DDAs or QCTs, 1995–2002

	In DDA	In QCT	Not in DDA or QCT	Total
Average Project Size (Units)	66.7	67.5	72.6	71.4
Average Qualifying Ratio (%)	91.3	94.5	95.9	95.1
Average Number of Bedrooms	1.8	2.0	1.9	1.9
Distribution of Units by Size:				
0 Bedroom (%)	5.6	7.4	2.0	3.6
1 Bedroom (%)	32.8	29.4	29.1	29.8
2 Bedrooms (%)	38.2	37.5	46.6	43.4
3 Bedrooms (%)	20.4	21.0	19.8	20.2
> 4 Bedrooms (%)	3.0	4.8	2.5	3.0
Construction Type:				
New Construction (%)	48.4	42.5	70.7	61.8
Rehab (%)	50.1	53.8	28.5	36.5
Both (%)	1.5	3.7	0.8	1.7
Nonprofit Sponsor (%)	35.6	42.1	24.5	30.5
RHS Section 515 (%)	5.6	2.1	16.1	11.5
Tax-Exempt Bond Financing (%)	21.3	12.8	17.3	17.0
Credit Type:				
30% (%)	24.6	16.1	30.0	26.4
70% (%)	68.0	71.9	61.6	64.4
Both (%)	7.5	12.0	8.4	9.2

Notes: The data set used in this analysis includes only geocoded projects.

The data set contains missing data for bedroom count (14.5 percent), construction type (2.0 percent), nonprofit sponsor (10.5 percent), RHS Section 515 (11.8 percent), bond financing (9.2 percent), and credit type (8.3 percent).

Metropolitan areas are defined according to the Metropolitan Statistical Area/Primary Metropolitan Statistical Area definitions published June 30, 1999. Suburb is defined here as metro area, noncentral city.

Totals may not add to 100 percent because of rounding. Some properties are located in both a DDA and a QCT.

income (the maximum LIHTC rent), from lowest to highest. They were then classified into three categories, each with approximately one-third of all renter households not in DDAs: low cost, moderate cost, and high cost. The same sorting and categorizing was done using multifamily building permits for 1994 to 2001.[16] Exhibit 6 presents the distribution of tax-credit projects and units in these categories.

As shown in Exhibit 6, LIHTC projects are disproportionately located in favorable development cost areas, that is, metro areas and nonmetro counties where development costs are low relative to incomes. As shown in the first (top) panel of Exhibit 6, 36.4 percent of tax-credit projects are located in low development cost areas, compared with 25.9 percent of all U.S. renter households. Projects in these locations, however, tend to be smaller than projects in higher cost areas, so that the proportion of tax-credit units in low-cost areas— 26.5 percent—is closer to the national total. Exhibit 6 also displays the distribution of tax-credit projects and units located in QCTs by development cost category. As shown, 25.3 percent of LIHTC projects and 20.5 percent of LIHTC units in QCTs are located in the lowest development cost category, slightly lower than the distribution of all renter households.

The second panel of Exhibit 6 presents the same analysis using multifamily building permit data instead of all renter units. Using this analysis, tax-credit projects and units are disproportionately located in low development cost areas. More than 40 percent (41.4 percent) of tax-credit properties and 33 percent of tax-credit units are in low-cost areas compared with 28.8 percent of units issued multifamily building permits.

Additional analyses of the data, including more comparisons to the earlier data and further location analysis, are available in the report *Updating the Low-Income Housing Tax Credit (LIHTC) Database: Projects Placed in Service through 2002*, which is available at http://www.huduser.org/datasets/lihtc/report2002.pdf and can be purchased from HUDUSER by calling 800–245–2691.

Accessing the LIHTC Database

The complete LIHTC Database is available through an interactive web-based system and can also be downloaded at http://lihtc.huduser.org/. The interactive system allows users to take the following actions:

- Select only the variables of interest.
- Retrieve data on all projects in a particular state or group of states.
- Restrict the search to projects with a particular characteristic or set of characteristics.
- Select only projects in a particular city.
- Select projects within a user-selected radius of the center of a city.

Exhibit 6. Distribution of LIHTC Units and Projects by Development Cost Category, 1995–2002

Development Cost Category Based on Renter Units	Ratio of FMR to Maximum LIHTC Rent	All U.S. Rental Units (%)	LIHTC Projects (%)	LIHTC Units (%)	LIHTC Projects in QCTs (%)	LIHTC Units in QCTs (%)
Low	0.448 to 0.784	25.9	36.4	26.5	25.3	20.5
Moderate	> 0.784 to 0.893	26.4	24.5	26.8	28.6	33.3
High (Non-DDA)	> 0.893 to 1.256	25.4	18.8	27.7	20.9	26.4
In DDAs		22.3	20.4	19.1	25.2	19.8
Total		100	100	100	100	100
Development Cost Category Based on Units Issued Multifamily Building Permits	**Ratio of FMR to Maximum LIHTC Rent**	**Multifamily Building Permit Units 1994–2001 (%)**	**LIHTC Projects**	**LIHTC Units**	**LIHTC Projects in QCTs**	**LIHTC Units in QCTs (%)**
Low	0.448 to 0.800	28.8	41.4	33.0	29.8	26.6
Moderate	> 0.800 to 0.922	28.8	23.7	26.1	27.6	31.4
High (Non-DDA)	> 0.922 to 1.256	28.5	14.5	21.9	17.4	22.3
In DDAs		13.9	20.4	19.1	25.2	19.8
Total		100	100	100	100	100

Notes: Maximum LIHTC rent equals one-twelfth of 30 percent of 60 percent of area median income (or one-twelfth of 30 percent of 120 percent of the very-low-income limit).

All U.S. rental unit data are from the 2000 Census. Annual building permit data for metropolitan areas and nonmetropolitan counties are from the U.S. Census Bureau.

LIHTC units placed in service from 1995 to 2002 are compared to multifamily building permits from 1994 to 2001 because it generally takes 1 year from issuance of building permits for a multiunit residential building to be completed. The percentages for All U.S. Rental Units and Building Permit Units are not exactly equal for each of the three non-DDA development cost categories because metropolitan statistical areas (or nonmetro counties) lying on the cutoffs for one-third and two-thirds of units could not be split up.

Notes

[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 of the units for households with incomes below 60 percent of area median. Annual rents in low-income units are limited to a maximum of 30 percent of the elected 50 or 60 percent of area median income.

[2] The credit percentages are adjusted monthly but fall in the range of 4 to 9 percent of qualifying basis (that is, the proportion of the property devoted to low-income tenants). In general, credits are intended to provide a stream of benefits with a present value 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 30-percent credit is used for the acquisition of an existing building or for federally subsidized new construction or rehab. The 70-percent credit is used for rehab or construction of projects without additional federal subsidies.

[3] Assumes approximately $300 million in allocation authority in each year, with annual credits taken for 10 years.

[4] See Technical and Miscellaneous Revenue Act of 1988, Omnibus Budget Reconciliation Act of 1989, Omnibus Reconciliation Act of 1990, and the Community Renewal Tax Relief Act of 2000.

[5] The Omnibus Budget Reconciliation Act of 1989 extended the commitment period from 15 to 30 years. Project owners, however, 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 3 years.

[6] Internal Revenue Service reporting is on a building-by-building basis. In this study, however, the Department of Housing and Urban Development uses the Low-Income Housing Tax Credit project as a unit of analysis. A project could include multiple buildings and/or multiple phases that were part of a single financing package.

[7] National Multi Housing Council, tabulation of unpublished data from the U.S. Census Bureau's 1995–96 Property Owners and Managers Survey. Data do not include public housing projects.

[8] U.S. Census Bureau, American Housing Survey for the United States: 2003. Data refer to renter-occupied units in buildings with two or more units and built through 2002. Units built in 2003 were excluded.

[9] The combination of new construction and rehabilitation is possible in multibuilding properties in which one building was rehabilitated, and one building was newly constructed.

[10] The Rural Housing Service was formerly called the Farmers Home Administration.

[11] As of 2002, Qualified Census Tracts (QCTs) also included tracts with poverty rates of 25 percent or higher. These QCTs, however, had little effect on the projects studied here because most of the projects placed in service in 2002 were planned before the new QCTs became effective.

[12] Because Qualified Census Tract (QCT) designations are based on decennial census data, the designations are fairly static between decennial censuses. The 1999 QCTs are nearly identical to those in force throughout the 1995 to 2002 period.

[13] Some properties are located in both a Difficult Development Area and a Qualified Census Tract.

[14] In addition, 347 projects exist, which, according to the allocating agency, received a higher basis but, according to our geocoding, are located in neither a Difficult Development Area (DDA) nor a Qualified Census Tract. About half of these projects were located in areas that were designated DDAs at some point, often the year a project was allocated tax credits. These projects were probably allocated credit under the "10-percent rule" enabling them to get the DDA-level allocation even though they were a year or more from completion and placement in service.

[15] Specifically, the data used were the 2001 two-bedroom Fair Market Rents and 60 percent of 2001 area median income.

[16] Data on Low-Income Housing Tax Credit units placed in service from 1995 to 2002 are compared to multifamily building permits from 1994 to 2001 because it generally takes a year from issuance of building permits for a multiunit residential building to be completed. According to U.S. Census Bureau data on new residential construction of multiunit buildings from 1994 to 2001, the average length of time from permit issuance to start of construction was 1.5–1.9 months, and the average length of time from start of construction to completion was 8.9–9.8 months.