New Low-Income Housing Tax Credit Property Data Available

The U.S. Department of Housing and Urban Development's (HUD's) Office of Policy Development and Research has just released an update of the Low-Income Housing Tax Credit (LIHTC) Database, which includes the LIHTC-financed projects that were placed in service through 2009. The LIHTC Database is the only comprehensive source of information on the federal government's largest subsidy program for constructing and rehabilitating 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, HUD historically collected information on the program due to its importance as a source of funding for low-income housing. In 2008, Congress included a provision in the Housing and Economic Recovery Act (HERA) that required HUD to collect data on tenants in LIHTC-financed units. Given the overlap between HUD's ongoing property data collection and the newly mandated tenant data collection, HUD decided to combine these efforts. The data reported in this article represent the first property data collected under the new authority. As expected, creation of a new data collection and methodology has caused underreporting, with some states unable to submit data. Although underreporting was more of a problem with the tenant data, precluding its public release, a number of states were also not able to report complete data for projects placed into service either. For this reason, annual comparisons of nationally aggregated LIHTC properties and units placed into service in 2008 and 2009 are not appropriate.

The LIHTC Database serves as the most complete list of LIHTC projects and provides a set of basic data on each project within 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 is used not only by HUD but also by other federal, state, and local government agencies and by academic and private-sector researchers.

Overview of the LIHTC

The Tax Reform Act of 1986 created the low-income housing tax credit as section 42 of the U.S. 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 producing rental housing targeted to lower income households. Under the LIHTC Program, 60 state and local agencies are authorized, subject to an annual per capita limit, to issue federal tax credits for acquiring, rehabilitating, or constructing affordable rental housing. Property owners can use the credits to reduce federal income taxes. Outside investors who contribute initial development funds for a project generally take the credits. To qualify for credits, a project must have a specific proportion of its units set aside for lower income households. The rents on the set-aside 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 the development cost (excluding land), the proportion of units set aside, and the credit rate (which varies based on the 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 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 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 under the program, however, is difficult to determine. Given the decentralized nature of the program, no single federal source of information on LIHTC housing production exists. Although the Internal Revenue Service (IRS) administers the program, the LIHTC data 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 LIHTC housing than the IRS. Therefore, HUD collects the data from those state and local agencies.

Most of the data about the early implementation of the program were 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 Inc. have been collecting and publishing the LIHTC Database since 1996. This latest release represents the first update under the new HERA authority. The recent update of the database makes available data on projects placed in service through 2009.

Characteristics of Tax Credit Projects

HUD's LIHTC Database contains data on projects and units placed in service between 1987 and 2009. The best data coverage is available in the 1995-through-2009 period, when data were obtained from nearly all 60 tax credit-allocating agencies and data reporting was most complete.[6] The LIHTC Database contains the following information:

- Project location, including address, county, state, place,[7] 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 or rehabilitation status.
- Credit type (30 or 70 percent of present value).
- For-profit or nonprofit sponsorship status.
- Tax-exempt bond or Rural Housing Service (RHS) Section 515 financing.
- Federal Housing Administration (FHA) mortgage insurance.
- HOME Investment Partnership, Community Development Block Grant (CDBG), or HOPE VI funds.
- Increased basis due to location in a Qualified Census Tract (QCT) or Difficult Development Area (DDA).
- The year credits were allocated and the year the property was placed in service.

Table 1 shows the rates of missing data for the various variables in the database for projects placed in service between 1992 and 2009. The table shows the percentage of projects and units missing the indicated data elements. For comparison purposes, the table breaks the data into two periods: one representing the best data from an earlier collection effort and one representing the years included in more recent updates. Thanks to the cooperation of the state and local agencies, data coverage for the 1995-through-2009 period is vastly improved over coverage for the 1992-through-1994 period.

Table 2 presents information on the basic characteristics of LIHTC properties by year placed in service for 1995 through 2009, the period 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 the IRS Form 8609, indicating the property owner is eligible to claim LIHTCs.[8]

On average, more than 1,386 projects and nearly 103,000 units were placed into service during each year of the covered period. LIHTC projects placed in service during this period contained an average of 75 units, with the average size of the properties and, thus, the average

Table 1. LIHTC Database: Percent of Missing Data by Variable, 1992–2009

Variable	1992–1994		1995–2009	
	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]	0.6	1.0	0.9	0.7
Owner contact data	9.0	8.9	4.9	3.6
Total units	1.1	—	1.1	—
Low-income units	2.1	2.8	3.1	2.6
Number of bedrooms[b]	37.8	43.4	11.0	10.5
Allocation year	5.0	5.2	1.9	2.2
Construction type (new or rehabilitation)	17.2	18.1	5.1	5.6
Credit type	42.6	42.1	9.2	7.8
Nonprofit sponsorship	26.0	23.3	10.3	9.9
Increase in basis	35.6	32.5	12.9	10.4
Use of tax-exempt bonds	19.7	20.8	5.6	5.7
Use of RHS Section 515 loans	27.5	24.4	13.3	14.0

LIHTC = low-income housing tax credit. RHS = Rural Housing Service.

[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 are not considered missing. The percent of units with missing bedroom count data is based on properties where no data were provided on bedroom count.

Table 2. Characteristics of LIHTC Projects, 1995–2009

Characteristics	Year Placed in Service															All Projects 1995–2009*
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*	2009*	
Number of projects	1,535	1,440	1,382	1,369	1,565	1,397	1,434	1,365	1,521	1,521	1,663	1,555	1,447	990	608	20,792
Number of units	89,696	91,361	90,127	95,899	119,315	105,670	107,491	108,664	127,613	126,396	130,696	121,403	112,592	71,689	41,007	1,539,619
Average project size (number of units)	58.5	63.6	65.7	70.3	76.8	76.3	75.2	80.5	84.5	83.4	79.8	78.9	79.3	76.0	70.1	74.8
Distribution (%)																
0–10 units	12.6	13.5	7.5	7.4	6.0	5.7	4.5	4.2	3.8	4.9	5.2	2.3	3.7	0.6	0.7	5.8
11–20 units	11.8	11.7	11.8	11.0	11.4	11.0	10.3	10.0	8.0	8.5	7.1	6.6	5.5	5.5	5.8	9.2
21–50 units	40.9	36.3	41.5	38.6	35.8	34.3	39.3	34.2	33.5	33.7	33.6	36.3	36.4	38.7	42.1	36.7
51–99 units	17.8	18.1	19.2	21.3	22.3	23.1	21.8	23.4	24.4	23.8	25.9	27.7	27.6	29.2	29.4	23.4
100 units or more	16.9	20.3	20.1	21.7	24.4	25.9	24.1	28.1	30.3	29.1	28.3	27.1	26.8	26.1	22.0	24.9
Average qualifying ratio (%)	97.3	96.5	95.9	95.6	94.8	94.3	94.3	92.6	93.6	93.5	94.9	96.5	95.8	97.1	97.3	95.2
Distribution (%)																
0–20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21–40%	0.7	1.8	1.2	1.6	1.3	1.2	1.1	1.7	0.9	1.5	0.8	0.2	0.9	1.4	0.8	1.1
41–60%	2.4	2.1	2.6	2.5	2.9	3.9	2.7	3.6	2.0	2.9	2.4	1.2	2.1	0.5	1.2	2.4
61–80%	1.8	2.7	5.0	5.6	7.3	7.6	10.0	12.6	13.5	9.4	9.3	7.1	5.8	2.6	2.5	7.2
81–90%	2.1	1.6	2.4	2.2	2.5	3.4	4.3	6.0	6.4	8.1	4.1	4.5	4.4	1.8	1.2	3.8
91–95%	1.9	1.8	1.6	1.9	2.8	3.4	2.8	2.1	2.0	2.7	2.3	2.6	2.6	3.0	2.5	2.4
96–100%	91.2	90.0	87.2	86.3	83.1	80.6	79.1	73.9	75.2	75.4	81.0	84.4	84.4	90.6	91.9	83.1
Average number of bedrooms	1.92	1.94	1.92	1.98	1.95	1.89	1.91	1.89	1.87	1.95	1.91	1.90	1.86	1.88	1.86	1.91
Distribution (%)																
0 bedrooms	4.2	3.8	4.5	2.6	4.3	3.7	3.0	3.5	5.9	4.2	4.6	3.9	4.1	5.1	4.5	4.1
1 bedroom	30.0	29.4	30.2	29.0	27.9	31.1	28.6	31.4	31.4	31.4	33.8	34.9	36.9	34.2	33.7	31.6
2 bedrooms	43.7	44.4	42.6	43.4	42.8	42.2	44.1	42.2	39.6	41.3	38.8	39.3	38.4	35.9	38.1	41.2
3 bedrooms	19.8	20.0	20.0	21.6	21.3	20.5	21.3	20.3	20.3	19.4	19.3	19.3	18.1	21.7	19.7	20.1
4 or more bedrooms	2.3	2.4	2.8	3.3	3.7	2.4	3.1	2.7	2.8	3.7	3.5	2.6	2.5	3.2	4.0	3.0

LIHTC = low-income housing tax credit.

* Of the 60 state and local allocating agencies, 19 (Connecticut, Georgia, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Maryland, Maine, Minnesota, Missouri, Nebraska, New Hampshire, New Mexico, Texas, Utah, the Virgin Islands, West Virginia, Wyoming) plus the suballocators in Illinois and New York did not submit data on properties placed into service in 2008 and 21 (Alaska, Connecticut, Georgia, Guam, Hawaii, Illinois, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Minnesota, North Dakota, New Hampshire, New Mexico, Texas, Utah, the Virgin Islands, West Virginia, Wyoming) plus the suballocators did not submit data on properties placed into service in 2009. This nonsubmission of data is primarily due to incomplete reporting rather than a lack of program production.

Notes: The analysis data set includes 20,792 projects and 1,539,619 units placed in service between 1995 and 2009. The average number of units per property and the distribution of property size both are calculated based on the 20,571 properties with a known number of units and not on the full universe of 20,792 properties. The database contains missing data for number of units (0.3 percent), qualifying ratio (percentage of tax credit units) (2.1 percent), and bedroom count (11.4 percent). Totals may not sum to 100 percent because of rounding.

number of units, increasing over the period. LIHTC properties tend to be larger than the average apartment property. More than 48 percent of LIHTC projects have more than 50 units compared with only 2.2 percent of all apartment properties nationally.[9]

Of the total units produced, most were qualifying units—that is, units reserved for low-income use, with restricted rents, and for which LIHTC could be claimed. Overall, of the total units placed in service from 1995 through 2009, more than 95 percent were qualifying units. The distribution of qualifying ratios shows that most projects (83 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).

Table 2 also presents information on the size of the LIHTC units based on the number of bedrooms they contain. As shown in the table, on average, the units had 1.91 bedrooms. More than 23 percent of the LIHTC units in the study period had three or more bedrooms compared with only 11 percent of all apartment units nationally and 19 percent of all apartments built between 1995 and 2009.[10] During the 15-year period, the distribution of units by bedroom count fluctuated around the average distribution for the period, with no clear trends.

Table 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 in the table, LIHTC projects placed in service from 1995 through 2009 were predominately new construction, accounting for close to two-thirds (63.4 percent) of the projects. Rehabilitation of an existing structure was used in 35 percent of the projects, while a combination of new construction and rehabilitation was used in only a small fraction of LIHTC projects.[11]

The LIHTC Program requires that 10 percent of each state's LIHTC dollar allocation be set aside for projects with nonprofit sponsors. As shown in Table 3, overall, 27.4 percent of LIHTC projects placed in service from 1995 through 2009 had a nonprofit sponsor.

Table 3 also presents information about two common sources of additional subsidy: (1) the use of tax-exempt bonds (which generally are issued by the same agency that allocates the LIHTC) and (2) RHS[12] Section 515 loans (which imply a different regulatory regime and different compliance monitoring rules). Overall, RHS Section 515 loans were used in 9.4 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 during the study period. At

Table 3. Additional Characteristics of LIHTC Projects, 1995–2009

Characteristics	Year Placed in Service															All Projects 1995–2009
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Construction type distribution (%)																
New	68.1	64.3	61.8	63.7	63.1	61.4	60.5	62.3	66.8	62.7	64.2	62.5	61.9	62.8	64.4	63.4
Rehabilitation	30.6	34.5	35.3	34.8	35.1	37.4	37.9	35.7	30.8	35.2	33.7	34.7	36.3	32.0	30.1	34.5
Both	1.0	0.9	2.5	1.2	1.7	0.9	1.6	1.8	2.1	1.6	1.8	2.4	1.1	2.0	3.2	1.7
Nonprofit sponsor (%)	16.5	23.1	30.3	32.4	30.9	28.6	31.6	26.2	25.4	27.8	26.3	30.9	27.1	23.1	31.2	27.4
RHS Section 515 (%)	21.5	13.5	11.7	10.5	9.4	8.3	10.3	6.8	4.3	7.9	4.8	6.9	6.6	8.3	9.4	9.4
Tax-exempt bonds (%)	4.0	6.5	9.0	15.2	20.5	25.2	23.7	29.1	26.5	30.7	28.8	25.9	29.7	27.7	21.0	21.5
Credit type distribution (%)																
30%	26.7	24.0	25.5	30.5	34.2	34.2	32.8	35.9	33.8	36.5	34.6	32.8	33.3	32.8	30.5	31.9
70%	63.6	66.5	64.7	58.4	55.6	55.5	55.0	52.3	53.9	54.7	57.1	55.8	56.7	54.2	49.9	57.3
Both	9.7	9.5	9.8	11.1	10.2	10.4	12.2	11.8	12.3	8.8	8.3	11.4	10.0	13.0	19.6	10.8

LIHTC = low-income housing tax credit. RHS = Rural Housing Service.

Notes: The analysis data set includes 20,792 projects and 1,539,619 units placed in service between 1995 and 2009. The database contains missing data for construction type (5.1 percent), nonprofit sponsor (10.3 percent), RHS Section 515 (13.3 percent), bond financing (5.6 percent), and credit type (9.2 percent). Totals may not sum to 100 percent because of rounding.

the same time, the proportion of projects with mortgages financed by tax-exempt bonds increased nearly every year compared with the earlier years. On average, 21.5 percent of projects received bond-financed mortgages during the 13-year period. Properties with bond-financed mortgages are usually eligible for tax credits outside the annual per capita state allocation limits.

The final characteristic presented in Table 3 is the credit type that LIHTC projects used. The 30-percent present value credit is used for acquisition and when other federal financing, such as tax-exempt bonds, is used for the rehabilitation or new construction; the 70-percent present value credit is available for nonfederally financed rehabilitation or construction. More than one-half (57.3 percent) of the LIHTC projects placed in service during the study period have 70-percent credits, nearly 32 percent have 30-percent credits, and a little less than 11 percent have both types of credit.

Table 4 summarizes the per-unit tax credit allocations and funding amounts for the 2006-through-2009 projects. Qualifying units are the low-income units in a project. Tax credit allocation information was available for most project records. On average, $8,824 of LIHTCs was allocated per low-income unit. For the 2006-through-2009 projects, HOME funding received was $30,768 per low-income unit. Compared with HOME, fewer properties reported funding through CDBG or HOPE VI. Projects that received HOPE VI funding received high levels of HOPE VI funding, averaging $44,496 per unit.

LIHTC and Housing Markets

As part of the Omnibus Reconciliation Act of 1989, Congress added provisions to the LIHTC Program that were 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 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 of less than 60 percent of Area Median Income (AMI) or have a poverty rate of at least 25 percent. The data are based on DDA designations for the year placed in service. For LIHTC projects placed in service from 1995 through 2002, QCT designations are from 1999[13] and are based on 1990 census tract locations. For LIHTC projects placed in service from 2003 through 2009, QCT designations are based on 2000 census tract locations.

Table 5 presents the distribution of LIHTC projects across DDAs and QCTs. As shown in the table, 22.5 percent of projects are located in DDAs and 30.4 percent are located in QCTs, with a total of 44.4 percent in designated areas.[14] When examining the number of units, the DDA and QCT proportions are similar.

Note: Not all projects located in a DDA or QCT actually received a higher eligible basis. The data indicate that nearly one-third of properties located in a DDA and about one-fourth of those in a QCT did not receive a higher eligible basis.[15]

Table 6 presents information on project characteristics for properties located inside and outside designated areas. As shown in the table, projects tend to be slightly larger and qualifying ratios tend to be slightly higher in nondesignated areas compared with projects in DDAs or QCTs. The table also shows minimal differences in average unit size 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 are more likely to have nonprofit sponsors than projects in nondesignated areas. Only 2.0 percent of projects in QCTs have RHS Section 515 financing compared with 12.6 percent of projects in nondesignated areas.

Table 4. Federal Subsidy Amounts Per Tax Credit Qualifying Unit Projects Placed in Service, 2006–2009

	Annual Amount of Tax Credits Allocated*	Amount of HOME Funds	Amount of CDBG Funds	Amount of HOPE VI Funds
Number of projects with funding	3,980	636	122	47
Number of qualifying units	289,236	28,191	6,171	4,072
Minimum ($)	32	883	324	4,494
10th percentile ($)	2,469	6,417	2,688	12,018
25th percentile ($)	4,311	11,516	4,808	19,763
50th percentile (median) ($)	8,122	20,000	13,444	31,137
50th percentile (mean) ($)	8,824	30,768	17,534	44,496
75th percentile ($)	12,188	38,545	26,724	58,498
90th percentile ($)	16,002	73,460	35,088	87,800
Maximum ($)	39,471	186,227	98,889	178,055

CDBG = Community Development Block Grant.

* Tax credits are provided for a period of 10 years. The full program funding is thus 10 times the annual amount listed here.

Table 5. Distribution of LIHTC Projects and Units by Location in DDAs and QCTs, 1995–2009

Characteristics	Year Placed in Service															All Projects 1995–2009
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Number of projects	1,394	1,314	1,261	1,231	1,434	1,291	1,344	1,298	1,438	1,446	1,560	1,455	1,365	878	527	19,236
DDA (%)	16.6	15.4	20.0	21.9	21.4	23.9	23.1	24.0	22.5	23.3	21.5	23.7	25.9	32.6	29.2	22.5
QCT (%)	20.6	22.8	23.8	26.6	27.1	23.8	26.1	29.5	34.8	35.5	38.3	37.7	39.2	36.1	38.1	30.4
DDA or QCT (%)	31.3	33.2	37.1	41.3	40.9	40.7	41.2	46.2	47.3	48.8	50.0	52.6	53.0	54.0	57.1	44.4
Number of units	85,454	85,756	84,863	88,304	113,086	99,478	102,375	104,294	122,048	122,039	124,178	115,022	108,303	64,712	36,871	1,456,783
DDA (%)	16.8	13.9	16.9	20.3	19.7	22.4	19.7	21.3	17.2	21.2	21.2	25.9	23.6	36.4	36.0	21.3
QCT (%)	20.0	22.0	23.0	22.7	27.4	22.2	23.9	26.0	35.4	34.8	37.9	39.3	40.3	38.6	37.1	30.2
DDA or QCT (%)	31.6	31.7	35.2	38.8	41.9	39.3	38.0	42.4	44.9	48.7	51.1	56.2	54.2	56.1	60.5	44.4

DDA = Difficult Development Area. LIHTC = low-income housing tax credit. QCT = Qualified Census Tract.

Notes: The data set used in this analysis includes only geocoded projects. For LIHTC projects placed in service from 1995 through 2002, QCT designation is based on the 1990 census tract location. For LIHTC projects placed in service from 2003 through 2007, QCT designation is based on the 2000 census tract location. Totals may not sum to 100 percent because of rounding.

Table 6. Characteristics of LIHTC Projects by Location in DDAs or QCTs, 1995–2009

Characteristics	In DDA	In QCT	Not in DDA or QCT	Total
Average project size (number of units)	72.2	75.9	76.7	76.5
Average qualifying ratio (%)	91.1	93.8	95.5	94.5
Average number of bedrooms	1.9	2.1	1.9	2.0
Distribution of units by size (%)				
0 bedrooms	7.5	7.7	2.3	4.2
1 bedroom	32.9	31.7	31.2	31.8
2 bedrooms	36.6	36.3	45.1	41.5
3 bedrooms	20.0	20.0	19.4	19.7
4 bedrooms or more	3.0	4.2	2.1	2.8
Construction type distribution (%)				
New construction	55.0	52.4	68.0	62.5
Rehabilitation	43.5	44.2	30.5	35.4
Both	1.3	2.7	1.1	1.6
Nonprofit sponsor (%)	25.4	32.1	25.3	27.4
RHS Section 515 (%)	5.0	2.0	12.6	8.7
Tax-exempt bond financing (%)	30.3	19.1	21.7	22.6
Credit type distribution (%)				
30 %	35.1	26.8	33.7	32.4
70 %	60.1	62.3	55.7	57.5
Both	4.8	10.9	10.6	10.0

DDA = Difficult Development Area. LIHTC = low-income housing tax credit. QCT = Qualified Census Tract. RHS = Rural Housing Service.

Notes: The data set used in this analysis includes only geocoded projects. For LIHTC projects placed in service from 1995 through 2002, QCT designation is based on the 1990 census tract location. For LIHTC projects placed in service from 2003 through 2007, QCT designation is based on the 2000 census tract location. The data set contains missing data for bedroom count (11.3 percent), construction type (5.0 percent), nonprofit sponsor (10.4 percent), RHS Section 515 (13.0 percent), bond financing (5.2 percent), and credit type (9.0 percent). Metropolitan areas are defined according to the metropolitan statistical area and primary metropolitan statistical area definitions published June 30, 1999. Totals may not sum to 100 percent because of rounding. Some properties are located in both a DDA and a QCT.

QCTs also have the smallest proportion of tax-exempt, bond-financed projects and projects with the 30-percent credit; the latter indicates the presence of subsidized financing. Tax-exempt bond financing is most common in DDAs, accounting for 30.3 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, it is assumed that, all other things being equal, developers would favor locations with low development costs relative to incomes. To test this hypothesis, it would be optimal to examine development costs relative to incomes. 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 AMI) as the measure of local income.[16] 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 AMI (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 areas, moderate-cost areas, and high-cost areas. The same sorting and classification procedures were done using multifamily building permits issued between 1994 and 2008.[17] Table 7 presents the distribution of LIHTC projects and units in these categories.

As shown in Table 7, LIHTC projects are disproportionately located in favorable development cost areas; that is, metropolitan areas and nonmetropolitan counties where development costs are low relative to incomes. As shown in the first panel of Table 7, 33.7 percent of LIHTC projects are located in areas where development costs are low compared with 23.1 percent of all U.S. renter households. Projects in these low-cost locations tend to be smaller than projects in high-cost areas, so that the proportion of LIHTC units in low-cost areas—23.7 percent—is closer to the national total. Table 7 also displays the distribution of LIHTC projects and units located in QCTs by development cost category. As shown in Table 7, 25.5 percent of LIHTC projects and 19.4 percent of LIHTC units in QCTs are located in the lowest development cost category, which is slightly lower than the distribution of all renter households.

The second panel of Table 7 presents the same analysis using multifamily building permit data instead of all renter units. Using this analysis, LIHTC projects and units are disproportionately located in areas where development costs are low. Nearly 40 percent (36.8 percent) of LIHTC properties and 26.4 percent of LIHTC

Table 7. Distribution of LIHTC Units and Projects by Development Cost Category, 1995–2009

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	0.467 to 0.759	23.1	33.7	23.7	25.5	19.4
Moderate	> 0.759 to 0.820	23.2	24.2	25.4	24.5	26.6
High (non-DDA)	> 0.820 to 1.019	22.7	19.7	23.6	22.8	24.0
In DDAs		31.0	22.4	27.2	27.2	30.0
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 1994–2006**	**LIHTC Projects (%)**	**LIHTC Units (%)**	**LIHTC Projects in QCTs (%)**	**LIHTC Units in QCTs (%)**
Low	0.467 to 0.765	23.1	36.8	26.4	28.0	21.4
Moderate	> 0.765 to 0.824	22.7	21.9	23.7	23.0	25.6
High (non-DDA)	> 0.824 to 1.019	23.5	18.9	22.7	21.8	22.9
In DDAs		30.8	22.4	27.2	27.2	30.0
Total		100	100	100	100	100

DDA = Difficult Development Area. FMR = Fair Market Rent. LIHTC = low-income housing tax credit. QCT = Qualified Census Tract.

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). Data for "All U.S. Rental Units" are from the 2000 Census. Annual building permit data for metropolitan areas and nonmetropolitan counties are from the Census Bureau. LIHTC units placed in service from 1995 through 2009 are compared with multifamily building permits from 1994 through 2008 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 "Multifamily Building Permit Units" are not exactly equal for each of the three non-DDA development cost categories because metropolitan statistical areas (or nonmetropolitan counties) lying on the cutoffs for one-third and two-thirds of units could not be split up.

units are in low-cost areas compared with 23.1 percent of units that were issued multifamily building permits between 1994 and 2008.

Additional analysis of the data, including more comparisons with the earlier data and further location analysis, will soon be available for download at http://www.huduser.org/portal/datasets/lihtc.html.

Accessing the LIHTC Database

The complete LIHTC Database is available for download through an interactive web-based system at http://lihtc.huduser.org. The interactive system enables users to perform the following tasks:

- 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 projects only in a particular city.
- Select projects within a user-selected radius of the center of a city.

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 (AMI) or at least 40 percent of the units for households with incomes below 60 percent of AMI. Annual rents in low-income units are limited to a maximum of 30 percent of the elected 50 or 60 percent of AMI.

[2] The credit percentages are adjusted monthly but fall in the range of 4 to 9 percent of the 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 acquiring an existing building or for constructing or rehabilitating properties receiving other federal subsidies. The 70-percent credit is used for rehabilitating or constructing 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 the Technical and Miscellaneous Revenue Act of 1988, Omnibus Budget Reconciliation Act of 1989, Omnibus Reconciliation Act of 1990, and Community Renewal Tax Relief Act of 2000.

[5] The Omnibus Reconciliation Act of 1989 extended the commitment period from 15 to 30 years. Project owners are permitted, however, 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 property as a low-income project 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] Of the 60 state and local allocating agencies, 19 agencies, plus the suballocators in Illinois and New York, did not submit data on properties placed into service in 2008 and 21 agencies, plus the suballocators, did not submit data on properties placed into service in 2009.

[7] Place is defined by the Census Bureau as a concentration of population either legally bounded as an incorporated place or identified as a Census Designated Place (CDP). A CDP is a statistical entity, defined for each decennial census according to Census Bureau guidelines, comprising a densely settled concentration of population that is not within an incorporated place but is locally identified by a name.

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

[9] National Multi Housing Council, tabulation of unpublished data from the Census Bureau's 1995–1996 Property Owners and Managers Survey. Data do not include public housing projects.

[10] Census Bureau, American Housing Survey for the United States: 2009. Data refer to renter-occupied units that are in buildings with two or more units and that were built through 2009.

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

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

[13] 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-through-2001 period. For 2002, about 2,000 additional 1990 Census tracts with poverty levels of 25 percent or more were designated as QCTs in accordance with the Community Renewal Tax Relief Act of 2000. For the 2002 projects, the 2002 QCT list was used to determine QCT status.

[14] Some properties are located in both a Difficult Development Area (DDA) and a QCT.