GROWING BUT UNEQUAL:
MAPPING HIGH OPPORTUNITY AREAS AND IMPLICATIONS FOR AFFORDABLE HOUSING

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Cities across the country are facing affordable housing shortages. One of the most frequently used tools in addressing this gap is the Low-Income Housing Tax Credit (LIHTC), which provides tax credits to developers who supply or rehab affordable housing. But the program has historically located new low-income housing in low-income neighborhoods, further segregating cities.

More recently, a debate has emerged about the most effective placement of these tax credit projects. Should they be in revitalizing or underserved neighborhoods as a source of stable housing? Or located in wealthier, so-called high-opportunity neighborhoods with access to good schools, transportation and jobs?

Houston finds itself in the middle of this debate and under federal investigation for its fair housing practices. In 2016, the mayor rejected a proposal to build what would have been the first project with some subsidized affordable housing units constructed by the Houston Housing Authority in a high-opportunity neighborhood.

Historically, many LIHTC projects have been located in lower-income and non-white areas of many cities in which tenants are mostly low-income and people of color, including Houston.\(^1\) This pattern has led to several legal challenges charging that the selection process contributes to segregation of low-income and people of color and limits access to opportunity. The state’s criteria for awarding the competitive nine percent tax credits to developers has gone through a series of changes. After legal challenges prompted Texas to revise its scoring criteria, the state sought to reverse the historical pattern of segregation reinforced by these tax credit developments by incentivizing projects in high-opportunity areas.

Since 2013, Texas has included an “Opportunity Index” within its Qualified Allocation Plan (QAP) to help prioritize the locating of projects in high-opportunity areas—places broadly defined as areas with low poverty, high median household income, ease of access to public facilities and services, and good schools. In response to complaints that there were too few high-opportunity areas amenable to subsidized housing and that the new criteria left out underserved neighborhoods that could benefit from needed affordable housing, the state again revised its scoring system in 2017 to allow more neighborhoods to qualify for the maximum amount of points allotted under the Opportunity Index. An analysis of the impact of the new criteria reveals the scoring system may continue to push low-income housing into areas with fewer actual opportunities.

This report looks at the relationship between LIHTC projects and areas receiving full points on the 2016 QAP compared to the 2017 QAP’s Opportunity Index. It finds that the bulk of LIHTC properties continue to be located in places where they represent large shares of multifamily units and that LIHTC properties remain separate from those areas of Harris County that could be called the highest opportunity areas. Finally, using the Census Bureau’s Longitudinal Employment and Household Dynamic dataset, it explores the employment opportunities to residents within and outside areas with LIHTC properties. The findings underscore the importance of balancing high opportunity housing with meaningful revitalization efforts.

EXECUTIVE SUMMARY
FINDINGS

- As of September 2016, the 126 competitive, general population LIHTC projects in Harris County are located in just 11 percent (approximately 88) of the county’s census tracts.

- Under the 2016 QAP, areas qualified to receive the maximum Opportunity Index points were located in 148 census tracts, but existing LIHTC units were found in only four of those 148 tracts.

- General population LIHTC properties that received the most competitive nine percent tax credit up to 2016 were mostly located in lower-income areas and outside the inner loop, concentrating some of the most economically disadvantaged people in areas with poor access to jobs and transportation.

- In Harris County census tracts with existing LIHTC properties of all categories, the subsidized units represent approximately twenty-four percent of all available multi-family units. Nine percent LIHTC units cluster in tracts where they make up an even higher proportion of multifamily housing stock.

- Compared to the two scenarios examined for qualified areas in QAP 2017, areas qualified to receive maximum Opportunity Index points under the 2016 plan have higher average household median incomes and a lower poverty rate.

- Under both QAPs, the average percent of population below the poverty rate in qualified census tracts is significantly lower than those with existing LIHTC properties.

- Compared to areas qualified to receive maximum Opportunity Index in 2017, areas under QAP 2016 have overwhelmingly owner-occupied units, renters who are white, and higher educational attainment overall.

- High-opportunity areas as defined by Texas’ current QAP continue to be mostly located outside of Beltway 8 and primarily to the western side of Houston.

- High-opportunity areas have been broadly defined as higher-income neighborhoods, with good schools, and within close distance to amenities and services—but more attention is needed to understand how the location of LIHTC properties within these areas and to what extent these projects are opening opportunities to residents.
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United States Department of Housing and Urban Development (HUD): A federal agency established to help coordinate and fund a variety of housing and urban development efforts. HUD seeks to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving the quality of life; build inclusive and sustainable communities.

Affirmatively Furthering Fair Housing (AFFH): A legal requirement for federal agencies and grantees to meet long-standing fair housing obligations under the Fair Housing Act. The rule requires grantees to create Assessments of Fair Housing (AFH). The AFH provides data and mandates a planning process that can be used by housing agencies and communities to evaluate patterns of integration and segregation; identify concentrated areas of poverty; address disparities in access to opportunity; and address disproportionate housing needs.

Low-Income Housing Tax Credit (LIHTC): The primary funding vehicle for the development of federally supported affordable housing units across the nation. Distributed through the states, this program awards four and nine percent income tax credits to a select number of projects in each state. These awards are given out by state housing finance agencies.

The non-competitive four percent tax credit is given to projects that are coupled with the Multifamily Bond Program—expected to fund at least 50 percent of the cost of the land and buildings. The highly-competitive nine percent tax credit is given to projects that are scored and ranked within their region via the Qualified Allocation Plan.

Qualified Allocation Plan (QAP): The mechanism by which a state housing finance agency sets the criteria by which it will select to whom it will award low-income housing tax credits each year. Every state establishes their own QAP and evaluates proposals for tax credits using its formula.

Texas Department of Housing and Community Affairs (TDHCA): This State of Texas’ housing finance agency, the TDHCA is responsible for the creation of the state’s overall approach to funding LIHTC projects. The agency produces the state’s QAP through consultation with public and private entities, citizens, financial institutions, and developers. The agency also works coordinates with local jurisdictions that directly receive HUD funding.

Opportunity Index: A criteria in Texas’ QAP since 2013, the Opportunity Index awards points to potential LIHTC properties that are located in areas with low poverty level, nearby high performing K-12 schools, and high median income. In the 2017 QAP, distance to several categories of public facilities and amenities were added.

High-Opportunity Areas: Broadly defined as areas or neighborhoods with low poverty, above average median income, and high access to infrastructures and facilities such as good schools, transportation, and other amenities.

Cost Burdened: A measure of the percentage of a household’s income that is devoted to housing costs on a monthly basis. Those spending more than 30 percent of their household income on housing are considered cost burdened and those spending greater than 50 percent are considered severely cost burdened.
Greater Houston’s immense economic and population growth brings a number of benefits to the region, but those benefits are not evenly enjoyed by all residents. Perhaps no issue illustrates this problem more than the challenge of providing high-quality, safe, and affordable housing to every resident, at every income level, in areas that offer opportunities for quality employment and education.

Despite Houston’s national reputation as an affordable metropolitan area, 30 percent of the households in Harris County spend more than 30 percent of their annual income on housing costs. Devoting that much of one’s income to housing classifies a household as being “housing cost-burdened.” This burden makes paying for all other expenses—food and clothing, transportation, and education—much more difficult. Families that are housing cost burdened are likewise much less able absorb financial shifts caused by unexpected costs such as health emergencies or car repairs.

Low-income renters are often the most vulnerable of the cost-burdened populations. It is challenging for these households to find affordable, safe rental units in most cities. Houston and Harris County are no exception. The combined efforts of the public and private housing sectors in the region have not met the demand for affordable units. The undersupply of public units is particularly problematic because these units typically maintain their affordability for longer and because many low-income households struggle to find homes they can afford on the private market.

The effects of Hurricane Harvey in the Houston metropolitan area are likely to exacerbate the challenges faced by affordable housing clients and by the public and private systems that furnish homes. Early FEMA estimates of the flood’s impact suggest that upwards of 50,000 parcels in the City of Houston alone and nearly 144,000 parcels in Harris County were significantly impacted by flood waters. Housing those affected will put greater strain on an already stretched thin system.

Housing agencies and affordable housing developers in Harris County, like their counterparts in other regions, rely heavily on federal resources to bring new units online. One of the primary avenues for these efforts is the federal Low-Income Housing Tax Credit (LIHTC). Administered by the U.S. Treasury Department, the LIHTC program gives federal income tax credits to non-profit and for-profit developers to allocate all or a significant portion of a proposed development to specific population groups such as low-income individuals or the elderly. The most competitive of these awards are distributed annually to projects that score highest on a set of criteria established by a state’s housing finance agency. The criteria are established in an annually adjusted Qualified Allocation Plan (QAP), which is produced in each state.

Historically, many LIHTC projects have been located in lower-income and non-white areas of many cities in which tenants are mostly people of color, which has been the case in Houston. The pattern has led to several legal challenges charging that the selection process contributes to segregation of low-income populations and people of color and limits access to opportunity.

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i HUD’s Comprehensive Housing Affordability Data Strategy (CHAS) data, 2009-2013.
Since 2013, in response to legal pressure, Texas’ housing finance agency, the Texas Department of Housing and Community Affairs (TDHCA), has included an Opportunity Index within its evaluation criteria to help prioritize the locating of projects in high-opportunity areas—places broadly defined as areas with low poverty, high median household income, access to public facilities and services, and good schools. The attempt to redistribute the location of LIHTC projects in high-opportunity areas, rather than to use the projects as a part of a holistic redevelopment strategy in underserved communities, has sparked debate in Houston and across the nation.

The QAP changes process involve a series of board and public meetings that takes about one year. The first series of meetings to discuss 2017 QAP changes began in December 2015 up to presentation of the final draft in November 2016. Key topics discussed for the 2017 QAP changes include measures for the concerted revitalization plan, elderly developments, geographic measures for high opportunities and other issues such as gentrification, changing neighborhoods, not-in-my-backyard (NIMBY) opposition, and poverty measures. One of the key changes that affect geographical location of qualified areas to receive maximum points under the 2017 QAP Opportunity Index is the ability to select a combination of criteria such as proximity to important services that expands the location for potential projects but with lower thresholds for income level and poverty.

This report analyzes the distribution of one type of LIHTC awards — the nine percent general population credits — in Harris County. First, it compares the locations of existing nine percent LIHTC projects to overall multifamily housing units in Harris County to show how subsidized housing is distributed across the county and to compare that distribution to non-subsidized private-sector units. Second, the report also looks at whether recent changes to the state’s evaluation program for awarding credits to projects change the likelihood of a LIHTC project locating in the highest of high-opportunity areas. Finally, to show the stakes of the location debate, this report utilizes the Census Bureau’s Longitudinal Employment and Household Dynamic (LEHD) dataset to explore how the locating of publically subsidized housing in high-opportunity areas can impact the income, poverty level, and wages that workers have access to. This data documents the persistent gap in opportunity confronted by those Houstonians who live in areas that require holistic revitalization.

Collectively this report’s objective is to illustrate the vastly different situations confronted by residents living in sometimes neighboring census tracts and magnify the importance of balancing high-opportunity housing with meaningful revitalization efforts. In Houston’s post-Harvey world, the decisions about where to locate affordable housing will become more pressing. Efforts must be undertaken to ensure that wherever these units are created they are not exacerbating problems of already vulnerable residents.
Low-Income Housing Tax Credit (LIHTC) projects represent a large proportion of rental units in the United States. In the first twenty years of the program’s existence, from 1987 to 2009, it brought 2.2 million units into operation—one-third of all the rental units created in the U.S. over that period. Now nearly 3 million units are in operation.

This report uses a technique called location quotient (LQ) to compare the distribution of existing 9 percent general population LIHTC units to overall multifamily housing stock in Harris County. This approach shows which census tracts in the county have a concentration of LIHTC units. It also compares the number of LIHTC projects in a tract is on par to the number of multifamily units as a whole in those areas (see Appendix A).

This report also situates how Houston and Harris County’s current use of LIHTC projects fits into the high-opportunity area debate by identifying census tracts that qualify as high-opportunity areas under both Texas’ 2016 and 2017 Qualified Allocation Plan (QAP) and comparing them to areas with existing LIHTC projects. To identify those census tracts receiving the most QAP high opportunity points, we focus on the Opportunity Index.

In the 2016 and 2017 QAP, the “Criteria to serve and support Texans most in need” section includes considerations from housing size to proximity to important services. These criteria represented a possible 56 points out of the overall 167 points available in 2016 QAP or 62 of the overall 171 points within the scoring system of the 2017 QAP. Within this section, the Opportunity Index represents a smaller but significant seven maximum possible points in both years.

Projects may receive LIHTC awards without meeting the Opportunity Index criteria if they are located in a concerted revitalization plan area, a designation that jurisdictions can give to certain underserved or declining areas of the city to boost the chances of receiving a project. However, proposals that do not score well on the Opportunity Index and that are outside of a revitalization area are unlikely to be competitive in the LIHTC allotment process because the final tallies are often quite close and the loss of the points is usually insurmountable. Another significance of the Opportunity Index is that it is used as a tie-breaker when several projects receive the same number of overall points. In both QAPs, projects scoring highest overall and those located in areas qualified to receive the highest-points items listed on the Opportunity Index are typically the most competitive.

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ii The location quotient approach is typically used in evaluating the share and growth of specific businesses in a geographical area but has also been used to evaluate the share of growth in housing units in a metropolitan region (see Appendix A for more information on the location quotient analysis).

iii The maximum possible points vary based on distinction whether a proposed development is located in urban and rural areas, and is also dependent on potential deductions for 1) an opposition from a State Representative (-8); and staff adjustment (-5).

iv A proposed development could also receive maximum 7 points if it is located in neighborhoods where there are concerted revitalization efforts—represented by existence of a revitalization plan.
Under the 2016 QAP, we identify areas eligible to receive points for Opportunity Index where the proposed development was located in a census tract with a poverty rate of 15 percent or less, the median household income was in the top two quartiles for the metro area or county, and where the public schools met the state education agency’s passing state standards (see Appendix A for details).

Under the 2017 QAP, we focus on the changes to the Opportunity Index and map two scenarios to show how a combination of criteria of proximity to amenities and services can change locations of potential LIHTC awards.

To compare job-related characteristics of areas with existing LIHTC properties to areas where potential LIHTC projects can be located based on 2016 and 2017 QAP, this report uses the 2011 five-year estimates from the Census Bureau’s American Community Survey and the Longitudinal-Employer Household Dynamic (LEHD) database. The database provides job characteristics based on worker demographics, number of jobs and level of wages within a particular geographic area. Using GIS, these characteristics were extracted for spatial boundaries of areas with existing LIHTC properties and areas that earn all possible points under the 2016 and 2017 opportunity indices.

Since points are awarded based on the location of a specific project site, limitations of mapping boundaries in GIS allow us to show areas qualified to meet the selected criteria but not necessarily include all areas within each census tract boundary. For example, under QAP 2017, areas that qualified for points under the Opportunity Index based on poverty level, income and distance to essential public facilities and services yield about 22 percent of the overall census tracts in Harris County but yield smaller areas in square miles compared to qualified areas under QAP 2016. Another limitation of the study is that it only focuses on the spatial criteria defined by the opportunity index of the 2016 and 2017 QAPs. The study does not address other criteria that contribute to decisions about whether or not projects get recommended to receive LIHTC awards.
Because of the size and influence of the Low-Income Housing Tax Credit (LIHTC) program, its ability to facilitate upward economic mobility has been scrutinized since its inception. Throughout the program’s existence, nine percent LIHTC projects have concentrated in traditionally non-white and lower income areas. One of the primary reasons for this concentration is a long-standing component of QAPs called a “basis boost.” This rule incentivizes developers to pursue projects in high-poverty areas by making the projects eligible for a 30 percent increase in tax credits if certain criteria are met. Across all federal housing programs, including LIHTC, 72 percent of units remain located in areas with poor access to neighborhood facilities and services. Compared to other subsidized units, LIHTC units are more evenly distributed across inner-cities and suburban areas, but they still tend to be built in neighborhoods with high poverty levels or in less affluent suburbs. This holds true in Houston, where areas without publicly subsidized housing tend to be the same areas where private market housing costs are highest.

There are two forms of LIHTC funding—nine percent and four percent tax credit awards. The four percent credits are noncompetitive and are given to developments that include other public investments, usually in the form of state-issued bonds. The nine percent credits, on the other hand, are highly competitive and make large multifamily projects more financially feasible for developers.

Projects applying for the nine percent credits are evaluated by a state’s housing finance agency using criteria established in the Qualified Allocation Plan (QAP). Those projects that receive the most points based on the criteria established in the QAP receive funding. States do not have complete autonomy in setting these requirements, as federal law mandates certain criteria be included or given more value in the selection of awards.

Locating LIHTC properties in underserved, high-poverty areas has led to many legal challenges arguing that states’ push projects to such areas and put residents in disadvantaged positions. In Texas, the results of such suits led to closer scrutiny of the Opportunity Index in the state’s QAP (other states have undertaken similar efforts). Likewise, the scoring system has also been changed to include extra credits to support projects in areas where land costs are higher, often high-opportunity areas.

One of the more recent and influential lawsuits to consider whether QAPs push subsidized housing into lower opportunity areas was decided by the United States Supreme Court in 2015. In Texas Department of Housing and Community Affairs (TDHCA) v. Inclusive Community Project, Inc. (ICP), the Court found that the selection criteria for locating affordable housing projects could cause “disparate impacts,” or greater negative outcomes for people from legally protected categories based on race, religion, or sex, even if the criteria are neutral on their face. The Court also set standards for how to identify disparate impact and told housing authorities to implement measures to guard against liability for disparate impact claims. HUD’s Affirmatively Furthering Fair Housing (AFFH) rule, also issued in 2015, provided further guidance to evaluate potential for disparate impacts in the locating of affordable housing projects and to measure the effect of a project’s location on a residents’ ability to overcome the inequality stemming from segregation.
The case has pushed states to try to balance the construction of affordable housing projects in high-opportunity areas with parallel efforts to more meaningfully invest in blighted neighborhoods. In Texas, the TDHCA has attempted to strike this balance with changes to its 2017 QAP.

Since the Opportunity Index first appeared in the 2013 Texas QAP, LIHTC awards in Houston have been located in higher income and majority white census tracts. In 2017, changes to the Opportunity Index within Texas’ QAP resulted in a more flexible and wider geographic area that qualifies for the maximum Opportunity Index score. Although this move seeks a balance between high-opportunity areas and revitalization areas, it may also reinforce the pattern of locating projects in areas that do not provide residents with the highest potential opportunities.

This dilemma reflects an ongoing debate as to whether efforts should focus on providing new housing developments and subsidized units in low-income neighborhoods as part of a revitalization strategy; or if the aim should be to provide more affordable housing options in high-opportunity areas where low-income people have historically been unable to live. The series of changes in the Texas QAP reflects this tension. Its 2017 QAP expands the definition of high-opportunity areas, but also include approaches such as giving extra points to projects located in concerted revitalization plan areas.

Houston and Harris County are currently enmeshed in this debate. Houston’s Mayor Sylvester Turner, as part of his Complete Communities initiative, has pushed for comprehensive investment—including housing—in traditionally underserved communities. At the same time, the mayor and City have also been criticized for rejecting the Fountain View project, a mixed-use office and public housing project partially funded with four percent LIHTC, planned in a high-opportunity area in 2016.

Hurricane Harvey damaged both non-subsidized affordable housing units and subsidized units. The siting of replacement units and new projects during recovery will undoubtedly add fuel to this debate. While nearly 80 percent of Houstonians agree that affordable housing developments should be located throughout the city, in practice this more even distribution has rarely been achieved.

At the core of the high-opportunity versus revitalization debate is the argument that residents living in high-opportunity areas will benefit from increased access to improved socio-economic opportunities. Research has shown that investments in new housing matter more for underserved and declining neighborhoods because the projects can bring additional amenities and investment. Yet, increasing affordable housing in high-opportunity neighborhoods not only supports the right of every citizen to have options to live in a variety of neighborhoods, but it also can improve access to education and employment opportunities.

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v A concerted revitalization plan area is defined as underserved or declining areas of the city with concerted revitalization efforts, represented by existence of a revitalization plan.
High-opportunity areas often have important urban amenities (good schools, better infrastructure), but they are expensive and residents of these areas often put up political resistance to proposed affordable housing developments, as was the case with the proposed Fountain View development. In many cases, this not-in-my-backyard (NIMBY) opposition stems from concerns about declining property value, increasing crime, overcrowded schools, increasing traffic congestion, or design quality. Many of these fights also feature implicit and explicit racial and class overtones, as the clients of public housing programs are seen as problematic neighbors. For example, during the recent debate around the Fountain View project, opponents forwarded arguments about school crowding, the size of the public subsidy, and the negative effects of the development and its residents on the feel of the neighborhood.

Many of these concerns have been countered by research into the impacts of affordable housing projects. Property values tend to not be affected when subsidized units are placed within host neighborhoods that are economically healthy and vibrant. On the opposite side, property values are negatively affected when affordable housing units are clustered or located close to each other. This conclusion makes it all the more critical that the location of future subsidized units be considered carefully.

This debate is not an abstract argument about location and the research around it. The need for affordable housing in Houston and Harris County—both from the private and public market—is pressing.

Figure 1 shows that across all income levels except for the highest echelons, households in the Houston region are more burdened by housing cost than the national average. This issue is particularly salient for households with total income under $15,000. In the Houston-the Woodlands-Sugar Land Metro Area, nearly 75 percent of households making less than $15,000 a year are severely cost-burdened or approximately 169,274 households based on 2014 ACS estimates. Likewise, Figure 1 illustrates that housing affordability issues cross income lines. Forty percent of households hovering at or just above the poverty line earning between $30,000-$45,000 are cost-burdened. Even in the upper income levels there are people who are devoting large amounts of their income to housing.

vi HUD classifies a household as cost burdened when housing costs take up more than 30% of the household’s income and severely cost burdened if they spend greater than 50% of their income on housing.
Unlike high-income cost-burdened households, though, families living in underserved communities face additional obstacles, such as lack of transportation options or poor quality schools. Households that are cost-burdened and tend to move around add burdens to both households and school districts because housing instability can affect children’s school performance and also change overall classroom dynamics as teachers and students adjust to incoming students. The push toward putting housing into high-opportunity areas, then, is an attempt to mitigate these compounding stressors by placing units in areas where amenities, services, and other opportunities are better.

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vii Households with zero or negative income are assumed to be severely burdened, while renters paying no cash rent are assumed to be unburdened. Owner housing costs are first and second mortgage payments, property taxes, insurance, homeowner association fees, and utilities. Renter housing costs are cash rent and utilities. Metro areas are the 100 largest by 2014 population.
LIHTC AND MULTIFAMILY HOUSING

One way to visualize the distribution of lower-income residents across the region is to compare the location of Low-Income Housing Tax Credit (LIHTC) properties to the location of all multifamily (MF) units. Figure 2 shows tracts where LIHTC projects are located are also characterized by a lower share of market-rate multifamily housing units. The red areas show tracts that have a concentration of multifamily housing units regardless of the rent price compared to the county average. The crosshatched areas show tracts that have a concentration of nine percent general LIHTC. Only rarely do the two categories overlap. High concentrations of LIHTC units are found to the northeast and south of downtown and on the eastern fringe of the county. Entire sections of the city, such as to the west of downtown where some of the higher-income households live, have very few concentrations of LIHTC properties.

Figure 2 Concentration of MF and LIHTC properties in Harris County (Source: 2015 HCAD, 2016 TDHCA September inventory)
Figure 2 also shows that the LIHTC projects introduce multifamily housing units in areas where the private market is traditionally weak. Inside the 610 Loop, an area of the city that on the whole has experienced massive redevelopment in recent years, the majority of nine percent LIHTC units are located just north and east of Downtown and Buffalo Bayou in majority Hispanic tracts. These tracts also contain some of the most concentrated poverty in all of Harris County. Meanwhile, there are no nine percent LIHTC projects in other areas of the inner loop that have concentrations of market-rate multifamily housing, which are focused on the west side of downtown.

Looking beyond the loop, many of the LIHTC properties on the outer fringe are located in low-amenity neighborhoods that lack reliable transportation options other than private automobiles. Figure 2 shows that the few tracts where high shares of multifamily and LIHTC overlap are also typically placed with higher-than-average poverty rates and large numbers of existing, often older multifamily developments—such as Gulfton, East Aldine, Greenspoint, and the Near Northwest side.

THE OPPORTUNITY INDEX

Texas Qualified Allocation Plan (QAP) used different criteria for opportunity in 2016 and 2017. Both the 2016 and 2017 QAP have an Opportunity Index worth a maximum of seven points, but the elements of each index are different. Table 1 documents some of the major changes between 2016 and 2017.

Table 1 Comparison of 2016 QAP and 2017 QAP

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The 2016 QAP Opportunity Index placed a greater emphasis on access to quality education, while the 2017 definition placed a greater emphasis on location and neighborhood character. For example, while the 2016 QAP did not award points for access to either bus stops or rail stations, the 2017 QAP awards one additional point for projects located within a half-mile of public transportation facilities. Under the 2017 QAP, another five points can be awarded for cities with a population of 300,000 or more for projects located within or on the border of certain census tracts and those that share a boundary with it if no LIHTC projects have been constructed in those locations in recent years. The Proximity to Urban Core criteria awards more points to projects located close to the main City Hall facility—making projects located in historically inner city and underserved areas more competitive in spite of the emphasis on high-opportunity areas.
Figure 3 shows that under the 2016 QAP, 19 percent of census tracts in Harris County could have received the maximum Opportunity Index score. The boundaries of these areas are not perfectly aligned with census tracts boundaries because they are affected by school attendance zones. Under the 2016 QAP, most areas that could receive full Opportunity Index points were located in the wealthier western part of Houston or on the periphery of the city and county.

Thus, the 2016 QAP made projects in lower-income areas less competitive. Most proposed projects in lower-income or areas with fewer educational opportunities received zero points on the Opportunity Index, a score that could more or less disqualify a project. This was a source of frustration for revitalization advocates who saw new housing development in these areas as essential to generating economic growth to improve underserved communities. The concerted revitalization areas approach can help address this issue. Jurisdictions can designate underserved or declining areas of the city for concerted revitalization efforts, then all projects proposed within those areas are eligible for additional points in the QAP process. Austin and Dallas have used this approach by formally designating concerted revitalization areas. Without such a strategy in Houston, central city projects struggled to be as competitive as those proposed in other cities across the state.
By contrast, the 2017 QAP allows proposed projects in traditionally underserved communities to receive greater consideration. The 2017 QAP gives an additional five points for proximity to urban cores. This criteria is also included as a tie-breaker factor when multiple projects receive the same total points. This may help communities seeking to use LIHTC projects to stabilize and improve historically underserved neighborhoods, but it holds the potential to undercut the goal of locating affordable housing in high-opportunity neighborhoods.

While the Opportunity Index is still worth seven points, the 2017 QAP uses a menu of possible area traits or proximity to key services that allow projects to qualify for additional points. A maximum of four points is given to proposed projects based on income and poverty.

To get to the full seven points projects must identify at least three additional criteria, each worth one point, from a menu of proximity requirements and socio-demographic area characteristics (e.g. distance to public transportation, grocery store, child care, or other public amenities).

These shifts open up the possibility that projects throughout Harris County can achieve the full seven points on the Opportunity Index, whereas they would not have been able to under the 2016 QAP. Figures 4 and 5 explore two possible scenarios under the 2017 QAP that illustrate this expanded territory.

In Figure 4, the dark blue areas represent areas qualified for the maximum seven points under the 2017 Opportunity Index based on a combination of poverty rate and median income, half-mile proximity to public transportation (e.g. METRO bus and rail services), one-mile proximity to grocery stores, and two-mile proximity to child-care services and facilities. These criteria were selected because these are some of the most basic needs as well as challenges faced by most people, especially those with limited resources. The dark blue areas are mostly located within Houston’s inner city loop due to the availability of public transit services.

Figure 5 displays another set of areas that used different criteria to achieve the same full seven points, in this case, with a combination of locating within five miles from a university or college, having a certain educational attainment of adults ages 25 year and older, and being within three miles of a health care facility. Based on this combination, fully qualified high-opportunity areas are more spread out than those in Figure 4.

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viii According to the 2017 QAP, the Development Site must be located within 4 miles of the main City Hall facility if the population of the city is more than 500,000, or within 2 miles of the main City Hall facility if the population of the city is 300,000 - 500,000.
Figure 4 Scenario 1: Qualified areas for Opportunity Index based on poverty level, income, and distance to public transportation, child care, and full-service grocery stores.

Figure 5 Scenario 2: Qualified areas for Opportunity Index based on poverty level, income, distance to college/university, health care facilities, and educational attainment of age 25 years or older.
The 2017 QAP expands the geographic areas that qualify for higher points and provides a greater chance for less affluent neighborhoods to receive full points under the Opportunity Index. Table 2 shows that qualified areas are located in more census tracts under the 2017 QAP but these areas have a lower average median income and a higher average poverty rate. In short, the 2017 QAP means that more projects will get Opportunity Index points despite being in places with lower income and higher poverty rate. Changes to the Opportunity Index criteria in the 2017 QAP imply more flexible options for locating future LIHTC properties but also a more diluted version of the concept of high-opportunity areas.

Table 2  Comparison between Qualified Areas under 2016 and 2017 Opportunity Index

<table>
<thead>
<tr>
<th>Criteria for Opportunity Index</th>
<th># Census Tracts (%)</th>
<th>Average Household Median Income</th>
<th>Average Poverty Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 QAP</td>
<td>148 (19%)</td>
<td>$111,856</td>
<td>4.8</td>
</tr>
<tr>
<td>2017 QAP, Scenario 1 (Fig. 4)</td>
<td>167 (21%)</td>
<td>$87,155.</td>
<td>8.5</td>
</tr>
<tr>
<td>2017 QAP, Scenario 2 (Fig. 5)</td>
<td>171 (22%)</td>
<td>$102,031</td>
<td>6.6</td>
</tr>
</tbody>
</table>

**2017 LIHTC AWARDS**

Figure 6 shows the location of the two nine percent LIHTC projects in Harris County awarded under the 2017 QAP. While both projects received the maximum seven points under the Opportunity Index, Project A is located in a census tract that meets the requirements based on one of the previously discussed scenarios. The poverty rate for the census tract is 9.1 percent with a median household income of $99,688. Meanwhile, Project B is located in a census tract with a poverty rate of 16.9 percent and household median income of $55,737. The difference between the two projects and where they are located illustrates how changes to the Opportunity Index under 2017 QAP have broadened the concept of what can be considered a high-opportunity area. The flexibility of how criteria can be met under the Opportunity Index in these two scenarios led to projects locating in very different neighborhoods and Project B locating outside of a high-opportunity area.

![Figure 6 LIHTC recommended projects based on 2017 QAP](image-url)
5. THE OPPORTUNITY GAP

A comparison of employment opportunities in high-opportunity census tracts based on the Opportunity Index and those with existing nine percent general population Low-Income Housing Tax Credit (LIHTC) properties highlights some of the major differences between those areas.

The Census Bureau’s Longitudinal-Employer Household Dynamic (LEHD) database allows a comparison of employment and demographic characteristics of workers within these different areas and sheds light on the power of locating housing in areas where employment and other opportunities are accessible. Metropolitan areas where residents live in areas with greater economic segregation are associated with lower economic mobility. People who have access to more and better paying jobs are more likely to benefit from them.

Table 3 displays demographic characteristics in areas qualified to receive the maximum Opportunity Index points in 2016 and in Scenario 1 of the 2017 Qualified Allocation Plan (QAP), compared to tracts where existing nine percent LIHTC projects are located. Qualified areas for Opportunity Index under Scenario 1 are based on poverty level, income, and distance to public transportation, child care, and full-service grocery stores.

Given that points are awarded based on the potential project site, it’s possible that the entire census tract would not qualify for the full points under the 2016 or 2017 QAPs. Despite this limitation, identifying the characteristics of census tracts that receive full opportunity points helps to show the major differences between areas where LIHTC housing is currently located and where the high opportunity focus would suggest it be placed.

Table 3 Characteristics of Qualified Areas

<table>
<thead>
<tr>
<th>Areas</th>
<th># Census Tracts (%)</th>
<th>Average HH Median Income</th>
<th>Average Poverty Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Harris County</strong></td>
<td>786 (100%)</td>
<td>$54,457</td>
<td>18.0</td>
</tr>
<tr>
<td>Existing LIHTC properties</td>
<td>88 (11%)</td>
<td>$40,394</td>
<td>28.6</td>
</tr>
<tr>
<td>2016 QAP</td>
<td>148 (19%)</td>
<td>$111,856</td>
<td>4.8</td>
</tr>
<tr>
<td>2017 QAP, scenario 1 (Fig. 4)</td>
<td>167 (21%)</td>
<td>$87,155</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Overall, areas that would qualify to receive full Opportunity Index points under the 2016 QAP have an average income level almost three times higher than those with existing LIHTC projects. Areas that would qualify to receive full Opportunity Index under 2017 scenario 1 have an average income double that of with LIHTC projects. The drop in median income and slight uptick in poverty rate illustrates the broadening of opportunity standards caused by the shifts with the 2016 and 2017 QAPs. Existing LIHTC properties are located in areas where the average poverty is almost six times higher than qualified areas under the 2016 QAP and 3 times higher than those under the 2017 QAP. Under both QAPs, the average percent of population below the poverty rate in qualified census tracts is significantly lower than those with existing LIHTC properties.
Further comparison of the demographics and employment figures amplifies the stark differences between high-opportunity areas and tracts with existing LIHTC units. Figure 7 shows that census tracts with existing LIHTC properties have a significantly higher percentage of renter-occupied units, Black and Hispanic renters, and people whose highest educational attainment is high school or less compared to high-opportunity areas. Compared to areas qualified to receive maximum Opportunity Index in 2017, areas under QAP 2016 have overwhelmingly owner-occupied units, renters who are white, and higher educational attainment overall.

![Figure 7 Demographic Characteristics](Source: 2011-2015 American Community Survey 5-Year Estimates)

Characteristics of jobs within these areas illustrate the types of opportunities immediately available to residents. Figure 8 shows the characteristics of jobs available by industry sector. Census tracts with LIHTC properties have a significantly higher proportion of jobs in more manual, blue-collar categories such as construction, manufacturing, and administration support. These sectors tend to have lower wages.

![Figure 8 Jobs by NAICS Industry Sector](Source: 2014 LEHD, Census Bureau)
Figure 9 shows that residents living in tracts with LIHTC projects also make less money than those living in high-opportunity areas. More than 60 percent of workers who live and work inside high-opportunity census tracts make more than $3,333 per month or approximately $40,000 per year. Only 40 percent of those workers who live inside existing LIHTC tracts make that much. On the lower-income side, LIHTC census tracts have a higher percentage of workers who make less than $3,333 per month. According to HUD, the overall median income of tenants living in LIHTC units across the nation is $17,152 per year and the majority of them (60 percent) make less than $20,000 per year.26

When comparing the low-wage workers who live in LIHTC and work outside of that census tract, another interesting trend emerges. Figure 9 shows that a greater percentage of workers from LIHTC census tracts who work outside of those tracts make less than $1,250 a month or approximately $15,000 per year compared to those who live and work inside LIHTC tracts. In other words, many low-income workers leave their home communities for low-paying jobs. This may occur because there are too few jobs in their LIHTC tracts, but it also demonstrates that accessing jobs, even low-paying ones, often means traveling away from one’s immediate community.

Not only do these figures highlight the fact that high-income jobs are often isolated from where low-income workers live, but they also point to the need to create links between housing opportunities for workers near job centers. They also raise important considerations about how to improve other interconnected systems such as transportation, that can play a key role in connecting people to opportunity.
Houston and Harris County’s urgent affordable housing needs suggest that the debate around revitalization and opportunity should not be an either-or choice, but instead should involve embracing housing opportunities in both geographies. The work to make underserved communities into more vibrant areas must be undertaken at the same time that efforts are made to connect residents with greater opportunity.

The Low-Income Housing Tax Credit (LIHTC) program can play a central role in bringing a range of housing to both types of communities, but it must be pursued effectively. Currently, the Qualified Allocation Plan (QAP) may push nine percent LIHTC projects to the periphery of Harris County and outside of the areas of highest opportunity. This exacerbates the existing dearth of LIHTC units available inside these areas. At the same time, Houston has not fully embraced the additional points available through the concerted revitalization process. If this approach were taken up, proposed LIHTC projects inside lower-income communities could continue to receive support alongside those in high-opportunity areas.

While the Opportunity Index is an important part of the scoring system, additional considerations, such as the support of an elected official or of the surrounding community, continue to hold significant sway in point totals for proposed tax credit projects. These considerations further complicate attempts to disperse housing throughout the region into both high-opportunity and lower-income areas, because proposed projects are often opposed by existing neighborhoods for a number of reasons. Addressing this hurdle is central to a balanced strategy that involves both opportunity and revitalization LIHTC projects.

While research into Texas’ LIHTC program and its QAP process has shown that the processes have led to units being built in higher opportunity areas since 2014, there remains a great need for jurisdictions and citizens to consider strategies to providing quality affordable housing in areas that can increase residents’ ability to get to jobs and other public services. This work can and should be done in both high-opportunity areas and underserved communities simultaneously.
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One of the focuses of this report is the Opportunity Index with maximum seven possible points. To identify areas within Harris County that would receive the most Opportunity Index points under the Qualified Allocation Plan (QAP), we utilize data sources identified in the 2016 QAP: 2009-2013 5-year estimate median household income, the percentage of the population in poverty, predetermined income quartile, and Texas Education Agency (TEA) MET and Index 1 rating. We use provided information on household median income, poverty rate, and income quartile from the Texas Department of Housing and Community Affairs (TDHCA) Multifamily housing department’s website for both the 2016 and 2017 QAPs.

Data on school performance was collected from the TEA in combination with attendance zones for elementary, middle, and high schools from the School Attendance Boundary Information System (SABINS) for the school year 2013-2014. Attendance zones boundaries not available from SABINS were downloaded or requested from individual school districts. Attendance zones for HISD were downloaded from HISD’s GIS database for the school year 2016-2017. Attendance zones Katy ISD for the school year 2016-2017 were obtained via public records request. Attendance zones without campus rating from TEA were assigned MET status and Index 1 scores by the district. Capturing a comprehensive view of school attendance zones at a single period of time is difficult because each ISD often redraws its boundary without coordination with other districts. The different time period for attendance zones can be problematic but still useful to illustrate effects of QAP criteria on the distribution of LIHTC units based on school performance.

To meet the proximity to important amenities and services, applicants are required to submit a map showing the linear distance from the proposed developments to locations of these services. Data on both services were derived from the 2016 InfoUSA businesses database that includes categories by Standard Industrial Classification (SIC) and North American Industrial Classification System (NAICS) codes. Full-service grocery stores are defined as those offering a range of household goods including produce. Geocoded locations of grocery stores were obtained by selecting primary SIC codes, name recognition, and internet search for whether the store has a website. For smaller grocery stores, the burden-of-proof lies on the applicant to provide pictures showing goods available at the store which is then reviewed by TDHCA staff.

**Location Quotient**

Location Quotient (LQ) is a way to measure how intensive a given measurement is in sub-area compared to a larger area. LQs are expressed as ratios, where a value equal to 1 indicates that the sub-area has the same value of measurement as the larger area, a value greater one indicates the sub-area is more intense than the larger area, and a value less than one indicates the sub-area is less intense than the larger area. For example, if a sub-area has an LQ of 2.4, that indicates the area has a measurement that is 2.4x greater than the larger area.

The analysis uses LIHTC units listed since 1990 to September 2016 inventory. We use the total number of units within LIHTC properties for the number of LIHTC-supported affordable housing. To identify a given Census Tract’s overall share of housing, we identified the number of single-family and multifamily housing units in each tract using Harris County Appraisal District’s (HCAD) tax parcel database.

A limitation to the LQ method is that the value that determines concentration can be skewed when areas with extremely low to none or high number of units are compared to the larger areas. HCAD data are only used to calculate LQ for multifamily units to compare its share with all types of housing units in the county. To minimize effect of inflation or deflation because not all tracts in Harris County have LIHTC properties, LQ for the 9% general LIHTC units are calculated only for tracts that contain LIHTC units for both 4% and 9% LIHTC units.