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Neighbourhood opportunity, racial segregation, and the Low-Income Housing Tax Credit program in the United States

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ABSTRACT

Housing policy for low-income renters seeks to deconcentrate poverty by moving the poor to neighborhoods offering opportunities for safety, good education, and gainful employment. Federal law compels communities to take affirmative steps to promote racial and ethnic integration. We argue that it is not possible for a community to effectively deconcentrate poverty unless it actively engages in racial and ethnic integration. This research evaluates the Low-Income Housing Tax Credit (LIHTC) in terms of both poverty deconcentration and racial integration. It asks if the LIHTC program is helping move low-income families to neighbourhoods offering high levels of opportunity categorized by the dominant racial and ethnic group. Given the lack of high-opportunity tracts among minority concentrated tracts, there is effectively no mechanism through which the LIHTC program can locate developments in minority dominated high-opportunity tracts and achieve movement to opportunity. If the LIHTC program is to further poverty deconcentration through movement to high-opportunity areas, it must also affirmatively further fair housing.

1. Introduction

The federal Low-Income Housing Tax Credit (LIHTC) is the largest affordable housing production program in the United States. More than 2.6 million units have been produced in the over 30-year history of the program, of which about 2.4 million units remain in the program (U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2018). The reach of the LIHTC program is national, placing units in all parts of the country, but the distribution of these units is not without controversy. The program has been subject to accusations and litigation that it exacerbates racial segregation by locating a disproportionate amount of housing in predominantly minority neighbourhoods.

Equally, the program has been criticized for placing developments disproportionately in impoverished neighbourhoods, furthering the concentration of poverty.

In 2016, the U.S. Supreme Court heard an appeal of a Texas court decision finding that the geographic placement of LIHTC developments was exacerbating racial segregation. Evidence from the trial found that 92 per cent of LIHTC units in the Dallas areas were in census tracts dominated by racial or ethnic minorities. The Supreme Court did not decide the underlying merits of the discrimination case. The Supreme Court did rule that policies which segregate minorities in poor neighbourhoods, even if they do so unintentionally, violate the Fair Housing Act (Inclusive Communities Project, 2015).

To spur action to implement the intentions of the Fair Housing Act, the U.S. Department of Housing and Urban Development (HUD) mandates that communities prepare plans to Affirmatively Further Fair Housing (AFFH). The Obama Administration required local governments to adopt plans that show, among other things, how their rental assistance programs promote racial integration and economic opportunity (U.S. Department of Housing and Urban Development, 2015). The Trump Administration, however, rejected these goals, and repealed Obama's AFFH requirements—requirements that the Biden administration subsequently reinstated (Capps, 2021; Schwartz, 2021).

Eliminating racial discrimination is only one of the nation's many goals for its housing programs. Another is the deconcentration of poverty. The expectations of the nation's assisted housing programs have moved beyond just the provision of affordable shelter; housing programs are now expected to be a platform to help the poor escape poverty and move to neighbourhoods offering opportunities to access good schools and gainful employment (U.S. Department of Housing and Urban Development, 2017).

This research evaluates the LIHTC in terms of both poverty deconcentration and racial integration through movement to opportunity. It asks if the LIHTC program is furthering the concentration of low-income households by locating affordable housing disproportionately in low-opportunity, heavily impoverished neighbourhoods. It also asks if the LIHTC program is exacerbating racial segregation by locating low-income households disproportionately in predominantly minority neighbourhoods. Finally, the research analyzes the factors that influence that likelihood that LIHTC developments are located in high-opportunity neighbourhoods. The paper concludes with a discussion of the prospects for the LIHTC program to both affirmatively further fair housing and provide the means to help assisted families to escape concentrated poverty in the future. The contribution of this paper is that it demonstrates that if moving to opportunity is to be served by the LIHTC program then it must also affirmatively further fair housing because nearly all high-opportunity tracts are in predominantly white or integrated areas.

2. Prior research on the location of LIHTC housing

The LIHTC program is a project-based housing subsidy, with the subsidy attached to the units occupied by low- to moderate-income households. The developers select the locations of LIHTC properties, and the state housing finance agencies that award

the credits. The developers' decisions are not independent of the needs of the affected population. Developers generally, although not always, compete for the scarce tax credits among other proposals. The competition is governed by each state's Qualified Allocation Plan (QAP). The plans set priorities for developments that are to be awarded tax credits. Points are awarded to competing development proposals that successfully adhere to the priorities, with the winning proposals being those that gather the most points.

There is a broad array of research examining the locations of LIHTC developments. This research attempts to determine whether the program is helping assisted households reside in high-opportunity, low-poverty neighbourhoods. Some of this research goes further to ask if the LIHTC developments are sufficiently well located to promote racial and ethnic integration. Finally, some of the research explores what drives the location of LIHTC properties.

2.1. Why is location important?

Besides enabling low-income households to afford decent quality housing, a key goal of federal housing policy is to help families access neighbourhoods that are safe, healthy and offer good schools and employment opportunities (Castro, 2017). Such policies include community development initiatives to build stronger and more resilient communities and programs to help residents in distressed neighbourhoods relocate to communities with more opportunity (U.S. Department of Housing and Urban Development, 2017).

The Moving to Opportunity (MTO) demonstration program was designed to assess the value of helping low-income households locate in low-poverty neighbourhoods. The program helped groups of low-income renter households relocate from high-poverty to low-poverty census tracts. Employment, education, health, and other outcomes for these households were compared to households who did not leave areas of high poverty. The program was found to improve the participants' sense of safety due to reduced exposure to crime which improved the mental and physical health of the participants as well as provided them with an improved overall sense of emotional well-being (Sanbonmatsu et al., 2011). The MTO program found few improvements in the area of education, but a similar program in Baltimore did. After moving to low-poverty neighbourhoods with the Baltimore program, children attended significantly higher performing schools and made gains in their academic achievement (DeLuca et al., 2016).

The MTO program yielded no improvement in employment and income growth among participating adults who moved to low-poverty neighborhoods (Sanbonmatsu et al., 2011). Access to employment actually became worse with the movement to low-poverty areas. However, children who moved to low-poverty tracts before the age of 13, showed significant gains in education, employment and earnings compared to those who remained in high-poverty tracts. The gain in lifetime earnings for young children relocated through movement to opportunity was more than sufficient to cover the cost of the MTO voucher (Chetty et al., 2016).

While program participants may have moved closer to potential employers, studies of MTO found no relationship between employment proximity and either earnings or on the rate of employment (Lens & Gabbe, 2017). The disappointing outcomes in employment may have been the product of transportation problems. Vehicle access was found to be an important factor shaping the success from relocating to low-poverty neighbourhoods. Access to a car substantially elevates a household's likelihood of accessing and staying in a low-poverty neighbourhood, suggesting efforts to spatially deconcentrate poverty should pay particular attention to the transportation needs of low-income households (Dawkins *et al.*, 2015). Although the MTO program did not improve employment and income benefits, it did yield significant improvements in mental and physical health for parents who moved to low-poverty neighborhoods.

2.2. How is the LIHTC program performing in terms of the quality of the neighbourhoods where developments are located?

If location matters, then it is important that assisted housing in general, and LIHTC properties in particular, be developed in low-poverty, high-opportunity neighbourhoods.

The record of placing federally subsidized rental housing in low-poverty neighbourhoods is not impressive. Newman and Schnare (1997) examined the socio-economic and racial composition in the early 1990s of the neighbourhoods surrounding rental housing subsidized by all the major federal government programs, including the LIHTC, which at that point had produced relatively little housing. The goal of the research was to determine whether assisted units delivered on the promise to provide a decent living environment to the households living in that housing. The researchers concluded that assisted rental housing, regardless of the specific program, does little to help improve the quality of neighbourhoods of the recipient households when compared to households who receive public assistance (Newman & Schnare, 1997). Nearly 20 years later, McClure and Johnson updated this study to examine t LIHTC developments locate. Again, rental housing assistance programs were found to do little to improve the quality of the participating household's neighbourhood relative to other poor households. However, the LIHTC program was improving its performance by moving more households into low-poverty, less distressed areas in recent years than was the case in the early years of the program (McClure & Johnson, 2015). In addition, as the LIHTC program matured, and the market value of the tax credits rose, the program became increasingly popular with developers who began to make inroads into the suburbs, something that previous project-based rental assistance programs had failed to do (McClure, 2006). Despite the record of the LIHTC program in penetrating the suburbs, LIHTC developments may not be improving the poverty exposure for the households in these properties. Just under half of LIHTC units are found in highly clustered areas characterized by high-poverty rates, minority concentrations, poor educational opportunities, and rampant crime (Van Zandt & Mhatre, 2009).

2.3. Looking beyond poverty, what are the attributes of neighbourhoods where LIHTC developments are locating?

The level of poverty is an important measure of neighbourhood quality, but it is not the only possible measure.

In an analysis of LIHTC housing in 12 states, Ellen *et al*. (2018) found that, compared to all renters, LIHTC units are in neighbourhoods with higher poverty rates, weaker labor markets, more polluted environments, and lower performing schools, but better transit access. Compared to other poor and minority households, LIHTC households live in neighbourhoods that are significantly more disadvantaged. However, other research did find that LIHTC developments are better located in terms of proximity to higher performing public schools than are households participating in the Housing Choice Voucher program (Horn, Ellen, & Schwartz, 2014).

A clear message from the MTO program is that crime exposure is harmful to low-income families. Thus, relocating low-income families into neighbourhoods with low levels of crime exposure is desirable. But neighbourhood-level crime data covering entire metropolitan areas is hard to acquire. Using a crime index available for 91 U.S. cities for which consistently measured crime data were available, O'Regan *et al*. (2011) found that LIHTC units tend to be located in high-crime neighbourhoods at a greater rate (11.3 per cent) than is true for all households (3.1 per cent) or for all low-income renter households (6.0 per cent). Thus, there seems to be some level of disproportionately high concentration of LIHTC developments in high-crime areas.

Access to gainful employment is another metric used to assess the quality of neighbourhood as a location for low-income households. Lens (2014) created an index for the number of jobs in a neighbourhood and examined the proximity of housing subsidy recipients in public housing, LIHTC developments, Section 8 New Construction developments, and HCV households to jobs. He found that public housing households live in census tracts with the greatest proximity to jobs for the low-skilled workforce. He also found that LIHTC developments were located less well but did locate in tracts with greater job access than did households in the HCV program.

Thus, the record of the LIHTC in poverty deconcentration and movement of low-income households to high-opportunity neighbourhoods is mixed. The program is making entry into desirable neighbourhoods, but more work needs to be done.

2.4. Are LIHTC developments promoting racial integration?

The second major goal for assisted housing programs is to promote the integration of racial and ethnic minorities.

HUD administers most, but not all, of the federal government's programs to assist low-income renters. Interestingly, HUD does not have supervisory authority over the LIHTC program. As a tax credit, the program is governed by the Internal Revenue Service which relies heavily upon the state housing finance agencies to implement the program following the U.S. Code which dictates some expectations

that the program serve an identified market need (U.S. Code, 2021). The absence of HUD oversight means that the locations of LIHTC properties may not serve the larger goals of assisted housing as expected of HUD administered programs. Specifically, HUD seeks to desegregate assisted housing following the 1970 decision in Shannon v HUD which denied funding for a development proposal that would increase the already high concentration of low-income Black residents in an already Black concentrated area. The Court held that action that increases or maintains racial concentration is prima facie evidence that the action is at variance with national housing policy under the 1968 Civil Rights Act (Shannon v. HUD, 1970). The expectations for breaking down racial segregation spelled out in Shannon have carried down over the years to other rental assistance programs. The Public Housing Reform Act of 2000 imposed the requirement that all public housing authorities affirmatively further fair housing (U.S. Department of HUD, 2000b). HUD implemented the HOPE VI program, which has now evolved into the Choice Neighborhoods program which specifically seeks to lessen concentrations of poverty and racial minorities and to promote mixed-income communities (U.S. Department of HUD, 2000a). At issue is do these goals apply to the LIHTC program?

Allowing federally subsidized LIHTC properties to concentrate in already racially segregated neighbourhoods may violate the Fair Housing Act of 1968 (Orfield, 2005). Orfield finds a disconnect between civil rights law and state and local housing policy. He holds that there is a direct link between the concentration of poverty and racial segregation. He states that the governmental agencies involved in implementation of housing policy have a duty to affirmatively further fair housing. Orfield believes that there is a deep legal and philosophical contradiction between the civil rights guarantees to affirmatively further fair housing and the state and local housing policies that drive the location decisions of LIHTC developers. Evidence supporting this proposition exists, finding that the LIHTC program is contributing to racial and ethnic concentration. The level of minority presence in a neighbourhood's population predicts the presence of LIHTC developments (Rohe & Freeman, 2001). However, the concentration of LIHTC developments in minority concentrated neighbourhoods may not be worsening the problems of racial segregation (Horn & O'Regan, 2011). Horn and O'Regan examined three potential channels through which the LIHTC could affect segregation: (1) Where the LIHTC properties are built relative to where other low-income households live; (2) Who lives in the LIHTC developments; and (3) Changes in neighbourhood racial composition where LIHTC properties are developed. They found evidence on each of these channels suggesting that LIHTC properties do not contribute to increased segregation, even in high-poverty neighbourhoods. Unfortunately, this evidence only says that the program is not making racial segregation measurably worse; it does not indicate that the program is taking steps to reduce racial segregation, which is the essence of affirmatively furthering fair housing.

2.5. What drives the locations of LIHTC projects?

The research on the LIHTC program locations suggests that it is not performing well either in terms of supporting movement to high-opportunity neighbourhoods

or affirmatively furthering fair housing. What then drives the locations of LIHTC projects to these locations?

Developers of LIHTC properties select the site for any proposed development. To win an allocation of tax credits for the proposal, the developer must meet statutory requirements. The law governing the LIHTC program requires that any proposal from a developer must include a comprehensive market analysis paid for by the developer but prepared by a disinterested third party (U.S. Code, 2021). The market analysis must include an assessment of the housing needs of low-income individuals in the area to be served by the project. The requirements call for identification of the project's location and the characteristics of the housing need in the primary area. They go on to call for identification of the tenant populations and their housing needs using such evidence as public housing waiting lists and the presence of families with children. The developments should be located where there is a shortage of units at the price point served by the program and a surplus of households below the income ceiling imposed by the program for eligibility to participate. Despite these requirements, it appears that LIHTC properties are not being developed where there is a latent demand for housing produced by the program (McClure, 2010).

QAPs exert significant influence on the location decisions of developers who compete for the very valuable Low-Income Housing Tax credits (Ellen *et al.*, 2015). The QAPs affect developers' decisions, causing them to pursue development locations that offer the greatest potential for being awarded the tax credits, although the influence of QAPs appears to be greater in some states than others. Ellen et al. argue that it is possible for states to do more to change their QAPs so as to guide LIHTC developments into low-poverty, high-opportunity areas.

There is controversy over the disproportionate allocation of Low-Income Housing Tax Credits to properties in poor, minority neighbourhoods reinforcing patterns of poverty concentration and racial segregation. Ellen and Horn (2018) studied changes in the location criteria outlined in QAPs in many states across the country, observing the degree to which those modifications are associated with changes in the poverty rates and racial composition of the neighbourhoods where developments awarded tax credits are located. They concluded that changes to allocation plans that prioritize higher opportunity neighbourhoods are associated with increases in the share of credits allocated to housing units in lower poverty neighbourhoods and reductions in the share allocated to those in predominantly minority neighbourhoods. This analysis provides the first source of empirical evidence that state allocation plans can shape LIHTC siting patterns.

QAPs are not the only drivers of LIHTC property locations. The LIHTC program has a provision that rewards developers with a 30 per cent increase in the value of the credit, known as a basis boost. Prior to 2008, this boost was awarded to LIHTC properties located in Qualified Census Tracts (QCTs) or Difficult Development Areas (DDAs). A census tract is eligible to be designated as a QCT if 50 per cent or more of the households have an income which is less than 60 per cent of the area median gross income or the tract has a poverty rate of at least 25 per cent. DDAs refer to areas HUD has designated as having particularly high development costs relative to their median family income. After the passage of the Housing and

Economic Recovery Act of 2008, state agencies allocating tax credits have considerably more latitude in awarding a boost in basis. Now, state agencies can award the boost in basis to any LIHTC property receiving a 9 per cent credit (Shelbourne, 2008).

The QCTs, given their focus upon a high incidence of low-income or impoverished people, tend to attract LIHTC properties to these neighbourhoods, despite the low probability that they neighbourhoods would high levels of opportunity. The QCT provision of the LIHTC program has been found to contributed to the clustering of LIHTC properties in these high-poverty neighbourhoods (Dawkins, 2011; Oakley, 2008; Williamson *et al.*, 2009). Given the change in the law in 2008, QCTs no longer have the comparative advantage over properties in other locations. Any LIHTC development proposal deemed meritorious by the state agency allocating the tax credits can award a boost in basis.

2.6. How should these drivers be changed?

Several housing policy analysts have called for changes to the LIHTC program, especially the elimination of the QCT. Rewarding developers for location in neighbourhoods with high concentrations of poverty and minorities may conflict with the Fair Housing Act of 1968 (Orfield, 2005). The QCTs cluster LIHTC properties which may cause homeowner turnover to rise and adjacent property values to fall (Baum-Snow & Marion, 2009). Galster (2019) proposed a new formula for disbursing LIHTC, to repeal and replace the Qualified Census Tract bonus and add incentives to diversify and preserve existing developments in revitalizing neighbourhoods.

Fair-housing advocates call for increased scrutiny of the LIHTC program in terms of the locations developers select for proposed projects. Hayle *et al.* (2012) propose that state housing finance agencies adopt QAP scoring criteria and incentives that specifically promote racial and ethnic integration in the location and allocation of LIHTC subsidies. They suggest that QAPs include preferences for developments that will assist families seeking to move to low-poverty, racially integrated areas.

Solutions may be difficult to implement. Drawing from qualitative surveys and interviews with residents living in 18 LIHTC developments across California, Reid (2019) explored the linkages between housing affordability, neighbourhood conditions, and access to educational and economic opportunity. The research reveals some of the barriers households face in improving their economic circumstances, suggesting that residents' barriers to opportunity are driven not necessarily by neighbourhood factors but rather by the lack of a ladder in labor and housing markets.

2.7. Can both movement to opportunity and affirmatively furthering fair housing be achieved?

The body of research to date suggests that the LIHTC program is making limited progress in promoting poverty deconcentration and affirmatively furthering fair housing, but much more needs to be done. The research suggests that families can benefit from living in high-opportunity neighbourhoods. What is left out of the

research to date is an understanding of the linkages between movement to opportunity and racial and ethnic integration. The research presented here will provide that linkage. It examines the extent to which the LIHTC program is helping low-income family (non-elderly and non-disabled) households locate where they can access good schools and gainful employment. Specifically, we examine whether this is possible without pursuing racial and ethnic integration. The contribution of this research is the demonstration that meaningful movement to opportunity can only be achieved by furthering racial and ethnic integration.

3. Data and methods

To simultaneously examine the placement of LIHTC properties in high-opportunity and racially integrated neighbourhoods, we combined three data sets: census tract-level data from the American Community Survey (ACS), tract-level data from HUD's Affirmatively Furthering Fair Housing (AFFH) and project-level data on individual LIHTC developments. We first assembled tract-level data from the American Community Survey (ACS) (five-year sample from 2012 to 2016) (U.S. Bureau of the Census, 2018) and from HUD's Affirmatively Furthering Fair Housing (AFFH) data set.[1] We then combined the ACS and AFFH data with project-level data provided by HUD on LIHTC properties placed in service from1987 through 2016 (U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2018).[2] The HUD data also include tract level counts of housing units supported by other housing programs in 2016.

Because of the interest in knowing the performance of the LIHTC program in serving the needs of *family* households, especially households with children, we filtered the LIHTC data to retain only properties designed for family occupancy. These properties are predominantly two-bedroom units or larger and are not designated for elderly persons or for people with special needs. We also focus on LIHTC housing in large metropolitan areas with populations of 1 million or more. There were 55 metro areas of this size in 2016, and they accounted for about 60 percent of all family LIHTC units. We limit the analysis to large metro areas in order to compare the neighborhood characteristics of LIHTC housing in central cities and the surrounding suburbs.

To assess the neighbourhood characteristics of LIHTC housing, we created a neighbourhood opportunity index to categorize all tracts by level of opportunity. The index is based on three variables drawn from the AFFH data set. These variables measure (a) freedom from exposure to concentrated poverty; (b) math and reading performance of 4th grade students at the local grade school; and c) (labor market engagement, which combines the rate of employment and the rate of labor force participation.

Missing from this index is the incidence of crime. Experience with the MTO program indicates the importance of helping the poor escape exposure to crime. Unfortunately, there is no national database on the incidence of crime at the census tract level for all tracts. The Federal Bureau of Investigation warns against using its Uniform Crime Reporting data for comparison across jurisdictions because of differences in reporting between police departments. Also missing is a measure of

the incidence of environmental health hazards. HUD does offer such an index at the census tract level built from the Environmental Protection Agency's (EPA) airborne health threat data. Unfortunately, the EPA warns against using these data to compare census tracts. The index may be correct when comparing one metropolitan area to another, but it is probably not sufficiently reliable to assess the health hazards in one tract to those in another tract within the same metropolitan area. As a result, neither indicator of neighbourhood quality is included in the index employed here.

To create a single index for all census tracts, we converted the three tract-level variables to Z scores and summed the Z scores across the three variables. Finally, we ranked the nation's approximately 72,000 census tracts high to low on the value of the combined scores and then divided the tracts into quintiles. We used this index to evaluate the locations of LIHTC developments to determine their presence in high-opportunity and very-high opportunity tracts, defined as the top 40 per cent of all census tracts using the opportunity index.

Table 1 shows the distribution of census tracts in large Core-Base Statistical Areas (CBSAs) in terms of the quintiles of opportunity and the individual contributions of the three component factors in the index. The three components are strongly correlated with each other. Low poverty exposure, high grade school proficiency and strong labor force engagement all increase as tract opportunity category rises, indicating that the factors do consistently distinguish low-opportunity tracts from high opportunity tracts. Note that in large CBSAs, tracts offering low- or very low opportunity comprise about 36 per cent of the tracts, and the high and very high opportunity tracts make up nearly one-half (48 per cent), 8 percentage points above the 40 per cent expected if opportunity was evenly distributed across all tracts. This 48 per cent figure becomes a benchmark to assess the locations of LIHTC family units in high- and very high-opportunity tracts in these large metropolitan areas.

Similarly, we also categorized all census tracts by which, if any, racial or ethnic group was dominant in 2016. Predominantly Black and predominantly Hispanic tracts are defined as those where 50 per cent or more of that group are present in the population. Predominantly white tracts have a higher threshold; the white population must be 75 per cent or more. This higher standard is used because a tract could be more than 50 per cent white but still contain a disproportionately large share of either Blacks or Hispanics and still be categorized as predominantly white. Such tracts would generally be regarded as integrated, as they are here. All other

Table 1. Census tracts by indicators of neighborhood opportunity.

	Tract opportunity category average index score				
HUD index for	Very high	High	Moderate	Low	Very low
Low poverty exposure	85.4	68.7	52.1	33.4	12.9
Grade school proficiency	81.6	59.9	46.8	34.6	17.4
Labor force engagement	86.0	68.8	52.1	35.4	14.6
Percentage of tracts in opportunity category	27.0%	20.7%	16.8%	16.2%	19.3%

Source: U.S. Department of Housing and Urban Development Affirmatively Furthering Fair Housing Data 2018.

tracts—i.e. those that are not predominantly Black, Hispanic, or White—are classified as 'integrated'.

Because the LIHTC program has been in existence for more than 30 years, it is important to see if its location performance has changed over time. To do so, we categorized all LIHTC developments as being part of the early era of the program (1987 through 1999), part of the housing bubble era (2000 through 2007), or part of the subsequent period of crash and recovery (2008 through 2016).

Since prior studies of the placement of assisted housing often focuses on the distinction between central cities and suburbs (Kneebone, 2017; Orfield *et al.*, 2015), we compare the extent to which family LIHTC housing is located in opportunity tracts of central cities and suburbs of large metropolitan areas (population greater than 1 million). We define central cities as the principal city of these metropolitan areas, and suburbs as the remainder. The threshold of 1 million population is used because a metropolitan area needs to be this big in order to find a meaningful distinction between a central city and its ring of suburbs.

Finally, to better understand the factors influencing the likelihood that LIHTC family housing will be located in an opportunity neighborhood, we developed a multivariate logit model. The model estimates the odds that family LIHTC units would be located in high- or very-high opportunity census tracts. The independent variables refer to characteristics of the LIHTC development, the demographics of the census tract in which the development is located, and characteristics of the surrounding metropolitan area. The model is described in greater detail in the analysis section.

In sum, we ask four key questions: (1) To what extent are LIHTC housing with families located in high-opportunity neighborhoods and in neighborhoods with low levels of racial segregation? (2) To what extent has the geography of family LIHTC housing changed over time with regard to opportunity and segregation? (3) To what extent does the presence of family LIHTC housing in high-opportunity neighborhoods compare in the central cities and suburbs of large metropolitan areas? (4) What factors influence the likelihoods that a family LIHTC units will be located in a high-opportunity neighborhood?

4. Analysis

4.1. LIHTC Family units by opportunity level and year placed in service

LIHTC units for families are disproportionately situated in low- and very-low opportunity areas. Table 2 shows the distribution of family LIHTC housing across census tract in large metropolitan areas by opportunity level. It does so for all family LIHTC housing put into service through 2016 and for properties put into service during three time periods—1987–1999, 2000–2007, and 2008–2016. Low- and very low-opportunity tracts account for 36 per cent of all tracts in large metropolitan areas but contain 69 per cent of LIHTC family units. The concentration of family units in low- and very low-opportunity tracts has been true for the life of the program. The share of units to low- or very low-opportunity tracts rose from 68

Table 2. LIHTC family units in large CBSAs by tract opportunity category by year placed in service.

| Year placed in service | Tract opportunity category | | | | | |
	Very high	High	Moderate	Low	Very low	Total
1987 to 1999						
Units	12,973	21,337	27,843	46,183	85,685	194,021
Percent	7%	11%	14%	24%	44%	100%
2000 to 2007						
Units	16,945	31,340	40,174	61,899	121,191	271,549
Percent	6%	12%	15%	23%	45%	100%
2008 to 2016						
Units	9,706	14,032	17,874	30,347	89,667	161,626
Percent	6%	9%	11%	19%	55%	100%
Total						
Units	39,624	66,709	85,891	138,429	296,543	627,196
Percent	6%	11%	14%	22%	47%	100%

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018.

per cent early in the program's life to 74 per cent recently. The share of family LIHTC units located in high- or very high-opportunity tracts has been stable at 15 to 18 per cent. Again, these high- or very high-opportunity tracts contain 48 per cent of all tracts suggesting that the program should, if it is neutral to tract opportunity level, place 48 per cent of its units in these tracts. If the program is succeeding in placing units in high- or very high-opportunity tracts, the placement should be greater than 48 per cent. Clearly, the program is not succeeding in placing family units in census tracts offering good schools and an employed workforce among other attributes.

4.2. LIHTC unit by racial or ethnic composition of tract population and year placed in service

Family LIHTC units are heavily over-represented in predominantly minority tracts and under-represented in white tracts. Table 3 shows that about 24 per cent of all LIHTC family units are found in predominantly Black tracts, which constitute only 11 per cent of all census tracts. Similarly, about 21 per cent of all LIHTC family units are found in predominantly Hispanic tracts (12 per cent of all tracts). Both are about twice the share that would be expected compared to the share of tracts. About 10 per cent of LIHTC family units are found in predominantly white tracts, less than one-third the share that would be expected based upon their 34-per cent share of all tracts. One of the success stories of the LIHTC program may be found in the ability of the program to place over 40 per cent of family units in racially and/or ethnically integrated census tracts. Thus, while the program may not be breaking down all the barriers to the placement of units in predominantly white tracts, the program is making an unexpectedly high level of entry into these areas.

Table 3 shows little change over time in the distribution of family LIHTC housing in terms of the racial/ethnic composition of the surrounding census tract. While the share of units in predominantly Black census tracts declined by six percentage

Table 3. Family LIHTC in large CBSAs by tract racial/ethnic category by year placed in service.

Year placed in service	Tract by dominant racial or ethnic population					
	White non-hisp 75+%	Black non-hisp 50+%	Other non-hisp 50+%	Hispanic 50+%	Integrated	All tracts
1987 to 1999						
Units	23,498	52,892	1,927	35,308	83,433	197,058
Percent	12%	27%	1%	18%	42%	100%
2000 to 2007						
Units	26,163	68,316	4,862	51,119	123,446	273,906
Percent	10%	25%	2%	19%	45%	100%
2008 to 2016						
Units	15,491	33,746	3,025	43,597	66,226	162,085
Percent	10%	21%	2%	27%	41%	100%
Total						
Units	65,152	154,954	9,814	130,024	273,105	633,049
Percent	10%	24%	2%	21%	43%	100%
Percent of tracts	34%	11%	2%	12%	41%	100%

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018, American Community Survey 2012–2016.

Table 4. Tracts in large CBSAs by racial/ethnic category by tract opportunity category.

Tract opportunity level	Tract by dominant racial or ethnic population					
	White non-hisp 75+%	Black non-hisp 50+%	Other non-hisp 50+%	Hispanic 50+%	Integrated	All tracts
Very high opportunity	6,089	48	241	86	4,003	10,467
Percent	47%	1%	35%	2%	25%	27%
High opportunity	3,451	192	176	233	3,978	8,030
Percent	26%	5%	26%	5%	25%	21%
Moderate opportunity	2,019	433	146	597	3,295	6,490
Percent	15%	10%	21%	12%	21%	17%
Low opportunity	1,098	809	91	1,464	2,799	6,261
Percent	8%	19%	13%	31%	17%	16%
Very low opportunity	388	2,722	27	2,420	1,939	7,496
Percent	3%	65%	4%	50%	12%	19%
All tracts in racial/ ethnic	13,045	4,204	681	4,800	16,014	38,744
Percent	100%	100%	100%	100%	100%	100%

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018, American Community Survey 2012–2016.

points from the earliest to the most recent period (from 27 to 21 percent), the proportion located in predominantly Hispanic tracts rose by nine points, from 18 to 27 percent.

4.3. Tracts by opportunity index category and race/ethnic dominance category

A key reason for the lack of family LIHTC housing in opportunity neighborhoods is the near absence of such tracts in predominantly minority neighborhoods. Table 4 shows how neighborhood opportunity levels vary by racial/ethnic composition. Of the more than 18,000 very high- and high-opportunity census tracts in the large metropolitan areas of the nation, only 240 are predominantly Black, and only 319 are predominantly Hispanic. In contrast, about 8,000 integrated tracts and 9,000 predominantly white tracts qualify as high- or very high-opportunity. Furthermore,

Table 5. LIHTC family units in large CBSAs by racial/ethnic category by tract opportunity category.

Tract opportunity level	Tract by dominant racial or ethnic population					
	White non-hisp 75+%	Black non-hisp 50+%	Other non-hisp 50+%	Hispanic 50+%	Integrated	All tracts
Very high opportunity	14,406	45	2,070	349	22,754	39,624
Percent	23%	0%	21%	0%	8%	6%
High opportunity	18,506	1,746	2,044	1,489	42,924	66,709
Percent	29%	1%	21%	1%	16%	11%
Moderate opportunity	15,571	5,028	722	9,166	55,404	85,891
Percent	24%	3%	7%	7%	21%	14%
Low opportunity	12,227	27,887	2,487	27,966	67,862	138,429
Percent	19%	18%	25%	22%	25%	22%
Very low opportunity	3,192	118,728	2,491	91,054	81,078	296,543
Percent	5%	77%	25%	70%	30%	47%
Total	63,902	153,434	9,814	130,024	270,022	627,196
	100%	100%	100%	100%	100%	100%

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018, American Community Survey 2012–2016.

nearly two-thirds of all predominantly Black census tracts and half of all Hispanic tracts fall within the very low opportunity category.

The clear message from this analysis is that housing programs cannot have meaningful placement of LIHTC units in high- or very high-opportunity neighbourhoods without affirmatively furthering fair housing. There are simply too few predominantly minority tracts offering high- or very high-opportunity, and if LIHTC units are placed in predominantly minority tracts, it is very likely that the neighbourhoods will offer low or very low levels of opportunity.

Given the paucity of predominantly minority tracts offering high- or very-high levels of opportunity, it comes as no surprise that the LIHTC program places few units in these areas. Of the more than 600,000 LIHTC family units in large CBSAs Table 5 shows that fewer than 2,000 are found in predominantly Black higher-opportunity tracts and a similar number are found in Hispanic higher-opportunity tracts. Of the 150,000 LIHTC units in Black tracts, 95 per cent are located in low- or very-low opportunity tracts. The comparable figure for Hispanic tracts is 92 per cent. Only 24 per cent of LIHTC units in predominately white tracts are similarly located. Integrated tracts may be a missed opportunity. The LIHTC program is making good use of integrated tracts. About 43 per cent of the family LIHTC units are located in integrated tracts, and about 50 per cent of these integrated tracts offer high- or very-high opportunity. Yet only 24 per cent of the LIHTC units in integrated tracts are located in these high- or very-high opportunity tracts.

4.4. LIHTC family units by tract opportunity level and central city versus suburban location

We turn next to the connection between opportunity neighborhoods and location in the central cities and suburbs of the nation's largest metropolitan areas with populations of at least 1 million. Slightly more than one-half of the nation's census

Table 6. Census tracts by opportunity category in large CBSAs by metropolitan location.

| Location within CBSAs | Tract opportunity category | | | | | |
	Very high	High	Moderate	Low	Very low	Total
(Population 1,000,000 +)						
Suburb	8,600	6,151	4,723	4,188	3,333	26,995
Percent of suburbs	32%	23%	17%	16%	12%	100%
Central city	1,867	1,879	1,767	2,073	4,163	11,749
Percent of central city	16%	16%	15%	18%	35%	100%
Total	10,467	8,030	6,490	6,261	7,496	38,744
Percent of total	27%	21%	17%	16%	19%	100%

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018.

Table 7. LIHTC family units in census tracts by opportunity category in large CBSAs by metropolitan location.

| Location within CBSAs | Tract opportunity category | | | | | |
	Very high	High	Moderate	Low	Very low	Total
(Population 1,000,000 +)						
Suburb	34,203	51,497	64,994	89,491	118,294	358,479
Percent of suburbs	10%	14%	18%	25%	33%	100%
Central city	5,421	15,212	20,897	48,938	178,249	268,717
Percent of central city	2%	6%	8%	18%	66%	100%
Total	39,624	66,709	85,891	138,429	296,543	627,196
Percent of total	6%	11%	14%	22%	47%	100%

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018.

tracts are in these large metropolitan areas. Nationally, each category of opportunity contains 20 per cent of all census tracts, but in large metropolitan areas, the distribution changes. Table 6 shows that high opportunity categories contain 48 per cent of large metropolitan tracts and the low opportunity categories contain only 35 per cent. Thus, large urban areas disproportionately offer high opportunity areas in which to live. Suburban communities are even more advantaged with high opportunity areas. A total of 55 per cent of suburban tracts are located in high- and very high-opportunity categories, more than would be expected if opportunity is neutral to location. Interestingly, about 32 per cent of central city tracts offer high- or very high-opportunity. This runs counter to the perception that high-opportunity locations can only be found in the suburbs and that central city neighbourhoods are distressed. This finding suggests that opportunities for placement of assisted housing units in high-opportunity neighbourhoods exist throughout the nation's metropolitan areas, not just the suburbs.

Table 6 also shows that suburban tracts outnumber central city tracts in each opportunity category except for the lowest, where they make up just under half of all tracts. In other words, even if a smaller percentage of suburban tracts are low-opportunity compared to the central cities, the suburbs still contain many low-opportunity tracts.

LIHTC family units tend to be concentrated in tracts offering low levels of opportunity, but the problem is greater in central cities. Table 7 shows that more than four out of five (84 per cent) of family LIHTC units in central cities are found in low and

very low opportunity census tracts. The same is true for 58 percent of family units in the suburbs. Only 8 per cent of family LIHTC units in central cities are in high- or very high-opportunity tracts, despite the finding in Table 6 that 32 per cent of central city tracts are of high- and very high-opportunity. In the suburbs, only 24 per cent of family LIHTC are placed in these desirable tracts. While 24 percent remains low in comparison to the 55 percent of all suburban tracts that are classified as high or very-high opportunity, it is more than three times the share found in the central cities.

4.5. Explaining variation in LIHTC property location

The final component of this analysis looks at what influences the placement of family LIHTC properties in high- or very high-opportunity tracts. The portfolio of all LIHTC properties is large, and as would be expected with a large number of properties, there is a great deal of variation in their locations. To determine the variables that influence the location of LIHTC family properties in high- or very high opportunity tracts, we developed a logistic regression model.

This model estimates the degree to which location in a predominantly Black or Hispanic census tract or in a central city affect the odds that family LIHTC housing will be located in a high- or very high opportunity census tract. The model controls for more than 20 other independent variables relating the characteristics of the development, the surrounding census tract, and the greater metropolitan area. LIHTC developments are expected to respond to a need. This need should be confirmed through a finding of latent demand among the population served. Thus, it would be expected that the LIHTC properties would be located where there is strong demand for rental properties reflected in low vacancy rates. There should be a shortage of units at the price point served by the program. Interestingly, the population served does not include the poorest renter households, those with incomes below $20,000. These households can only afford rental units renting below $500 per month. Rather, the program tends to serve households with incomes between $20,000 and $40,000, offering rents ranging from $700 to $1,000 per month. The model examines whether the incidence of units at these price points and a shortage of units relative to the incidence of households in the income range served drives the locations of units.

The model also tests the success of the program at affirmatively furthering fair housing. By controlling for the dominant racial or ethnic group in the tract where the LIHTC is located, the model determines if locating in minority concentrated areas hinders the capacity to place the LIHTC properties in high or very high opportunity areas.

Table 8 lists the many variables entered into the model. First, the model includes several variables denotes the dominant racial/ethnic group in the census tract surrounding the property and a variable indicate whether the property is located in a central city. Next, the model contains a set of predictors describing the type of property. Non-profit sponsored LIHTC developments are expected to be found more often in low-opportunity locations. LIHTC developments that left the

Table 8. Descriptive statistics for logistic model predicting if a LIHTC family project is located in a high- or very high-opportunity neighborhood of a large CBSA.

Variable		Minimum	Maximum	Mean	Standard deviation
Dependent variable	LIHTC property is in a high- or				
Variable	Very high opportunity tract	0.00	1.00	0.17	0.38
Independent variables					
Census tract racial and ethnic composition					
	Tract is predominantly Black	0.00	1.00	0.32	0.47
	Tract is predominantly Hispanic	0.00	1.00	0.16	0.36
	Tract is predominantly other	0.00	1.00	0.01	0.09
	Tract is integrated	0.00	1.00	0.38	0.49
LIHTC Property					
	Non-profit sponsor	0.00	1.00	0.17	0.38
	No longer in program	0.00	1.00	0.20	0.40
	At least 10% market-rate units	0.00	1.00	0.14	0.34
	New construction	0.00	1.00	0.52	0.50
	Used 4% credits	0.00	1.00	0.30	0.46
	Developed 1987 to 1999	0.00	1.00	0.50	0.50
	Developed 2000 to 2007	0.00	1.00	0.33	0.47
Census tract characteristics					
	Tract is In the central city	0.00	1.00	0.49	0.50
	Percent of housing rental	4.79	100.00	57.93	21.91
	Percent of rental units vacant	0.00	53.77	5.81	5.29
	Percent of housing multi-family (5+ units)	0.00	100.00	31.43	26.08
	Percent of rental units rent < $500	0.00	85.24	14.31	13.74
	Percent of rents $500–$1000	0.00	97.00	46.02	20.54
	Units rent $500–1,000 net income $20–40k	−719.33	2003.00	165.24	207.98
	Qualified census tract	0.00	1.00	0.40	0.49
	Difficult development area	0.00	1.00	0.19	0.39
	HUD transit access index	0.00	99.00	65.44	23.19
Assisted housing in tract					
	Housing choice voucher families	0.00	507.00	53.11	56.69
	Family public housing units	0.00	1008.00	21.76	70.61
	Family Section 8 units	0.00	664.00	25.87	61.62
Core-based statistical area					
	Population 2016 (000s)	1,003	20,031	5,060	5,066
	Rental vacancy rate	2.70	9.87	5.62	1.63
Number of cases		7,561			

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018, American Community Survey 2012–2016.

program are expected to be in stronger rental housing markets and are expected to be found in higher-opportunity tracts. A LIHTC development is considered a mixed-income development if at least 10 per cent of the units are offered at market rates, and these mixed-income developments are expected to be found in more desirable, high-opportunity locations. New construction developments are expected to be found in high-opportunity areas as they are often in greenfield sites in growing communities whereas rehabilitated developments are often found in older, low-opportunity locations. Developments with 4 per cent credits often do not have to compete for credits under the state's QAP. The QAP may reward developments located in high-opportunity neighbourhoods, thus it is expected that developments with the more lucrative 9 per cent tax credits would be more likely to be located in high-opportunity areas. Variables were entered for the era of development, but there is no clear expectation on how the vintage of the project may influence location.

Next, the model contains a set of predictors describing the characteristics of the tract where the LIHTC is located—other than its racial/ethnic composition. A higher share of the housing stock in rental tenure may make it easier for LIHTC developments to enter a market given less local opposition from homeowners. Similarly, a higher per cent of the housing stock that is multi-family is expected to reduce local opposition to the presence of a LIHTC development in a high-opportunity tract. Rental vacancy in the tract may influence LIHTC property location. A soft market should discourage placement of a LIHTC development, and a tight market should attract development. Rent levels are also expected to influence LIHTC placement. If the percentage of rental housing offered at economical rents is high, it would discourage LIHTC properties from entering the market. The reverse would be true if high-rent units dominate the market. If a tract has a shortage of rental units in the rent range where LIHTC units are offered compared to the number of renter households in the corresponding income range, this should attract LIHTC developments. A surplus of units should discourage LIHTC development. If the tract is a Qualified Census Tract or a Difficult Development Area, the extra tax credit subsidy should attract LIHTC family properties. HUD's transportation access index, gauging the level of access to public transit, is entered with the expectation that public transit is found in large central cities and neighborhoods offering low levels of opportunity.

Next, three variables were introduced to see if the presence of other assisted housing programs influences the location of LIHTC family properties. These three programs are the HCV program, public housing, and Section 8 project-based housing. In all three cases, the counts of assisted households or units are limited to just those that serve non-elderly and non-disabled populations. It is expected that the presence of other assisted housing programs indicates a lack of opposition to assisted housing, making placement of LIHTC family units easier.

Two variables were introduced that describe the metropolitan area. The first is the 2016 population of the metropolitan area. This variable was introduced because of the finding that larger areas seem to have disproportionately more high- or very high-opportunity tracts, suggesting that greater size may offer more opportunities for better property placement. The second variable describes the overall rental vacancy rate in the metropolitan area. LIHTC developers do not work in a single metropolitan area. Presumably, they would be attracted to tight markets where low vacancy rates indicate a high probability of maintaining high occupancy rates.

Table 9 presents the results of the model. Overall, the model works adequately, but its explanatory power is not particularly impressive. Without the model, predicting that all LIHTC properties for family occupancy would not be in high- or very high-opportunity tracts would be correct 83 per cent of the time. With the model, this prediction would be correct 90 per cent of the time, improving prediction by 7 percentage points or correcting about 43 per cent of the prediction error. Among the individual predictors, most were statistically significant. Some predictors performed as expected while others did not.

As expected, location in predominantly Black or Hispanic census tracts reduced the likelihood that family LIHTC housing would be placed in a high- or very-high opportunity neighborhood. However, a central city location had no significant effect

Table 9. Logistic model predicting if a LIHTC family properties located in a high- or very high-opportunity neighborhood of a large CBSA.

Dependent variable				
LIHTC family property is located in a high- or very-high opportunity tract	Coefficient	Standard Error	Signif.	Odds ratio
Independent variables				
Census tract racial and ethnic composition				
Tract is predominantly Black	−3.027	0.298	0.000	0.048
Tract is predominantly Hispanic	−3.890	0.340	0.000	0.020
Tract is predominantly other	−0.232	0.364	0.524	0.793
Tract is integrated	−0.906	0.117	0.000	0.404
LIHTC property				
Non-profit sponsor	0.080	0.124	0.520	1.083
No longer in program	0.215	0.128	0.093	1.239
At least 10% market-rate units	0.233	0.130	0.073	1.262
New construction	0.282	0.096	0.003	1.326
Used 4% credits	−0.190	0.099	0.054	0.827
Developed 1987 to 1999	0.066	0.136	0.627	1.069
Developed 2000 to 2007	−0.146	0.135	0.278	0.864
Census tract characteristics				
Tract is in the central city	−0.060	0.115	0.604	0.942
Percent of housing rental	−0.057	0.004	0.000	0.945
Percent of housing multi-family (5+ units)	0.042	0.004	0.000	1.043
Percent of rental units vacant	−0.012	0.009	0.211	0.988
Percent of rental units rent < $500	−0.064	0.005	0.000	0.938
Percent of rental units rent $500–$1000	−0.040	0.003	0.000	0.961
Units rent $500–$1,000 net HH income $20–$40k	0.001	0.000	0.001	1.001
Qualified census tract	−1.471	0.189	0.000	0.230
Difficult development area	−0.267	0.144	0.063	0.766
HUD transit access index	0.005	0.003	0.106	1.005
Assisted housing in tract				
Housing choice voucher non-elderly able-bodied	−0.020	0.002	0.000	0.980
Family public housing units	0.002	0.001	0.078	1.002
Family Section 8 units	−0.003	0.002	0.069	0.997
Core-based statistical area				
Population 2016	0.000	0.000	0.044	1.000
Rental vacancy rate	−0.053	0.032	0.098	0.948
Constant	4.334	0.354	0.000	76.212
Prediction accuracy				
Null model	82.7%			
Logistic model	89.5%			
Percent of error reduction by model	39.1%			

Source: U.S. Department of Housing and Urban Development LIHTC Database 2018, American Community Survey 2012–2016.

on odds that a property would be located in these tracts. In other words, whether a family LIHTC property is located in a central city or suburb makes no significant difference in the likelihood that it would be in a high opportunity neighborhood.

Among the variables that described the property, only the new construction variable was statistically significant, and positive as expected. New construction is associated with properties in newer areas which tend to offer higher opportunity level.

Among the 10 variables describing the census tract's characteristics, 7 were significant. The share of housing that is rental proved to be inversely related to placement in a higher-opportunity tract, possibly reflecting higher opportunity being associated with a greater incidence of owner-occupied homes. Following the

expectation was the influence of rental vacancy. A lower vacancy rate appears to make the placement of a LIHTC property in a higher opportunity tract easier, attracting development. The presence of other multi-family properties in the same census tract increased the odds that a LIHTC property would be located in a higher opportunity tract. LIHTC developments seem to be attracted, as expected, to census tracts with higher rent levels, as both measures of the incidence of low or moderate rent levels were negative and significant. However, confirming prior research, LIHTC developments seem to be attracted to, rather than repelled from, census tracts that already have a surplus of units relative to the households who can afford those units. As expected, a QCT is unlikely to be a higher-opportunity tract. Interestingly, a property's location in proximity to greater public transit access appears to be unrelated to the probability of being in a higher opportunity area.

The presence of other family assisted housing in the tract proved to be mixed in its results. The expected inverse relationship with public housing was found not to be significant. The presence of project-based Section 8 housing works is negatively related to a LIHTC being located in a high opportunity tract, but the relationship is very weak. The presence of HCV households in the tract was also negative but weak.

Finally, the probability of a LIHTC property being situated in a higher opportunity census tract was inversely related to the population size of the metropolitan area; larger metros are more likely than smaller ones to contain LIHTC developments in higher opportunity tracts. Rental vacancy rates at the metropolitan level had no significant effect on the placement of LIHTC housing in high opportunity tracts.

5. Conclusions and policy implications

The LIHTC program remains the nation's largest affordable housing production program. It is providing some entry of low-income families into high- or very high-opportunity neighbourhoods, but that level of entry is unimpressive at 17 per cent. It can and should be more, but this level of placement means that developers of LIHTC family housing are successfully finding the means to break down the barriers to affordable housing in higher-opportunity neighbourhoods.

The LIHTC program has placed 69 per cent of its units in low- or very-low opportunity neighbourhoods. As a result, the program is exacerbating the concentration of low-income households in neighbourhoods that already suffer from significant concentrations of poverty, unemployment and poorly performing schools. About 24 per cent of LIHTC family units are located in predominantly Black tracts. Of these, 95 per cent are located in low- or very low-opportunity predominantly Black tracts. About 21 per cent of LIHTC family units are in Hispanic tracts, with 92 per cent of these units in lower-opportunity tracts. Given the lack of high-opportunity tracts in minority concentrated tracts, there is effectively no mechanism through which LIHTC developments can be placed in minority dominated high-opportunity tracts. If the LIHTC program is to further poverty deconcentration by placing low-income households in high-opportunity areas, it must also affirmatively furthering fair housing.

The LIHTC program has demonstrated its capacity to overcome the barriers to affordable housing that existed in the past. These barriers stopped affordable housing from being built in the high-opportunity neighbourhoods of metropolitan areas, especially in the suburbs. However, the suburbs must not be considered synonymous with high-opportunity, or the central city with its absence. Simply requiring LIHTC developments to locate in the suburbs in no way ensures that will be placed in high-opportunity neighbourhoods. While more than 55 per cent of all suburban census tracts fall under the categories of high- or very-high opportunity, the same is true for 32 per cent of all central-city tracts. Moreover, there are more low- and very-low opportunity tracts located on the suburbs than in the central city.

While the LIHTC program has shown some success in building housing in high-opportunity neighbourhoods, this success can be expanded. State QAPs influence the site selection decisions of LIHTC developers. QAPs can include incentives to locate LIHTC units in high-opportunity areas so as to promote poverty deconcentration and the movement of low-income households to high-opportunity neighbourhoods. If the federal government reinstates and enforces the Obama Administration's approach to Affirmatively Furthering Fair Housing it would become incumbent on states to do just that. QAPs can include incentives, including basis boosts, to locate LIHTC units in integrated or predominantly white areas so as to affirmatively further fair housing. These two processes cannot be separated. There can be no meaningful movement to opportunity without also supporting and promoting racial and ethnic integration. Both need to be pursued.

Notes

1. The AFFH data were published by HUD to assist communities in evaluating their efforts to affirmatively further fair housing (U.S. Department of Housing and Urban Development, 2021).
2. It is important to note that the project-level data do not include information on the tenants who reside in the LIHTC properties. Thus, the analysis is unable to ascertain the extent to which LIHTC properties help minority households reside in neighbourhoods dominated by non-Hispanic white households.

Disclosure statement

No potential conflict of interest was reported by the authors.

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