

Where Should Affordable Housing be Sited?

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Where should affordable housing be sited? Every year, state tax credit allocating agencies ask this question. Should limited housing resources be targeted to rural, suburban or urban neighborhoods? To very-low, moderate- or high-income census tracts? To median or high poverty areas? A study was released recently that analyzed where low-income housing tax credit (LIHTC) properties were sited in the 1990s and looked into this question.

The study, by the Brookings Institution's Center on Urban and Metropolitan Policy, concluded that substantial opportunities exist for the LIHTC program to expand housing choices beyond central-city neighborhoods. The study then called for lawmakers to "revisit the LIHTC statute in order to foster [the creation of] LIHTC units outside of poor minority neighborhoods" to more economically stable and racially integrated communities.

The good news in the study ("Siting Affordable Housing: Location and Neighborhood Trends of Low-Income Housing Tax Credit Developments in the 1990s") is that when compared to other neighborhoods, LIHTC neighborhoods experienced larger declines in poverty and similar increases in home values during the decade. However, the report also notes that LIHTC neighborhoods, especially those in urban areas, still have considerably higher poverty rates, lower median incomes and lower median home values than typical metropolitan neighborhoods.

The study reasons that, "The location of assisted housing development today remains one the program's biggest flaws. Historically, decision-makers have sited these developments in some of America's most disadvantaged neighborhoods, serving to concentrate poverty and racial segregation Assisted housing developments have thus acquired a reputation as 'housing of last resort.'"

This reputation, according to the Brookings report, is due in large part to problems associated with the project-based public housing program, a vehicle that until the LIHTC program was established in 1986 and made permanent in 1993 was responsible for producing subsidized housing. The study reveals that during the

1990s, many urban neighborhoods experienced a renaissance as the LIHTC program provided for new affordable housing construction, allowing populations to increase or stabilize, property values to rise and commercial activity to take hold and help revitalize these neighborhoods.

In contrast to urban LIHTC neighborhoods with their minority populations, lower incomes and greater poverty levels, the study notes that suburban LIHTC neighborhoods are predominantly white and boast higher median incomes, lower levels of poverty, and higher home values and homeownership rates.

The report also found that although median household income in central-city LIHTC neighborhoods trails that in suburban LIHTC neighborhoods by \$13,000, urban incomes grew more than twice as fast as those in suburban LIHTC neighborhoods in the '90s.

That there has been progress made in diversifying and restoring neighborhoods is obvious. According to the report, today's LIHTC neighborhoods have lower concentrations of minorities and are less disadvantaged socioeconomically, despite the absence of regulations that would steer LIHTC units away from deprived neighborhoods. The authors point to more open attitudes toward residential integration, less onerous opposition outside of minority areas and the service of less disadvantaged clientele than those of traditional assisted housing developments. "Siting [LIHTC] developments outside disadvantaged neighborhoods might incur less opposition as they have not acquired the same stigma as public housing or other assisted housing development and are generally less obtrusive in their physical form," the study notes.

Should more affordable housing be placed in suburban neighborhoods to enhance housing choice for lower income families, or should limited government financing resources be targeted to the areas of greatest need, often located in distressed urban neighborhoods? The Brookings study provides useful analysis and information for policymakers as they assess where to target affordable housing. ❖