Update on Housing Market Conditions And Other Research



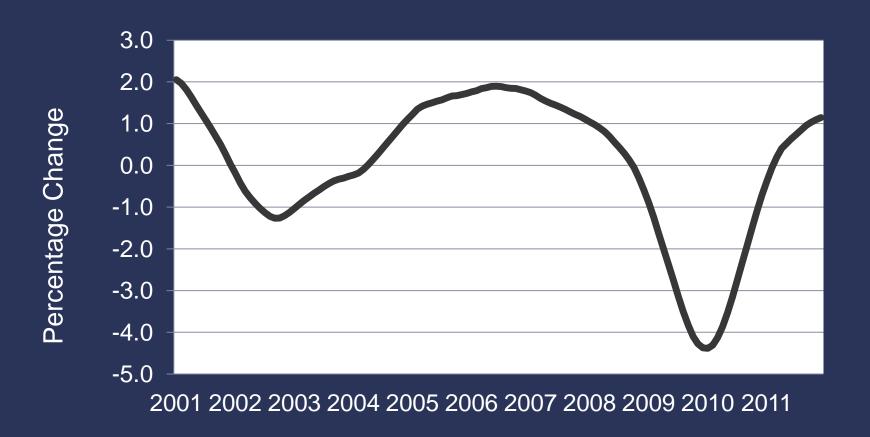
State of the Nation's Housing Markets

Kevin P. Kane

Chief Housing Market Analyst
Economic & Market Analysis Division
Special Thanks – Randall Goodnight (Ft. Worth)



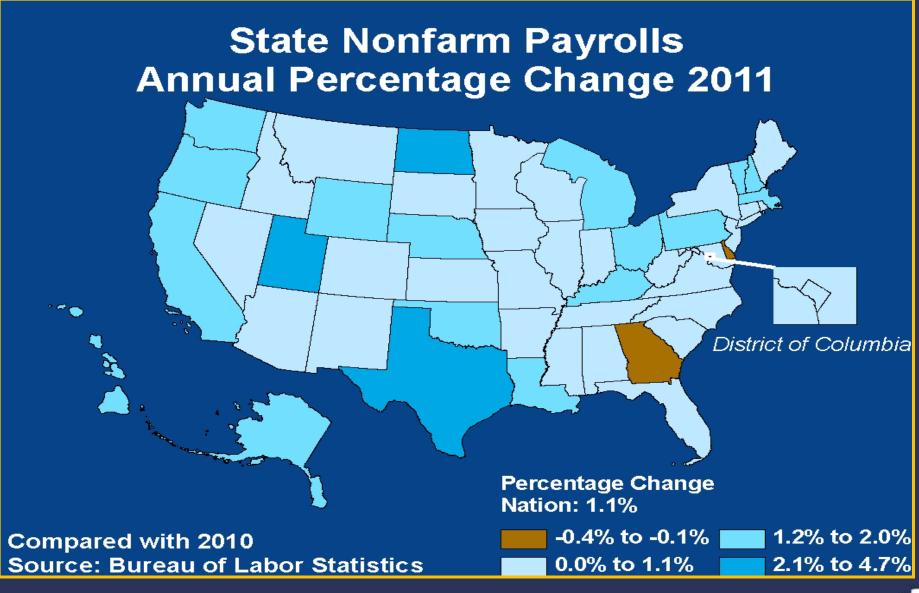
Nonfarm Payrolls Annual Average Percentage Change (12-month avg.)





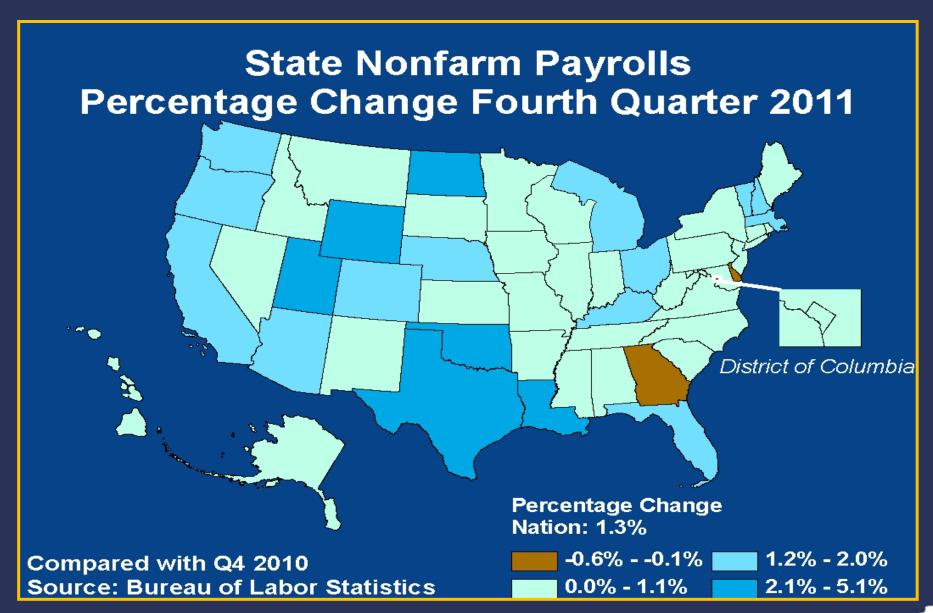
Regional Nonfarm Payrolls Percentage Change 12 months ending December 2011

New England Nork-New Jersey Caribbean Great Plains Mountain Aorthwest 2 1.8 1.6 1.4 1.2 8.0 0.6 0.4 0.2 图象



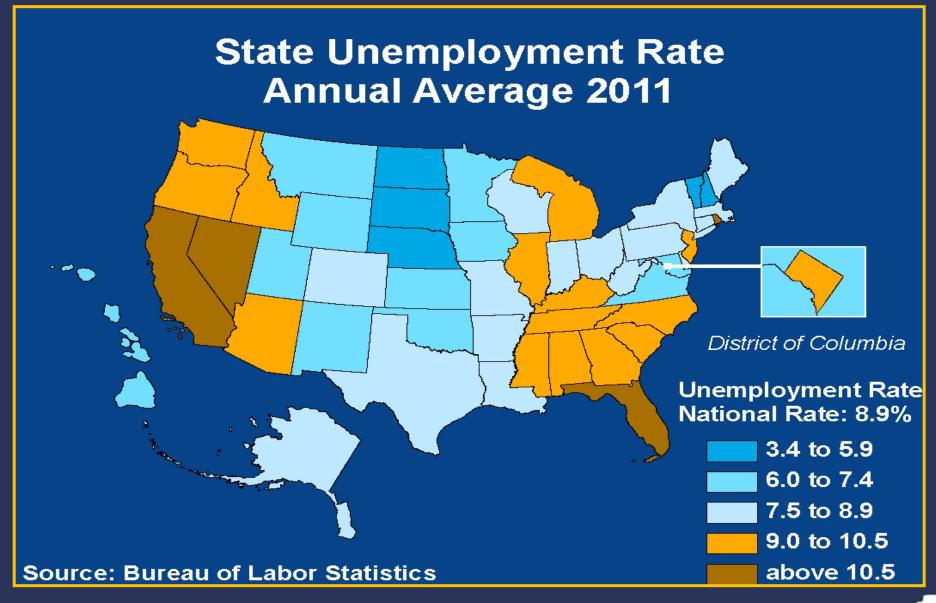
















U.S. Housing Market Conditions: 4Q 2011

- Sales market conditions continue to remain soft
- Year over year home sales prices continued to decline in 4Q2011 (6 straight quarters)
- Existing home sales declined 2 percent compared with 4Q2010 (compared with 17% increase in 3Q2011)

U.S. Housing Market Conditions: 4Q 2011

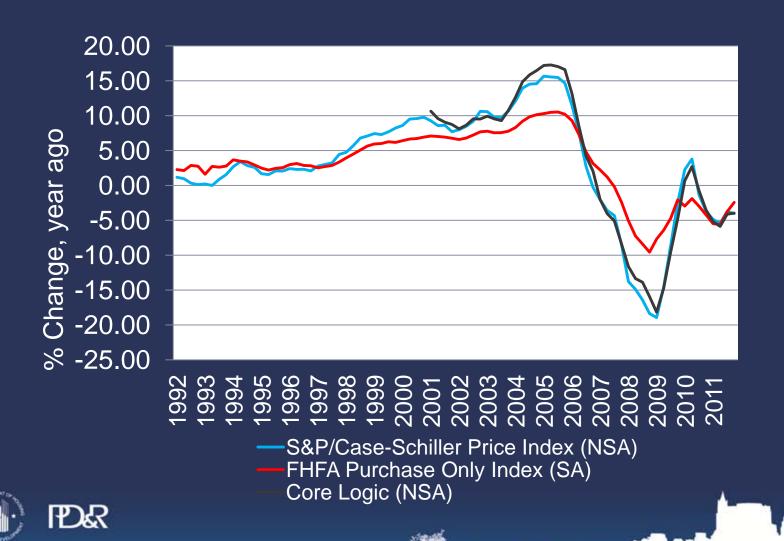
- Inventories of new homes for sale were down 19 percent from a year ago and down 7 percent for existing homes
- Rental market conditions are balanced to tight
- Apartment absorption is up slightly and the number of multifamily units permitted increased by 32 percent in 4Q2011

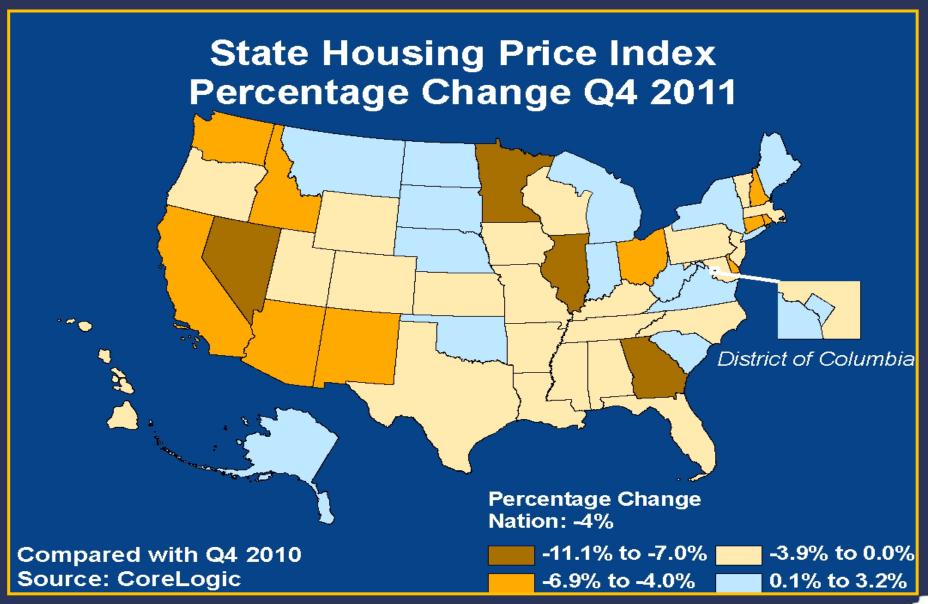
Regional Conditions 4Q 2011

	Sales Markets	Rental Markets
Region I (New England)	Soft	Balanced to Tight
Region II (NY/NJ)	Soft	Tight
Region III (Mid-Atlantic)	Soft	Balanced to Tight
Region IV (Southeast- Caribbean)	Soft	Balanced
Region V (Midwest	Soft	Balanced to Tight
Region VI (Southwest)	Soft	Mixed (Soft in TX-improving)
Region VII (Great Plains)	Soft	Balanced to Tight
Region VIII (Rocky Mountains)	Soft	Balanced to Tight
Region IX (Pacific)	Soft	Mixed (NV&AZ – soft)
Region X (Northwest)	Soft	Balanced to Tight



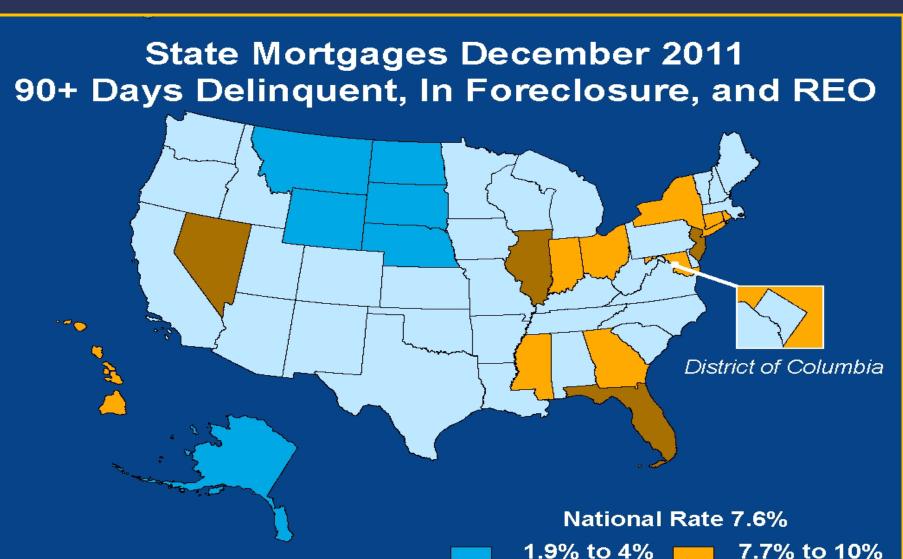
National Home Price Indices Based on Qtr. To Same Qtr. Previous Year









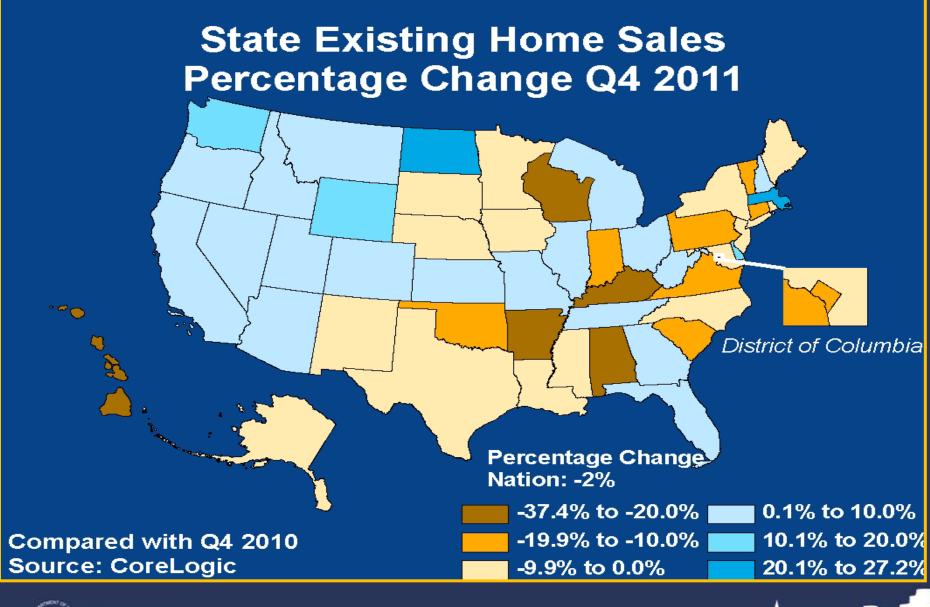


Source: LPS Applied Analytics





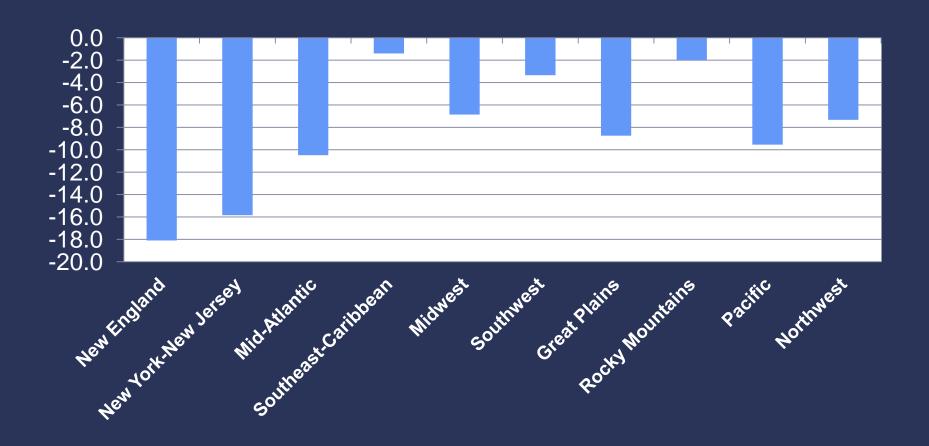




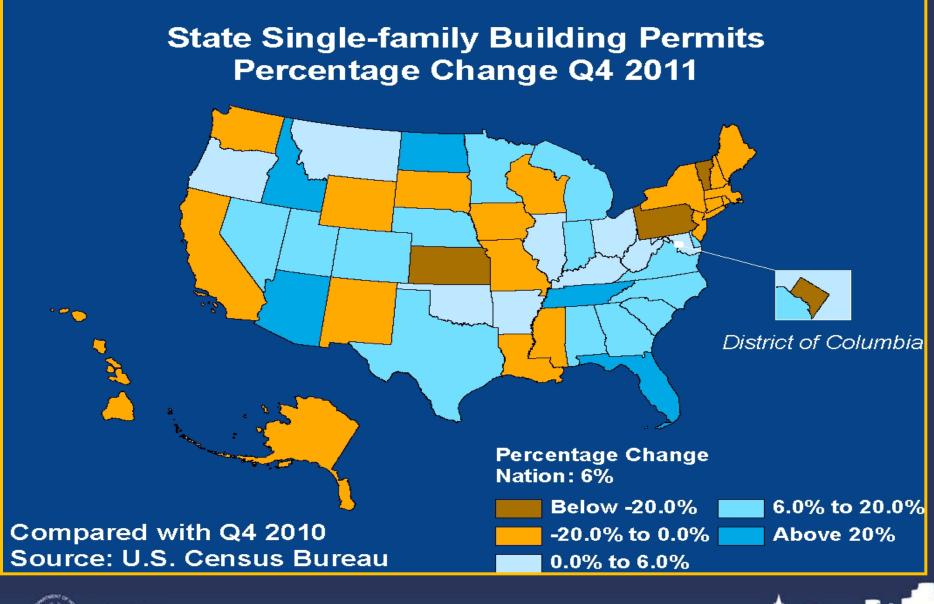


Percentage Change in SF Activity

12 Months Ending 12/10 to 12/11

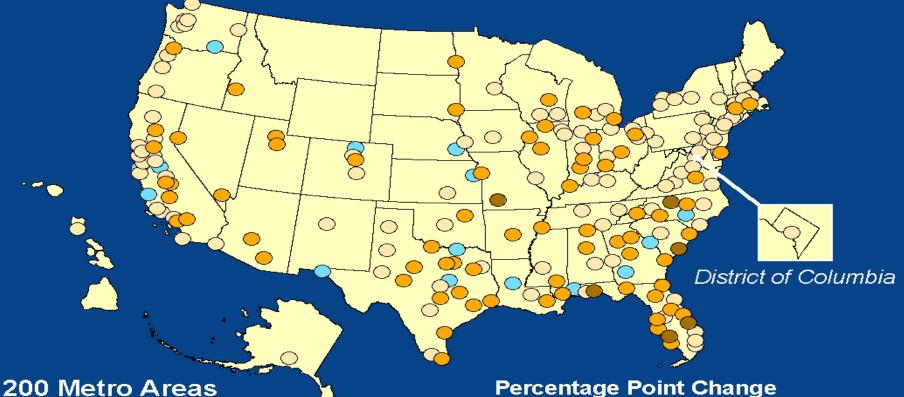








Metropolitan Area Apartments Percentage Point Change Vacancy Rates



Source: Reis, Inc.

Compares Q4 2011 with Q4 2010

Market-Rate Complexes 40+ Units

Percentage Point Change Nation: -1.4%

- - -3.5% to -2.5% -1.3% to -0.1%
- -2.4% to -1.4%
 - 0.0% to 2.1%





Metropolitan Area Apartments Percentage Change Market Rents District of Columbia 200 Metro Areas Percentage Change Nation: 2% Source: Reis, Inc. Compares Q4 2011 with Q4 2010 -2.7% to 0.0% • 2.1% to 3.0%



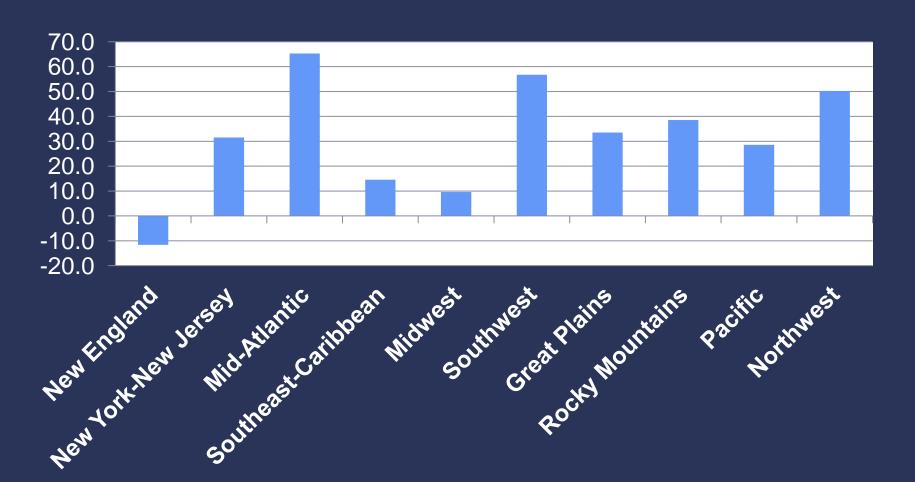
Market-Rate Complexes 40+ Units

3.1% to 4.7%

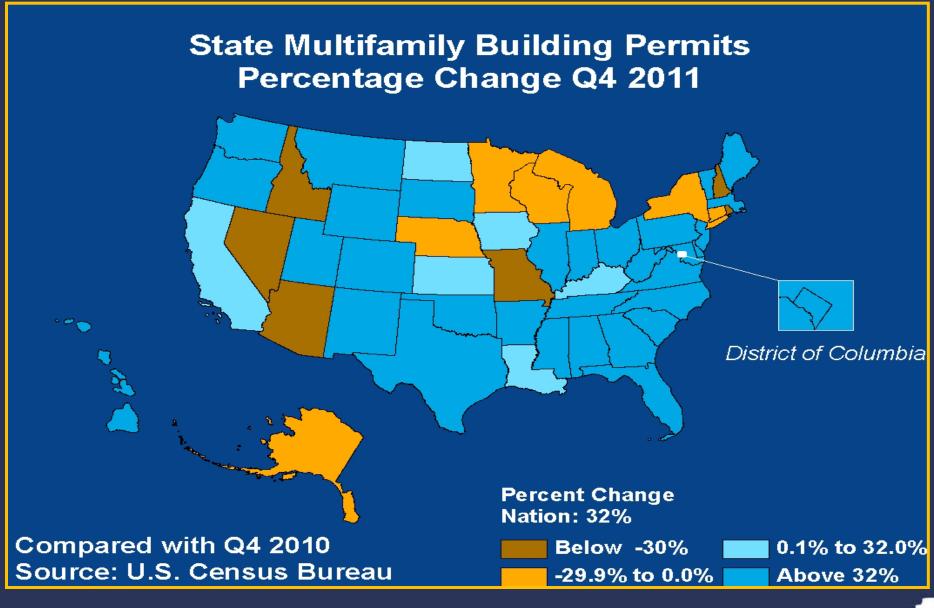
0.1% to 2.0%

Percentage Change in MF Activity

12 Months Ending 12/10 to 12/11











Summary:

- Year over year job growth occurred during 2011 at a rate of 1.1%.
- Sales Market conditions remain soft. Prices continued to decline and sales also declined slightly in 4Q2011.
- Rental Market conditions are balanced to tight.
 Rents are continuing to increase and vacancy rates are continuing to decline.

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4Q2011 U.S. Housing Market Conditions www.huduser.org





Overview of the LIHTC Program and HUD's LIHTC Data Collection

Michael Hollar

Economist

Office of Policy Development and Research
Economic Development and Public Finance Division



LIHTC Data Collection

- Overview of LIHTC Program
- LIHTC Property Data
- New LIHTC Tenant Data



Overview of the LIHTC Program

- Created in 1986 to encourage private development of low-income rental housing.
- Developers receive federal tax credits, which are usually sold to investors. This reduces or eliminates the need for a mortgage.
- Developers can receive tax credits:
 - 1. Allocated through state competition; or
 - 2. In conjunction with Private Activity Bond revenue.



Overview of the LIHTC Program

 Location of properties is affected by incentives and decisions of various agencies.

Federal:

- Congress: QCTs & DDAs
- IRS
- State:
 - Housing Finance Agency: QAP
 - State Bond-Issuing Agency



HUD's LIHTC Property Data

- In mid-1990's, PD&R began collecting data from state HFAs on characteristics of LIHTC properties.
- The latest update includes properties placed in service through 2009.
- Data can be accessed at: <u>lihtc.huduser.org</u>





HUD's LIHTC Property Data

- Strengths:
 - Only national database of LIHTC properties
 - Property addresses are geocoded, which facilitates tract-level analysis
- Weakness:
 - Lack of tenant detail





LIHTC Tenant Data Collection

Housing and Economic Recovery Act (HERA) requires:

- 1) State HFAs must provide to HUD:
 - Race
 - Ethnicity
 - Family Composition
 - Age

- Income
- Use of Rental Assistance
- Disability Status
- Monthly Rental Payments
- 2) Data must be collected at least annually and made publically available.





Benefits of New Tenant Data

- Provides understanding of who the program is assisting
- Combined with HUD's administrative data, provides a complete picture of subsidized programs
- Adds detail to property data
 - Number and location of buildings in property
 - Reliance on Rental Assistance



Evidence on the Spatial Distribution of Low Income Housing Tax Credits

Casey Dawkins

National Center for Smart Growth
Urban Studies and Planning Program
University of Maryland

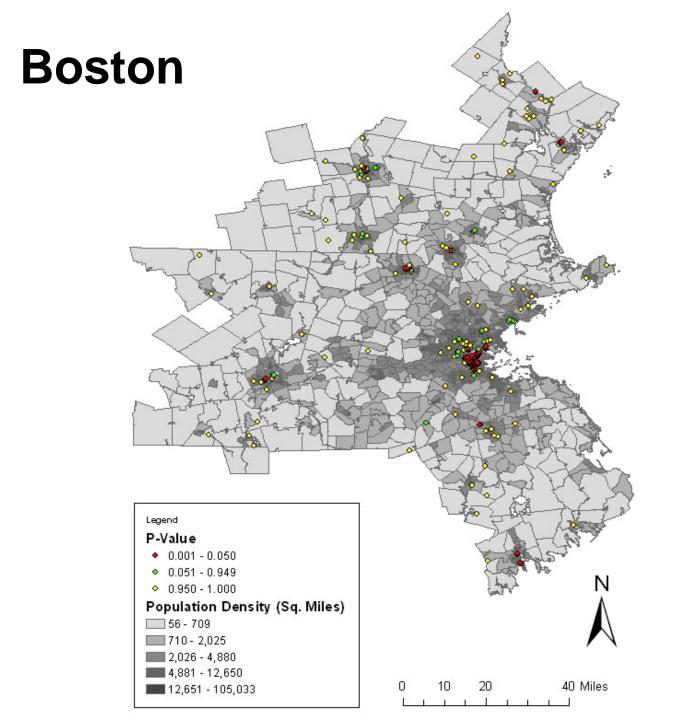
Based in part on research funded by U.S. Department of Housing and Urban Development

Evidence on the Geographic Location of LIHTC Properties

- Approximately 58 percent of all metropolitan LIHTC units are located in central cities, compared to 76 percent of other project-based federally-assisted housing units (Freeman 2004).
- The share of LIHTC properties constructed within suburban neighborhoods rose during the housing bubble (McClure 2006).

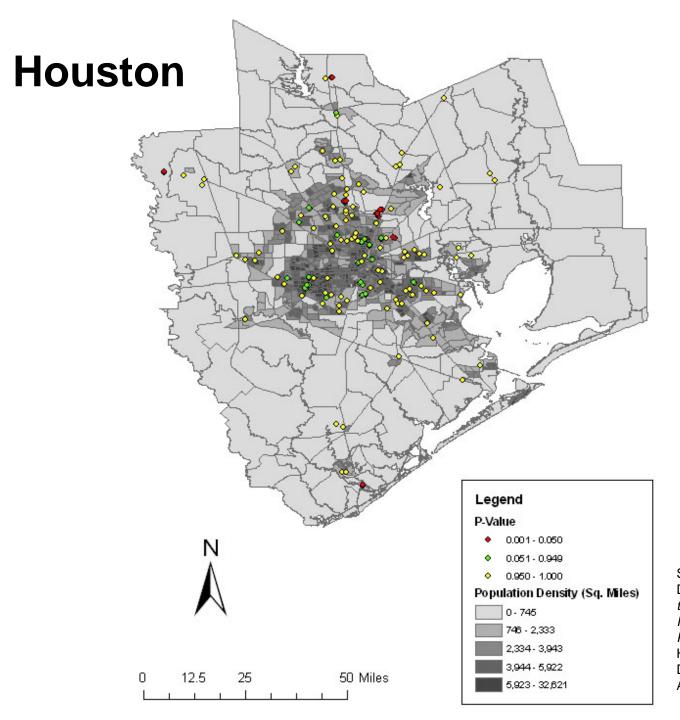
Evidence on the Geographic Location of LIHTC Properties (continued)

- LIHTC properties tend to be located in census tracts that exhibit higher poverty rates, lower median incomes, and lower shares of non-Hispanic white residents (Freeman 2004; Khadduri, Buron, and Climaco 2006; Ellen, et al. 2009).
- The location of LIHTC properties in a given census tract increases the likelihood of LIHTC properties being located in nearby census tracts (Oakley 2008).



SOURCE:

Dawkins, Casey. 2011. Exploring the Spatial Distribution of Low Income Housing Tax Credit Properties. U.S. Department of Housing and Urban Development, Washington, DC. Accessible at www.huduser.org.



SOURCE:

Dawkins, Casey. 2011. Exploring the Spatial Distribution of Low Income Housing Tax Credit Properties. U.S. Department of Housing and Urban Development, Washington, DC. Accessible at www.huduser.org.

Evidence on LIHTC Spatial Clustering

 LIHTC properties are clustered over long radial distances, although the extent of clustering differs by metropolitan area.

 LIHTC clusters tend to be located in more denselydeveloped central city locations that have higher poverty rates and lower shares of non-Hispanic whites.

Evidence on LIHTC Spatial Clustering (continued)

 Clustered LIHTC properties are more likely to be located in QCTs and DDAs in most metropolitan areas.

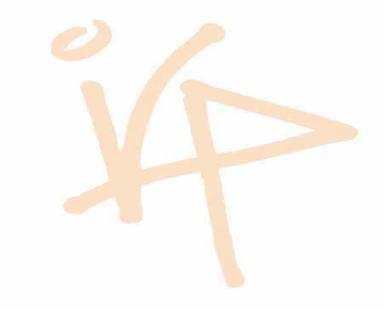
- Houston is unique
 - Few LIHTC properties are located in clusters
 - Clustered properties are located in lower-density census tracts, outside of central cities, with relatively lower poverty rates and higher shares of non-Hispanic whites
 - Fewer clustered properties are located in QCTs and DDAs

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School and Housing Demographics in the Twin Cities

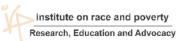
Myron Orfield

March 22, 2012



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BENTON

Palmer

Silver

Creek

Maple Lake

10

Corinna

Clear Lake City

BV - Birchwood Village

- Chisago

- Crystal

DP - Deephaven

- Columbia Heights

STEARNS

South Haven

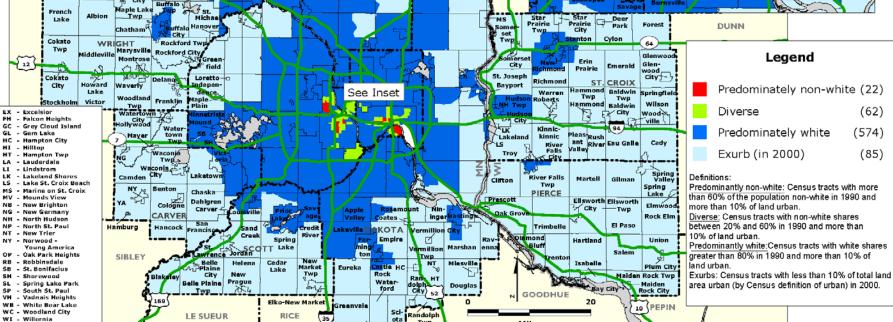
Clearwater City

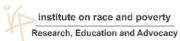
Clearwater

MINNEAPOLIS-SAINT PAUL REGION: Neighborhood Type by Census Tract, 1990 Columbus New Scandia Dayton Mav WASHINGTON Cor-Dellwood Still-Dalbo Maple Braham coran LACS BURNETT Stanch: Twp Grant field seb Nessel HENN Cam-Mah-Springvale tomedi 169 Medina POLK Wyanett bridge Long Lake Bay town ISANT North Sun-Santiago Branch Blue Hill Brook rise Bradford Transanti Lake-land 394 SHERBURNE Lent Stanford Athens Oxford Lake Twp Becker Stacy. Taylors Falls City St. Francis Big Lake CI Oak East 494 Bethel Grove ming Twp 8 ANOKA Lake Wyoming ₹5₩ mark City Andover Ham Lake Cottage Scandia Monticell@Twp Star Prairie Forest DUNN Stanton Cylon 64) Glenwood Legend Erin City Glen-Emerald St. Joseph City Loretto Richmond ST. CROIX Predominately non-white (22) See Inset lammond Baldwin Warren Springfiel Twp ammond Baldwin Wilson Diverse (62)City wood-x ville (574)

Miles

(85)





MINNEAPOLIS-SAINT PAUL REGION: **Neighborhood Type** by Census Tract, 2010 Columbus Hugo Dayton May iterville Cor-BV - Birchwood Village Dellwood Maple coran Columbia Heights MILLE LACS Ridge BURNETT Stanch-CI - Chisago Twp Grant BENTON field seb Nessel - Crystal HENN DP - Deephaven Mah-Springvale tomedi 169 Medina POLK Wyanett bridge City Long Lake ISANT North Sun-Palmer Santiago Branch Blue Hill Brook rise Twp 394 10 **STEARNS** Clear Lake City SHERBURNE Chisago Lake Lent Stanford Oxford Twp Clea Clearwater City Becker Taylors Falls Afton City St. Francis Clearwate Big Lake Linwood 94 Oak East South Haven Bethel Silver Grove Sunfish Corinna Creek ANOKA Wyoming Lake mark City Andover Ham Lake Southside Maple Lake Scandia dale Monticello wp City Albion Star Prairie Lake Michae Forest DUNN Chatham uffal City anton Cylon Cokato Rockford Tv WRIGHT 64 Marysville Rockford City Legend Glenwood Montrose Erin City Glen-Emerald 小就 Prairie City Cokato St. Joseph مرة Howard Loretto ST. CROIX Waverly Bayport Predominately non-white (64) See Inset Baldwin Warren Springfield Twp Twp Victor Stockholn Twp ammond Baldwin Wilson (257)Diverse EX - Excelsion City wood-x Falcon Heights City ville GC - Grey Cloud Island Kinnic-Water Predominately white (366)Pleas Rush - Gem Lake Lakeland HC - Hampton City ant River Eau Galle Cadv LS River Falls HI Hillton Troy Exurb (84)HT Hampton Twp TWE - Lauderdale LA Wacon<u>ia</u> (1.1 - Lindstrom Spring Lakeland Shores River Falls Martell Gilman - Lake St. Croix Beach Spring Predominantly non-white: Census tracts with more MS - Marine on St. Croix PIERCE Lake Cologne than 60% of the population non-white in 2010 and - Mounds View Dahlgren Ellsworth Ellsworth - New Brighton NB more than 10% of land urban. Nin-City NG New Germany CARVER Rock Elm Diverse: Census tracts with non-white shares Coates inger NH - North Hudson between 20% and 60% in 2010 and more than NP - North St. Paul Hamburg Trimbelle Hancock Sand KOTA - New Trier Spring **Empire** Ø Hartland - Norwood -Predominantly white: Census tracts with white shares Young America Jordan Salem greater than 80% in 2010 and more than 10% of - Oak Park Heights SIBLEY New Market - Robbinsdale Cedar Isabelle Miesville land urban. Plum City Eureka - St. Bonifacius Lake New Twp Rock Exurbs: Census tracts with less than 10% of total land Shorewood City Maiden Rock Twp Prague Water-- Spring Lake Park dolph City) 52 - Maiden area urban (by Census definition of urban) in 2000. South St. Paul GOODHUE Vadnais Heights 0 - White Bear Lake Greenvale 10 PEPIN WC - Woodland City LE SUEUR Randolph ota Miles



MINNEAPOLIS-SAINT PAUL REGION: Percentage Minority Elementary Students by School, 2009 Forest Lake Anoka-River Buffalo 94 MILLE LACS Bear BURNETT Rockford BENTON Stillwater Rush City 169 Heights WASHINGTON -Cambridge-Isanti POLK HENNEPIN 35 Wayzata ISANTI **North Branch** 94) SHERBURNE CHISAGO apolis **STEARNS** ** \s Big Lake St. Francis Elk Rive Heights South Eden ANOKA Washington Prairie Grove Hastings Rosemount-Apple Valley Eagan See Inset اردح Centennin WASHINGTON WRIGHT HENNEPIN Dassel-Cokato 🖿 ST. CROIX 🖒 RAMSEY [12] Glenwoo Howard Lake-DUNN Waverly-Orono St. Croix Baldwin-Legend Regional Value: 33.2% 0.0 9.8% (111) River Falls MCLEOD **Spring Valley** 20.3% (108) 9.9 PIERCE 33.1% 20.4 (77)Prescott Apple Valley 33.2 49.9% (61)Ellsworth Hastings DAKOTA 50.0 80.2% (64)SIBLEY SCOTT (79)to 100.0% 80.3 10 New Prague No data (5) Miles GOODHUE PEPIN Note: School with "No data" had fewer than 25

students data

35

Data Source: National Center for Education Statistics.



MINNEAPOLIS-SAINT PAUL REGION:

35

Percentage of Elementary Students Eligible for Free or Reduced Lunch by School, 2009 Forest Lake Anoka-Elk River Buffalo 94) MILLE LACS White Bear BURNETT Lake BENTON Rush City WASHINGTON 169 Heights POLK Cambridge-Isanti HENNERIN! 35 Wayzata ISANTI North Branch 94) SHERBURNE CHISAGO apolis **STEARNS** 3 E 8 Big Lake St. Francis Elk Rive Heights Chisago Lakes South ANOKA Washington Prairie 35W Grove Hastings Apple Valley Eagan See Inset أبرجين Centennin WASHINGTON WRIGHT HENNEPIN Dassel-Cokato ST. CROIX RAMSEY [12] Glenwood Howard Lake-DUNN City Waverly-Orono St. Croix Baldwin-Legend Regional Value: 33.4% 0.0 11.2% (84)River Falls MCLEOD **Spring Valley** 20.8% (110) 11.3 PIERCE 33.3% (105) 20.9 Rosemount-Apple Valley Prescott 33.4 56.4% (83)DAKOTA 81.6% (51)56.5 SIBLEY SCOTT 98.6% (67)10 New Prague No data (5) Miles GOODHUE PEPIN Note: School with "No data" had fewer than 25

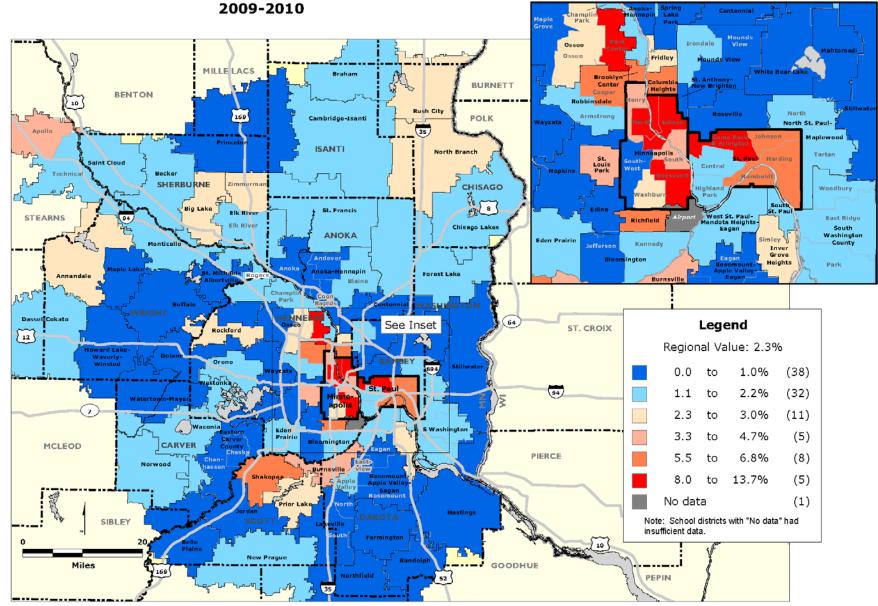
students or did not have free/reduced lunch data

Data Source: National Center for Education Statistics.

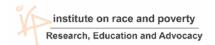
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MINNEAPOLIS-SAINT PAUL REGION: Four Year Dropout Rate by High School Attendance Boundary,

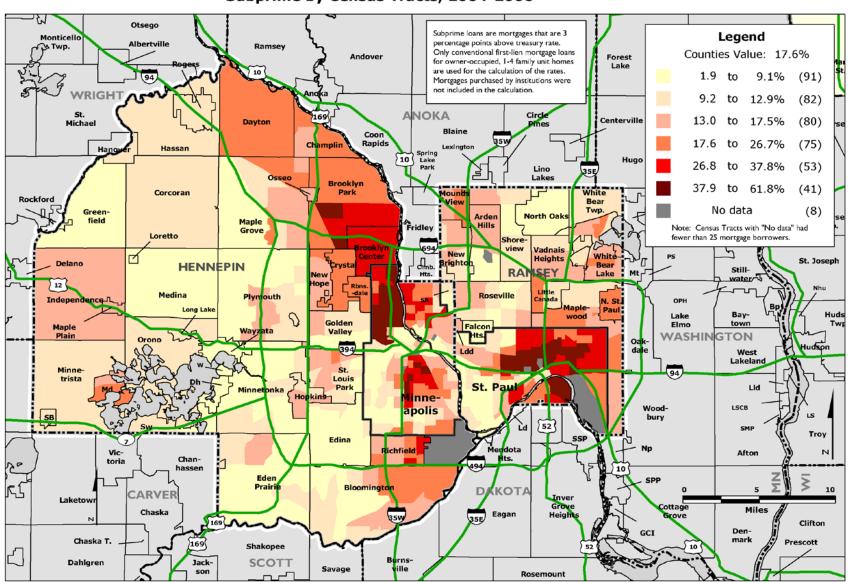
Note: The Four-Year Dropout Rate is based on a four-year cohort of first time ninth grade students plus transfers into the cohort within the four year period minus transfers out of the cohort within the four year period. Students that dropped out were reported as dropping out of a MN public school and did not return.



Data Source: Minnesota Department of Education.



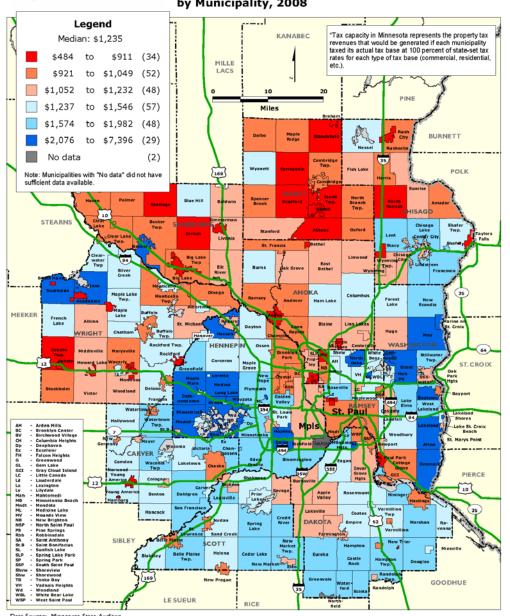
Map 5: HENNEPIN - RAMSEY COUNTIES
Percentage of Mortgage Loans that are
Subprime by Census Tracts, 2004-2006



Data Source: FFIEC, Home Mortgage Disclosure Act Data

institute on race and poverty Research, Education and Advocacy

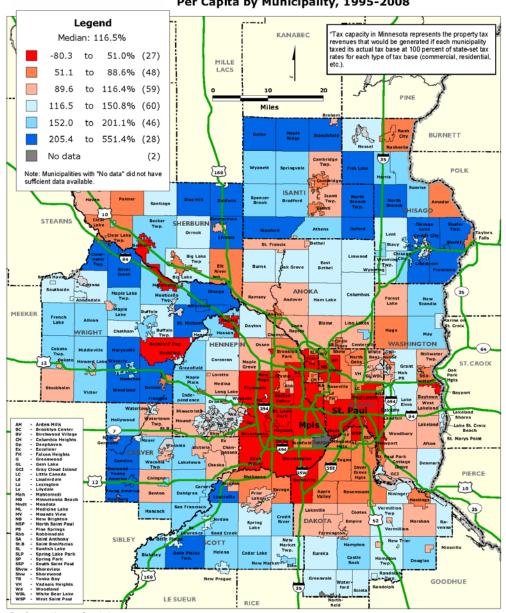
MINNEAPOLIS - SAINT PAUL REGION Property Tax Capacity Per Capita* by Municipality, 2008



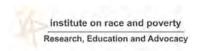
Data Source: Minnesota State Auditor.

Institute on race and poverty Research, Education and Advocacy

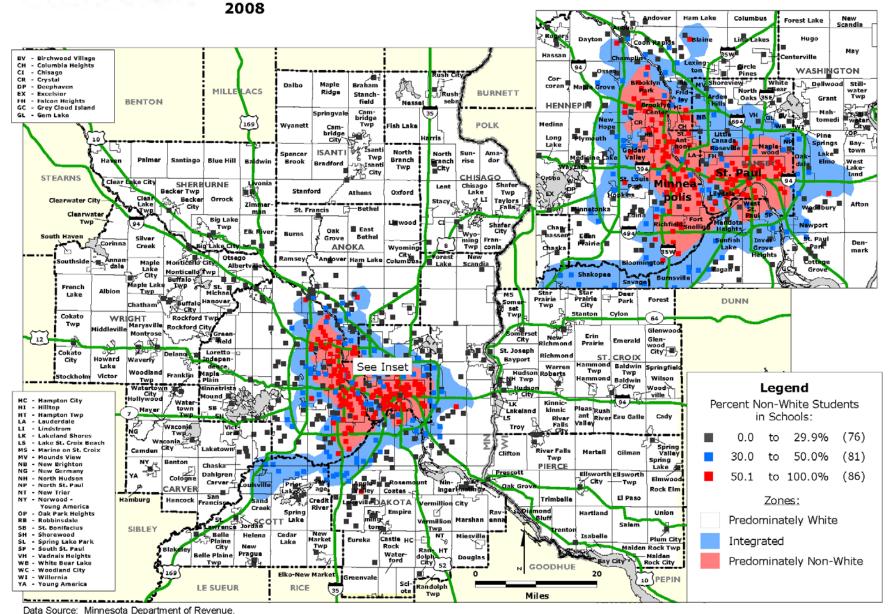
MINNEAPOLIS - SAINT PAUL REGION Percentage Change in Property Tax Capacity Per Capita by Municipality, 1995-2008

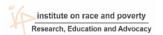


Data Source: Minnesota State Auditor.

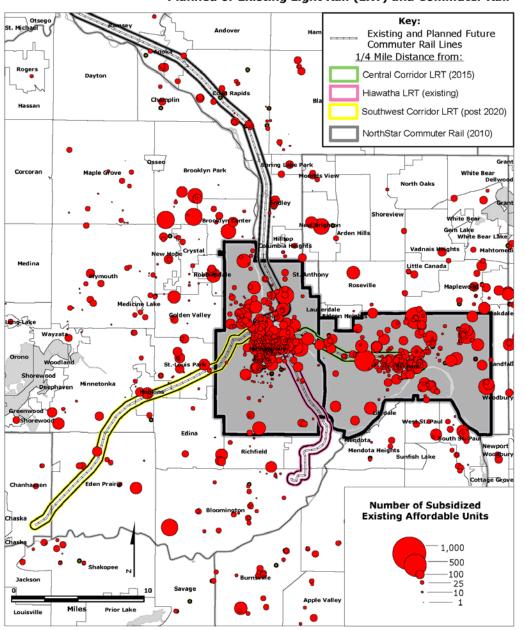


MINNEAPOLIS-SAINT PAUL REGION:
Racial Composition of Public Elementary Schools,

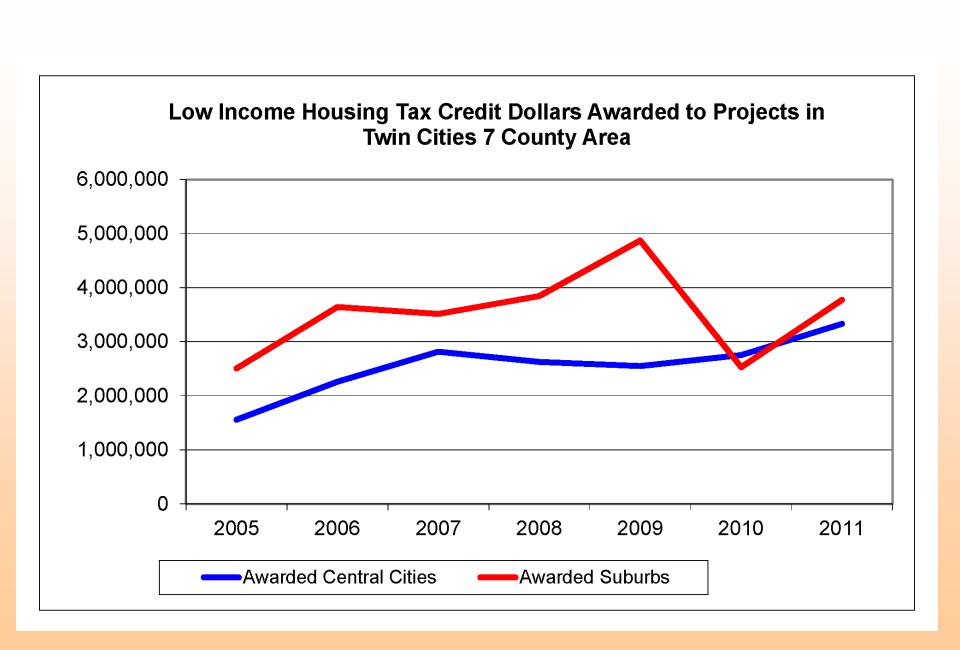




MINNEAPOLIS - SAINT PAUL (Central Region) Existing Subsidized Housing (2007) and Planned or Existing Light Rail (LRT) and Commuter Rail



Data Source: Metropolitan Council and HousingLink



Number of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Cities of Minneapolis and Saint Paul, 2005-2011

		Rental Units Affordable at % of Regional Income			
				_	
% Minority in Tract	HTC Units	30%	50%	80%	
0 to 19%	73	1,246	13,396	23,903	
20 to 29%	263	2,135	9,963	16,023	
30 to 49%	426	6,123	18,077	28,615	
50 to 59%	200	2,915	8,823	12,693	
60 to 79%	545	5,840	16,742	23,743	
80% or more	329	3,628	6,779	9,690	
Total	1.836	21.889	73.780	114.668	

Share of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Cities of Minneapolis and Saint Paul, 2005-2011

	Rental Units Affordable at % of Regional Income			
HTC Units	30%	50%	80%	
4.0	5.7	18.2	20.8	
14.3	9.8	13.5	14.0	
23.2	28.0	24.5	25.0	
10.9	13.3	12.0	11.1	
29.7	26.7	22.7	20.7	
17.9	16.6	9.2	8.5	
100.0	100.0	100.0	100.0	
	14.3 23.2 10.9 29.7 17.9	HTC Units 30% 4.0 5.7 14.3 9.8 23.2 28.0 10.9 13.3 29.7 26.7 17.9 16.6	HTC Units 30% 50% 4.0 5.7 18.2 14.3 9.8 13.5 23.2 28.0 24.5 10.9 13.3 12.0 29.7 26.7 22.7 17.9 16.6 9.2	HTC Units 30% 50% 80% 4.0 5.7 18.2 20.8 14.3 9.8 13.5 14.0 23.2 28.0 24.5 25.0 10.9 13.3 12.0 11.1 29.7 26.7 22.7 20.7 17.9 16.6 9.2 8.5

Source: 2005-2011 Minnesota Housing Finance Agency, 2006-2010 American Community Survey

Number of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Twin Cities Suburbs, 2005-2011

Rental Units Affordable at 9	% of Regional Income
------------------------------	----------------------

% Minority in Tract	HTC Units	30%	50%	80%
0 to 19%	1,127	6,954	26,301	60,473
20 to 29%	507	4,874	23,254	51,749
30 to 49%	282	1,905	12,398	25,412
50 to 59%	22	754	3,854	5,919
60 to 79%	0	295	3,029	4,174
80% or more	0	61	640	1,170
Total	1,938	14,843	69,476	148,897

Share of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Twin Cities Suburbs, 2005-2011

Rental Units Affordable at % of Regional Income

% Minority in Tract	HTC Units	30%	50%	80%
0 to 19%	58.2	46.9	37.9	40.6
20 to 29%	26.2	32.8	33.5	34.8
30 to 49%	14.6	12.8	17.8	17.1
50 to 59%	1.1	5.1	5.5	4.0
60 to 79%	0.0	2.0	4.4	2.8
80% or more	0.0	0.4	0.9	0.8
Total	100.0	100.0	100.0	100.0

Source: 2005-2011 Minnesota Housing Finance Agency, 2006-2010 American Community Survey

Considerations for HUD, Researchers, and Advocates

Mark Shelburne

PD&R Quarterly Briefing March 22, 2012

Introduction

- Background
- Appreciate the opportunity and premise
 - not an education of HFAs
 - we can all learn from each other
- Covering two main areas:
 - shortcomings in research on LIHTCs
 - thoughts for advocacy groups

Disclaimers

- Not speaking for all HFAs, just myself
- Caution due to legal actions
 - litigation in three states
 - complaints and audits in others
- Omitting some concepts for sake of time

Concerns with Research

- Several studies critique LIHTCs, e.g.
 - Dawkins 2011 "Spatial Distribution..."
 - UCLA 2009 report on California
 - □ Abt's 2006 "Are States…" report
- Assume all units are sited by LIHTCs
- Inaccurate for two main reasons:
 - rehabilitation and
 - □ HOPE VI / public housing redevelopment

Rehabilitation

- LIHTCs fund both (1) new construction and
 (2) rehabilitation of existing housing
- With rehab the units were already in place when funded by the state HFA
- LIHTCs had no role in their location
- Rehabs should be excluded from any analysis of whether program concentrates
- Yet were included in studies critiquing

Significance of Rehab %

- Excluding rehab would matter for results
- Example MSAs from Dawkins paper:
 - □ in Boston 69% of the units were rehab
 - □ Chicago were 61% rehab
- Abt study mentions Conn., >70% rehab
- Similar results in other areas
- Many are project-based Section 8 or in another HUD program

HOPE VI / Public Housing

- A material % of new const. LIHTC units in many metro areas are HOPE VI
- When replacing a unit of public housing, the net effect on concentration is zero
- Yet studies count LIHTCs as an increase, with no offset or even mention of net
- Same shortcoming as rehab: housing was there before and after LIHTCs

Consequences

- Acting on studies' conclusions would mean reduced support for HUD priorities:
 - Rehab of rent-assisted portfolio
 - Leverage for public housing redevelopment
- Problems with methodology mean the studies should not inform policymaking
- Lack of research (based on the right units) showing LIHTCs exacerbate concentrations

Other Questions

- Effect on segregation is very complicated
- 2011 NYU Wagner School paper asked
 - where HHs would have lived otherwise
 - relative %s between HHs and surroundings
 - neighborhood change over time
- Conclusion: evidence suggests LIHTC units <u>do not contribute to increased</u> <u>segregation</u>, even in high poverty areas

Advocacy Groups

- HFAs have the essentially the same goals
- Challenge for any QAP policy are trade-offs and implementation:
 - conflicting objectives with local CDCs
 - benefit of relocating vs. staying in community
 - ☐ finding affordable sites with zoning (NIMBY)
 - □ IRC Sec. 42 required preference for QCTs
 - □ 5th Cir. opinion on race-based approach
 - limited/unusable data

Suggestions

- See HFAs as partners
- Understand our concerns and limitations
- Accept policy change takes time (years) and effort, even at state level
- Consult with other groups for how to make approach (e.g. preservation, green)
 - posting to a website is not enough
 - need productive, cooperative outreach



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