
The QAP as Policy Lever

LIHTC Applications in Texas Region 3: 2011
and 2012

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Introduction

Safe and affordable housing is an essential component of building sustainable, vital communities. While market-based approaches often meet these needs for middle- and upper-income households, the State is often left to employ policies and incentives to ensure the availability of safe and affordable housing for low- and moderate-income families. One vehicle at the State's disposal is the Low-income Housing Tax Credit (LIHTC) program. State policies direct not only the awarding of these credits, but, as this paper suggests, the resulting location of many housing opportunities for low-income residents. The Qualified Allocation Plan (QAP) has undergone changes in recent years that have had a significant impact on the LIHTC landscape. This paper presents a brief analysis of these changes, particularly as they relate to siting considerations for LIHTC developments, and the resulting changes in distribution of applications for LIHTC credits in the Texas Department of Housing and Urban Development (TDHCA) Region 3 – the Dallas-Fort Worth-Arlington metropolitan area.

Overview of the Low-income Housing Tax Credit (LIHTC) Program

As Gustafson reports, “[t]he Low-Income Housing Tax Credit Program (LIHTC), managed by the Department of Treasury's Internal Revenue Service, is currently the largest source of federal subsidy for adding new or rehabilitated rental housing units to the affordable housing stock in the United States” (Gustafson & Walker, 2002). Each state is awarded a certain number of tax credit allocation dollars on a per capita basis, and the Internal Revenue Code requires that states draft a Qualified Allocation Plan (QAP) to determine the basis by which they distribute their LIHTC allocations. As Gustafson and Walker quote Harold Bunce, Deputy Assistant Secretary of the Department of Housing and Urban Development's (HUD) Office of Policy Development and Research:

“Based on their QAP, states establish preferences and set-asides within their tax credit competitions so as to target the credits towards specific places... or types of people...” (2002, p. Foreword)

In Texas, the QAP is promulgated by the Texas Department of Housing and Community Affairs (TDHCA), and specifies the criteria by which proposed developments are scored, ranked and awarded low income housing tax credits. The criteria include threshold criteria, those minimum criteria which a proposal must possess in order to be funded under the tax credit laws, and scoring criteria that are designed to rank the proposals against others and identify those most in line with the state's priorities. It is important to note the perspective under which the QAP scoring system works. The focus of the scoring system is to assist the agency in identifying those applications most aligned with its operational

priorities, and most likely to succeed. While points are awarded to projects based on the characteristics of the neighborhood they intend to serve, the scoring system does not rank neighborhoods with respect to need. In other words, the resulting ranking system does not identify those neighborhoods most in need (although TDHCA does have a system that does that); instead, it ranks the applications with respect to the neighborhoods they intend to serve. Analysis of the 2012 selection criteria for proposals in the QAP reveals that points are awarded based on criteria that fall into five basic categories: financial considerations, physical and structural considerations, tenant considerations, administrative requirements, and popular support. Of these categories, tenant considerations (such as income levels, services, and location) most closely capture the need for low-income housing, while the others focus more on the characteristics of the development and the proposal. Tenant considerations account for approximately one third of the overall points, the largest share of the above categories. Still, it would be possible to qualify without earning any of the 73 points related to tenant considerations. Consequently, in a neighborhood with the most need for affordable housing remediation will not appear on the map if a proposal is not submitted to address that community's needs. Moreover, a proposal submitted to address the needs of that particular neighborhood may not score the highest if it is not in line with other priorities of the agency. These priorities include a variety of non-need-based criteria, such as the likelihood of project success (financial commitments, developer experience, quality of construction, etc.), alignment with other strategic priorities (i.e., empowerment or enterprise zones), or efforts aimed at the de-concentration of housing tax credit sponsored properties.

The QAP in Texas has come under criticism in recent years with allegations that it lends to a concentration of low income housing in already low-income areas, thereby serving to increase the concentration of poverty in said areas. More specifically, a series of changes have been taking place in the QAP and taxes that have implications for the nature and location of proposals submitted and their alignment with the greater needs of the low and moderate income communities. This paper presents a series of analyses designed to explore changes in the QAP and their effect on applications in Region 3.

Changes in the Texas QAP – Levers for Change

Viewed as a public policy tool, the QAP provides a variety of mechanisms by which the state can achieve its public policy goals in the area of low-income housing and services for the low and moderate income populations. Within the QAP, two primary vehicles serve this purpose. The first, and simplest, is the assignment of points to applications for the purpose of scoring, ranking, and allocating tax credits. Quite simply, the state can achieve its policy goals by providing scoring points that incentivize behaviors that are aligned with its objectives. A second, though slightly more complex, tool involves the 130% "basis boost." Tax credits are awarded at 4% or 9% of the project's qualified basis (essentially the portion of its cost attributable to low-income housing). For instance, if a project's qualified basis was \$1 million, the tax credits awarded would be roughly equal to \$40,000 or \$90,000. Employing the basis boost, projects that comply or are aligned with specific policy objectives of the state are awarded an additional 30% of their basis (the 130% boost). In other words, that same \$1 million basis, if aligned with the state's

priorities, would be treated as a basis of \$1,030,000, and would therefore receive tax credits in the amount of \$92,700.

Application Scoring

Between 2011 and 2012, substantial changes were made to both the scoring and basis boost mechanisms. Applications for housing tax credits are submitted and, if found to exceed the required threshold criteria, awarded points based upon the scoring criteria presented in the QAP. The number and distribution of points is established each year in the QAP. In 2011, 220 points were available, while in 2012 there were 222ⁱ. In 2011 there were 27 sections of the selection criteria offering points that ranged from a high of 28 to a low of 1. In 2012, the number of sections was reduced to 24 while the range of points stayed the same. In their exhaustive comparison of state QAPs from 1990 through 2001, Gustafson and Walker ranked each state’s policy activism on a low to high scale for people-based preferences (e.g., preferences for special needs population, very low-income renters, large families, etc.) and place-based preferences (e.g., community size, vacancy rates, poverty rates, etc.) (2002). Table 1 presents Texas’ rankings originally computed by Gustafson and Walker for the 1990 and 2001 QAPs, and extends the analysis through a simple review of the scoring preferences and set-asides from the 2011 and 2012 QAPs. In the decade since their original work, Texas’ policy activism in the area of people-based preferences has declined from moderate to low (meaning Texas’ QAP places a lower emphasis on policy areas related to the targeting of specific renters), while its place-based policy activism has declined only recently from high to moderate (meaning from 2011 to 2012 the State addressed fewer policy areas related to the targeting or avoiding of specific places).

Table 1. Extension of Gustafson / Walker Policy Activism Analysis

Policy Activism	1990	2001	2011	2012
People-Based	Moderate	Moderate	Low	Low
Place-Based	High	High	High	Moderate

Gustafson and Walker also categorized each state’s preferences into an eight category taxonomy for comparison purposes (2002). For the purposes of this paper, the preferences indicated in the scoring selection criteria have been assigned to a simpler four category taxonomy (presented in Table 2). This presentation facilitates a simple analysis of change (see Appendix I for the more detailed eight category presentation). For each category and subcategory, the number of points in 2011 and 2012 are presented. For each of the four major categories, the category’s percent of total points is presented, illustrating the relative distribution or weight of that category. Likewise, each subcategory’s relative proportion to the major category’s points is presented as well. This permits a simple analysis of the shift in the relative distribution of points from 2011 to 2012.

From an incentive or public policy perspective, the QAP incentivizes development behavior in four categories, and each selection criteria has been mapped to one of these categories.ⁱⁱ **Deal and Execution** focuses on those behaviors related to the quality of the deal, its financial backing, etc. **Targeting** focuses on characteristics of the population served by the development. **Product** focuses on the characteristics

and the qualities of the housing development proposed, and **Siting** focuses on those aspects that impact the geographic location of the development.

Table 2. Distribution of QAP Points by Category - 2011 - 2012

Incentive Category and Subcategory	2011 Points	2012 Points	% 2011	% 2012
Deal and Execution	118	129	54%	58%
Deal Structure	59	71	50%	55%
Community Support	38	40	32%	31%
Type of Development	19	16	16%	12%
Business Practices	2	2	2%	2%
Targeting	38	40	17%	18%
Rent Targeting	12	14	32%	35%
Tenant Targeting	22	22	58%	55%
Special Needs	4	4	11%	10%
Product	34	30	15%	14%
Services to Tenants	8	10	24%	33%
Unit and Development Amenities	26	20	76%	67%
Siting	30	23	14%	10%
Places to Avoid	4	6	13%	26%
Places to Target	26	17	87%	74%
Total Points	220	222	100%	100%

The first major category, Deal and Execution, is further classified into subcategories for the structure of the deal, community support, the type of development proposed, and business practices of the applicant. From 2011 to 2012, the points awarded to deal execution increased slightly from 54% of available points to 58% of available points. Within the category, it is evident that greater emphasis was placed on the structure of the deal with slightly less emphasis placed on the type of development (dropping from 16% to 12% of Deal and Execution points).

The major incentive second category, Targeting, relates to the rent and income targeting of the prospective development's tenants, and allows for additional points for servicing tenants with special needs. From 2011 to 2012 there was little overall change for this category. As in the previous category, there was a slight decrease in the emphasis on rent targeting a slight increase in the emphasis on targeting tenants with specific incomes.

The third incentive category, Product, focuses on those points awarded for the quality and size of units as well as the array of services offered on site. As with the previous category, there was little overall change in the overall relevance of Product points. Within the category, however, there was more substantial change. In 2011 roughly one fourth of points were awarded based on services provided, with three fourths based on unit and development amenities. In 2012 this balance shifted, increasing the

points awarded for services to tenants to one third of points and decreasing those for unit and development amenities to two thirds.

The final major category of incentive, Siting, saw a decrease in overall relevance from 2011 to 2012, dropping from 14% to 10% of overall points. As with the Product, there was significant shift within the Siting category. Those points awarded for avoiding certain tracts and locations increased from 13% of Siting points to 26%, while points awarded for locating in specific places decreased from 87% to 74% of Siting points.

While the number of points available increased by only 2 from 2011 to 2012, it is evident from the simple analysis above that the distribution of those points (and correspondingly, the emphasis of incentives) changed more significantly. A similar comparison of the 2011 and 2012 selection criteria permits an analysis of more substantive changes. Presented herein are the results of such a comparison for those selection criteria related to siting. As the table above indicates, location-based pointing can be broken down into two subcategories: those that create a disincentive for a given location and those that incentivize a given location. The number of points available for disincentives increased from 4 to 6. In 2011, applicants were awarded for points for proposing a location in a census tract with no other existing same type developments (and, by extension, no other HTC developments). In 2012, the same 4 points were available for locating in a tract with no other same type development, while an additional 2 points (for a total of 6 points) were made available for proposing a location in a tract with no other housing tax credit developments.

The total points available for incentivizing specific locations decreased from 26 to 17 in 2012. While points available under the heading development location remained at 4, the locations qualifying for these points changed significantly. In 2011 all developments other than those targeting elderly residents qualified for four points if they were located in a tract whose median family income was higher than the county income, in attendance zones of an exemplary or recognized elementary school, in a tract whose level of poverty was at or below 10%, in an urban core, or in a high opportunity area. In 2012, those 4 points were limited to those applications proposing a location in a high opportunity area or a central business district. Requirements related to median family income, poverty, and the performance of educational institutions were incorporated into the definition of a high opportunity area (see discussion below). If the location was not able to qualify through the high opportunity area or central business district requirements, 1 point was available for locating in a variety of designated zones: Federal Enterprise Community, Economically Distressed Area, etc. Likewise, in both 2011 and 2012 applicants were awarded up to 4 points based on the characteristics of the community in which their proposed developments were located. To receive these 4 points in 2011, the proposed development was required to be located within a quarter-mile of at least 3 services from a selected list. In 2012, the number of required services increased to 6, but the distance band increased from one-quarter to one-half mile. Additionally, the scope of the list of qualifying services expanded to include institutions such as religious institutions, licensed day care services, and government offices such as post offices, city halls, county court houses, and fire or police departments. Additional minor changes in the point structure from 2011 to 2012 deemphasized locations in qualified census tracts with revitalization (with those points partially

assumed elsewhere), as well as deemphasizing locations and spaces that had previously been declared difficult to develop or had received awards from such funds as the Federal Enterprise Zone Fund, Texas Leverage Fund, and other economic development funds. Finally, in 2011 applications were awarded up to 6 points based upon the Affordable Housing Needs Score of the proposed development location. In 2012, references to the housing needs characteristics were removed from the selection criteria scoring.

Changes to the Basis Boost

Table 3 summarizes changes to the qualification structure for the 130% basis boost. In 2012, the State no longer awarded the basis boost for qualifying and receiving renewable energy tax credits, nor did they reward proposals for holding an additional 10% of low-income units for very low-income residents (those below 30% of area median gross income). In addition, in 2011 at least 50% of units dedicated to supportive housing earned the 130% basis boost, but by 2012 a shift in State requirements required all units in the development to be supportive housing before they would award the basis boost. More germane to the topic of this paper is that changes in the criteria related to high opportunity areas and central business districts dramatically changed the locations of proposed LIHTC supported properties. Beginning in 2012, if a proposed location was certified to be in the central business district, the site was awarded the 130% basis boost thereby qualifying for additional tax credits. Proposals located in high opportunity areas were also awarded the 130% basis boost in 2012, as they were in 2011, though the definition of high opportunity areas changed significantly.

Table 3. Qualifying for the 130% Basis Boost

Criterion	2011 QAP	2012 QAP
Qualify and receive renewable energy tax credits	●	
Located in a Qualified Census Tract where less than 30% of occupied housing units are supported by housing tax credits	●	●
Rural Development	●	●
Supportive Housing Units	●	●
	(At Least 50%)	(100%)
At least 10% of low-income units targeted to tenants with incomes below 30% of AMGI	●	
Located in a High Opportunity Area	●	●
Located in a Central Business District		●
Located outside of a Qualified Census Tract and developed with locally administered funds (HOME, CDBG, etc.)		●

Figure 1 and Figure 2 below depict the qualifications required for a census tract to be labeled a high opportunity area. As the figures suggest, the qualifications were less stringent in 2011 than in 2012. The 2011 QAP only required a census tract to meet one of the three conditions to be labeled a high opportunity census tract. The 2012 QAP, on the other hand, required a tract to meet two basic

conditions and one of two additional conditions. Whereas in 2011 access to transportation, or higher than average income, or lower rates of poverty would qualify a tract for high opportunity status, in 2012 tracts were required to have higher than average incomes *and* have lower rates of poverty, while also having *either* access to transportation or quality schools. The imposition of these intersecting criteria in the 2012 QAP served to reduce the number of tracks eligible as high opportunity areas, and locates these areas further into the suburbs and exurbs of Texas.

Figure 1. Defining a High Opportunity Area - 2011 QAP

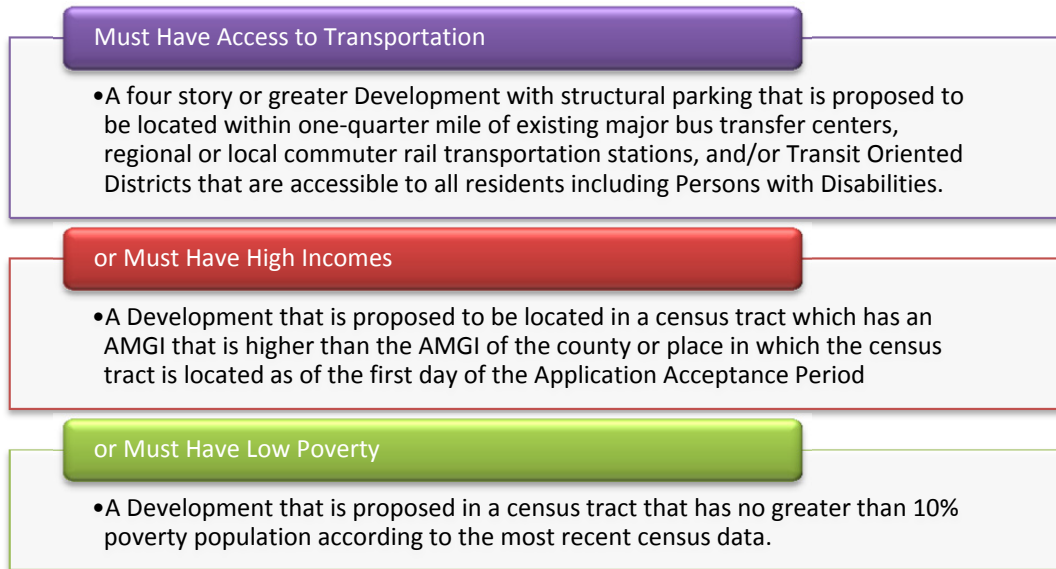
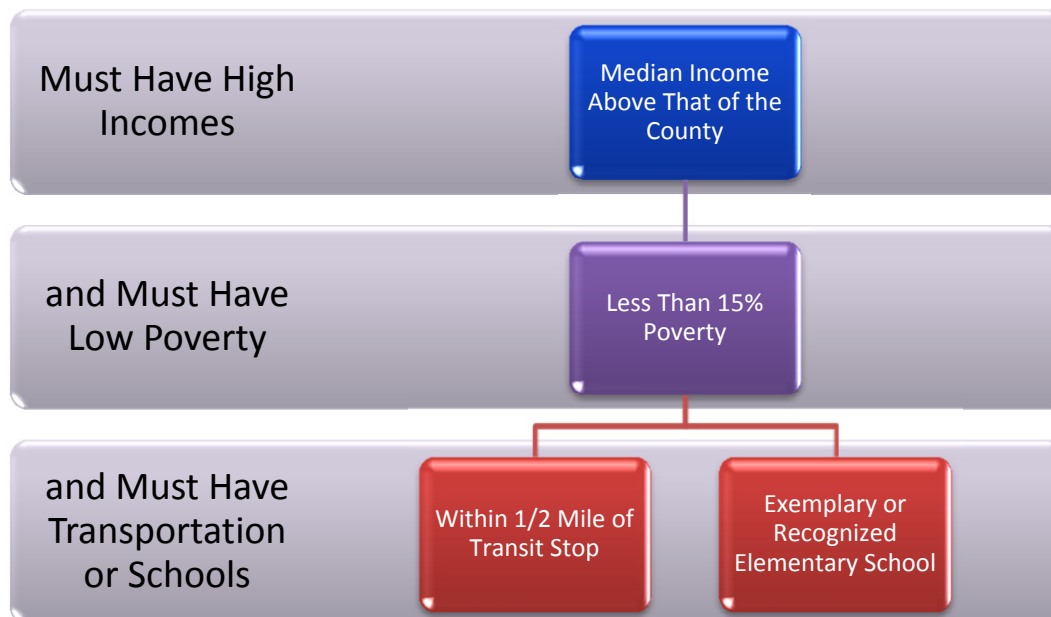


Figure 2. Defining a High Opportunity Area - 2012 QAP



In addition to the imposition of the intersection of criteria on qualification as a high opportunity area, a number of additional changes to the definition also increased the likelihood of suburban tracts being identified as high opportunity areas. The 2011 QAP permitted a tract to be identified as high opportunity area if less than 10% of the population lived in poverty. While the 2012 QAP implemented the intersection criteria, it raised the threshold percentage from 10% to 15% living in poverty, increasing the number of tracts that would qualify. Designating a tract as a high opportunity area has implications not only for the 130% basis boost, but also for obtaining a set of selection criteria points awarded based on the proposed location (see discussion above). In 2011 a proposal could qualify for location-based points under one of five criteria, including two criteria that were also identified with being in a high opportunity area: less than 10% living in poverty (provided the development serves families with children) or a median family income higher than the county average. Proposed developments might also receive the four point scoring credit for being located in an urban area, a designated high opportunity area, or in the attendance boundary of an exemplary or recognized elementary school. In the 2012 QAP proposals could still receive the development location points for being located in a high opportunity area (four points for general developments, three points for those targeting the elderly), but recall the definition of high opportunity area was made more strict. Furthermore, there were no longer location points awarded specifically for low poverty or strong education areas.

Figure 3.

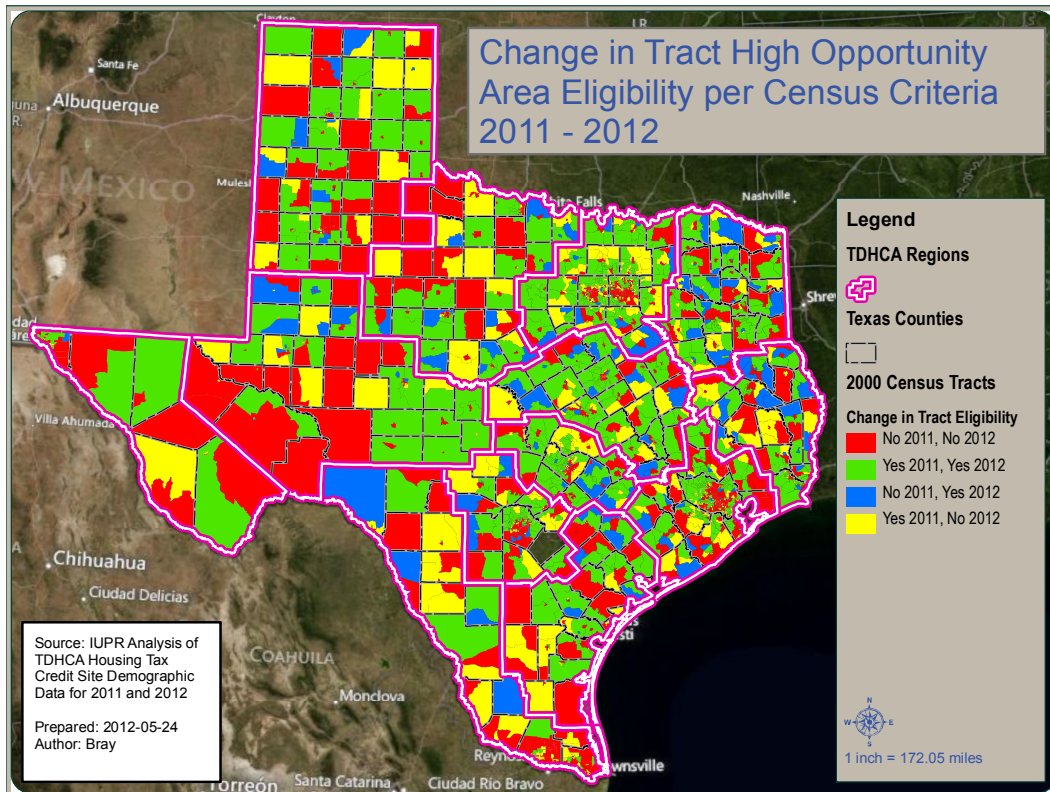


Figure 3 depicts the change in tract eligibility for designation as a high opportunity area based upon the threshold census qualifications for income and poverty. As discussed above, in 2011 tracts could be designated as high opportunity areas by *either* having a median income greater than the county's *or* by

having less than 10% of the population living in poverty. In 2012 these threshold criteria were joined together such that a tract must meet the income requirement while *also* having fewer than 15% of the population living in poverty. Moreover, in 2012 a tract must not only meet these criteria, but also be served by an elementary school rated Exemplary or Recognized, or be within one half mile of a transit stop. Thus, those areas tracts identified by the map as eligible for high opportunity area status in 2011 could actually be labeled such, while those presented for 2012 are eligible if they meet the additional education or transportation criteria.

Tracts appearing red on the map were not eligible for high opportunity area status in 2011 or 2012, while those in green were eligible for both years. The impact of the definition is depicted with the yellow and blue tracts. Tracts depicted in yellow were eligible as high opportunity areas in 2011 but not 2012, while those in blue were not eligible in 2011, but became eligible in 2012. In all, of the 4395 tracks for which comparisons could be made, 3525 (80%) remained unchanged in their qualification status for high opportunity areas. Among those where changes were observed, 643 tracks (15% of tracts) were initially qualified under census criterion for high opportunity areas in 2011, and no longer qualified in 2012. Another 227 tracts (5%) were not eligible in 2011 but became eligible in 2012. In the end, of the 1872 tracts eligible for high opportunity area designation in 2012, 227 (12%) of them were new arrivals to the market. From a relative standpoint, 11% of the census tracts not eligible for the designation in 2011 became eligible in 2012, while 28% of the tracts eligible in 2011 became ineligible in 2012.

Figure 4.

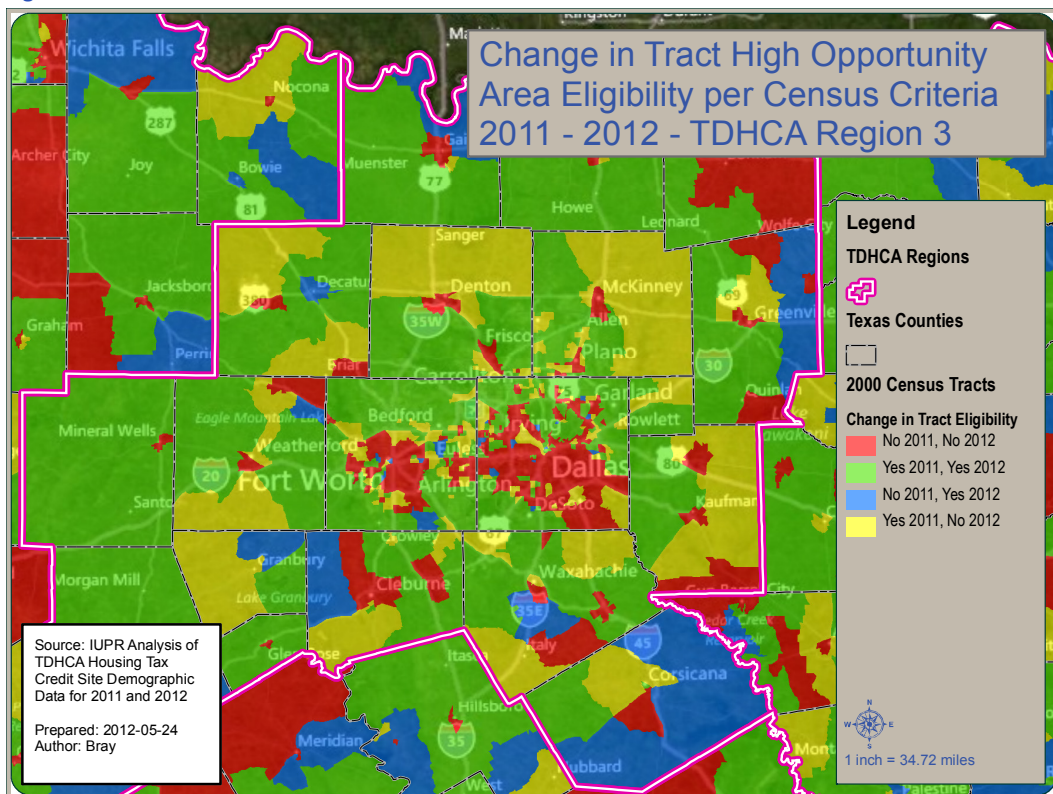


Figure 4 depicts the same information with a focus on TDHCA’s Region 3 – the Metroplex region. Of the 1121 census tracts located in Region 3, 221 experience a change in qualification for high opportunity area from 2011 to 2012 QAP. Of the 676 tracts that were eligible in 2011, 190 (28%) were ineligible in 2012. Of the 445 tracts not eligible in 2011 only 33 (7%) became eligible in 2012, less than the state level number of 11%.

The patterns observed at the state and regional levels do not hold for Region 3 when exploring for variation across type of County. Of the 1121 tracts located in Region 3, 797 of them were located in the urban counties of Tarrant and Dallas. Another 183 tracts were located in the suburban counties of Denton, Collin, Rockwall, Kaufman, and Ellis. The remaining 141 census tracts were located in the rural counties of Cook, Grayson, Fannin, Hunt, Johnson, Somervell, Hood, Erath, Palo Pinto, Parker, and Wise. Table 4 presents a decomposition of the census tracts with eligibility changes from QAP 2011 to QAP 2012. While the state and Region 3 fared roughly the same on the percentage of eligible tracts that became ineligible in 2012 (28%) the state fared better than the region on the percent of ineligible tracts that became eligible for high opportunity area status in 2012 (11% compared to 7%). Within Region 3, suburban counties (those immediately bordering the urban counties of Tarrant and Dallas) experience the largest relative drop in eligible counties, with 41% of eligible counties in 2011 becoming ineligible in 2012. The region's urban counties and exurban counties experienced slightly smaller losses than the state. Considering those tracts that were ineligible in 2011 and became eligible for high opportunity area status in 2012, the region's exurban counties experienced an increase that was double that of the state, with 22% of ineligible 2011 tracts becoming eligible in 2012 compared to only 11% for the state. The region suburban and urban counties both experienced increases that were smaller than the region average, and smaller than the state average by more than half. In fact, the state average increase was nearly 4 times the Region 3 suburban county increase.

Table 4. Decomposition of Tracts with Eligibility Changes

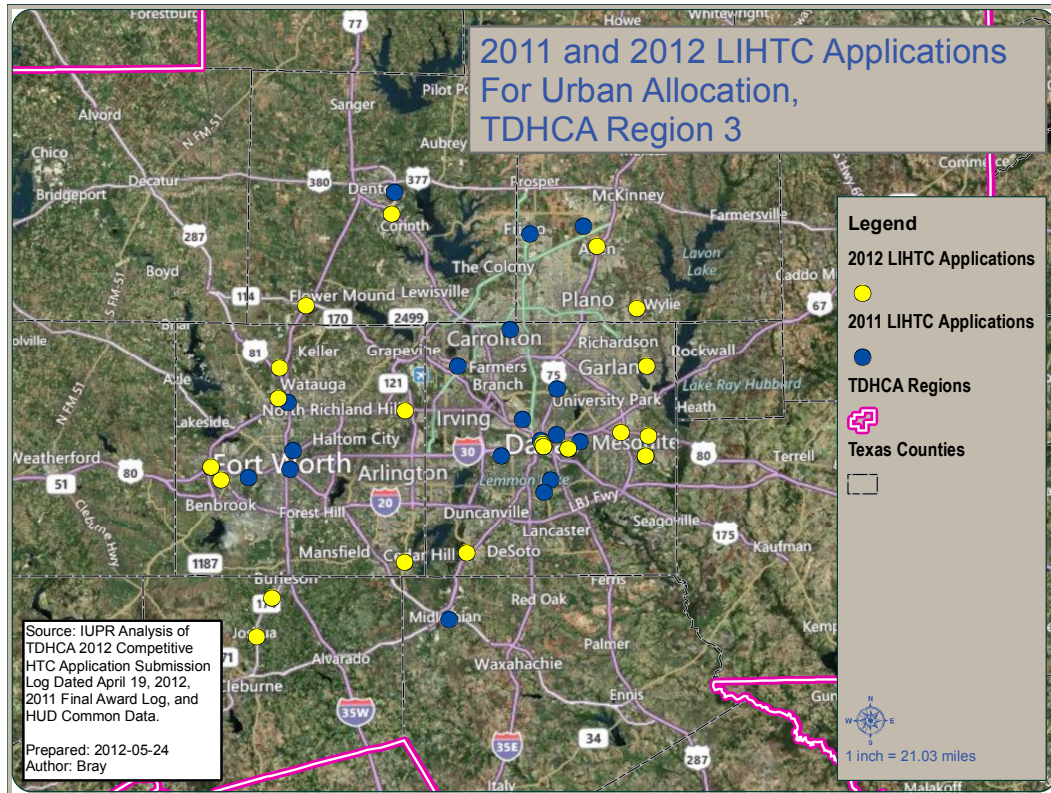
Type of Movement	State	Region 3	Urban Counties	Suburban Counties	Exurban Counties
Percent of Eligible Becoming Ineligible	28%	28%	24%	41%	29%
Percent of Ineligible Becoming Eligible	11%	7%	5%	3%	22%

Impact of the QAP Change on Applications in Region 3

If one considers the 130% basis boost and designation as high opportunity area to be tools for TDH CA to influence the location of future light tech properties, then it should be a reasonable extension to inspect for changes in the spatial distribution of applications between the 2011 cycle in 2012 cycle after which substantial changes to the QAP were made. Figure 5 presents a comparison of the spatial distribution of 2012 applications in 2011 applications posted against the urban allocation. Yellow dots on the map represent the 2012 LIHTC application while blue dots represent a 2011 application. As a simple visual inspection would suggest, there are fewer applications in 2012 clustered in the central cities of Dallas and Fort Worth, with more located in the suburbs. The net effect of this change is an increase in the

dispersion of applications, with the average 2011 urban application for Region 3 being located within roughly 5 miles of its nearest neighbor, and the average 2012 urban application being located roughly 5.2 miles from its nearest neighbor.

Figure 5.



Examining the distribution of LIHTC applications by County type (urban, suburban, and exurban) displays a significant change in their spatial distribution. Table 5 presents the breakdown of the applications received. In 2012, the total number of tax credit applications against the urban allocation in Region 3 decreased by 1, from 23 to 22. However, while 83% of 2011 applications were in the urban counties of Dallas and Tarrant, only 68% of the 2012 applications were located there. While applications in suburban counties only increased by 1 percentage point, from 17% to 18%, exurban counties absorbed the bulk of the change, increasing by 14 percentage points from 0% to 14% of applications in 2012. It appears that the decrease in applications in urban counties was matched by an increase in exurban counties, leaving the first ring suburban counties (Denton, Collin, Rockwall, Kaufman, and Ellis) relatively unchanged.

Table 5. Distribution of Region 3 Urban Applications by Type of County

	Total Applications	Urban Counties	Suburban Counties	Exurban Counties
2011 Urban Applications	23	83%	17%	0%
2012 Urban Applications	22	68%	18%	14%

Finally, this analysis examines the impact of the change in QAP by exploring the demographics of the communities in which developments were proposed to be sited. Using data from the American Community Survey 2006-2010 5-Year, Table 6 presents the average demographic characteristics for tracts receiving LIHTC applications in 2011 and 2012. In 2011, the average tract had 21% of residents living in poverty. In 2012, this number was 12%. Moreover, in 2012 the average tract had 16% of children living in poverty, down from 35% in 2011. As might be expected with the push to suburban and exurban communities, a review of the racial and ethnic distributions of LIHTC tracts shows an increase in the percent non-Hispanic white, with decreases in the percent non-Hispanic black or African-American and percent Hispanic.

Table 6. Average for Selected Demographic Characteristics for Tracts with LIHTC Applications, 2011-2012 Region 3 Urban

Average...	2011	2012
Percent Poor	21%	12%
Percent Children Poor	35%	16%
Percent Housing Distressed	50%	46%
Percent Non-Hispanic White	37%	61%
Percent Non-Hispanic Black/African-American	24%	16%
Percent Non-Hispanic Other	6%	7%
Percent Hispanic	37%	18%

Interestingly, the percent of renting households that housing distressed (defined as those with gross rent exceeding 30% of their income) has remained relatively stable between 2011 and 2012 (50% and 46%, respectively). This apparent stability is potentially misleading, however, as housing distress is not confined to those living in low- and moderate-income households. It may in fact be that in moving to more suburban and exurban tracts, one notes a roughly identical percent in housing distress, though they may be in more expensive houses with higher incomes, and likely not eligible for low-income housing tax credit programs.

In summary, this section of analysis focused first on changes in the QAP from 2011 the 2012, including the increased exclusivity of the high opportunity area designation and the resulting geographic impact of the census tracts eligible for that designation. Furthermore, we examined the resulting impact in the applications received in Region 3 for the urban allocation in both 2011 and 2012. While the number of applications decreased by 1, they were less likely to be located in the urban counties of Tarrant or

Dallas, and were more likely to propose developments located in neighborhoods in the exurban counties that were less poor and decidedly less minority.

The Broader Policy Environment – Suburbanization and Concentration of Poverty

There has been much attention recently to the effect of concentrated poverty, especially the concentration of low-income housing units and resulting concentration of poor residents. Changes to the QAP between 2011 and 2012, as well as those proposed in response to recent litigation against the Texas Department of Housing and Community Affairs, are intended to reduce this concentration. Advocates have expressed an interest in seeing low-income housing opportunities made available in areas served by quality schools with access to quality transportation, jobs, and other amenities. Furthermore, advocates are interested in seeing these opportunities in areas with less existing poverty. Below we briefly highlight recent thinking on concentrated poverty, detail considerations for the changing demographic distribution of the suburbs in Region 3, and explore alternative strategies for reducing the concentration of poverty.

A cursory review of the selection criteria outlined in the QAP and changes from 2011 to 2012 suggests that the State is interested in encouraging a reduction in the proliferation or expansion of pockets of concentrated poverty. As in many discussions about concentrated poverty, there are embedded assumptions worth exploring in more detail. While it has been well documented that poverty is spatially concentrated and has become more concentrated in recent decades (Jargowsky, 1997; Orfield, 2002), problems arise when this spatial reality is fused with a host of societal problems like high crime, drug use, and high drop-out rate with an assumed direct causal attribution. In some cases, the push for deconcentrating poverty is an attempt to right these social ills. Instead of addressing the root causes of poverty and associated social problems, the policy response becomes focused on the behavior of the poor, or more precisely, those who live in poor communities. In a comprehensive study of poverty dispersal programs, Goetz and Chapple found that the programs showed “a consistently disappointing record of benefits to low-income households” (2010, p. 209). Even more troublesome, these policies are often used to justify the redirection of community development efforts away from the low- and moderate-income neighborhoods and families (Goetz, 2003). It is important to examine the rationale and underpinnings of housing policies because just as the quality of the question dictates the quality of the response the ideology driving the policies shapes the outcomes.

The importance of cultural and community ties is rarely given the weight it deserves in policy discussions surrounding the issues of concentrated poverty. An approach rooted in this human experience could put a greater focus on alleviating the experience of poverty and related social problems. Often networks of mutual assistance exist in low- to moderate-income communities and are keys to survival (Dominguez & Watkins, 2003). These community ties are rarely accounted for in policy decisions, and are often disrupted by dispersal based policy solutions. This was a key concern of the HOPE VI housing development program of the Department of Housing and Urban Development. While older public

housing developments were being demolished and redesigned, an effort was made to see that residents initially displaced by the project were able to return. In addition, the redesigned communities included spaces and services to further facilitate the development of these social networks. While the 2011 and 2012 QAPs incentivize the provision of tenant services, the disruptive effects of relocating to an HTC development miles away from one’s prior home may negate or mitigate the beneficial effects of these services.

Migration patterns are another important factor in understanding the demographic snapshot of the state, and Region 3 in particular. Nationally, demographic trends show that minority populations are increasingly migrating out of central cities, and into suburban communities. While the Dallas area (somewhat analogous to TDHCA’s Region 3) has seen increased minority populations in the suburbs, the explanation is more complex. For example, three of the nation’s top 25 fastest growing cities lie within Region 3 – Frisco, McKinney, and Lewisville. Figure 6 shows that from 2000 to 2010, these three suburbs saw substantial growth in African-American population. Furthermore, Figure 7 demonstrates that African-Americans also grew as an overall share of the population in each of these suburbs.

Figure 6.

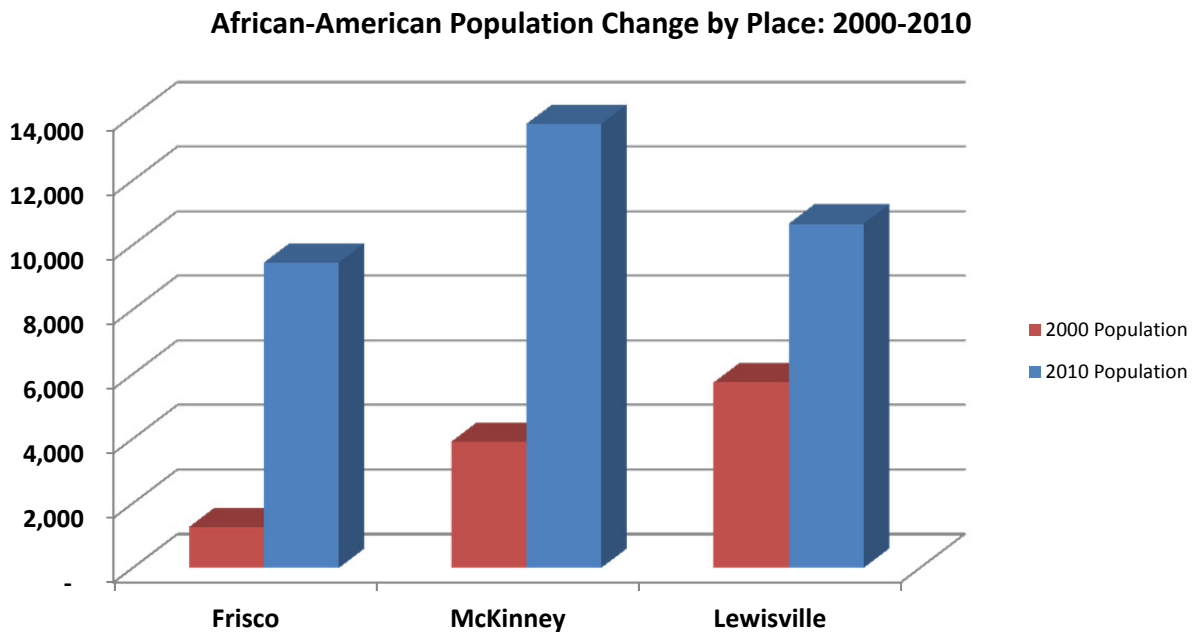
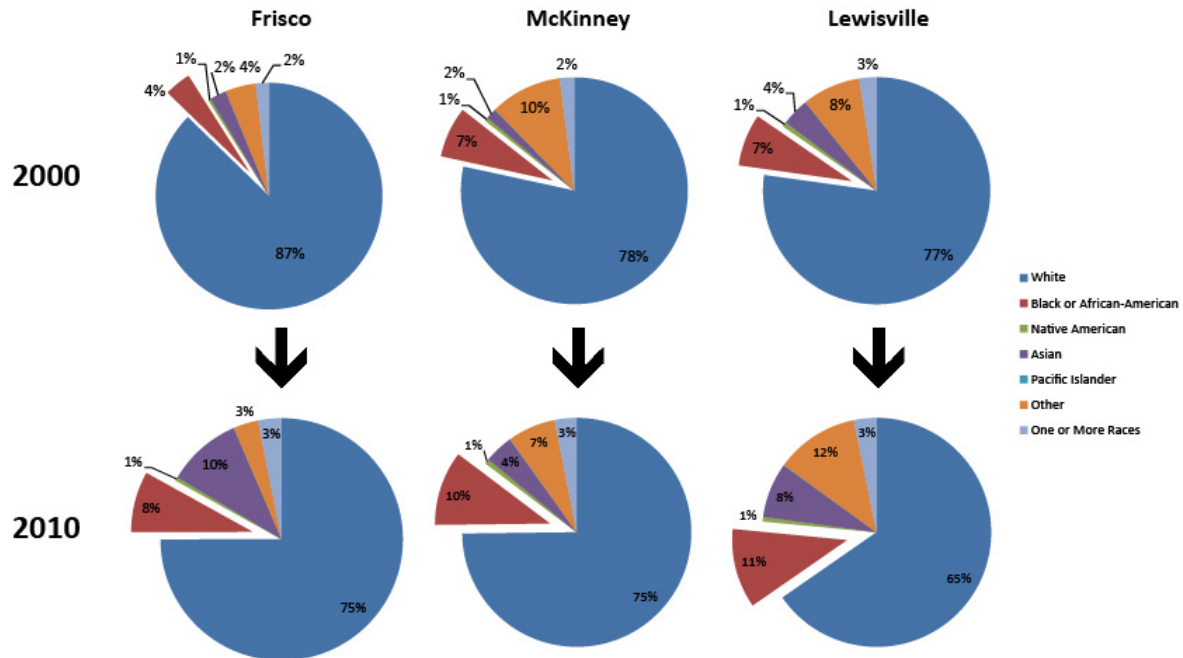


Figure 7. Racial Composition by Place, 2000-2010

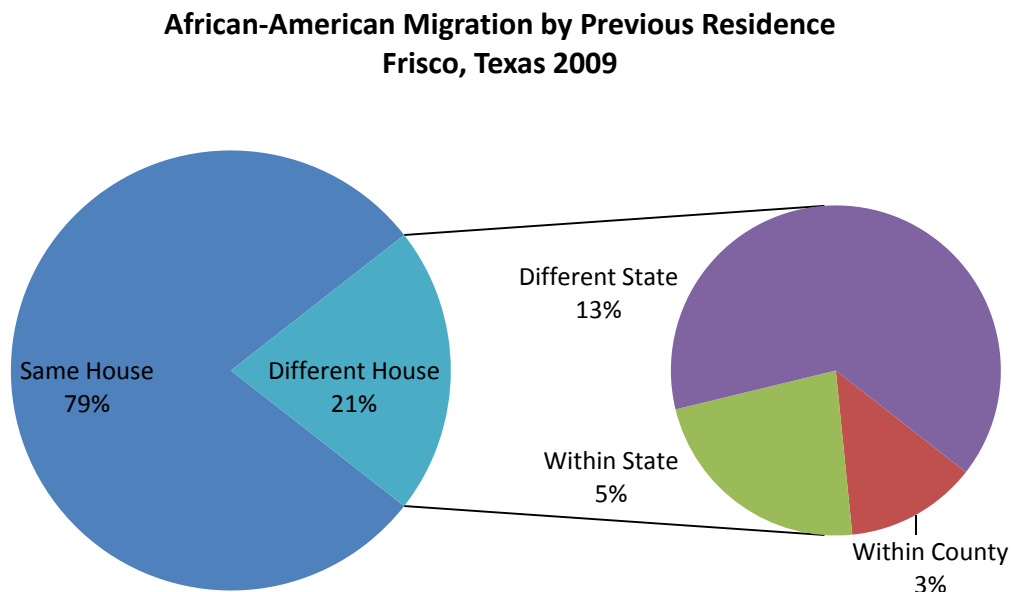


On the other hand, with respect to the presence of the poor in Dallas suburbs, Dallas saw growth in the suburban poverty rate from 2000 to 2008 that outpaced the national average by nearly double (a 1.9% increase compared to a 0.9% increase), but the central city’s growth in poverty was still larger, and outpaced the national average by a factor of 10 (a 3.0% for Dallas compared to a 0.3% increase nationally). Elsewhere in Texas, Austin saw its suburban poverty remain relatively stable from 2000 through 2008, while growth in the central city’s poverty rate exceeded the national average by nearly 8 times (2.6% vs. 0.3%). In Houston, both the central city and suburban poverty rates were relatively stable from 2000 through 2008, and both rates in 2008 slightly exceeded their national counterparts (19.5% to 18.2% for the central city, 10.4% to 9.5% for the suburbs). The story in El Paso, San Antonio and McAllen is likewise contrary to the national averages. For all three cities, poverty rates in the suburbs were relatively stable from 2000 through 2008. However, for both El Paso and McAllen, the suburban poverty rates exceeded the national average for their peers, and that of their central cities. Thirty-one percent of the suburban El Paso population lives in poverty, more than the 24.3 percent of the central city who do, and the 9.5 percent average for the nation’s suburbs. Likewise, 36.7 percent of the suburban McAllen population lives in poverty, more than the 28.3 percent of their central city and 9.5 percent average for their peers. Furthermore, for both El Paso and San Antonio, growth in the central city poverty rates outpaced national averages by a factor of at least 6 (Kneebone & Garr, *The Suburbanization of Poverty: Trends in Metropolitan America, 2000 to 2008, 2010*).

Although the African-American population in Dallas’ growing suburbs of Frisco, Lewisville, and McKinney has increased both in number and as a share of the population, this does not necessarily indicate

suburban migration from the central city. Consider the case of Frisco, the fastest growing city in the nation during the time period. Figure 8 shows the African-American share of heads of households by residential stability. Of those who did not reside in the same house five years ago, the vast majority (about 62 percent, 13 percent of all heads of household) moved from another state. While minority populations continue to grow in the suburbs, one cannot assume that these new minority residents are migrating city-dwellers.

Figure 8.



Summary

Changes in the QAP guidelines reflect an attempt to address the challenges of providing safe and affordable housing in Texas. However, a deeper consideration of the myriad assumptions often behind such policy changes reveals a rationale that will not fully serve the poor and working poor. In considering strategies to provide safe and affordable housing to low- and moderate-income families and individuals, one might reflect on strategies that fall into one of two camps. The first, of which tenant-based and unit-based dispersal strategies are typically representative, focus on addressing concentrated poverty by dispersing the poor to non-poor neighborhoods. While such programs often make opportunities available for low- and moderate-income families in communities with lower crime, better schools, and other amenities, they can disrupt social and family support networks (Dominguez & Watkins, 2003; Goetz & Chapple, 2010). Changes made to the QAP in 2012, and those proposed in response to the recent lawsuit, reflect such an emphasis on deconcentration through dispersal. While they address the housing needs for some, they do not provide a meaningful solution for all families, and they are not without complications after implementation. While much research in the area has focused on tenant based relocation programs (e.g., the Gatreaux program in Chicago and the subsequent

Moving to Opportunity Program – MTO), one might consider the plight of low- and moderate-income families moving to more suburban and exurban LIHTC developments in a somewhat mixed vein. While the creation of affordable housing opportunities in outlying communities does create opportunities for those who wish to move, the resulting lack of applications for close-in communities attributed to shifts in the State’s policy emphasis contributes to a lack of newer, safer opportunities in existing low-income communities. In his 2002 study, Goetz found that families involved in an involuntary relocation were less likely to report positive benefits for their children’s social interaction, and less likely to express satisfaction with their new neighborhood’s conditions than those whose move was voluntary (Goetz, 2002). Tenant-based dispersal programs in general, however, have been credited with mixed to positive results for voluntarily participating families (Johnson, Ladd, & Ludwig, 2002).

A more holistic strategy should couple these unit dispersal-based programs with programs that create opportunities for middle- and upper-income families in existing areas of concentrated poverty. These approaches are significantly more complex, and create additional concerns for maintaining a community’s mixed-income status in light of escalating property values and other implications. However, these strategies offer an opportunity to address issues of concentrated poverty while avoiding the disruption of personal ties for those who do not wish to move. While mixed-income attempts in the past have fallen short in providing services for their low- and moderate-income residents due to market-based forces (Fraser & Nelson, 2008), redirecting the focus of a unit-based program like LIHTC, which makes available specific requirements for the provision of these services, might remedy such shortcomings.

The demographic snapshot of changes in the Dallas metropolitan area demonstrates that while there has been growth in the presence of the poor in suburbs, the growth of poverty in central cities has far outpaced national averages. Our central cities are still sites of extreme need. This reality highlights a challenge for policymakers to find ways to reconcile the continued need found in city centers while also addressing the demand to create affordable housing opportunities beyond the central city. There is unfortunately no single solution for meeting the low-income housing needs in Texas, but as this study suggests a balanced approach between those strategies that increase inclusivity by introducing housing opportunities for the economically distressed into low-distressed opportunity neighborhoods and those that introduce housing opportunities for less-distressed families in areas of concentrated disadvantage would make tremendous strides in a positive direction. While the policy environment for the latter is much more complex than the former, striking a balance between the approaches will facilitate not only the development of economically integrated communities, but also provide a pathway to achieve the opportunities for density so necessary to the development of socially, economically, and environmentally stable communities.

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Notes

ⁱ An additional 6 points were made available for organizations who did not receive the full points available under the Qualified Community Participation (QCP) process when certain less restrictive criteria were met.

ⁱⁱ The assignment of specific selection criteria to incentive categories is as follows:

Incentive Category	2011 Selection Criteria	2012 Selection Criteria
Deal and Execution	§49.9(a)1; §49.9(a)2; §49.9(a)5; §49.9(a)6; §49.9(a)8; §49.9(a)11; §49.9(a)13; §49.9(a)14; §49.9(a)20; §49.9(a)22; §49.9(a)23; §49.9(a)25; §49.9(a)26; §49.9(a)27	§50.0(b)1; §50.0(b)2; §50.0(b)5; §50.0(b)6; §50.0(b)8; §50.0(b)11; §50.0(b)12; §50.0(b)13; §50.0(b)14; §50.0(b)18; §50.0(b)20; §50.0(b)21; §50.0(b)23; §50.0(b)24
Targeting	§49.9(a)3; §49.9(a)7; §49.9(a)19	§50.0(b)3; §50.0(b)7; §50.0(b)17
Product	§49.9(a)4; §49.9(a)9; §49.9(a)15	§50.0(b)4; §50.0(b)9
Siting	§49.9(a)10; §49.9(a)12; §49.9(a)16; §49.9(a)17; §49.9(a)18; §49.9(a)21; §49.9(a)24	§50.0(b)10; §50.0(b)15; §50.0(b)16; §50.0(b)19; §50.0(b)22

Appendix I – Replication of Gustafson / Walker Taxonomy

In their 2002 piece, Gustafson and Walker categorized each state’s 1990 and 2001 QAP preferences using an eight category taxonomy. The 2011 and 2012 QAP selection criteria points have been categorized in a similar fashion and are presented below in Table 7. The table is presented in the same manner as Table 2, with the bold lines representing the total category points and relative distribution across categories, and the smaller lines representing the relative distribution of the components of each category. As with the simplified analysis presented earlier suggests, these categories also experienced little change relative to each other. More change was observed within the categories.

Geographic Location, a focus of this paper, accounted for 10% of the points in both the 2011 and 2012 QAPs. However, within the category, the relevance of locating in a declared disaster area increased modestly from 30% to 35% of the category’s points, while the importance of deconcentrating (locating away from existing HTC uses) increased by almost 10 percentage points from 17% to 26% of location points. Other notable changes from 2011 to 2012 include the absence of references to the Housing Needs Characteristics scores that awarded points to locations with demonstrated housing need in 2011. Categories experiencing decreases in overall relevance include Project Activities and Types (3% to 2%) and Building Characteristics (17% to 14%). There was a notable shift within the category of Project and Activity Types with a change in the types and nature of revitalization supported. With the elimination in 2012 of points for development size, and the absorption of the green building points under the unit amenities structure, the resulting balance of points in the Building Characteristics category shifted as well.

Categories demonstrating a relative increase in points from 2011 to 2012 include Financing, which rose from 22% to 24% of points due largely to the increase in points for leveraging third party funds. Sponsorship and Costs rose from 25% to 30% with the addition of points for evidence of preparation and other minor increases. Affordability also experienced a relative increase, albeit a minor one (from 8% to 9% of points), due to an increase in the points afforded to rent levels of the units.

Table 7. Change in Texas QAP Using Gustafson / Walker Taxonomy

Category and Point Criterion	2011 Points	2012 Points	2011 Pct.	2012 Pct.
Geographic Location	23	23	10%	10%
Declared Disaster Area (49.9(a)10 / 50.9(b)10)	7	8	30%	35%
Developments in CT with No Other Existing Same Type Development (2011) or Limited HTC Developments (2012) (49.9(a)18 / 50.9(b)15)	4	6	17%	26%
Development Location (49.9(a)16 / 50.9(b)16)	4	4	17%	17%
Site Characteristics (49.9(a)21 / 50.9(b)19)	4	4	17%	17%
Economic Development Initiatives (49.9(a)17 / 50.9(b)22)	4	1	17%	4%
Local Housing Needs	6		3%	0%
Housing Needs Characteristics (49.9(a)12 /)	6		100%	
Financing	48	53	22%	24%

Category and Point Criterion	2011 Points	2012 Points	2011 Pct.	2012 Pct.
Financial Feasibility (49.9(a)1 / 50.9(b)1)	28	28	58%	53%
Commitment of Local Government Funding (49.9(a)5 / 50.9(b)5)	18	18	38%	34%
Leveraging of Private, State, and Federal Resources (49.9(a)26 / 50.9(b)12)	1	7	2%	13%
Third Party Financing Outside QCT (49.9(a)27 /)	1		2%	0%
Resident Characteristics	26	26	12%	12%
Income Levels of Tenants of the Development (49.9(a)3 / 50.9(b)3)	22	22	85%	85%
Tenant Populations with Special Housing (49.9(a)19 / 50.9(b)17)	4	4	15%	15%
Project Activities and Types	7	4	3%	2%
Repositioning of Existing Developments (/ 50.9(b)20)		3	0%	75%
Community Revitalization, Historic Preservation, or Rehabilitation (49.9(a)13 / 50.9(b)23)	6	1	86%	25%
Qualified Census Tracts with Revitalization (49.9(a)24 /)	1		14%	0%
Building Characteristics	37	30	17%	14%
Development Size (49.9(a)22 /)	3		8%	0%
Size and Quality of the Units (49.9(a)4 / 50.9(b)4)	20	20	54%	67%
Tenant Services (49.9(a)9 / 50.9(b)9)	8	10	22%	33%
Green Building Amenities (49.9(a)15 /)	6		16%	0%
Sponsorship and Costs	56	67	25%	30%
Quantifiable Community Participation (49.9(a)2 / 50.9(b)2)	24	24	43%	36%
Community Support from State Rep/Senator (49.9(a)6 / 50.9(b)6)	14	16	25%	24%
Cost of Development by Square Foot (49.9(a)8 / 50.9(b)8)	10	12	18%	18%
Additional Evidence of Preparation to Proceed (/ 50.9(b)11)		7	0%	10%
Pre-Application Participation Incentive (49.9(a)14 / 50.9(b)14)	6	6	11%	9%
Sponsor Characteristics (49.9(a)23 / 50.9(b)21)	2	2	4%	3%
Affordability	17	19	8%	9%
Length of Affordability Period (49.9(a)20 / 50.9(b)18)	4	4	24%	21%
Right of First Refusal - Eventual Tenant Ownership (49.9(a)25 / 50.9(b)24)	1	1	6%	5%
Rent Levels of the Units (49.9(a)7 / 50.9(b)7)	12	14	71%	74%
Grand Total	220	222	100%	100%



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