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# The low income housing tax credit and racial segregation

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## Acknowledgements

We would like to thank the states of Massachusetts and Delaware for sharing with us data on the tenants of tax credit developments within their state. We would also like to thank the Furman Center for Real Estate and Urban Policy and the Robert F. Wagner Graduate School of Public Service for their support of this project. We specifically thank participants in the Furman Center brown bag series for their comments, and in particular, Ingrid Gould Ellen, Adam Gordon, and Vicki Been.

## Notes

<sup>1</sup>Picture of Subsidized Housing 2008, Department of Housing and Urban Development.

<sup>2</sup>Poverty and Race Research Action Council (PRRAC).

<sup>3</sup>In 2007 each state received \$1.95 per capita in allocations.

<sup>4</sup>Although in fact most consist of developments, in 2007

<sup>5</sup>States for use of criteria out states

<sup>6</sup>Many located in QCTs.

<sup>7</sup>In a letter to the Secretary of Finance,

dated October 1, 2007.

<http://www.furmancenter.org>



<sup>8</sup>The issues raised by fair housing advocates are broader than this, including antidiscrimination enforcement in the implementation of the LIHTC and affirmatively furthering the goals of fair housing. We don't address these additional concerns in our work.

<sup>9</sup>In Re Declaratory Ruling on Connecticut Low Income Housing Tax Credit Program. The Connecticut Civil Liberties Union challenged the lack of civil rights guidelines in the siting of projects under the LIHTC in Connecticut and sought restrictions on future placement of low-income rental units in racially concentrated neighborhoods.

<sup>10</sup>While the court ruled that the New Jersey Housing Mortgage Finance Agency was obligated under the Fair Housing Act to prevent discrimination and promote integration, the court also found that the state agency did not have to take race into account in the QAP to promote integration, and that in fact the state was doing all that it could to promote integration given its other statutory duties and that New Jersey's 2003 QAP did not directly encourage racial segregation. In re 2003 QAP, 848 A.2d at 15.

<sup>11</sup>For a good review of the legal issues and advocates position, see Orfield (2005).

<sup>12</sup>For a good overview of program details, see Schwartz et al. (2006).

<sup>13</sup>In 2000, the definition of QCT was modified so that localities could use a 25 percent poverty threshold instead of 30 percent. [HUD 2000](#) work ends in 2000, so

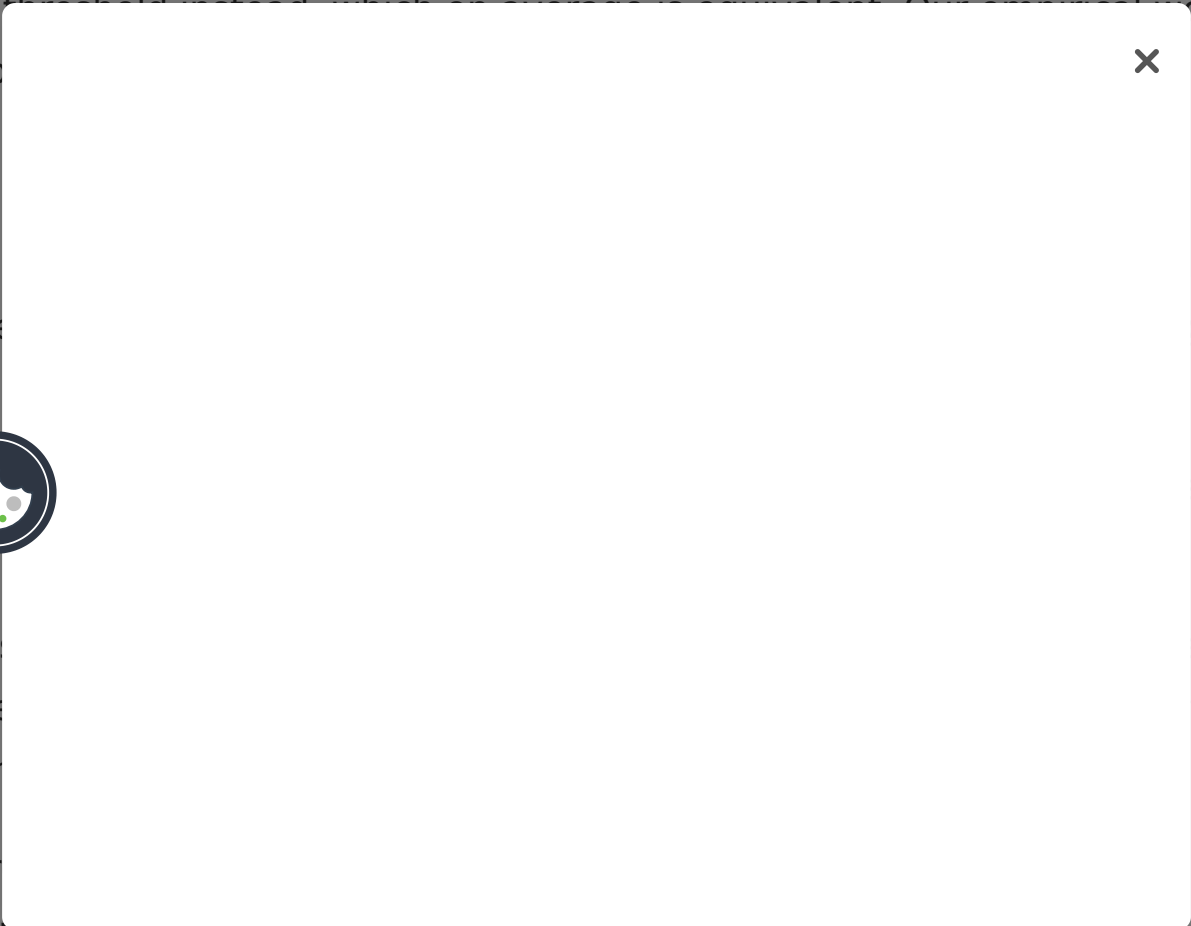
<sup>14</sup>HUD 1

<sup>15</sup>LIHTC development and calculate percent (80 percent

<sup>16</sup>The an areas in the LIHTC

<sup>17</sup>While developers are prohibited from their tenant selection

<sup>18</sup>They are located in neighborhoods categorized as high minority.



<sup>19</sup>An alternative counter-factual is to consider where these households would live if the LIHTC siting patterns differed – i.e., QCTs were not prioritized. We do not address this directly, but believe our MSA regression results shed some light on such a comparison.

<sup>20</sup>As of 2010, states are now required to collect and provide to HUD data on tenants but providing data on race is currently voluntary.

<sup>21</sup>Specifically, they find that 44 percent have about the same share of minorities as the neighborhood, and only 5 percent have a substantially lower share of minority households than the neighborhood.

<sup>22</sup>They also found that for-profits were much more likely than non-profit developers to build in neighborhoods that have a similar share of minorities as the neighborhood, 65 percent as compared with 26 percent.

<sup>23</sup>Additionally Deng (2007) finds that LIHTC projects built in the highest poverty neighborhoods are the most highly correlated with positive changes whereas similar investments in middle class neighborhoods are the most highly correlated with negative changes.

<sup>24</sup>We use 2000 MSA definitions and reconstruct the same MSAs for 1990 and 1980 using constant counties.

<sup>25</sup>An alternative housing

<sup>26</sup>These minority American

<sup>27</sup>For brevity (patt

<sup>28</sup>Within has been Given 75 the area percent



<sup>29</sup>Where possible, our analysis relies on units: LIHTC units, overall housing units, rental units occupied by poor households. However, for measures of the near poor, this is calculated for the population as a whole, so we use the distribution of the population within the MSA.

<sup>30</sup>We also calculated simple minority exposure rates for each of our groups (see Appendix A for formula). The average tax credit unit is in a neighborhood with 0.409 share minority. In those same MSAs, near poor are in tracts with 0.388 share minority, and poor renters, 0.365. Creating similar ratios to take specific MSAs into account, on average, tax credit units have slightly higher exposure to minorities than do the near poor (7 percent higher) and poor renters (11 percent higher).

<sup>31</sup>Of course, to the extent that LIHTC tenants are more likely to be minority than poor renters or the near poor, these comparisons may overstate the ability of tenants to access lower minority neighborhoods via local housing markets.

<sup>32</sup>To the extent that there are existing barriers within MSAs on access to suburban housing for low income central city residents, the ratios we present may be biased upwards. Specifically, [Tables 1](#) and [2](#) contrast the neighborhoods of central city LIHTC units to that of all near poor/poor renters in the MSA. Tenant selection preferences could theoretically play a role in limiting access of central city residents to suburban developments.

<sup>33</sup>While of tax credit projects, as a total of 27,423 (92.5 percent) of tax credit units were built before 1990 for the purpose of developing affordable housing.

<sup>34</sup>For minorities (all non-white race/ethnicity households), which includes all

<sup>35</sup>The share of tax credit units, 76.3 percent



<sup>36</sup>These states also vary greatly in the share of minorities who live in tracts of high relative minority concentration, from a low of 40 percent of minorities in Texas to a high of 62 percent of minorities in Massachusetts.

<sup>37</sup>Indeed, given the ratios across all three neighborhood types, patterns in Texas might suggest LIHTC developments decrease racial segregation.

<sup>38</sup> [Table 5](#) contains the full list of controls.

<sup>39</sup>We have also used nonlinear measures of LIHTC units (quadratics, categorical variables for various sizes), and our main results hold.

<sup>40</sup>Results available from the authors.

<sup>41</sup>For overviews of the issues and measures see Taeuber and Taeuber (1965); James and Taeuber (1985); Reardon and Firebaugh (2002).

<sup>42</sup>Appendix A describes these measures in more detail, including their mathematical calculation.

<sup>43</sup>Various state QAPs available on line.

<sup>44</sup>The most direct method for dealing with such selection would be to identify an instrument, something that varies with the prevalence of LIHTC units but does not

otherwise ✕ strategies  
based on directly affect  
segregation

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<sup>46</sup>While ormly  
significa

<sup>47</sup>Thoug rhood racial  
composi to prioritize  
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rehab developments. Rehab developments may be improving particularly dilapidated old buildings and in this way could have an even stronger impact on neighborhood racial change. Given our current data we cannot test these hypotheses, so this is purely speculative. These impacts could also vary by type of development undertaken and location, but again we cannot identify this with the current data.

<sup>48</sup>Particularly relevant here, changes in these measures are not highly correlated over time.

#### Related Research Data

Comparing the Effects of Housing Vouchers and Low-Income Housing Tax Credits on Neighborhood Integration and School Quality

Source: SAGE Publications

The Effects of Low Income Housing Tax Credit Developments on Neighborhoods

Source: Elsevier BV

The Spatial Pattern of Low Income Housing Tax Credit Properties: Implications for Fair Housing and Poverty Deconcentration Policies

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Balancing act: the effects of race and poverty on LIHTC development in Boston

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