

Double-Dipping or Lagniappe?
A Study on the Use of Tenant-Based Vouchers in
Low-Income Housing Tax Credit Developments in New Orleans, Louisiana

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Submitted to the Department of Urban Studies and Planning in
partial fulfillment of the requirements for the degree of

Master in City Planning
and
Master of Science in Real Estate Development

at the
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
June 2018

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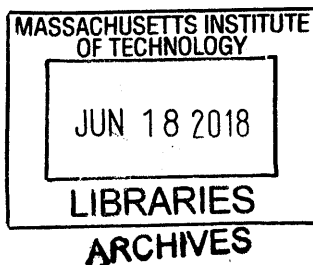
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ABSTRACT

Following Hurricane Katrina, New Orleans demolished nearly all of its public housing. Mirroring a national trend, not all of it was replaced. What was replaced largely took different forms: tenants received portable Housing Choice Vouchers and developers built new housing subsidized by the Low-Income Housing Tax Credit (LIHTC). Now, New Orleans has over 18,000 voucher households and approximately 10,000 LIHTC units. While this might appear to add up to 28,000 affordable units, the two programs overlap in significant ways. Tenants are permitted to use vouchers in LIHTC developments and LIHTC developers must accept tenants with vouchers. I start with a seemingly simple question: What is the prevalence of this practice? Through spatial analysis, some relationships between LIHTC and vouchers appear. Through interviews and review of property level data, I find that approximately 50% of LIHTC units are occupied by individuals with tenant-based vouchers.

By permitting tenants with portable vouchers to live in LIHTC developments, do we “lose” affordable units? Through interviews with developers, policymakers, and property managers, I find that LIHTC developers do not consider tenant-based subsidy in the development process, nor do they depend on it for underwriting deals. However, due to different methodologies for rent determination, tenant-based vouchers allow LIHTC developers to earn higher rents. This “Tenant-Based Section 8 Overhang” brings additional unanticipated revenue to developments. This is essentially lagniappe - a phrase used in New Orleans to describe an unexpected small gift. Using New Orleans as a case study, I analyze payments standards and suggest that by requiring developers to accept the lower LIHTC rents, it may be possible to save millions of dollars per year. I conclude with policy proposals that seek to preserve tenant choice while pushing for maximum program savings to potentially create additional vouchers.

Thesis Supervisor: Karl F. Seidman
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Acknowledgements

Thank you to my family who helped me get to where I am today: Mom, Grandma, Nate and Clarke.

Also, my dad. I miss you.

And to all of the friends who helped me through this process, but especially Josh Bauchner and Hannah Weiss. And Madeline Wrable who sat graciously with me for hours making maps at Rotch.

For all of my wonderful classmates here at DUSP. You are the best part of my experience over the last two years.

For the women who make MIT a special place: Rosa Assuncao, Maria Resendes, Luz Reinozo, Mariluz Lopes, and, of course, Chrissy Hudson at CopyTech.

All of the people who took my phone calls and let me interview them for this thesis.

Ingrid Gould Ellen for reading my thesis and helping me to become a more confident writer.

Karl Seidman for reading many copies of this document and pushing me along that way.

And to all of my friends and acquaintances in New Orleans. Thank you for your kindness, grace, and perspective.

And of course to all of my old co-workers who helped me learn what little I know about how affordable housing works: Shawn Escoffery, Kim Vu-Dinh, Angela Patterson, Suzette Reynolds, Una Anderson, and Charles Cutno. The list goes on.

Alisa Bright. Thank you for helping me right up until the last moment to bring this all to a close. I look forward to this being my last paper. I also look forward to being together with you in New Orleans soon.

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Chapter I: Introduction

Personal Perspective

I watched the rapid change of the affordable housing landscape in New Orleans starting in 2009. My first job was with a nonprofit working as the local partner on the redevelopment of CJ Peete public housing development into Harmony Oaks. I worked for the offsite developer tasked with building single-family homes in the surrounding neighborhood designed for first-time homeowners. The homes were specially marketed towards former residents of CJ Peete. As I came on board, Harmony Oaks was nearly complete. In the process, I learned about tax credits, public housing, and the plethora of other funding sources available to create housing.

As we grew the organization, we continued to purchase properties that were blighted and abandoned. We believed that through the stabilization and demolition of abandoned properties we could amplify the potential positive impact that the new mixed-income Harmony Oaks would have on the community. By building new homes that were affordable to first-time home buyers we could have transformational impact on people's lives and financial stability.

At the time, my role revolved around the arcane policies around code enforcement. Over months of conversations, meetings, and readings, I learned the process for purchasing properties with every imaginable type of lien – tax, demolition, code enforcement. Through the process we intended to slowly gather properties that we would then bundle into a Low-Income Housing Tax Credit transaction. But, to me, the trajectory felt less clear. In the crumbling buildings we found the telltale signs of homelessness: mattresses, clothes, personal belongings. As we sought to deliver long-term positive neighborhood change, I felt conflicted.

Eventually, I found a position at Unity for the Homeless working on their permanent supportive housing voucher program. It was the opportunity to work with those who might live in those abandoned buildings and find suitable, permanent homes for them. A coalition of local organizations advocated for these vouchers after Hurricane Katrina as a special appropriation from HUD. It allowed for vouchers that were both connected to the individual – tenant-based vouchers – and those subsidies that were tied to a specific development – project-based vouchers. As a Housing Specialist, my work on the tenant-based voucher side existed somewhere between real estate agent and social worker. I made daily phone calls to landlords to find potential homes for our clients. I'd work to convince property owners of the merits of our program. Meanwhile, I needed to keep in touch with and meet the evolving need of my clients, many of whom had severe mental health issues. I can remember one client who I was only able to track down for housing thanks to a committed EMS paramedic who called me when he took his thrice weekly trip to the hospital by ambulance. An understanding and flexible landlord was able to do the entire process – showing, inspection, and lease signing – in just one day. Along the way, it became clear that the landlords were also the ones fixing up those properties that my old organization contemplated purchasing. The permanent supportive housing voucher program both provided homes for people and incentivized the renovations in previously vacant buildings.

As I found housing for my clients we would tap into both the private market of small landlords and into the market of subsidized housing. These were projects that had received subsidy through other means, primarily through the Low-Income Housing Tax Credit (LIHTC). The

developments that would work with our program and had vacancies tended to be in the less dense non-central neighborhoods of the city – primarily New Orleans East and Algiers across the Mississippi River. As a Housing Specialist, when I located apartments that were LIHTC there was oftentimes a sense of relief. On-site professional management meant they would likely understand the ins and outs of our program. A large development meant that they would be able to withstand the sometime slow process of receiving the first rent check without blowing up my phone. In general, it also meant a more consistent higher quality product as the developments required inspections to keep their property qualified for the tax credits.

However, the public policy seemed less clear to me. My client who had a portable voucher, a person who could potentially live anywhere with any landlord, was going to occupy an apartment that would be available to a qualified cash paying tenant without any assistance. In the process of locating high-quality housing for one person, was I simultaneously removing an affordable apartment from the market?

In a city, state, and country where affordable housing is a scarce resource and not everyone who qualifies for assistance will receive it, it is essential that we continue to interrogate these programs for savings that could bring additional affordable units into the marketplace. As I have learned through my work experience and graduate school, the world of affordable housing is incredibly complex. A myriad of programs and acronyms make it all but indecipherable for all but those inside of the affordable housing world. Here, I explore the two primary ways in which the federal government subsidizes the provision of affordable housing: the Housing Choice Voucher and the Low-Income Housing Tax Credit (LIHTC). I look at the interaction between these two programs in the context of New Orleans and suggest new ways that these program might better interact with one another.

These leads me to determine that it is possible to introduce additional vouchers into the system at no cost to tax payers. I propose a variety of modifications to the way that the Low-Income Housing Tax Credit Program and Housing Choice Voucher program interface with one another. Based on the changes I suggest, it may be possible to obtain nearly an additional 1000 vouchers in the city of New Orleans. This would be an increase from the general allotment of over approximately 5%.

An Introduction to the Issue

This thesis is meant to better understand a phenomenon that I saw as “double-dipping” on subsidies. I chose to focus on the New Orleans context because it is a place that I know reasonably well from my previous work experience and it is where I plan to return after graduate school. To guide this effort I seek to answer the following three questions:

First, how prevalent are tenant-based Housing Choice Vouchers in projects that have been developed with the Low-Income Housing Tax Credit? At the outset, this question seemed answerable – with the right data it should be possible to determine the number of tenants who have vouchers. On this question, my research comes up with a few possible answers, but due to limited access to data it is difficult to quantify with certainty.

Second, how do developers think about the overlap of these two programs when considering a development? With my own intention to return to affordable housing development, my interest on this point was a bit more personal. I wanted to speak with developers, those who choose to undertake the LIHTC development and understand their thought process and how they might think about HCVs when they set out to develop a project – tenant-based vouchers critical to a development, or are they something extra? My interviews and conversations with developers suggest that housing choice vouchers play little to no role in the decision to develop a project, the point system for allocating the Low-Income Housing Tax Credit is far more important in that decision.

Third, what sort of special patterns exist in the relationships between LIHTC developments and Housing Choice Vouchers. In my own experiences trying to find housing for the formerly homeless I struggled with the move to find housing units in areas that were in the outskirts of the city. Having worked previously with a nonprofit on the redevelopment of centrally located public housing there was a tension here – were we merely moving people from one well located area into an area much further afield but privately owned? Do spatial trends emerge? Is there something unique about those specific properties where voucher holders live? Drawing on academic research, interviews, and spatial analysis of HUD and Census data I address these questions. Finally, I offer some policy proposals to improve these programs.

Before all of this, it is necessary to explore both of these programs. This is designed to be an accessible, but deep, dive into two complex programs that are the dominant means of providing affordable housing in the United States.

Chapter 2: The Housing Choice Voucher Program and the Low-Income Housing Tax Credit

There are two dominant forms of affordable housing delivery in the United States: the Housing Choice Voucher and the Low-Income Housing Tax Credit program. While traditional public housing currently provides 1.1 million units of housing, there are 2.2 million individuals that receive Housing Choice Vouchers (HCV) and nearly 2.2 million LIHTC units are currently in service¹. Developers of LIHTC properties are required to make either 20% of the units in the development affordable to individuals at 50% of Area Median Income (AMI) or 40% of the units affordable to those at 60% AMI.² Vouchers ensure affordability for the recipients as they are only required to pay 30% of their income in rent, the remaining amount is covered by the subsidy administrator (i.e. the federal government). However, the constraints of price, willingness of landlords, and jurisdictional boundaries provide a far more limited selection process. Here, I will explore each of these programs in depth separately as a first step towards understanding how they interact with one another.

The Demand Side: Housing Choice Voucher Program: History Origin and Scale.

The Housing Choice Voucher Program achieved its current incarnation over several decades. By providing vouchers to tenants, the program has the potential to make any apartment affordable to a household, provide Low-Income households with more choice, and, as a result deconcentrate poverty.³ It keeps housing affordable for families by requiring that households only pay 30% of their monthly income in rent. The difference between 30% of their income and the contract rent is paid by the local housing authority with federal funds. Tenants are able to choose any property on the housing market provided that it is below a threshold price set by the Housing Authority, known as the Payment Standard. While in theory this opens up any apartment to a voucher holder, in practice, as will be discussed later on, this can be difficult.

Over the last fifty years, the Housing Choice Voucher grew out of public housing forays into the private real estate market to become the dominant form of subsidized housing in the United States. Public housing authorities began renting private market housing units in 1965 under the Section 23 program. These units were then sublet to public housing eligible residents.⁴ In 1974, Section 23 ended and the Section 8 Existing Housing Program was created in its place with the passage of the United States Housing and Community Development Act. Previously, the Section 8 Program was entirely project-based, that is HUD signed contracts with private owners and developers to provide subsidies to make the rent affordable for tenants in specific projects. The unit itself was affordable for the length of the contract as long as the tenants met certain income criteria. The Existing Housing Program expanded the reach of subsidy into the broader housing rental market by providing *tenants* with certificates to pay landlords a portion of the rent.⁵ Tenants chose

¹ CPPB 2016, 2017. O'Regan and Horn, 2012.

² Malpezzi and Vandell, 2002

³ 42 U.S. Code § 1437f

⁴ Olsen, 2003 and Housing Choice Voucher Program Guidebook 7420.10G, 1-2.

⁵ McClure in Fair and Affordable Housing in the US, 2011.

the apartments as long as the units met the minimum affordability and quality criteria. Modifications were made to the program in 1983 and it was renamed the Housing Choice Voucher Program (HCVP) in 1998.⁶ The program saw increased funding with the passage of the Section 8 Reform Act of 2007 including increased portability of vouchers between municipalities.⁷

Since its inception, the Housing Choice Voucher program has become the dominant form of housing subsidy in the United States both in terms of cost and scope. In 2017, \$18.4 billion was allocated to the Section 8 Tenant-based Rental Assistance Program. An additional \$1.6 billion in administrative fees was provided to local housing authorities to manage the program.⁸ While the funds are distributed by HUD, the program is administered by over 2,400 state and local housing authorities.⁹ Nationwide, the program assists over 2.25 million households and nearly 5.3 million individuals with an average HUD monthly expenditure of \$818 per housing unit.¹⁰ By comparison, in 2017 traditional public housing received just under \$7 billion and assists just under one million households.¹¹

The growth of tenant-based vouchers and the decline of public housing is a trend that has been underway for decades. The number of public housing units reached its peak nationally in 1991. The number of HCV tenant-based units surpassed the total number of public housing units in 1994.¹² In New Orleans, it was approximately ten years later when the number of vouchers eclipsed the number of public housing units.¹³ At this point in time there were nearly 10,000 tenant-based vouchers and just over 7,000 public housing units. After Hurricane Katrina, this trend accelerated and today there are approximately 18,600 tenant-based vouchers and approximately 2,000 public housing units.¹⁴

Much like public housing, the HCVP is based on an annual funding allocation from the federal government. Housing Authorities are allocated funds based upon the number of vouchers that they are authorized to administer. That number is based upon the number of vouchers that the Authority has been awarded previously.¹⁵ While this funding is subject to the annual budget appropriations process, the total number of housing choice vouchers utilized increased every year

⁶ Desmond, 2016. This renaming happened with the passage of the Multifamily Assisted Housing Reform and Affordability Acts (MAHRA).

⁷ Metzger 2014, 546.

⁸ <https://nahroblog.org/2017/05/05/president-signs-fy-2017-hud-spending-bill/>

⁹

¹⁰ HUD Picture of Subsidized Households Dataset. <https://www.huduser.gov/portal/datasets/assthsg.html>

¹¹ Ibid.

¹² Vale and Freemark, 2012, 381. This also comes from data provided to me directly by Yonah Freemark.

¹³ Vale and Freemark compiled data. Note that the date may have actually been earlier than 2004, but incomplete readily accessible data makes this hard to ascertain. This number does not include the project-based Section 8 vouchers in New Orleans. In 2004, the actual number of units for tenant-based vouchers was (9662) and occupied public housing units (7025). From an email with Yonah Freemark: "To clarify, what's going on here is that the number of public housing units fell from 8700 to 7025 between 2003 and 2004, and the number of voucher units increased from 7357 to 9662 between 2000 and 2004—the problem is that we don't know exactly when the two crossed because we have no voucher data for 2001, 2002, or 2003."

¹⁴ Based on data from HUD Picture of Subsidized Households.

¹⁵ CBPP Introduction to the Housing Voucher Program. <https://www.cbpp.org/research/introduction-to-the-housing-voucher-program>

except for a few since its inception in 1974.^{16,17} Additional vouchers are generally provided by HUD to states based on a formula, though there are a variety of “special-purpose” vouchers for specific populations awarded by competition.^{18,19} This is not to suggest that the appropriations process is guaranteed. It was particularly problematic in 2013, when the budgetary sequestration process led to the net loss of 100,000 vouchers nationwide.^{20,21}

The HCVP determines qualification for the subsidy based upon income.²² In order to qualify for a Housing Choice Voucher, a household must be considered Very Low-Income, that is, it earns less than 50% of the Area Median Income. While some exceptions permit households to earn up to 80% of Area Median Income, nationally 94% of recipients are Very Low-Income.²³ Seventy-three percent of those recipients are characterized as Extremely Low-Income, earning 30% or less of the AMI. Nearly a quarter of households have someone in their family with a disability. The pool of New Orleans voucher recipients is similar to the national picture in most ways, however, there are two major differences. First, voucher recipients in New Orleans are 95% African American whereas the national average is 48%. Second, families with vouchers have spent 50% more time on the waiting list before receiving their voucher.²⁴ The chart below is a comparison of the United States Housing Choice Voucher population and the Orleans Parish voucher population.

¹⁶ McClure 2011.

¹⁷ Data compiled by Vale and Freemark, also I made use of the Picture of Subsidized housing HUD. Those years were: 1995, 2005, 2008. Through the HUD Picture of Subsidized Households I was able to observe 2017 as well.

¹⁸ The Technical Assistance Collaborative, Special Purpose Vouchers, 2016.

¹⁹ “Introduction to the Housing Voucher Program | Center on Budget and Policy Priorities.” Accessed May 19, 2018. <https://www.cbpp.org/research/introduction-to-the-housing-voucher-program>.

²⁰ Desmond, 2016.

²¹ “Sequestration Could Cut Housing Vouchers for as Many as 185,000 Low-Income Families by the End of 2014.” Center on Budget and Policy Priorities, November 6, 2013. <https://www.cbpp.org/research/sequestration-could-cut-housing-vouchers-for-as-many-as-185000-Low-Income-families-by-the>.

http://www.clpha.org/uploads/Funding_Charts/11112013PHandHCVFundingHistory.pdf

²² https://www.hud.gov/topics/housing_choice_voucher_program_section_8 Immigration status is also considered.

²³ According to HUD website. https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/tenant: “These include families that are already assisted under the 1937 U.S. Housing Act, such as families physically displaced by public housing demolition, and owners opting out of project-based section 8 housing assistance payments (HAP) contracts.”

²⁴ Picture of Subsidized Housing Statistics <https://www.huduser.gov/portal/datasets/assthsg.html>

Table I: Housing Choice Voucher Demographic Data, United States in comparison to New Orleans

Category	U.S.	Orleans Parish
Subsidized units available ²⁵	2,489,182	18,650
Total Number of People	5,288,023	45,382
Average Family Expenditure per month	\$370	\$332
Average HUD Expenditure per month	\$818	\$806
Household income per year	\$14,454	\$12,471
% very Low-Income	94	92
% extremely Low-Income	73	71
% Minority	69	98
% Black Non-Hispanic	48	95
% White Non-Hispanic	31	2
% Black Hispanic	2	3
Average months on waiting list	32	49
Average months since moved in	112	84

The Area Median Income is determined by HUD on an annual basis based on data from the American Community Survey. This is the midpoint for a HUD-defined geography at which half of the households earn greater than that income and half earn less than that income.²⁶ It varies depending on family size and region. Furthermore, many of the individuals qualifying by the AMI conceptualize their wages on a weekly, or hourly basis. HUD determines the Area Median Income for a metropolitan area and from that derives the permissible annual earnings for each AMI bracket. In the abstract, these numbers can make understanding the income of these individuals difficult. A breakdown of the New Orleans context is illuminating.²⁷

²⁵ There is a slight technical discrepancy here in the data between subsidized units available and another field “Number reported” which shows the number of households reported under the HUD form 50058. At the national level this number is smaller (2,264,047) and at the city level is slightly higher (19,090). For this research I focus on the subsidized units available which is defined as the Number of units under contract for federal subsidy and available for occupancy.

²⁶ <https://www.huduser.gov/portal/datasets/il//il18/IncomeLimitsMethodology-FY18.pdf>

²⁷ Methodology for Determining Section 8 Income Limits. For comparison, the AMI for the New Orleans-Metairie, LA HUD Metro FMR Area for a family of four is \$65,600 AMI for a family of four is while the national non-metropolitan median income is \$58,400 according to Novogradac.

Table II: Breakdown of Area Median Income

	Family of Four			Family of Two			Single Person		
	Annual	Monthly	Hourly/Dual Income Hourly	Annual	Monthly	Hourly/Dual Income Hourly	Annual	Monthly	Hourly
60% AMI	\$37,980	\$3,165	\$19/\$9.5	\$30,420	\$2,535	\$15/\$7.50	\$26,640	\$2,220	\$13
50%AMI Very Low-Income	\$31,650	\$2,638	\$16/\$8	\$25,350	\$2,113	\$13	\$22,200	\$1,850	\$11
30% AMI Extremely Low-Income	\$18,990	\$1,583	\$9.50	\$15,210	\$1,267.50	\$7.61	\$13,320	\$1,110	\$6.66

There are a few observations worth noting from this table. First, the process of income calculation is complex. In my experience, AMIs are referenced among developers in a casual way – as if their meaning is intuitive or readily grasped. The chart above points to the wide gamut of incomes that can exist within any given AMI band depending on family size. Second, by framing this in hourly wages it emphasizes that even those earning more than the minimum wage without dependents qualify for Housing Choice Vouchers.²⁸ Louisiana does not have a minimum wage law, and therefore the state’s minimum wage is set at the federal minimum: \$7.25 per hour and \$2.13 for tipped employees. While this is imprecise, particularly for a family of four that might have two wage earners, it still points to the meager income of families that receive assistance. One critique of the Area Median Income determination process is that it considers the metropolitan area not just the income within a specific city. If the AMI were calculated on a city level it would change the pool of individuals who qualify for HCV, and any other housing programs for that matter. If the citywide median income is actually *lower* than the AMI, some individuals in the city who currently qualify by income would no longer qualify. If the citywide median is *higher* than the AMI, the pool of income qualified individuals would grow.

The Waiting List points to one of the major drawbacks to the Housing Choice Voucher Program: not everyone who qualifies for assistance receives assistance. Unlike the Supplemental Nutritional Assistance Program (SNAP, commonly referred to as food stamps), Housing Choice Vouchers are not an entitlement—the supply of vouchers is determined by federal appropriations. This results in waiting lists that can be very long and imprecise; changed addresses or failure to update contact information can result in missing one’s opportunity for a voucher. In New Orleans, the waiting list was most recently opened in February 2016. Before that it was 2009 – seven

²⁸ Pointing to the low wage economy that exists, I recently noticed a job listing for a 311 city information help line call operator that earns \$23,675, meaning that even someone with a seemingly strong city job would qualify for assistance.

years earlier.²⁹ Once someone makes it onto the waitlist, the national average wait time is two and a half years before they move into housing; in New Orleans it takes on average four years.³⁰

These rationed subsidies result in many individuals left out. There are many shocking figures used to depict the difficulties for those left outside of the subsidy. Matthew Desmond, author of the book *Evicted*, observes that 67% of households nationally who qualify for subsidies will not receive any form of housing subsidy either in the form of a voucher, public housing, or rent control.³¹ In New Orleans the situation is not dissimilar. I estimate that 45% of eligible families do not receive subsidy even though they qualify, though this number is likely higher, but hard to determine precisely due to census particularities.³² As an additional note, New Orleans is an especially poor city with 26.2% of individuals in New Orleans living below the poverty line.³³

Cost burden is another measure of the plight of those without subsidy. Moderate cost burdened refers to households where greater than 30% of income is spent on housing. Severe cost burdened are those households spending greater than 50% of their income on housing. This measure includes both rent and tenant-paid utility expenditures.³⁴ Nationwide, approximately 47% are cost burdened and in New Orleans, this figure is 54.8%.³⁵ When a household receives a Housing Choice Vouchers it ensures that will only spend between 30% and 40% of their income towards rent and utilities.³⁶

Table III: Cost Burdens, New Orleans and United States

	Cost Burdened Renters, >30% Income	Severely Cost Burdened Renters, >50% Income
New Orleans (2015)	54.8%	30.9%
United States ³⁷ (2016)	47%	25%

²⁹ http://www.nola.com/politics/index.ssf/2016/02/hano_to_open_section_8_wait_li.html HANO to open Section 8 wait list, accept new applicants. And before 2009, it was actually 2001 when they last opened the wait list to new applications. http://www.nola.com/news/index.ssf/2009/02/fema_rent_subsidy_program_for.html

³⁰ 32 Months nationally and 49 months in New Orleans according to data pulled from the HUD Picture of Subsidized Households 2017.

³¹ Desmond 2016.3

³² While this figure gets into the weeds of housing policy, it but Over half of renter households earn under \$25,000 per year. The data collection particularities of the ACS make it difficult to exactly determine the number of households as we do not have individual level data. Someone earning under \$25,000 is definitely in the 50% AMI category. The next available bracket (\$25,000 - \$34,999) would likely over count voucher-eligible households. Based on the ACS data, there are 41,610 eligible families, only 23,000 receive subsidized housing³² in New Orleans – 55%. This means that 45% do not receive any subsidy even though they qualify. Note that this does not even consider the 50-60% AMI pool of renters that would qualify for LIHTC

³³ American Community Surveys data. 2012-2016

³⁴ U.S. Department of Housing and Urban Development 2007, 1 from Williamson 2011.

³⁵ <http://www.jchs.harvard.edu/son2017-housing-cost-burdens-table>

³⁶ As will be made clear further on, tenants can elect to pay up to 40% of their income on a

³⁷ http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/05_harvard_jchs_americas_rental_housing_2017.pdf

Looking more closely at Low-Income individuals, those who earn below 80% of AMI, the 2016 Assessment of Fair Housing for New Orleans found that 66% of renters (49,500) of the city’s renter pool earns below 80% of the Area Median Income. Of this group 75% were cost burdened, and 51% of them (~25,245) were severely cost burdened.³⁸

No matter how the impact on eligible families is measured, Housing Choice Vouchers are clearly a heavily rationed subsidy. Intuitively, a more efficient HCVP results in savings. Those savings can potentially be used by new households without any subsidy struggling to pay for housing. It is important to remember why this matters. For each dollar that is spent on housing, it means that Low-Income families will struggle to pay for the other goods and services that they need. This includes essentials such as food and transportation, but also those longer term investments, such as a down payment for one’s own home or education.

After Katrina, Section 8 vouchers were granted to the city in disproportionate numbers to address the housing shortage that resulted from the hurricane and subsequent flooding. Individuals in public housing were provided with Disaster Housing Assistance Payment (DHAP) vouchers. These vouchers were subsequently converted to Section 8 vouchers.³⁹ It is important to understand how the New Orleans population compares to the population of voucher tenants in other cities. Here, I choose cities of similar population size to New Orleans with a focus on Southern cities as well as cities that were the basis of research mentioned elsewhere in this paper. I utilize data from the HUD Picture of Subsidized Households and pair it with the American Community Surveys population estimates for 2016. As you can see, New Orleans the voucher holder population in New Orleans represents over 22% of the renter pool and nearly 5% of the total population of the city. This is likely due to the large pool of vouchers provided to Katrina survivors after the hurricane paired with the demolition of much of the public housing stock in the city.⁴⁰

Table IV: Cities and Estimated Percentage of Tenants with Housing Choice Vouchers

City	Population	Renters	Housing Choice Voucher Holders	Vouchers as Percent of Renter Population
Miami, Florida	432,622	112,261	6,272	5.59%
Minneapolis, MN	404,670	89,283	5,030	5.63%
Milwaukee, WI	598,672	134,523	7,640	5.68%
Tampa, FL	361,477	74,743	4,254	5.69%
Memphis, TN	655,857	131,087	7,497	5.72%
Arlington, TX	383,899	60,017	3,799	6.33%
Baton Rouge, LA	228,694	44,360	2,849	6.42%
Cleveland, OH	389,165	97,116	7,541	7.76%

³⁸ 2016 Assessment of Fair Housing

³⁹ Interview with Yusef Freeman of McCormack Baron Salazar.

⁴⁰ Based upon figures from the American Community Surveys dataset 2016 and HUD Picture of Subsidized Housing.

Pittsburgh, PA	305,305	69,514	7,076	10.18%
Baltimore, MD	621,000	129,567	16,127	12.45%
Mobile, AL	193,717	33,925	5,228	15.41%
Atlanta, GA	456,378	107,926	19,170	17.76%
New Orleans, LA	382,922	83,055	18,661	22.47%

While New Orleans may be fortunate to have a higher percentage of vouchers for its eligible population than other major cities, it still has a relatively poor population and many additional families that could benefit from support. Better understanding the Housing Choice Voucher Program is the first step in understanding the inefficiencies that may be generated through the combination of vouchers with LIHTC funded projects.

How Housing Choice Vouchers Functions

The stated purpose of the Housing Choice Voucher Program is: to assist “very Low-Income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.”⁴¹ While this basic mission can feel complicated by percentages, acronyms, and guidelines it is essential to understand these practical components of the program to appreciate how the HCVP functions alongside the LIHTC program.

Individual Qualifications. Tenants are eligible for an HCV based upon income. HUD specifies that family income must not exceed 50% of the AMI. Additionally, each Housing Authority is required to provide 75% of its vouchers to individuals with incomes that do not exceed 30% of the Area Median Income.⁴² Vouchers ensure affordability for the recipients as they are only required to pay 30% of their income in rent, the remaining amount is covered by the Housing Authority and then reimbursed by HUD.⁴³

Finding a home. The perceived elegance of the HCV program is that vouchers allow individuals flexibility on where to live than public housing or project-based vouchers. Technically, any apartment with an owner willing to accept the voucher and the rental payment standard is eligible. But in practice it is not quite this simple. The individual units themselves must qualify by price, quality, and a willing landlord.

- **Fair Market Rent and Payment Standard.** The primary determinant to what units are available to a family is, of course, price. Annually, HUD sets the Fair Market Rent (FMR) which in turn dictates the payment standard. Housing Authorities are permitted to set

⁴¹ Housing Choice Vouchers Fact Sheet https://www.hud.gov/topics/housing_choice_voucher_program_section_8

⁴² As noted previously there are some exceptions to this due to conversion of project-based units that become enhanced vouchers.

⁴³Housing Choice Vouchers Fact Sheet.

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/about/fact_sheet

payment standard between 90% and 110% of the FMR.⁴⁴ The FMR is determined on a metropolitan area basis which means that the rents an urban Housing Authority can pay may be suppressed due to the less expensive suburbs. The FMR is set by HUD based upon data from the American Community Survey at the 40th percentile of the rent-distribution of standard-quality housing units. Housing Authorities are required to perform an additional rent reasonableness test for each apartment based on the nearby rent comparables of *un*assisted units. This point, while relatively minor has implications for my research, as is discussed later on.

- **Pass inspection.** Once a tenant has selected an apartment, the Housing Authority comes out and completes a Housing Quality Standards (HQS) inspection. These inspections ensure that the unit passes a de minimis standard of quality including functioning plumbing, adequate kitchen facilities, and the inclusion of safety features such as windows that open and smoke detectors.⁴⁵
- **Willing landlord.** A landlord must agree to accept the voucher. In most municipalities, New Orleans included, a landlord can deny tenants based upon their “source of income.” That is, if an individual is not paying cash then the landlord can refuse to rent to them. While landlords must comply with the Fair Housing Act, which prohibits discrimination of protected classes, landlords can refuse to work with the program due to the administrative hurdles, or by simply setting their rental price above the payment standard. There are thirteen states that ban source of income discrimination.⁴⁶

The Benefits of Housing Choice Vouchers

There are many perceived benefits of the Housing Choice Voucher both by recipients, policymakers, and landlords. **Tenants** tend to enjoy the perceived ability to use a voucher in any location and the fact that, excepting their removal from the program for noncompliance, it stays with them in perpetuity. In public housing or an apartment subsidized with a project-based voucher, if a household wants to move to another part of the city or to a new city, the assistance will not follow them. Voucher recipients have flexibility on where to move, and as long as the new apartment meets program criteria and the tenant is not in arrears with their current landlord they can move. Additionally, voucher holders are generally permitted to choose apartments that are up to certain percentage greater than the Fair Market Rent, as long as their tenant contribution is not greater than 40% of their income.⁴⁷ This may allow for an increase in the pool of qualified units from which to choose. It may also allow households to choose units of higher quality or larger size.

Policymakers see the benefits of Housing Choice Vouchers in a variety of ways. Most prominently, there is evidence that tenants with vouchers who move to low-poverty neighborhoods

⁴⁴ CBPP. <https://www.cbpp.org/research/introduction-to-the-housing-voucher-program>

⁴⁵ HUD-52580 Housing Quality Standards inspection booklet.

⁴⁶ Based upon research on the Novogradac website listing tax credit information from states for the past five years.

⁴⁷ 42 US Code § 1437(f)(o)(3): 40 Percent Limit.

can markedly change their financial and educational destiny. The Gautreaux program in Chicago was created as part of a consent decree in the 1970s in response to heavily segregated public housing. African-American public housing residents were given the opportunity to move into less segregated more affluent neighborhoods.⁴⁸ The success of this program resulted in the creation of the Moving to Opportunity program which provided similar options to individuals in public housing in five large US Cities. A subsequent study on that program completed by Raj Chetty, et al that found a 31% increase in income for those children who moved to a low-poverty community before age 13 compared to their peers in a control group. Additionally, there were lower rates of single parenthood and improved college attendance.^{49,50} These programs were both voluntary in their scope, and as a result there may be some difficulty in achieving the widespread impact of deconcentrating poverty at large scale without adequate funding support for mobility counselors who help individuals locate units and educate them on the benefits of moving to different neighborhoods.⁵¹

Landlords tend to like the Housing Choice Voucher because it provides them with access to consistent payments from the local housing authority. There are some situations suggested by Desmond where landlords may be able to eke out slightly more from the housing authority than the housing market write large. Additionally, Rosen writes that landlords may take advantage of the difficulty that voucher holders experience in leasing up units on the open market and steer them towards units that the landlords cannot otherwise lease up.

Lastly, the HCV provides for a **relatively efficient transfer of subsidy** from the federal government into the consumption of housing; nearly all of the money appropriated for the program goes directly to landlords in the form of rent for adequate housing.⁵² At the national level, just 8% of the funds spent on the program go into its administration.⁵³

Critiques of Housing Choice Vouchers

The voucher program is not without its critics. Broadly, there are three categories to those critiques: an inefficient system, a discriminatory system, and a difficult voucher utilization process.

We see the **inefficiency of the system** mentioned in a variety of the literature on the HCVP. The fact that vouchers may be overpaying for rental units or increasing the rents of nearby units is something suggested by several scholars. Susin (2002) found that vouchers caused an increase in rents of 16% for comparable units nearby. However, in a 2015 paper Eriksen and Ross did not observe any impact of vouchers on the overall price of rental housing. In 2016, Desmond determined that households with vouchers in Milwaukee pay \$51 to \$68 more in rent per month than renters in similar units that do not receive assistance. I will explore this potential for inefficiencies further in this paper.

⁴⁸ <http://www.encyclopedia.chicagohistory.org/pages/507.html>

⁴⁹ Chetty 2015.

⁵⁰ Goetz, Reality of Decocentration 2004. Shelterforce.

⁵¹ Ibid.

⁵² McClure, 2011.

⁵³ Numbers are drawn from HUD Picture of Subsidized Housing.

Individuals with vouchers can be discriminated against for their source of income which may function as a shortcut for racial discrimination. Recently, in addition to the Desmond work in Milwaukee, two key studies have looked at the process of voucher utilization. In Baltimore, through ethnographic study, Eva Rosen determines that landlords “reverse select” tenants for apartment by steering and sorting those with vouchers towards certain neighborhood and units that they may not be able to otherwise rent on the open market. She argues that “these tactics result in a strategic balkanization of the rental housing market that retains voucher holders where they can be most profitable—in the very neighborhoods policymakers would like to provide them with the opportunity to leave.”⁵⁴ Stephanie DeLuca, et al explored the use of vouchers in Mobile, Alabama through a longitudinal study of 100 households and finds “that families face limited housing search time, remain in substandard housing out of fear of losing their subsidy, are hindered by regulations that make mobility across jurisdictions difficult, and must deal with significant variation in landlord practice.”⁵⁵

In the New Orleans context, Stacy Seicshnaydre explored vouchers in the post-Katrina landscape. She finds the vouchers holders experience similar difficulty in using their vouchers and cites one study by the Greater New Orleans Fair Housing Action center in 2009, found that 82 out of 100 tests for rental units denied Housing Choice voucher.⁵⁶ Additionally, the lack of Small Area Fair Market Rents in New Orleans (and most other cities until recently) has meant that families with vouchers have limited access to High Opportunity communities as the rent is above the payment standard that vouchers have been permitted to pay. Finally, the HCV is not truly regional. In order to use their vouchers in other cities or states, tenants must port their vouchers into other areas outside of New Orleans which has procedural hurdles.⁵⁷ I did not explore this in depth as it strays from the core of my research interest here. Clearly, the HCVP is not without its flaws, but it is through recognizing these issues that the program can be enhanced.

Supply Side: An Introduction to the Low-Income Housing Tax Credit and How it Works

The Low-Income Housing Tax Credit is the primary means of promoting the construction of affordable housing in the United States. At its most basic level, the federal government allocates tax credits to states that award them to developers in a competitive process. Developers then sell off those credits to obtain the capital necessary to develop income restricted housing. Since its inception in 1986, over 2.97 million housing units have been created or rehabilitated and approximately 2.6 million are currently in service.⁵⁸ HUD estimates that in recent

⁵⁴ Rosen, 2014.

⁵⁵ DeLuca 2013.

⁵⁶ Seicshnaydre, 2016.

⁵⁷ More can be found on these in the HANO Administrative Plan 17-1.

⁵⁸ <https://www.huduser.gov/portal/datasets/lihtc.html#data> Note that there is some discrepancy possible on this number. First, it is not clear whether all of the projects here are still “in service,” that is still income restricted. A report by HUD determined that as of 2009 projects that were constructed with LIHTC funding between 1987 and 1994, 3,699 were no longer monitored for LIHTC compliance as they phased out of the compliance period (~49%). (HUD WHAT

years, the LIHTC program provided the capital necessary to create one-third of all new multifamily housing created in the United States.⁵⁹ Tax credits are awarded annually by the Treasury to each state based on population. Currently, credits are awarded at a value of \$2.40 per person with an allocation floor of \$2,765,000 per state.⁶⁰ It is estimated that the program costs the government approximately \$9 billion each year in lost tax revenue, and in 2017 states were set to receive \$7.85 billion in Low-Income housing tax credits.⁶¹ ⁶²⁶³ According to HUD, an annual average of 1,460 projects and 110,000 units have been created through the LIHTC program.⁶⁴

Once a state receives its allocation, the state's housing finance agency competitively awards those credits in its own Qualified Allocation Plan (QAP), typically on an annual basis. States are permitted discretionary latitude on criteria beyond the federal requirements. By statute, a project must have at least 20% of its unit affordable to tenants with incomes below 50% of area median income or 40% of its tenants with incomes below 60% AMI. A third option for an affordability set-aside was recently added called income averaging which permits higher AMIs as long as they average out to a 60% AMI rent. I write more about this later on. While projects may be mixed income, in practice, projects tend to skew to be predominantly Low-Income and include relatively little market rate housing.⁶⁵ The QAP is statutorily required to preference projects that:

1. serve the lowest income tenants
2. serve qualified tenants for the longest periods
3. are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan⁶⁶

States must monitor these projects and developer's must complete annual income certifications on tenants. Additionally, QAPs must consider ten different criteria including energy efficiency, project location, and tenant populations with special needs.⁶⁷ States are permitted to add additional criteria in their QAPs for awarding credits.⁶⁸ ⁶⁹ Additional credits are awarded to developers who site their

HAPPENS TO LOW-INCOME HOUSING TAX CREDIT PROPERTIES AT YEAR 15 AND BEYOND?) Also Hollar, 2018. Second, it is also possible that some of the units here have received tax credit funding multiple times – once on the initial construction and then additional times on the recapitalization of the project.

⁵⁹ https://www.novoco.com/sites/default/files/atoms/files/hud_lihtcyear15andbeyond_082312.pdf

⁶⁰ <https://www.irs.gov/pub/irs-drop/rp-17-58.pdf> Internal Revenue Service (IRS) today announced in [Revenue Procedure 2017-58](#)

⁶¹ <https://fas.org/sgp/crs/misc/RS22389.pdf> An introduction the Low-Income Housing Tax Credit. Keightly, Mark.

⁶² <https://www.huduser.gov/portal/datasets/lihtc.html#data>

⁶³ Based on analysis of 2017 IRS release on population estimates. <https://www.housingonline.com/2017/03/01/irs-releases-population-estimates-2017-affecting-lihtc-ceiling-private-activity-bond-caps/>

⁶⁴ Based on an analysis of projects built between 1995 and 2015. More information here: <https://www.huduser.gov/portal/datasets/lihtc.html#data>

⁶⁵ According to Baum Snow p 656 95% of units qualify as Low-Income.

⁶⁶ 26 USC §42(m)(1)(B) and §42(m)(1)(C)

⁶⁷ 26 USC §42(m)(1)(C)

⁶⁸ GAO Report p6

⁶⁹ 26 USC §42(d)(5)(b)(i)(I)

projects in either Qualified Census Tracts (QCTs)⁷⁰ or Difficult Development Areas (DDAs)⁷¹. This refers respectively to areas that are high poverty and those areas in which it is expensive to deliver affordable housing. These additional credits are commonly referred to as a “basis boost” and increase the allocation of credits by 30%. A project must also remain in compliance with IRS restrictions for 15 years and remain affordable during the “extended use period” for an additional 30 years, though states oftentimes award points to applicants who pledge longer periods of affordability.⁷² Finally, states must provide specific set asides of at least 10% of their tax credits for qualified nonprofits.

The process of turning awarded tax credits into affordable housing is a complicated one. While the capital to purchase the tax credits and consequently build a project is fronted by an investor, it earns the tax credits over a period of ten years. To take into account this upfront investment, the value of the tax credits must be discounted to its present value. Colloquially, developers refer to two types of tax credits: 4% and 9%. The 9% tax credit is reserved for new construction projects or substantial rehabilitation, it also tends to be called the “competitive credit” as it is awarded through the annual QAP. It is also the focus of this thesis. Over the course of ten years the investor receives 9% of the eligible basis of the project each year for ten years. The eligible basis refers to “the portion of a project’s total costs—excluding the costs of land, obtaining permanent financing, rent reserves, syndication, and marketing—allocable to Low-Income units that meet Section 42 requirements for rent, tenant income, and habitability.”⁷³ While from a basic mathematical perspective 9% x 10 years should equal 90%, the present value of those credits determined by discounting represents only 70% of the Present Value of the eligible basis. In the case of 4% tax credits, they will represent 30% of the present value for rehabilitation. To further confuse things, while these tax credit are referred to as 4% and 9%, the actual “monthly credit percentage” is set by the IRS on a monthly basis to return a present value of 30% and 70% respectively.⁷⁴ Even though tax credits are disbursed over a ten year period, developers and investors must keep the project in compliance with IRS rules around habitability and rents for the full 15 years; failure to do so can lead to tax credit recapture.⁷⁵

Developers respond to QAPs and self-score their projects. State Housing Finance Agencies then review applications, score projects, and award tax credits to specific developments. The competition for these credits is fierce as states almost always receive more requests for credits

⁷⁰ 26 USC § 42(d)(5)(B)(ii)(I) “The term “qualified census tract” means any census tract which is designated by the Secretary of Housing and Urban Development and, for the most recent year for which census data are available on household income in such tract, either in which 50 percent or more of the households have an income which is less than 60 percent of the area median gross income for such year or which has a poverty rate of at least 25 percent. “

⁷¹ 26 USC §42(d)(5)(iii)(I)Difficult to Develop area “means any area designated by the Secretary of Housing and Urban Development as an area which has high construction, land, and utility costs relative to area median gross income.”

⁷² 26 USC §42(h)(6)(D)

⁷³ GAO 2016, p8

⁷⁴ In 2008, under the Housing and Economic Recovery Act (HERA) and in 2012 under American Taxpayer Relief Act, a floor of 9% was set for 9% tax credits. Novogradac, 2013, p175.

⁷⁵ GAO 2016, p 9.

than they have available.⁷⁶ The sale of these tax credits provide a portion of the capital subsidy necessary to build affordable housing. Investors, typically banks or companies looking to decrease their tax liability, buy the tax credits from the developers and in the process provide part of the capital necessary to construct the project. Oftentimes, this subsidy is still insufficient to actually construct a building and developers are forced to look to other sources of state and federal subsidy or soft (ie forgivable) debt in the form of HOME funds, affordable housing trust funds, and other sources to make up the “gap” between the total development cost and what the rents plus the tax credits can support.

Tax credit investors purchase Low-Income housing tax credits for at least three reasons. First, they receive a tax credit valued at one dollar for an amount less than one dollar. The price investors pay for tax credits varies depending on the market, the investor, and the project, but pricing is usually in the range of 80 to 95 cents for \$1 of tax credit.⁷⁷ Notably, while the 2018 Appropriations Act increased the available tax credit pool by 12.5% for the next four years, tax credit values have actually *declined* due to the decrease in corporate tax liabilities for potential investors.⁷⁸ Second, investors want the tax deductible losses that the property produces in the form of building depreciation and mortgage interest expenses. Third, the Community Reinvestment Act (CRA) requires certain financial institutions to invest in certain underinvested communities and purchasing tax credits can achieve those required CRA credits. This CRA motivation can actually drive up pricing of tax credits *above* \$1 for areas which are eligible for CRA recognition, especially in the strongest markets known as “CRA-hot markets,” that is areas that fall within CRA assessment area of large banks.⁷⁹ CRA motivated investors are thought to make up anywhere from 40% to 85% of the national investment in LIHTC developments.⁸⁰ Generally, these investors do not expect *any* cash to flow from the project -- this is an essential difference from the typical market rate development.

Unlike other tax credit programs designed to incent development, such as the Federal Historic Tax Credit, LIHTC deals require tax credits to flow to investors in proportion to their equity stake in the project.⁸¹ More precisely, investors are not just purchasing the tax credits, they are becoming owners of the development. Investors in these projects come in two general forms; direct and indirect. Direct investors work directly with developers, underwrite the project, and also generally provide permanent financing for the project. Indirect investors work through tax credit syndicators who create funds for investors. These funds allow those investors to diversify their position regionally within the US as well as limit their financial liability to the success

⁷⁶ Baum Snow, 2009. p. 646

⁷⁷ Keightly, 2013, p 4.

⁷⁸ <https://www.enterprisecommunity.org/blog/2018/03/omnibus-bill-includes-provisions-to-strengthen-and-expand-housing-credit> <https://www.novoco.com/notes-from-novogradac/observational-study-corroborates-lower-lihtc-unit-production-due-lower-corporate-tax-rate> “The aggregate decline of housing production and preservation per dollar of tax credits attributable to the decline in the corporate tax rate is anticipated to be about 14 percent.”

⁷⁹ CohnReznick 2013, p8.

⁸⁰ Roberts, 2009, p 13. Estimate that 40% of projects pre-recession were CRA motivated. CohnReznick estimated in 2012 that 85% of investment capital comes from banks. CohnReznick, 2013, p3.

⁸¹ Eriksen, 145.

of any one single project. Those funds then take equity positions in specific deals. Syndicators charge investors a fee to compensate them for ensuring compliance with tax credit law and providing the due diligence on the project.⁸²

It should be emphasized here that the developers generally do not receive the tax credits. In a market rate development, profit is derived from the net operating income of the property and/or the value of the property upon resale, but for affordable housing developers the calculus is different. From a financial perspective, developers are chasing the Developer's Fee. This fee is essentially their commission for developing the project. Further, while LIHTC developments are able to cover their expenses and pay the debt service (i.e. the mortgage note on the property), they typically generate only minimal (if any) cash flow. Any cash flow that is generated is typically used to pay down soft debt on the project (i.e. other federal sources), contribute to reserve accounts, and potentially a Developer's Fee that has been deferred on the project depending on predetermined rules that vary between projects.

Ultimately, what makes a LIHTC project affordable to the occupant is the rents. These maximum rents are set by HUD and IRS guidelines based upon the rent that would be affordable (i.e. 30% of household income) to a household earning 60% or 50% of the Area Median income. Put another way, this can be no greater than 18% of the Area Median Income (60% of AMI * 30% of income to be affordable)⁸³ Notably, these rents are fixed and do not vary depending on an individual's income. So, while an individual may be eligible for a unit because they earn below 60% of the AMI, the unit will not necessarily be affordable if their income is below 60% AMI. Adjustments in the rent are also made based upon the size of a household.⁸⁴

LIHTC in the New Orleans Context

The Louisiana Housing Corporation is the body in charge of distributing housing credits for the state of Louisiana. The pool of 9% tax credits available for the state of Louisiana was \$10,200,000 in 2017 and 1100 units received funding. For 2018, the allocation is anticipated to be \$10,500,000.⁸⁵ Like most other states the demand for tax credits in Louisiana is high. In the 2017 competitive allocation, there were three requests for every project that received an award.⁸⁶ Based on the HUD LIHTC database there are approximately 12,800 units that have been built or rehabilitated in New Orleans since the inception of the program and approximately 25,000 units in the state. While this may seem like a lot, one developer that I spoke with observed that this and other federal resources is the extent of the state's commitment to affordable housing – allocating

⁸² Eriksen, 148.

⁸³ Eriksen 2010, 954.

⁸⁴ Novogradac, 2013, 71.

⁸⁵ In 2017 22 projects were awarded tax credits and there are 42 projects on the waiting list. Louisiana Housing Corporation. 2017 Final Qualified Allocation Plan.

⁸⁶ Louisiana Housing Corporation 2017 LIHTC Final Rankings. "Awards list as of 10022017" accessed from the LHC website. 22 Projects were awarded tax credits and there are 42 projects on the waitlist.

federal resources to developers who will play by those rules. Unlike 18 other states that have issued state housing tax credits, Louisiana only issues federal LIHTCs.⁸⁷

The tax credit program played a prominent role after Hurricane Katrina. Shortly after the hurricane, the federal government responded with a tax incentive package: the Gulf Opportunity Zone Act (GO Zone) of 2005. As part of relief to all states affected by Katrina it earmarked \$12.5 billion in tax-exempt bonds and credits for Louisiana.⁸⁸ This provided for an additional \$323 million in LIHTC, available for areas impacted by Hurricane Katrina, and \$170 million for the state of Louisiana.⁸⁹ To put this in context that is 20 times greater than the allocation received by the state in the standard 2005 allocation period.⁹⁰ The development of new housing stock was especially important as two-thirds of the rental housing stock in New Orleans was damaged or destroyed by the flood.⁹¹ While the state pushed developers to focus on mixed income housing, a lack of interested developers meant that the first tranche of credits did not receive any allocations for mixed income housing and the QAP had to be amended to allow for entirely Low-Income housing developments.⁹² This award of tax credits was further complicated by the financial collapse in 2008 with reduced demand and value of tax credits. This issue manifested itself in mid-2008 in New Orleans through LIHTC when 41% of tax credits had yet to begin construction due to failure to close on project financing.⁹³ However, many of these projects were eventually built. Since 2006, approximately 7,000 units of new housing have come online in New Orleans and an additional 3,000 units were rehabilitated for a total of approximately 10,000 units.⁹⁴ It is worth observing that while it took some time to spend the tax credits and other resources that were awarded after Hurricane Katrina, that bubble appears to have come to an end.

The requirements of the QAP are a perennial source of tension between state housing finance agencies and the developers; Louisiana is no different. As I will discuss later on in my findings section, the state understands that it is continually ratcheting up the requirements and developers bristle at this escalation. There is also tension around some of the basic parameters of the program. The maximum award that the state will provide to any individual development limits the number of units that a developer can build in any one go. Several developers expressed to me that building a small project requires roughly the same amount of work as a smaller development so there is a preference for larger scale developments. Recently, the maximum award has been \$750,000

⁸⁷ Based upon Survey of Novogradac website. <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/application-allocation/2018-state-tax-credit-information>

⁸⁸ Seidman 42. Coming Home to New Orleans.

⁸⁹ GAO, 2008, p8.

⁹⁰ Novogradac, LIHTC pool. <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/application-allocation/2016-federal-lihtc-information-state/2005-federal-lihtc-information-state> Louisiana received \$8,221,896 in the 2005 LIHTC tax credit pool.

⁹¹ Brown and Williams, 2007.

⁹² Ibid, 2007.

⁹³ Seidman, 42. And here: <https://www.gao.gov/new.items/d08913.pdf>

⁹⁴ Incomplete records for both LHC and HUD make it difficult to ascertain the exact number of units created without looking at them on a project by project basis. Note that here on the discrepancies between LHC and HUD data which make it difficult to know the year a project was placed in service and/or whether that project is still in service. It is also possible that there are projects that have received LIHTC allocations two times which would skew the results. Additionally, I used the National Housing Preservation Database that tracks subsidized housing around the country.

per development which developers suggested creates a “sweet spot” for 40-60 unit projects. From the state’s perspective this level of tax credit investment may allow for the development of more *projects*, however it likely leads to the creation of fewer *units*. Based upon the finite tax credit allocation received by the state these are the sorts of tradeoffs that must be made on a regular basis. The imperfection of the process was acknowledged several times in my conversation with Brad Sweazy at the Louisiana Housing Corporation who wryly commented that “the next QAP will be the best QAP.”⁹⁵

The developers that I spoke with saw these expanding requirements differently.

Several developers complained about the increase in the required unit size and what they felt were the absurdity of the growing list of requirements including dishwashers and in-unit washing machines. There is a sense in the development community writ large that the housing finance agencies don’t always “get it.” Some developers feel that they are the ones really doing the work while the agency puts out regulations that are out of touch with how development actually function.

LIHTC Program Benefits

There are many ways to measure the success of the LIHTC program: over 2.5 million units of affordable housing created, a foreclosure rate of developments that hovers close to zero⁹⁶, and a relatively scandal free history. Accordingly, there are many shared benefits for states, developers, and potential tenants. Literature and reason offer some of the benefits that the LIHTC can provide for these entities.

The competitive allocation process creates a more transparent means for the allocation of tax credits. Application rankings are released for public view by housing finance agencies. While not perfectly transparent, as the public does not get to see the entire application, it does ensure a more public and competitive process which ideally incents quality.

The allocation of credits by law means that they are not subject to annual budgets fights.⁹⁷ Award of credits to the states by formula also means that the benefits are shared relatively proportionately among states. In an era of decreasing federal funding for states, housing credits are a guaranteed source of annual federal investment.

State specific QAPs. As noted above, the ability for states to craft QAPs unique to their priorities and circumstances it allows for experimentation by states. One example of this is California’s minimum affordability period of 55 years.⁹⁸ It also allows states to create special allocations when a there is a natural disaster or other specialized housing need. The qualified census tract and difficult development areas also, at least theoretically, encourage development in those area that have had limited investment (QCTs) and those areas that are in need of increased affordable housing (DDAs).⁹⁹

⁹⁵ Brad Sweazy, Personal Interview, April 27, 2018.

⁹⁶ A 2016 study by CohnReznick found a cumulative foreclosure rate of LIHTC projects at .71% and the annual rate at .1%. http://www.housingfinance.com/finance/lihtc-properties-show-their-strength_o

⁹⁷ McClure, 2011, p 222

⁹⁸ GAO 18

⁹⁹ Lang, 2012.

Critiques of the LIHTC Program.

While LIHTC may do a good job of creating units, there are some substantive critiques of the program as well.

Who is Served. As mentioned above, LIHTC is affordable on its face to a relatively narrow band of individuals. That is, tenants who are at or just below the 60% AMI threshold. By virtue of the fact that the subsidy is a *development* subsidy, and not an ongoing operations subsidy (such as public housing), the project must be able to financially stand on its own once it is developed. On its face, this prevents developers from reaching to the lowest income brackets because rents that are affordable to those individuals would only be able to support limited (if any) debt. Usually, the expenses would actually be greater than the income. This makes it very difficult to reach the lowest incomes using just the LIHTC program and serves what Vale refers to as the “barely-poor.”¹⁰⁰ As will be made clear further on, in practice this is not always the case due to the pairing of LIHTC with the HCVP.

Concentrations of poverty. There is concern that LIHTC developments may actually hamper public policy goals to deconcentrate poverty and an individual’s ability to move into less impoverished communities. First, by providing basis boost to certain Low-Income areas and then encouraging development in those areas. Some have observed that LIHTC units are potentially leading to more segregated communities.¹⁰¹ Other scholarship observes that LIHTC actually provides a basis boost in areas that would naturally be attractive to developers due to lower land costs.^{102 103} While there is also considerable scholarship that refutes the notion that LIHTC contributes to the concentration of poverty.¹⁰⁴

It is expensive. Literature suggests that the LIHTC unit costs on average 20% more to develop than an unsubsidized unit. I heard this sentiment echoed in my conversation with developers in New Orleans as they mentioned the increase in the number of requirements in the QAP. Eriksen observes that “the subsidy is delivered to developers through a complicated mechanism which erodes a great deal of the subsidy’s generosity.” In his study of the California LIHTC development process he observes that that developers actually received only \$.73 for every \$1.00 in tax credits awarded to them due to compliance and administrative costs.¹⁰⁵ This is compounded by the fact that there is arbitrage that occurs with the cost of the tax credits. In the scenarios where there are syndicators the tax credit syndicators take a percentage fee on the transaction. This is money (technically lost tax revenue) that does not go towards the actual development of a unit and just to a fee.

¹⁰⁰ Vale and Freemark 2012

¹⁰¹ Muralidhara, 2006.

¹⁰² Baum-Snow, 2009.

¹⁰³ Lang, 2011

¹⁰⁴ Freedman 2015, Owens 2013, Ellen 2016.

¹⁰⁵ Ericksen and Ross, 2015.

A Review of the Literature on the Overlap Between HCV and LIHTC.

With an understanding of these two programs, it is now possible to explore how they overlap with one another. The LIHTC program houses approximately 2.6 million households and the Housing Choice Voucher Program houses 2.2 million households. This *should* add up to around 4.8 million households housed. However, the number is actually far less than that due to the LIHTC units are actually inhabited by individuals with tenant-based rental assistance. Through this thesis, using New Orleans as a case study, I am trying to determine prevalence of this practice.

There is relatively little research on this topic given the sheer size of these two programs and the scale of their overlap.¹⁰⁶ While studies do exist on LIHTC at the property level there is fairly limited research on residents in LIHTC properties, primarily due to a lack of resident level data collection. It was not until the passage of the Housing and Economic Recovery Act in 2008 (HERA) that LIHTC properties were required to report tenant data to HUD. This data has generally not been released to the public. Notably, some researchers have been able to obtain some of this data directly from state housing finance agencies and begun to analyze it.¹⁰⁷ It should be noted here, that LIHTC and HCV are funded through different governmental mechanisms. LIHTC is funded through the Treasury and the funds are disseminated through individual state housing finance agencies or other state housing agencies. Generally, there is no direct relationship with the local housing authorities that provide tenant-based vouchers with funding that comes from HUD.

Estimates on the number of tenants who have additional tenant-based subsidy vary widely. Several previous attempts to quantify the overlap have been based on samples of projects. In one study, using a sample of 39 LIHTC properties in 5 metro areas, 37% of residents also received Section 8 vouchers (Abt Associates, 2000). In an earlier study conducted by the GAO of 423 properties placed into service in the early 1990s, 39% of residents were found to have tenant or place based vouchers (GAO, 1997). And a more recent study in 2011 based on a sample of 311 developments in Florida found that 19% of residents received vouchers. (Williamson, 2011).

More recently, the data from state housing finance agencies is being analyzed by researchers. O'Regan and Horn (2013) conducted the first large scale multistate research of LIHTC tenants using data from the National Council of State Housing Agencies to obtain information on LIHTC programs in 18 states. There were two important findings for this thesis. First, 45% of LIHTC tenants have income at or below 30% AMI, and that 70% of those households receive additional rental assistance. Second, there has been an increase in rental assistance among tax credit tenants over time suggesting to the authors that there is lower turnover among tenants with rental assistance, particularly those with vouchers. Third, the number of tenants with rental assistance is determined to be 50%.¹⁰⁸

¹⁰⁶ Olsen, 2001 notes that there are no studies as of that time on the effects of LIHTC, p1.

¹⁰⁷ O'Regan and Horn, 2013. Ellen, et al 2016.

¹⁰⁸ Ibid, 2013.

Hollar (2014) explored the characteristics of tenants at the state level with a national level study based upon the HERA data. Unfortunately, this data had several flaws including fewer than 60% of properties reporting data and seven states without any indication of rental assistance. Based on the 23 states that did provide adequate data, Hollar estimated “roughly one-half of reported households receive some form of assistance.” In Louisiana tenant-level data was only reported on 38% of its LIHTC properties, and over one-third of those residents (36%) received monthly assistance. Without knowing the biases of properties reported it is hard to fit this directly to the New Orleans context. This research was updated in 2018 by Hollar with tenant-level data from 2015. Again there were inconsistencies with the data, however, one likely interpretation suggests that 40% of tenants in Louisiana receive some form of rental assistance. The report also goes further than the 2014 report and breaks down projects within states by the different sources of federal rental assistance, however only 5.5% of properties in Louisiana reported any type of federal assistance. A more robust property-level reporting and consistent reporting is necessary to make this data more accurate and useful.

Ellen (2016) extends the research to the property-level to look at the role of LIHTC in concentrating poverty and finds that there is little evidence that LIHTC is increasing the concentrations of poverty in neighborhoods. Her work is notable as the analysis was conducted at the tenant level, by matching data from 12 states to tenant mixtures in individual properties. She found 37.3% of tenants had some form of rental assistance. It is this property level analysis that I try to understand for this thesis in the New Orleans context.

Table V: Research Estimates on Rental Assistance in LIHTC Developments

Author	Year	Estimated % of Tenants with Rental Assistance
GAO	1997	39%
Abt Associates	2000	37%
Williamson	2011	21%
O’Regan and Horn	2013	50%
Hollar	2014	~50%
Ellen	2016	37.3%

As should be clear, there are difficulties with this data. First, there is incomplete and frequently inaccurate reporting that occurs. Second, all of the entities researching this are working on unique data sets, ones that they have either created or built by arrangements with individual state housing finance agencies. Third, even the term “rental assistance” underlying these figures is not always clear. It likely varies from study to study as it can mean project-based vouchers, public

housing operations support, or tenant-based vouchers. It is these tenant-based vouchers that I am specifically seeking to understand in this thesis. Hence, the seemingly simple and knowable question “What is the prevalence of tenant-based vouchers in LIHTC developments?” is actually maddeningly difficult to answer. Trying to answer this question is the primary focus of this thesis.

Developer Advantages of Accepting HCV tenants into their properties

LIHTC developments are required to accept Housing Choice Voucher holders into their projects. Beyond this, there are a few distinct advantages for developers to accept those vouchers.

Higher Payment Standard. Housing Choice voucher tenants bring additional unanticipated revenue to a LIHTC development. According to Section 42 of the tax code, the definition of “gross rent” does “does not include any payment under section 8 of the United States Housing Act of 1937 or any comparable rental assistance program”¹⁰⁹ As a result, LIHTC owners are permitted to take up the full payment standard that is available for tenant-based voucher and earn additional revenue on each unit with a voucher.¹¹⁰ As previously mentioned, LIHTC rents are fixed. This means that even though a household qualifies for a unit (i.e. they earn 60% or less of the AMI) the apartment is not necessarily affordable for them. For example, someone earning \$100 a month would qualify for a LIHTC apartment, but they would not be able to afford it. One developer noted to me that these additional funds can be placed back into the property for operating expenses.¹¹¹

On the voucher side, there is a technicality here in that the LIHTC units are considered “assisted” from HUD’s perspective. Therefore, they are not permitted to be used in their consideration of rent reasonableness and the Housing Authority is permitted to pay up to their “payment standard” for the unit. By precluding LIHTC units from the rent reasonable comparison, owners may accept rents from tenants with vouchers that go up to the payment standard and more accurately reflect “market rents.”¹¹² The Payment Standard is generally the highest amount that the Housing Authority can pay for a unit. It typically ranges between 90% and 110% of the Fair Market Rent. In New Orleans it varies for each unit type but averages out to be 109% of the FMR. This difference in payments standards between the two programs is rooted in the methodology used to calculate the rents.¹¹³

¹⁰⁹ USC § 42(g)(2)(B)(i)

¹¹⁰ Novoco SAFMR article

¹¹¹ Yusef Freeman, Personal Interview, March 19, 2018.

¹¹² “the portion of the rent paid by the Section 8 tenants can exceed the LIHTC rent ceiling as long as the owner receives a Section 8 assistance payment on behalf of the resident. If no subsidy is provided, the tenant may not pay more than the LIHTC rent ceiling” in Novogradac, 2013 p 378. citing page 11-5 of IRS Guide for completing for 8823 (8823 Guide) “This passage indicates that owners can collect *from the tenant* more than the rent limit for a unit as long as that tenant is receiving a Section 8 voucher and is in compliance with the requirements of Section 8.” Section 5-14

¹¹³ “Section 8 tenant payments are based on the actual income of the household, and LIHTC rent limits are based on an imputed income assuming that 1.5 people reside in each bedroom. Because the Section 8 tenant-paid portion and the LIHTC rent limit calculations are based on different factors, there can be circumstances in which the Section 8 tenant payment is greater than the LIHTC rent limit” Novogradac, 2013, 378

Enhanced credit of tenants. As mentioned above, the fact that developers know that each tenant has the backing of the voucher, may make them feel more comfortable with the program. Regardless of the tenant's ability to pay, they will receive a regular check each month for at least the portion of the rent required from the Housing Authority.

Reduces paperwork. A major role of the property manager at a given LIHTC development is ensuring that a property remain in compliance. A key component of remaining in compliance is making sure that tenant annual income recertifications are completed with the appropriate documentation. LIHTC developments are permitted to accept letters from the Public Housing Authority "declaring that the tenant's income does not exceed the applicable income limit under Section 42(g).¹¹⁴" Not having to go through this process on an annual basis relieves property managers of one major pain point.

Enhanced ability for Income Targeting. In the application to the state for tax credits, developers breakdown units by the income that they will target. For example, the developer may state (as in the current QAP) that they will provide 5% of the units to individuals at 30% AMI. While developments are underwritten at those lower rents, typically those units could be subsequently occupied by individuals with vouchers.¹¹⁵ This ability to mix up the incomes served, even if the project is underwritten at 60% AMI rents, means that vouchers potentially play a valuable role in creating a mixed-income development. Vouchers, by providing sufficient cash flow for a developer to meet their projected financial commitments from the project, enable that mixture of incomes to be served. If the rent for a unit is price at the 60% AMI level, and a tenant has a voucher, developers can be indifferent between an individual at 60% AMI and 0% AMI.

Tenant Advantages to Using HCV in a LIHTC development

As a former Housing Specialist trying to utilize a voucher on behalf of a tenant, I am aware firsthand of the many advantages that exist in using that voucher in a LIHTC development.

Ability to pass an inspection. Property managers at LIHTC developments are generally aware of the requirements for the Housing Quality Standards inspection. This means that there are less likely to be inspection deficiencies with the apartment and therefore less need to wait for a follow-up inspection. Additionally, in New Orleans, LIHTC developments are much newer than most of the housing stock and are therefore less likely to have the complications (malfunctioning windows, peeling lead paint, slipshod fixes) that lead to failed inspections.

Professional management. While it is not universally true, LIHTC developments generally have a critical mass of units that require an onsite, or at least regularly present, property manager. In New

¹¹⁴ Novogradac 378 §5.13. Also Novogradac quoting Treasury Regulation §1.42-5(b)(1)(vii)

¹¹⁵ In my conversation with Brad Sweazy of the LHC he stated that this will not be permitted under the current QAP, however it still provides an example of the positive role that vouchers can play.

Orleans, the average LIHTC development has 90 units. The professionalization of this role is driven, at least in part, by the requirements of the LIHTC program. As mentioned before, failure to maintain the property in compliance with the LIHTC requirements can result in the loss of tax credits for investors. Beyond the de minimis requirements of HANO (an annual inspection and associated paperwork), a developer is further incentivized by compliance requirements to make sure that the project remains well maintained. If receipt of the tax credits is jeopardized due to noncompliance an investor would step in and take over the project from the developer.

Higher Quality Units. The relatively recent development of LIHTC projects means that they are near the beginning of their useful life. The older housing stock of New Orleans means that many apartments on the private market have not seen capital improvements in a long while and fixes over the years have tended to be piecemeal. Depending on the acquisition cost of a property, small multifamily residential rehabilitations sometimes are unable to accept the voucher payment standard and make sufficient profit.

Lower Tenant Credit Rating. One developer in Boston pointed out to me that it is actually permissible to have different required credit rating scores for tenants who bring vouchers to LIHTC projects. During my work experience in New Orleans I did not see this in practice, nor did any of my other interviewees mention it. Nor was I able to locate the regulations that permit this, however, it makes sense that landlords might be willing to accept a tenant with a lower credit score if they have a voucher because the guaranteed payment from the housing authority provides a credit enhancement to the tenant.

Chapter 3: Findings

Moving from a review of the literature, it is necessary to look at these programs as they operate contextually. New Orleans provides a useful example due to my prior experience there. From this base, it is possible to more fully understand how the programs interact with one another. Speaking with developers, I was able to reject almost all of my hypotheses, as I will show in this chapter. Through these conversations and additional research I come up with twelve findings and provide final thoughts on some recent changes to the LIHTC program that may impact my subsequent policy proposals.

Hypothesis

My initial interest in this topic came from a public policy perspective. The quality of LIHTC developments is typically above similarly priced units available on the market in New Orleans, and these developments tend to be more equipped to work with other programs due to full-time staff, newer buildings, and a general understanding of voucher programs. However, the idea that a unit that had been subsidized on construction, only to still require additional subsidy on the operations side rubbed me as problematic. By placing that voucher into an apartment that might be affordable to the next cash paying tenant, had we lost one unit from the limited pool of affordable housing? It was from this core question that I proceeded.

From this perspective I looked at the literature around vouchers and LIHTC and overtime developed a series of hypotheses. And, when I set out, my perspective led me to believe that my conclusions would be obvious. From this research, perspective, and experience, I hypothesized the following:

- Vouchers are an important, part of the development equation for developers. As a result, developers will be aware of the number of tenant-based voucher in their developments.
- There is a strong financial incentive to accept vouchers over cash paying tenants and owners may try to game the system by favoring tenants with vouchers.
- Housing Choice Vouchers will be heavily clustered around LIHTC developments. This proximity may imply that these are developments that are profiting from “double-dipping” into the subsidy pool.
- New Orleans will have a higher than average pool of tenants in LIHTC developments who hold vouchers due to the large pool of vouchers within the city.
- Policymakers at the Louisiana Housing Corporation and Housing Authority of New Orleans consider this overlap of programs in their planning.
- There is the potential to save money for the federal government and provide vouchers to additional families by changing the regulations around voucher use in LIHTC developments.

The results from my direct research on the interplay between tenant-based vouchers and LIHTC indicate that my hypotheses were primarily *incorrect*. As I will discuss using my interviews with developers, the relationship between LIHTC and tenant-based vouchers is generally *not* considered in the development process and only occasionally considered in the property management process. While the developers that I spoke with are familiar with the overlap between the two programs, and aware of the conflicting payment standards, there is a disconnect between the granularity of property management and development decisions. Through this process of exploring the minutiae of these affordable housing regulations, I learned a great deal. I will conclude with policy proposals to improve the relationships between these two programs. I will also suggest that it is possible obtain additional program savings by altering some of the policies behind the programs.

Perspectives on the relationship between LIHTC and HCV

Through formal interviews with seven developers and conversations and interviews with approximately fourteen other property managers, policymakers, and academics, I came to a better understanding of the relationship between tenant-based vouchers and LIHTC. These findings below are primarily focused on this question, however, there are some additional conclusions that I reached that are directly related to voucher and LIHTC that should be shared in order to improve both programs. I also chose to include quotations as much as possible, even for some of the more background information as I think that it breathes life into some of the esoteric regulation that governs these two programs.

As much as possible, I try to give a description of the individuals as I mention them in the interviews. In the appendix is a quick description of each of the individuals and their organizations as I think it gives a sense of the breadth of the people that I interviewed.

Finding I. Permanent debt is not sized based upon tenant-based vouchers.

One of the first steps in the underwriting process for a development is determining how much debt the rents for a project can support. At its most basic level the equation is the Revenue (Rents) minus Expenses equals Net Operating Income (NOI). That NOI less other reserves then determines (in part) how much debt the project can support.¹¹⁶ In the case of a LIHTC development this debt is sized based upon 60% AMI rents, or whatever lower rents the developer agrees to in their application.

Some initial research and conversation suggested that owners could size their debt based upon the higher rents that tenant-based vouchers pay. As noted above, New Orleans has a very high percentage of renters with Housing Choice Vouchers. Accordingly, I thought that some developers would try to make a case to underwriters that additional debt should be based upon those tenant-

¹¹⁶ This is also dependent upon mortgage interest rates, debt service coverage ratios, and a series of other assumptions made by underwriters. For the purposes of this thesis, I choose to simplify the details.

based vouchers due to the near-guarantee that there will be tenant-based vouchers available to fill a high percentage of the units; this was entirely incorrect.

Not in one single conversation did a developer suggest that they could service debt based upon tenant-based vouchers. The question was so strange, in fact, that two developers actually started discussing sizing debt based upon project-based vouchers before I double-checked which type of vouchers they were speaking about. Project-based vouchers are a guaranteed revenue stream that developers sometimes source from the state or HANO before they put together a deal. With PBVs, they are able to both provide housing for the lowest income levels and guarantee rents that are above LIHTC rents.

However, I learned that there are even complications with underwriting the project-based vouchers. While my research focus is clearly on the Section 8 (HCV) program, many developers referenced Louisiana's project-based Permanent Supportive Housing (PSH) vouchers which function similarly to Section 8 PBVs. In my previous job before graduate school, I interacted with the PSH PBV program at some of the developments my former employer Unity had constructed for the formerly homeless. For developers to work with PBVs, a fundamental issue was making sure that the contract length was sufficient to last the duration of the permanent debt on the project. While Brad Sweazy at the Louisiana Housing Corporation does not administer this program, he knew the difficulties that it creates for underwriting:

“Anytime the lender or the person who is going to have the risk in the property and can consider the possible risk [they will consider that risk]. Sometimes it's easy, sometimes it's not. [LHC] can only guarantee what they can guarantee based on the funding we've received. We can only guarantee money for that time period. And so if you're the investor. Put your investor hat on, I'm treating that as a weakness and as a conditional guarantee.”

Underwriters are also reluctant to consider Section 8 project-based vouchers. When I asked Terri North of Providence Housing, a nonprofit developer that was started by the Archdiocese of New Orleans, about the willingness of underwriters to consider tenant-based vouchers, she responded,

“...I doubt it very seriously...When we were trying to do transactions there wasn't a whole lot of respect for Section 8...Most lenders don't underwrite on *Project*-based [vouchers], even if you've got a contract. A lot of them will still underwrite at market rate and then they will create some sort of a reserve in case you lose your Section 8 [Project-based Voucher]. So, in a tax credit transaction they will call it the “Section 8 Reserve.” They build it in as part of the capital that you need to bring into the transaction.”¹¹⁷

She went on to say that she had never tried to include tenant-based vouchers in an underwriting. For those initiated into the affordable housing underwriting world, this may be obvious. There is a reasonable possibility that those tenants could leave at the end of their lease term

¹¹⁷ Terri North, Personal Interview, March 26, 2018. Subsequent to this conversation, a friend who is a lender referred to this as the “Appropriations Risk.”

never to come back or be replaced by other voucher holders. Taking on debt sized to that higher tenant-based voucher rental portion would harm the financial stability of the project in the long term if those tenants were to leave. Essentially, the finding here is that if a developer does not have project-based vouchers they do not count.

Finding II. Tenant-based vouchers are generally not considered in the development process.

My interviews with developers oftentimes became confused. Developers would quickly shift to speaking about project-based vouchers rather than the tenant-based vouchers that I asked them about. In my conversations I would need to remind them that I was interested in *tenant-based* vouchers, not the project-based vouchers. In one conversation with a national property management company, I was encouraged to refer to them as “walking vouchers” to distinguish them from those vouchers that remain with the unit. From a developer’s perspective, it makes sense that they view vouchers this way – at the end of a lease term, these tenants with vouchers can walk away from the development. While my suspicion going into the conversations was that there might be some sort of preferencing of tenants who have vouchers due to their virtually guaranteed rental stream, or their additional revenue, this was not the case. These three observations support this finding:

Few developers track tenant-based voucher levels. Of the developers that I spoke with there was only one that actively tracked the number of tenant-based vouchers in their developments and another one who was able to provide me with anecdotal information. Every developer I spoke with was actually willing to provide me with this information, however most could not, primarily because they did not track it. It seems logical that if tenant-based vouchers were fundamental to the development decision process, developers would have firm numbers or at least a better sense of their prevalence.

There is strong enough demand for units without tenant-based vouchers. As I will point out further on, tenant-based vouchers are viewed as extra, but not essential income. Every developer that I spoke with mentioned the strong demand that exists for all of their units. In affordable housing, there is sometimes concern that LIHTC targets a “narrow band” of potential tenants. This refers to tenants who both qualify for a unit (i.e. their income is below 60% AMI) and find the unit affordable (i.e. they pay 30% of their income towards the rent). While I tried to draw out responses around concern that might exist in reaching that pool of tenants, developers generally viewed this “narrow band” as wide. Coming into these interviews, I believed that there would be some difficulty in finding or attracting that pool of tenants and owners might need to rely upon vouchers to fill vacancies. Developers anecdotally referred to the low vacancies in LIHTC developments, and spoke about the long lines of interested applicants to dispel any notion of a fear of leasing up their developments.

Little fear of the loss of tenant-based vouchers. As a hypothetical, I asked developers what the impact on their developments would be from the loss of HCVs. While this is practically unlikely, my intent was to understand their take on how it might affect their bottom line. Matt Morrin of Enterprise sums up the position of most of the developers quite well:

“I think it would impact some of our straight tax credit units to some degree just because it would be a source of tenants who you knew could pay the rent.you know I mean? It’s not given that even though they income qualify, it’s not a given that tenants who qualify for straight tax credit units that don’t have an operating subsidy attached to them can afford the rent, and obviously people who have tenant-based subsidies can afford the rent by definition. It would potentially impact our occupancy, it might impact the time that our units sat vacant, but it wouldn’t have a huge impact on our project because we wouldn’t have sized debt to assume that we were going to get the revenue that came with tenant-based voucher holders.”

There was of course a caveat on the unknown nature of this that several developers expressed, most memorably for me by Jamie Neville, “With my relatively small portfolio, I’d like to think we could weather that storm....[But,] You could come ask me that question three months from now and I’d feel differently...”

Finding III Section 8 Overhang: “It’s Lagniappe.” The higher rents paid by voucher holders are not a strong consideration of developers.

Lagniappe is a phrase used in New Orleans to describe a small extra gift. Section 8 Overhang is a term of art used within the development world. It is typically applied to LIHTC developments where the Housing Assistance Payment (HAP) contract from a Project-based voucher exceeds the LIHTC 60% AMI rent. This is due to a difference in the way that the two programs calculate their maximum rents. This is money that goes directly to property owners. Here in Boston, as an intern with WinnDevelopment, an affordable housing developer, I saw this term used in offering memorandums for properties that were for sale. The appeal of an “overhang” is that it provides an additional guaranteed cash flow that can be used to obtain additional leverage. It is also possible that it will provide a cash flow that is not anticipated in the debt underwriting and may flow to the owner of the project depending on the underlying agreements. Typically, the “overhang” exists in situations where the LIHTC rents are depressed due to a relatively low-rent metropolitan area that might have a higher rent in a specific location, such as a downtown. On occasion, I have seen this overhang referred to when there are tenant (i.e. *not* project) based vouchers in a development, but this use does not appear to be widespread.

Seeking to understand the developer’s take, I spoke with Yusef Freeman at McCormack Baron Salazar (MBS). MBS redeveloped several public housing sites in New Orleans and around the country. He suggested that this additional funding might be used to support property operations. Further, MBS has a mission focus to creating mixed income developments. Accordingly, they

generally make sure that voucher holders do not move into market rate units as it does not fit into that vision of a mixed income development if market rate units are utilized by Low-Income voucher holders.

Here it is important to remember that from a financial perspective anticipated cash flows from a LIHTC development is generally quite low. From a financial perspective, developers develop primarily for the Developer's Fee.¹¹⁸

I pressed Kathy Laborde of Gulf Coast Housing Partnership to better understand their development perspective on tenant-based vouchers, and she was very direct: "We're not deliberately seeking a tenant-based voucher population. It just isn't in our world view. If that's available that's an ingredient in the recipe. It's not a driver."¹¹⁹ Victor Smeltz at Renaissance similarly demonstrates the ancillary nature of tenant-based vouchers in development: "We know that there are going to be a certain number of folks that come to us with vouchers, but we can't really quantify that... makes us feel a little bit better about it. Of course, the lenders and investors want to know how many project-based vouchers you've got."

There was a caveat to this finding. In my conversation with a Boston-based developer, the individual noted that the cash flow on LIHTC projects is typically split disproportionately to the developer. Therefore, in a scenario where the development is giving off extra cash flow due to the Section 8 overhang caused by tenant-based vouchers the developer may profit disproportionately to the tax credit investor.¹²⁰ At least on the record, no developer mentioned this as a valuable source of unanticipated income. This Boston-based developer also suggested that developers may make a different calculus in a city where the difference between LIHTC rents and the payment standards was more pronounced. In New Orleans, as I will show below, this difference between LIHTC rents and the payment standard ranges between 3% and 21%.¹²¹ In an area such as Boston, that difference may be more pronounced and provide more opportunity for additional cash flow when tenants with vouchers move into the development.

Finding IV. New Orleans does not appear to have a much higher percentage of voucher tenants in their LIHTC developments than the national average.

My initial ambition for this thesis was to be able to come up with a firm number on the total count of LIHTC units occupied by tenants with vouchers. This was not possible. It was very difficult to obtain information on the presence of tenant-based vouchers in developments. As noted previously in the literature review, this data has yet to be fully released by HUD to the public and even in the summaries available for Louisiana does not provide accurate information.¹²² This was a big disappointment!

¹¹⁸ Obviously, there are usually other social motivations behind affordable housing development.

¹¹⁹ Kathy Laborde, Personal Interview, March 3, 2018.

¹²⁰ Again, cash flows are typically quite limited with these projects.

¹²¹ That difference is greater for 3 and 4 bedrooms, but as I discuss later, most LIHTC units are not 3 and 4 bedrooms.

¹²² While willing to provide the information, three of the developers that I spoke with were unable to provide the information because they did not track it. The asset managers at a tax credit syndicator did not track this information either. There was only one property management firm that was able to provide this data to me as needed. The Louisiana Housing Corporation was willing to provide me with this information, but did not have it available in a format that they

Presented below are the range of answer that I received on this question. The overwhelming realization in this process was that most developers do not track the number of tenant-based vouchers in their developments. This supports the assessment that tenant-based vouchers are not considered on a regular basis – if they were developers would likely really know these numbers. In only one case was a developer able to readily give me a range off-hand. I was only able to obtain actual numbers or ranges for five developments. At approximately 5% of the total LIHTC pool, this is insufficiently small to make strong generalizations; it is still worth reporting. Here, I have rounded some of the sizes of the developments to avoid making those developments easily identifiable. Most of the developments below also have multiple sources of funding and tax credits are not their only source of development subsidy. Accordingly, I only consider “Straight Tax Credit units” a term used to refer to those units without any additional project based operating subsidy.

Table V1: Tenant-Based Vouchers in Five LIHTC Developments in New Orleans

	Tax Credit Units	Voucher Count or Range	Percentage of Tax Credit Units
Development I	150	51	34%
Development II	40	33	82.5%
Development III	90	61	67%
Development IV	230	70-100	30% to 43%
Development V	60	38	63%
Total	570	253-283	44%-50% (average)

There are a few observations to make here. First, these numbers are not out of line with the national figures that I mentioned in the literature review. On a project level, the ranges are from 30% to 82.5%. When averaged, a range of 44%-50% of units above have tenants with tenant-based vouchers in them. This aligns quite closely with the nationwide figure that was determined in 2013 by O’Regan and Horn of 50%.

Second, this sample projects above shows that voucher use in LIHTC projects is common. Every development above has at least a third of its units consumed by tenant-based vouchers. This suggests that the practice of tenant-based vouchers in LIHTC developments is likely to occur in most developments, even if developers are not thinking about it in their development scenario.

Third, this points to the value of data. While I do not reveal the names of the developments here, having access to that information would be helpful for policymakers in understanding the relationship between these two programs. It is proprietary information that I was able to access here, but based on the requirements of the Housing and Economic Recovery Act of 2008, it seems that this data should be more publicly available and usable for research.

Fourth, this points to the complexity and opaque nature of tax credit deals. Once the LIHTC funding is in place, there are a variety of sources that could provide operating support for

could provide me. From my conversations with staff there, it seems as though they may track this information on an individual project level, but it was not aggregated and it would have taken considerable staff time to provide it to me in a usable format.

these developments other than tenant-based vouchers. In addition to project-based vouchers, this could come in the form of public housing operating funds, or in Louisiana, the “piggyback” program in Louisiana which permitted the use of Community Development Block Grants for operating subsidy.¹²³ Identical units developed with LIHTC simultaneously may have very different operating sources that are not visible in data as it stands which simply lists the number of units at a given development. Late in my research

Finding V. It is difficult for tenants to utilize their vouchers.

I anticipated that some of the demand for LIHTC developments would be from voucher holders struggling to find housing on the open market. In my previous work as a Housing Specialist, I knew that knowledge of available units was largely built on personal relationships with landlords. Frequently, I would have landlords call me to make me aware of upcoming vacancies. An individual trying to wade through that process would be very difficult. This process is complicated by vouchers. In my literature review, I encountered research by Rosen and DeLuca that echoed some of the difficulties my former tenants struggled with in using their vouchers. By writing ethnographies and getting to know tenants and landlords, their research add a valuable human perspective on the difficulties faced by those with vouchers seeking to make use of them.

While the conversations that I had were with developers and property managers, not directly with tenants, they do point to the hardships that many face when trying to lease up an apartment with a voucher.

Brent Couture, a property manager of affordable and market rate small apartment complexes describes the experience of voucher holders who come to view the apartments that his company manages:

“...I will say that sometimes more the apprehension [of a prospective tenant] is whether [they] are going to be going into a property that will be accepting of a voucher. We find that a lot of times ‘well my previous landlord told me I had to do this, this, this, and this.’ Some could be wrong. Some could be illegal... You know? So having to train the prospects that no, we comply with the program. We accept the program. We work with it...no ‘we don’t need \$200 under the table and such like that.’”

He went on to point out that these problems are more pronounced for those households looking to rent three and four bedroom apartments:

“The opportunities out there are very limited. So you get something affordable at that size, and...you have landlords who are not honest and basically manipulate the system, and obviously, if you are a tenant looking for a place, even though you have a voucher...your options are so limited. You are going to do wrong, essentially, to do right for yourself.”

¹²³ LHA Presentation on Piggyback Funding, August 2016.

This speaks to some of the incredibly difficult decisions that voucher holders face on the open market. LIHTC developments *must* accept voucher holders by law. Further, the entire project is at risk if any of these sort of noncompliant (i.e. illegal) actions take place. Unfortunately, LIHTC developments typically have fewer of the 3-4 bedroom units. While 43% of voucher holders have 3 or more bedrooms, only approximately 11% of the LIHTC units in New Orleans are these larger sizes.¹²⁴ Meanwhile, only 20% of voucher holders live in studio or 1 bedroom units, but approximately 65% of LIHTC units in New Orleans are those same unit sizes.¹²⁵

Terri North provided an example from 2012 when some tenants in the Lafitte development were offered tenant-based vouchers, but encountered the harsh realities of trying to use them:

“There’s, you know, bias against people with vouchers...at one point right after we opened the first part of Lafitte [Public Housing Redevelopment], which is either all public housing or Project-Based Section 8. 100%.....When those folks came up for [their annual lease] renewal they were offered a tenant-based voucher. And many of them thought ‘Oh yeah, that’s fantastic, then I can go wherever I want’...and the management kept trying to tell them, ‘You may have trouble finding a place to go, and if you give up this unit, you lose your place on the Waiting List. And it’s going to be a problem.’ We had people almost become homeless of over this. They could not find a place to go with the tenant-based voucher.”

These comments point to the value that LIHTC developments, or any scrupulous voucher-accepting landlord, play in enabling voucher holders to find a home. Providing a pool of potential units for voucher holders, even if the wait is long, appears to be critical for tenants with vouchers. It is worth noting here that I did not look at the lease up experience of HCV holders or the percent of vouchers that expire before a unit cannot be secured. This would be a worthwhile area for further research.

It is worth noting, however, that one other developer that I interviewed experienced that when HANO’s tenant-based voucher waitlist opens, this developer’s projects actually experience a *dip* in occupancy. This is due to the fact that, according to this developer, tenants are permitted to leave their project-based voucher units mid-lease term in order to accept the tenant-based vouchers. This vacancy is then exacerbated by the time that it takes HANO to fill that vacated project-based unit.¹²⁶

¹²⁴ HUD LIHTC Database

¹²⁵ This is not much of a surprise, as LIHTC developers generally want to minimize the size of units in order to maximize their unit count. Further, additional bedrooms result in only a marginal increase in the rental payment. It was not possible in the course of this research to fully explore the interplay between the needs of tenant-based voucher households and the available stock of LIHTC units, but it would be useful to know whether the percent of vouchers in LIHTC units varies based upon bedroom size.

¹²⁶ Neal Morris, Personal Interview, March 26, 2018.

Finding VI. LIHTC Developers generally like LIHTC.

Perhaps it is obvious that those benefitting from the status quo would support it. Cynically, one could say “That’s obvious, they are the ones profiting from it.” Or, alternatively, “Just about everyone thinks that they do a better job than the government.” However, my conversations suggested a perspective that was a bit more nuanced.

The developer’s name is on the line. The developer is ultimately responsible for the success of the development. Jamie Neville has built hundreds of units across New Orleans in both scattered site developments and historic renovations, and his company continues to own over one hundred units. With his company, Neville Development, he feels personally attached to products that he creates. Speaking about the growth of LIHTC from the federal government’s perspective, he said:

“We [the federal government is] going to start to replace permanent subsidized housing by the government and give out a voucher and we’ll let [developers] build the units themselves and if they fail, they fail. But [the government] is not going to be held responsible...LIHTC is obviously the main crux of that...I’m (Jamie Neville) held responsible for 15 years. Not for six months. Not for a year and a half, but for fifteen years, my name is on the line. And I live here... I don’t own any units in Texas or Mississippi. Not even in a different parish. I own ‘em right here and so people know where to find me.

Private money creates more potential. Some developers appreciated the role that private funding plays in this equations. Private funding means that developments are less reliant on the government for money. Kathy Laborde of Gulf Coast Housing Partnership stated that “I’m all for LIHTC. LIHTC brings private dollars. Vouchers is public money. LIHTC isn’t. it’s a public incentive, but it’s private money.”¹²⁷

LIHTC creates a longer term affordability than can be achieved with just vouchers. When I asked Kathie Laborde about what a development landscape might look like without LIHTC, she observed, “A voucher doesn’t give you [long-term affordability]. A voucher is good as long as someone is willing to house you. LIHTC at least restricts the dirt for a longer period of time [than tenant-based vouchers].” Even as rents rise around a LIHTC development, the rents in the LIHTC development are capped based upon *income* growth as it is tied to the AMI. In a rapidly rising market, tenant-based vouchers may be displaced as their rents in their neighborhood grow faster than their voucher is able to contribute to the rent. In LIHTC developments that is less likely to happen due to the fifteen year compliance period and the additional fifteen year affordability requirement.

Finding VII. Affordability is an ongoing struggle, even for those fortunate enough to get a spot in LIHTC developments.

¹²⁷ Kathy Laborde, Personal Interview, March 28, 2018.

I asked developers about targeting the pool of applicants who make up the “narrow band” of tenants who both qualify for an apartment and can pay an affordable (30% of income) in rent. As noted previously, every developer mentioned that the need for apartments is far greater than the current supply. Not one of the developers was concerned about vacancy that might be caused by too few tenants for their developments.

Terri North mentioned a project that Providence is currently building: “Sacred Heart is a great example. People are just lining up. And most of them will not fit that band. They’re mostly going to be paying tax credit rents. Most will be 50 or 60% of their income. They’re going to be a poor population in there.” It is this fixed rent that makes LIHTC unlike public housing or vouchers – it does not stay affordable when one’s circumstances change. In a city that is dominated by the low-wage hospitality and tourist economy, and employment that can fluctuate seasonally fixed rent can present a difficulty for those tenants.

Finding VIII. The QAP is a complex and imperfect document that drives development decisions.

Victor Smeltz at Renaissance spoke about the original vision for Renaissance Neighborhood Development Corporation. When it created Renaissance, Volunteers of America (VOA) envisioned strong projects centrally located, near the jobs downtown, and in walkable neighborhoods. Once that visioning was complete, they would then seek out the resources to make the development happen with LIHTC support. However, the dissipation of resources after the subsidy boom post-Katrina and the evolving QAP have altered the equation for them:

“Well, the QAP has gotten so focused, and so competitive, and as you know it is all point driven, so what you have to do now if you want to play in the Tax Credit World is you’ve got to start with the QAP. You’ve got to design your project chasing the points, then find the site that is going to ring all those bells, so it’s kind of turned 180. But after starting that process we design the project then we step back and say ‘Well is this something that really makes sense to do?’... You can chase these points and wind up with a development that is not a particularly good real estate investment. So, that’s where we are kind of migrating now.”¹²⁸

Jamie Neville echoed the issues related to the increasing number of requirements in the QAP that ratchets up the costs:

“So you know all these criteria in the QAP every year it goes from being a point thing to provid[e], say, dishwashers, to now that’s mandatory. You know the green energy that used to be a point criteria; now that’s mandatory. We can do all this, but you’re going to start to have to raise the caps on construction costs.”

¹²⁸ Victor Smeltz, Personal Interview, March 28, 2018.

And those requirements comes with ongoing responsibilities to maintain that equipment. Referencing the in-unit washer and dryers that are now in some of his units Neville complained “I’ve got a tenant that has gone through three of them. And I tell my management company, ‘Well stop it. Don’t put another one in.’... ‘Oh no, you have to.’... ‘What do you mean I have to?’... ‘You checked the box [on the QAP application].”

As noted earlier, these tensions around the QAP run both ways. In my conversations with Brad Sweazy at the LHC who helps write the QAP he observed some of the difficulties inherent to crafting a QAP in Louisiana:

“When we have Greater New Orleans Housing Alliance and they encourage us to do less funding in the high poverty census tracts, it is sort of hard when almost 50% of the census tracts have a poverty area ...that’s a line that’s really hard to walk. Investing in high income areas so we have Low-Income families in better neighborhoods and also making sure that we don’t ignore the Low-Income census tract areas so they become blighted and continue decline.”

This seems to me to be a reflection of the difficulty in trying to create a document that pleases as many people as possible. After the draft QAP is released the public is allowed to comment, though it is primarily developers. For 2018 there were nearly 200 comments received on it.¹²⁹ As housing funding from Washington declines, the QAP starts to become the catchall for housing policy – trying to please more constituencies with fewer dollars. In a largely rural state, the pool of tax credits dedicated to rural areas has grown in recent years.

Finding IX. Project-based voucher units administered by HANO are frustrating for developers and property managers to fill.

Every developer that I spoke with vented about the HANO Project-based Voucher administrative process. Coming in, I believed that project-based vouchers were the golden ticket for developers. After using LIHTC money to develop a project, the project-based voucher guarantees rental income for a given unit as long as it is occupied. Just like project-based vouchers, tenants are required to pay 30% of their income. Developers, however, are able to take on additional debt with project-based vouchers, thanks to a higher rent standard and the implicit credit backing provided by the contract. These units must go through both an inspection process administered by the Housing Authority and the process of filling the units from the Waiting List, also administered by HANO.

Due to the dependent relationship between HANO and developers, several asked me not to mention them directly on this point and so I do not to mention any of them by name. While this topic steers a bit from the primary focus of my thesis, it points to the value that enhanced administrative processes can have in bringing keep vacancies low and units filled as much as possible.

¹²⁹Louisiana Housing Corporation, 2018 Draft Qualified Allocation Plan, Public Comment Period. https://www.lhc.la.gov/assets/Programs/Low_Income_Housing_Tax_Credit/2018-Funding-Round/2018-QAP-Comments-040318.pdf

When I asked one developer how long it takes to fill units with the project-based voucher system, they responded with exhaustion, “That’s a good question...a while. It is a constant stewardship. Constantly following up. They sit empty...”

This frustration was palpable at other moments as well. When I reminded a developer that the project-based units achieve a higher rent than the straight 60% AMI LIHTC units, the developer responded brusquely, “that’s the Bullshit Premium.” This was illuminated for me many times. Developers have every incentive to get units online as quickly as possible – no tenants means no rent. But to the public benefit argument, every day a developer is not earning rent, it is also a day that a person does not have a place to live. And so, even as developers are trying to finish out their projects at least one struggled to get the units approved as it opened up:

“I think the project-based voucher program, they take a longer lead time on getting the first tenant into the unit. You’re waiting. The building has to be completed. The HANO inspector has to come out then...then, only after the inspection... you can start to market the unit...there is virtually no way you can get a tenant in the day after you finish. I’ve learned that no matter how good my project is, I’m going to be 4 months out, 5 months out. Slow renting because of that process. It’s not the people. It’s just their process.”

Finding X. Market rate landlords are reluctant to work with Section 8 for many reasons and LIHTC developments present an opportunity for voucher holders to utilize their vouchers.

One of my most illuminating conversations was with Brent Couture, the owner of Certain Property Management. His company typically serves complexes of less than 100 units, and currently manages about 450 units of both market rate and restricted affordable housing apartment complexes. He estimated that he manages 50-60 units with tenant-based vouchers and 200-250 project-based voucher units, the rest are cash paying tenants. I knew Brent’s properties from my previous position as a Housing Specialist and believed that a medium size property management company would have some sort of accelerated process with HANO, or that some property owners might want to work exclusively with the Housing Choice Vouchers due to the guarantees provided for rental payments. However, this was not the case.

He illustrated some of the financial difficulties of working with the Housing Choice Voucher program for me. Typically, when a potential tenant with a voucher chooses an apartment, “We inform tenants that we want you in tomorrow...but we caution them that it could typically take them six weeks.” He went on to explain the difficulties that an owner of a property must deal with even if they choose to work with the Housing Choice Voucher program:

“It’s almost like having a line of credit. Let’s just say somebody with, say, a 24-unit property and we’ve got 4 units in the process...we’re talking a thousand dollars each. That’s a significant hit. You’ve got \$8000 over two months, and of course you’ll regain the money back to the contract signing, but for the six weeks you don’t get a penny. The second you

accept. So obviously, if someone came in and said ‘I qualify as a market [rate tenant],’ I can move you in tomorrow and I can immediately get my revenue stream going. It’s a disincentive for me to say ‘No, I’m going to hold it for this voucher.’ Because I know I’m guaranteeing four weeks minimum, normally six, of nonrevenue, never to be regained.”

This financial disincentive for landlords to work with HANO would be even more pronounced with a property owner that owns a single property and relies on that rent as primary source of income. However, Brent noted that this is actually not the primary reason that owners choose not to work with the housing choice vouchers. Citing the reasons that owners give he said:

“Number one, you have just the misconception that someone who is on assistance is a bad person....A tenant who is not going to keep it clean. Who is not a going to be a “good tenant.” Whatever quote unquote good means. That’s just generational and that’s just ignorance of not understanding what affordable really is. It doesn’t mean someone who has no money, they’re working and challenged...”

Brent went on to talk about the frustration that some landlords express with the housing inspections. While he valued the role of the required annual housing quality inspection, some landlords do not want that exposure. He observed, “If you want to be a slumlord, you can’t be a slumlord with affordable. You can’t. The checks and balances are there to stop that.”

Oftentimes, property managers work on a single property or development. As Couture works with multiple property owners, he has a window into some of the wider perspectives within the ownership community. His observations of comments reflect the need that LIHTC developments serve for voucher holders, namely that these properties cannot turn them away. The lack of a law that prevents income discrimination in Louisiana means that denying voucher holders is acceptable at all properties, except for LIHTC developments.

Finding XI. Vouchers are critical to reaching the lowest income levels.

The LIHTC program is designed to make housing affordable for those at 60% AMI levels.¹³⁰ It is not designed to serve those at the lowest incomes. That said, the QAP pushes developers to reach those lower incomes. In many cases, the rent from a 30% AMI unit will actually be less than the expenses, that is, it costs more to operate the unit than it earns. The voucher is what makes it possible to serve these lowest incomes, whether that be a tenant-based voucher, or in many cases a project-based voucher. When a landlord receives the higher payment standard from a voucher, the unit at least breaks even. Without vouchers, the math just does not support the development of units for those at the lowest income levels. In order to achieve that a developer needs support to come from another source. Matt Morrin the Director for the Gulf South of Enterprise Community Partners summed it up well for me:

¹³⁰ Technically, not just 60% AMI, however an overwhelming majority of the developments in New Orleans elect to use this test.

“If you were building 30% AMI units, you would need to size the rent for those to be affordable to 30% AMI tenants, which obviously is going to be different than 60% AMI tenant. And, you would need to have a number of them such that you could cross subsidize with other units in your project that were profitable to make up for what is going to be essentially the negative revenue that you are going to get. It is almost invariably going to cost more to operate them than you are going to get in revenue if you have an unsubsidized 30% AMI unit.”

The LHC, however, *is* focused on delivering housing units precisely for this demographic. Brad Sweazy mentioned the push for those at the Extremely Low-Income category in the draft 2018 QAP. He observed in our conversation that, statewide, there are about 100,000 households below 30% AMI who need housing. In the New Orleans setting, this represents a family of four that earns under \$19,000 per year, or a single individual who earns \$13,320 a year. But reaching those rent levels is extraordinarily difficult and generally requires additional subsidy. According to Sweazy:

“Putting them into that project into the development enables families that are 30% or below to have good quality housing at a new development. Where that wouldn’t happen on a strictly tax credit development, they’re not really geared towards families that are extremely Low-Income. If there is no other rent subsidy then they have to pay the rent. It just doesn’t lend itself to having extremely Low-Income housing. “

In our conversation, Jamie Neville went on to expand in detail the situations that he faces when trying to target the lowest income levels:

“Even with some of the rents that we’ve projected... again, It’s gotten harder and harder for an owner / developer to show on your proforma that you are going to rent units at 20% AMI to 30% AMI which may be \$342 a month in rent And say I am going to be providing a \$900 a month unit and someone’s paying this. And so, you Mr. Agency is really making it hard for me if you’re not going to help subsidize me. Now the PSH program has come through even though the tenant can only afford 200 or 300 bucks per month, the PSH program is providing like \$650. That makes it bearable for us to say we will embrace this PSH program because at y’all are trying to offset the real cost.¹³¹”

In cities with higher rents there is potential to target lower incomes without subsidy. When there is an especially large gap between the market rent and the LIHTC rent, a developer can cross subsidize

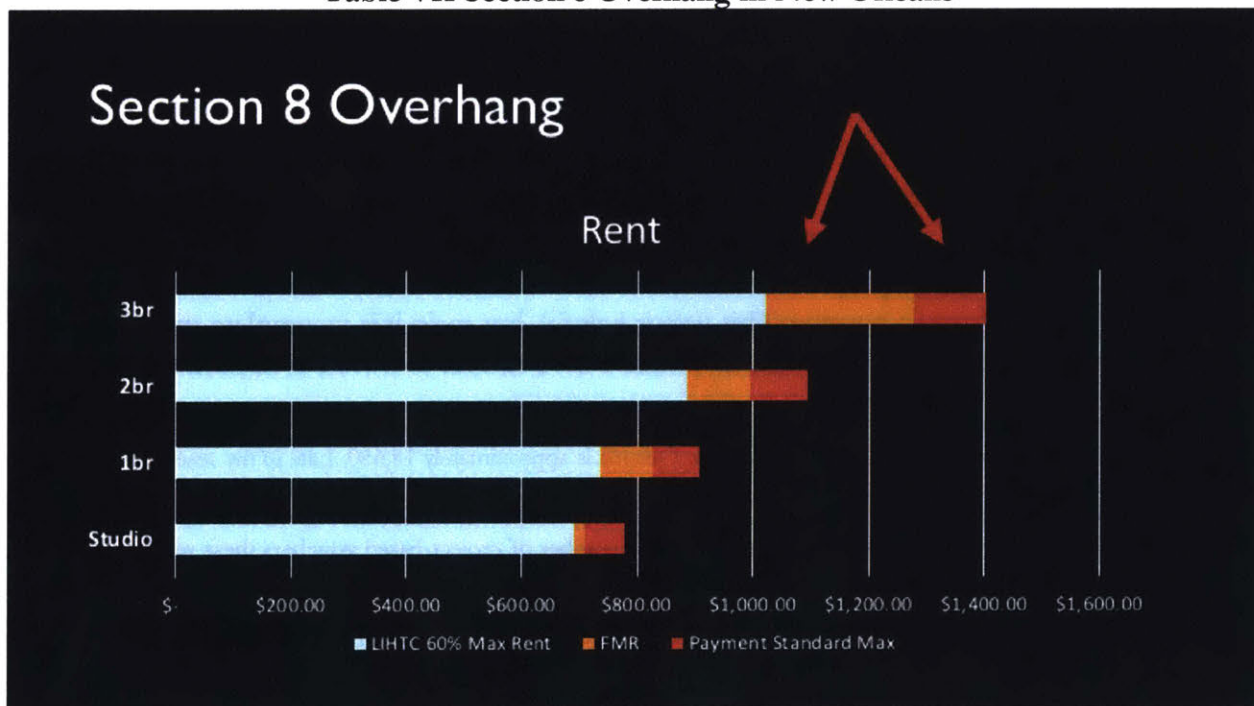
¹³¹ PSH refers to the Permanent Supportive Housing Program. This program is a tranche of vouchers that were received by the state of Louisiana specifically designated for those who were formerly homeless after Hurricane Katrina. This is distinct and separate from the Housing Choice Vouchers, but functions similarly. It has both a tenant-based and project-based component. Here, Jamie Neville is commenting on the PSH project-based vouchers that provide sufficient operating subsidy for him to serve individuals with Extremely Low-Incomes. Essentially these are units have higher expenses than revenues. Without some form of operating subsidy they are guaranteed to lose money.

the lower-income units with the rent that is generated from the market rate units. This can come in the form of additional operating funds to service those units, or additional debt. As one developer noted: “There isn’t the advantage that you get with market rate unit in New York or in San Francisco, so we can’t bring in as much leverage.”¹³²

Finding XI. There is potential to save money by modifying the current arrangement between the two programs.

Due to the conflicting payment standards between the two programs, there is room for developers to earn slightly more when they accept a voucher over a cash paying tenant, as I mentioned with respect to the “Section 8 Overhang.” I thought it is important to actually do the analysis on the potential savings that could be achieved if the developer/owner were to accept the “straight LIHTC” 60% AMI rents for those units. Admittedly, this comparison requires a bit of a leap as I do not know how much each voucher unit is being rented for in the LIHTC developments. However, we can safely assume that it is somewhere between the FMR and the Payment Standard set out by the Housing Authority.¹³³ In all likelihood it is very close the payment standard as LIHTC units generally represent the newest and highest quality units on the market. As I do not know which one each property is receiving I do the calculations below for both FMR and the Payment Standard. Below, I graphically show the Section 8 Overhang. The arrows point to the Overhang – the rent that is above and beyond the LIHTC 60% Max Rent.

Table VII Section 8 Overhang in New Orleans



¹³² Terri North, Personal Interview, March 26, 2018.

¹³³ The difference between FMR in this case ranges between 107 and 110% FMR.

I then went on to try and see how many additional vouchers might be funded if LIHTC properties were to receive the lower LIHTC rent, rather than the FMR or payment standard. As I was unable to determine exactly the number of tenants in LIHTC developments with TBVs, I have a range of possible scenarios based on the data that I was able to find. There are several caveats to this finding, and the methodology is detailed further on and in Appendix II.B. Based on these calculations, I find potential savings of around \$8,400,000 which could create approximately 870 additional vouchers.¹³⁴

Finding XII. Mapping provides relatively little insight into the prevalence of tenant-based vouchers in LIHTC Developments.

In trying to answer my research question: “How prevalent are Housing Choice Vouchers in Low-Income Housing Tax Credit Developments,” it was not clear whether I would be able to obtain project level data about the tenants that lived in specific developments. Much of the literature on project level data points to special circumstances where data was made available to researchers for specific projects.¹³⁵ Unfortunately, I was not able to obtain the project level data that I wanted for New Orleans.¹³⁶ In the event that this information never became available, I chose to look to spatial data from the federal government that is freely available online to create a series of maps with ArcGIS. I hoped that by mapping the information, some spatial patterns might emerge. In the process I thought that I might be able to triangulate my way to an answer. Working in ArcGIS, I created maps that show the growth of LIHTC developments in New Orleans with respect to housing choice vouchers over time. These are located in Appendix I.

Without project level data, a map provides the opportunity to approximate an answer to my research question and potentially visualize patterns that exist between HCV and LIHTC over time. Three sources provided the bulk of the information necessary in addition to files available from the city of New Orleans. The HUD Picture of Subsidized Households provides an annual count of all HUD programs across the country and makes it available at the Census tract level. Census Tracts are of varying geographic size, but contain approximately 4,000 residents each.¹³⁷ In New Orleans there are 176 census tracts. For the purposes of this project, I utilize information on the Housing Choice Voucher Program and public housing. This data is helpful, but again it is incomplete and some census tracts did not have any data.¹³⁸ Finally, while I have chosen to leave out Section 8 Project-

¹³⁴ The total pool of Housing Choice Vouchers in New Orleans is approximately 18,650. Late in my research I learned from the HUD Helpdesk that a portion of these vouchers are actually project-based vouchers. By regulation this cannot be more than 20% of the total voucher pool. Further, a LIHTC development cannot have more than 25% of its units project-based. If all LIHTC developments had the maximum number of project-based vouchers these results might be decreased by 25%.

¹³⁵ Furman Center Research, 2013 and Williamson, 2011.

¹³⁶ While LHC was willing to provide the data, it would have required them going through each individual form submitted to the agency on an annual basis. While this data is collected at a state level, it is not readily available online. The Housing Authority of New Orleans declined to provide information for tenants at any level smaller than the zip code level citing tenant privacy concerns. Data request response from HANO 2/28/2018

¹³⁷ LHC Housing Needs Assessment 2

¹³⁸ I did reach out to the HUD information desk to request information or get further clarity on why the data might be missing but I did not receive a response.

based vouchers for the sake of clarity, these project-based vouchers do represent an important source of affordable housing in New Orleans.¹³⁹

There is a copy of some of the maps that I created in Appendix I and as well as details on how they were created. Additionally animations are online and available here:

<https://mit.maps.arcgis.com/apps/Cascade/index.html?appid=de6d2d755cee4eac9d36bcdb047ba7a2>

I made the following observations based on these maps.

1. LIHTC units tend to be clustered in the central part of the city (roughly around Tulane Avenue). These centrally located LIHTC developments are not in areas marked by having a large proportion of tenant based vouchers.
2. The largest developments are primarily in those areas where traditional public housing once stood.
3. There are some areas with heavy concentrations of HCV and LIHTC projects. Specifically in New Orleans East and in Algiers.

This is consistent with what I might have expected. With these maps, I was also able to come up with an interesting way of displaying the data by using dot density maps and showing change over time. While I do not think it fully answers the questions at hand, it is possible that by doing it over a greater time period I would be able to show trends in voucher utilization as well as the introduction of LIHTC developments.

Possible Implications of Recent Changes to LIHTC

Small Area Fair Market Rent.

Small Area Fair Market Rents (SAFMR) may increase interest in the interaction between LIHTC and tenant-based vouchers. The Small Area Fair Market rent is designed to improve the choice of neighborhoods available to HCV holders. Some of the current conversations in housing policy, motivated in part by the Moving to Opportunity study, revolve around high and low opportunity neighborhoods. The definitions vary to some degree but revolve around educational attainment and levels of poverty in the surrounding neighborhood. In order to make high-rent high-opportunity communities and areas of low-poverty concentration accessible to those with vouchers, it reforms a critical flaw of the Fair Market Rent. By determining Fair Market Rent at the zip code level, rather than at the metropolitan level, it approximates rents at a neighborhood

¹³⁹ There are actually two types of project-based Section 8 vouchers. Here, I am referring to the old Section 8 Project based contracts directly between the developer and HUD, not the project-based vouchers that were designated as such by the local housing authority. Very confusing! The clumping together of project-based vouchers in the data is quite confusing, and was clarified for me by HUD Information Desk quite late in my research.

scale. Thus, it makes it possible for the vouchers to pay the higher rents associated with individual neighborhoods. By enabling the payment of higher rents in certain high-opportunity neighborhoods and requiring lower rents in low-opportunity neighborhoods, it is hoped that HUD will be able to deconcentrate voucher holders and incentivize movement to high-opportunity communities.

As of right now, 24 metropolitan areas nationwide are compelled to participate in the use of the SAFMR.¹⁴⁰ While this is designed primarily for the private, unsubsidized housing market, it has implications for units in the LIHTC market. According to Novogradac, a leading online resource for tax credit developers,

“LIHTC properties are allowed to collect the entire HCV payment standard, even if this exceeds LIHTC max rents. Therefore, projects located in areas where the SAFMR is greater than the previous area wide FMR will be able to collect additional rent; however, in areas where the HCV payment standard has decreased the LIHTC properties will collect less total rent from the HCV holders.”¹⁴¹

New Orleans is currently piloting the SAFMR program with “exception payments” for 5 different zip codes and this was recently incorporated into HANO’s draft Administrative plan.¹⁴² These are all *higher* than the current FMR. As a result, LIHTC Developments in those areas can request to receive the entire payment standard.¹⁴³ At this point in time, I do not know where LIHTC developers have requested rental increases from the Housing Authority as a result of the SAFMR policy.

This provokes a question as to whether LIHTC developers who happen to be located in these census tracts *should* be permitted to receive these higher rents. From my perspective, this is additional revenue earned by these developments that does not actually advance the intent of the policy to get voucher holders to higher opportunity communities. These developments *must* accept individuals with vouchers by statute. Further, this revenue could provide extra cash flow to the owner. This is not inherently bad, however it does further reward developers for housing voucher tenants even though they must do so. It also provides them with a windfall even though they have not done anything operationally differently to warrant additional value.

Some of the overhang *may* also be eliminated by the SAFMR. By pushing payment standards closer to the 60% LIHTC rents the size of the overhang will decrease. Further, by decreasing the payment standard in certain areas, it may not be as attractive for tenants to live in LIHTC developments. In some circumstances they may actually have to pay more to live in those areas if the SAMFR is below the 60% LIHTC rent. Over time, this should mean that individuals with vouchers will have more housing choices. In theory, SAFMR should enable them to have equal choice

¹⁴⁰ FAQ on SAFMR <https://www.hudexchange.info/resources/documents/SAFMR-FAQs.pdf>

¹⁴¹ <https://www.novoco.com/notes-from-novogradac/understanding-new-small-area-fmr>

¹⁴² HANO Draft Administrative Plan April 27, 2018. Section 14.2.7 Exception Payment Standards: “As HANO is not designated a Small Area FMR area and has not opted to voluntarily implement SAFMRs, HANO may establish exception payment standards for a ZIP code area above the basic range for the metropolitan FMR based on the HUD published Small Area FMRs.”

¹⁴³ This is approximately 24 developments with 2400 units total. This is an estimate. It represents roughly 25% of the entire pool of LIHTC development still under compliance.

between all communities to locate a unit at the 40% percentile of rents. If this works and the concentrations of vouchers decrease then this is a positive step forward for fair housing. If tenants with vouchers continue to face the same discrimination around their vouchers then it may be more problematic. This is especially worrisome in situations where source of income discrimination means that individuals cannot use their vouchers and they actually end up spending more on rent in the same low-opportunity neighborhoods. Notably, New Orleans has not yet implemented these exception payments in areas where the fair market rent may be lower.¹⁴⁴

Income Averaging.

Income averaging is a provision from the 2018 Omnibus spending bill that adds a third potential option for affordability restrictions at a LIHTC development, also known as a set-aside test. Currently, under the two existing tests, developers must choose either to set aside 40% of the units at 60% AMI, or 20% of the units at 50% AMI. Now, developers are allowed to average the designated AMI rent limits on each unit as long as they average out to 60% of AMI. It is important that this appears to apply only to developments that are yet to be created and existing developments cannot switch as the set-aside test is determined at the outset of the development.¹⁴⁵ Additionally, it is the units themselves that are designated at a certain AMI *before* development. Income averaging is not based upon averaging tenant incomes on an ongoing basis. Finally, units designated for one AMI (say 70%) may be occupied by any individual with an income below that (even someone at 58% AMI). The particulars of this test are somewhat technical and a bit beyond the scope of this thesis. However, it is useful to discuss its potential implications.

There are some potential benefits of this new set-aside test. It allows developments to provide housing for a wider range of incomes. Previously limited to 60% AMI tenants, developments can now reach up to 80% AMI and still have the units “count” for LIHTC purposes. This has the potential to create more income diverse communities and less economically segregated communities. There are some potential issues. If developers in high-opportunity areas choose this third set-aside test and create units primarily designated for 80% AMI tenants, but developers in lower income areas still focus on 60% AMI rents (and below) it could perpetuate income segregation. It also might mean that those with the lowest incomes, those who may benefit the most from the positive elements of gentrification (i.e. enhanced public services and amenities) would be less likely to live in those developments.

¹⁴⁴ It will be possible for some LIHTC developers to actually continue to collect the same rent. There is a phase in period for the lower payment standards. However, as voucher holders are permitted to pay up to 40% of their income towards rent a LIHTC developer could refuse to modify the rent in response to the SAFMR. If, say a tenant were earning \$1,000 per month and contributing \$300 (30% of their income) towards the rent in a unit that rents for \$800. If the SAFMR payment standard is now \$700, there is a \$100 difference. The LIHTC development may be unable or unwilling to lower the rent to accommodate the new payments standard. The tenant would then have to move or pay \$400 towards the rent (40% of their income). See also Appendix III for further details on how the new SAFMR compares to the current FMR.

¹⁴⁵ As this legislation is new, some of the specifics of the rules are still being determined.

There are at least two potentially important interactions between this new rule with respect to Housing Choice Vouchers. First, it has the potential to increase the ability of developers to cross subsidize lower income units. As the 80% AMI tenants will have a greater revenue it may be possible to use that to support the units for the lowest income units – those units that have expenses higher than revenue. This might mean that there is actually *less* need for vouchers in these developments. Second, there is a potential windfall with this new set-aside test for developers who choose to serve higher AMIs and then attract tenant-based vouchers for the lower income units. Drawing directly upon an example from Novogradac, I place this new test in the New Orleans context. In a hypothetical 100 unit development with all two bedrooms, a developer who might have previously elected to do all 60% AMI units, now could elect to do 50 units at 80% AMI and then set the other half at 40% AMI. If that developer were then able to fill all of those 40% AMI units with voucher households the scenario would look like this:

Table VIII Income Averaging Applied to New Orleans

	If the owner leases all of the 40% AMI units to Housing Choice Voucher Holders		If the property is limited to 60% AMI rents.
FMR	\$ 996.00	FMR	\$ 996.00
x 50 units	\$ 49,800.00	x 50 units	\$ 49,800.00
80% AMI rent	\$ 1,182.00	60% AMI rent	\$ 886.00
x 50 units	\$ 59,100.00	x 50 units	\$ 44,300.00
Monthly Revenue	\$ 108,900.00	Monthly Revenue	\$ 94,100.00
Annual Revenue	\$ 1,306,800.00	Annual Revenue	\$ 1,129,200.00

This results in an annual difference in revenue of \$177,600. That means that the landlord would receive a significant amount of additional revenue if they choose to use 80% AMI rents. Depending on how the deal is structured, these 80% rents could be used to support additional debt, or the cash flows could go to the property or developer.¹⁴⁶

It is from these findings that I seek to address a few core issues that emerged in my research. I will next relay a series of potential policy proposals that may improve how these programs work with one another.

¹⁴⁶ As the SAFMR Polic is quite new, much of the information here is from the Novogradac website. Implementation at LIHTC Income Averaging. Novogradac. <https://www.novoco.com/notes-from-novogradac/implementation-lihtc-income-averaging>

Chapter 4: Policy Proposals

Introduction

While implementing what I regarded as sound public policy – finding homes for those who are homeless – I worried that perhaps by apartments in LIHTC developments we were inadvertently removing scarce affordable housing units from the market. Similarly, I imagined that developers were engaged in unscrupulous “double-dipping” on federal subsidies. This thesis was an opportunity for me to research and better understand a phenomenon I experienced as an on-the-ground implementor of public policy. Over the course of this exploration, and my graduate school education, I now better understand how these programs function on their own and how they interact with one another. Through mapping and interviews I came to a series of findings that lead me to a few potential policy proposals to improve both programs in ways that might make them more efficient and effective. The proposals that I put forth here are designed to work with one another and suggest ways that the programs might be able to be improved.

It is important also to be reminded of why we should care about the regulatory minutiae of these programs. We must remember the nearly $\frac{3}{4}$ of individuals who qualify for these resources do not currently receive for them.¹⁴⁷ In a context where the federal involvement in housing is not increasing markedly over time, it is important to seek out ways within the current affordable housing framework to be more efficient; this is an opportunity to provide more housing for more people. That said, I recognize that there is an inherent value to making these programs as simple as possible. As this thesis makes clear, these programs can be wickedly complex. To the degree that this complexity makes it more difficult for individuals with vouchers to find housing it is best to simplify. Here, as I suggest policy proposals, I attempt to walk that line between simplicity and equity.

There are three issues that I seek to address with policy: overpayments, an inefficient allocation of affordable housing, and data access. First, the practice of paying developers higher rents for tenant-based vouchers is an expensive practice and should be modified. This can best be addressed by compelling developers to accept the rents that are no higher than the LIHTC 60% AMI rent. Second, LIHTC developments should preference individuals who do not have vouchers. This will maximize the housing potential for the scarce number of affordable units that exist on the market. I propose a way to provide options for individuals with vouchers in the highest opportunity areas while also avoiding the prospect of concentrating voucher holders in LIHTC developments located in low-opportunity communities. Third, I offer policy proposals to improve the efficacy of the LIHTC program by making data more available for research. Finally, I conclude with a few additional ways to improve operations issues that exist in these programs that I learned through my interviews.

Policy Proposal #1. Pay LIHTC developments at 60% AMI rents, do not pay the Payment Standard or FMR.

LIHTC developers must accept vouchers, per the Section 42 of the tax code. Further, the voucher provides an incentive to landlords in the form of guaranteed rental payments -- even if a

¹⁴⁷ Desmond, 2016.

tenant's income decreases over the term of a lease, the Housing Authority will cover the difference. This potentially saves the landlord from evicting tenants for failure to pay and the potential vacancy caused tenants who can no longer afford the rent. As it currently stands, landlords receive additional payments from voucher holders that are unanticipated from a development perspective – the difference between LIHTC 60% rents and the FMR. Units will still be created regardless of this additional subsidy. From my interviews, I determined that developers do not consider higher voucher rents, or tenant-based vouchers in nearly any form in New Orleans. From a financial stability perspective, developments are underwritten by investors and the Louisiana Housing Corporation at the 60% AMI rents. If the project is underwritten at these rents, then it can adequately service the debt it takes on based upon those rents.

While there has been some research into pushing for higher accountability within rent reasonableness in order to drive down the costs of rents, that may be an involved process and require ongoing diligence. Desmond finds a premium of between \$51 and \$68 on houses rented with vouchers in Milwaukee. He estimates that by bringing down rents to their market value, a total of \$3.8 million in Milwaukee alone could be saved and an additional 620 vouchers could be created. This is valuable research, however it requires an ongoing case-by-case diligence to make sure that rents remain reasonable. This is potentially administratively burdensome. Further, interactions between the housing authority and the private market tend to be different than those with the highly regulated LIHTC world. Changes to payment standards create all sorts of potential issues in the private market. Landlords (who are already hard to find) may be less willing to work with a program if they see their rent take a hit.¹⁴⁸

My proposal here is to switch one rule: tenant-based vouchers in LIHTC developments can only pay up to the 60% LIHTC rents and not the higher payment standard or Fair Market Rent. It seems that this policy switch could be implemented relatively easily from HUD. In order to phase it in, this would only apply to lease renewals. It could be modified, in even further deference to owners to only apply tenants who are newly moving into developments. From my understanding, the issue here is that the rent reasonableness determination is based upon “unsubsidized units” and LIHTC units are not considered to have been subsidized.¹⁴⁹ While admit that I do not fully understand the intricacies of HUD rulemaking, this appears to be a regulatory difference and not a statutory one and so could be changed without further legislation.¹⁵⁰ This actually preserves some of the overhang for landlords. In units that are underwritten at the 30% AMI, there would still be additional rent coming – the difference between 30% AMI rent and 60% AMI rent.

¹⁴⁸ I know this first-hand from the conversations that I had with frustrated landlords when, in my former position, we pushed our rents down to the FMR.

¹⁴⁹ 24 CFR 982.507(b) <https://www.law.cornell.edu/cfr/text/24/982.507> (b)Comparability. The PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider:

(1) The location, quality, size, unit type, and age of the contract unit; and (2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

¹⁵⁰ There may be statutory complications with how rental assistance payments are interpreted as not part of “gross rent” in §42. If that is the case, modifying both program would be necessary.

Analysis of the overhang citywide suggests the potential for substantial savings if it is eliminated. My estimate values the overhang between \$2,700,000 and \$11,800,000 depending on the rent received by LIHTC developments and the percentage of tenants with vouchers. If we assume that 50% of the tenants in LIHTC developments have tenant-based vouchers, the best estimate is towards the higher side of that range at \$8,400,000. This would be enough to pay for approximately 870 additional vouchers.¹⁵¹ That equates to a nearly 5% increase in the total pool of vouchers.¹⁵² Alternatively, these funds could also be used to give each individual voucher held by the agency more purchasing power by allowing for higher rates of payment in high-opportunity neighborhoods.¹⁵³ This helps further desegregate voucher holders and potentially incentivize even more landlord involvement with the program.

Additional Uses for Savings

Based on my conversations with developers, the premium paid by the Housing Choice Voucher is not relevant for them in determining whether to develop. Therefore, if they were to no longer receive those funds, it would not necessarily impede the development of new units. Above, I propose using these funds for additional vouchers, and this is a preference as it delivers more housing to people who need it. However, these funds could also partially be applied towards housing authority administration expenses. As tenants will still pay the same amount for their LIHTC units (i.e. 30% of their income), the savings to be had by paying LIHTC rents would accrue to either the housing authority or HUD. Those savings could then apply to additional vouchers in New Orleans (ideally) or elsewhere if HUD were to keep those savings. Again, there are several assumptions that I have made to come to this conclusion.¹⁵⁴

If housing agencies were allowed to keep some portion of these savings for administrative purposes, in addition to the generation of new vouchers, they may be incentivized to search for those savings at LIHTC developments.¹⁵⁵ Here, further research is necessary on how HUD allocates funds for each additional voucher and whether savings can be utilized by the housing authority, or if they are just never received by the housing authority.

From a Housing Authority perspective, this would also incentivize them to make sure that they only pay 60% LIHTC rents to development owners. A simple certification that it is a LIHTC development would allow the housing agency to just shift to the 60% LIHTC rent schedule. This would actually potentially be less burdensome for them by not requiring a rent reasonableness

¹⁵¹ This assumes 50% of LIHTC units occupied by tenant-based vouchers and LIHTC developers all receiving the Payment Standard. See Appendix for the detailed chart that explains these figures as well as the methodology used to determine this figure.

¹⁵² This does not consider the administrative expenses of additional vouchers.

¹⁵³ One option would be to modify the Small Area Fair Market rent to be at the 50th percentile of rents rather than at the 40th percentile to open up even more options for families.

¹⁵⁴ There are likely some errors in the HUD data on LIHTC developments that could use cleaning up. Further, I use the entire range of 9% deals that have been completed in New Orleans since the start of the tax credit program, though some of these have likely passed their compliance period. However, I do not believe that I have all of the 4% tax-exempt bond executions which could include a higher number of total LIHTC units.

¹⁵⁵ Capps, 2018. <https://www.citylab.com/equity/2017/04/tracking-the-shadow-of-public-housing-budget-cuts/521778/>

comparison. While my research did not consider whether the agency can keep the savings, it does provide a possible source of additional funds for either local housing authorities or HUD. I am not entirely sure how this plays out from a budgeting perspective. However, if the agency is permitted to keep those savings they could pay for administration, or potentially even save some of the funds in case there are budget issues in the future, such as happened with sequestration in 2013.

Possible Issues

From the owner's perspective, based on my interviews, it seems that there would be minimal concern with this change. I do wish that I asked owners more directly how this proposal might affect their bottom line. Perhaps, that would give me a better sense of how they really interpret the payment overage that they receive from tenant based vouchers. However, if their other responses are any indication, they may not even notice. That said, if the policy were to take effect and reduce the property level cash flow, they may begin to feel differently.

From the tenant perspective, nothing changes. Tenants still pay 30% of their income towards rent, and they are still as competitive as other tenants for the unit. Further, they are still backed by the implied credit enhancement of the voucher and the payment by the Housing Authority.

Finally, it is possible that for-profit and nonprofit developers would view this policy change differently. In my conversations with developers, I did not feel that there were obvious differences between the for-profit and nonprofit ones, however this was not a strong line of inquiry for me. Terri North did suggest that Providence Community Housing (a nonprofit) may have a greater willingness to get the deal done even if the numbers don't pencil out perfectly for the maximum Developer's Fee. In her words: "At the end of the day, we want to produce the housing. That's our goal." Their focus is primarily on the *number* of affordable units created, whereas a for-profit developer is looking at a deal from the financial *return* perspective.

From the perspective of my proposal here, however, I am not certain that for-profit developers would react differently. While I did interview two for-profit developers, they did not react differently to my question regarding a loss of vouchers when compared to nonprofit developers. As for-profit developers are more likely to be concerned about the cash flow that might return to them, it is possible that they would be more upset about a loss to revenue if the overhang were to be eliminated. As mentioned, because I did not have access to property level financials, I do not know the size of the additional cash flow on each project. Again it is important here to remember that the developers are generally seeking a developer fee more than ongoing cash flow from rents.

I think what might be a better predictor of how developers will react is the size of the individual development, or even the number of developments owned by a given developer. Based on assumptions, the annual loss of revenue would be approximately \$1000 for each LIHTC unit owned by a landlord. In developments with thin cash flow this would be felt acutely. It would also be felt especially by large developers who may see portfolio-wide losses of revenue in the hundreds of thousands of dollars. For the average development in New Orleans, the annual change to cash flow on the property could exceed \$90,000, as I show in the chart below.

Table IX The Average LIHTC Development in New Orleans

Average Number of Units in LIHTC Development in New Orleans	90
Estimated Percentage of Tenants with Tenant-Based Voucher	50%
Total Tenants with Voucher	45
Difference between Payment Standard and LIHTC Rent if all units are 1brs (for simplicity)	\$171
Approximate cash flow to property contributed by overhang	\$92,340

Policy Change #2. Preference individuals who do not have vouchers in LIHTC developments and add Housing Counselors to Housing Authorities.

This is a bold proposal that would fundamentally alter both the LIHTC and Housing Choice Voucher programs. It was also one of the original questions I considered for this thesis – why can’t we just prohibit TBVs in LIHTC developments? This would require a statutory change to the tax code, but there are some ways that it could make the system work more effectively.

If a landlord were to prefer tenants without vouchers, it would be possible to make sure that the scarce resource of LIHTC units are filled by those individuals who have no other means of support. If those with TBVs could no longer access LIHTC properties then they would be forced to find housing elsewhere on the market. As previously mentioned, voucher holders do struggle to find housing. The introduction of a housing counselor to help them locate units with willing landlords, or improve the apartment listing system as it exists currently perhaps that counselor would be able to locate housing for at least some portion of those tenants on the unsubsidized market. For each tenant that does not live in a LIHTC unit, a cash paying tenant with no assistance who is also struggling to pay the bills would be able to occupy the unit. If this were to happen with all of the LIHTC units, that may unlock 5,000 additional units.¹⁵⁶

¹⁵⁶ The LIHTC units are not technically “additional” as they are already built. However, by exhausting the supply of HCV units on the private market they open up the rent restricted LIHTC units to cash-paying tenants. Note that this number comes from the approximately 10,000 LIHTC units x 50% with tenant-based vouchers = 5,000. This number may actually be lower as suggested elsewhere due to the estimations used.

There are some drawbacks. Limiting voucher holders selection means that they may end up clustering in only the low-opportunity neighborhoods. In theory, the SAFMR program should help alleviate some of those issues. Protecting tenants from discrimination based upon income would be one way to make it much easier for tenants with vouchers to access the wider rental market. I do not consider this idea fully, however, due the unlikelihood of its occurrence in Louisiana, due to Louisiana's less-than-progressive approach to housing.¹⁵⁷

The disadvantages of making it more difficult to use tenant-based vouchers, however, are quite compelling. As many of the LIHTC developments in New Orleans are centrally located, this would make it more difficult for voucher holders to gain access to those central neighborhoods. One way to limit that impact is to pilot a program with those LIHTC developments in low-opportunity areas. In those developments, preference individuals who pay cash for their apartments. We would then be able to see what the impact is on the individual development *and* whether individuals who might have otherwise lived there are able to achieve better housing outcomes in other parts of the city.

One final proposal is that for those apartments in high-opportunity communities, individuals with vouchers who have not been able to find housing on the market in 60 days should be able to be treated as a regular tenant from the perspective of those developments. This would require a longer lease-up windows for vouchers, but would push voucher holders to seek out housing throughout the city. Practically, the Housing Authority would issue another voucher to a family that has not been able to find housing on the open market after 60 days. This could lead to some gaming of the system (wait until the 60 days expire) and possible added paperwork burden for the Housing Authority. However, with good counseling this may provide for better result for both those with a voucher and those without. Admittedly, I do not currently know how hard it is to lease up a unit on the open market and some further research around this would be necessary before putting this into place.

Notably, if this proposal meant that individuals with HCVs located sufficient housing on the market, there would no longer be a Section 8 Overhang as all the vouchers would be utilized in non-LIHTC units. This undercuts some of the thrust of an additional 870 vouchers. However, this means that there would thousands of LIHTC units that then become available to cash-paying tenants.

Policy Proposal #3. Improve LIHTC database to share data about residents.

This is critical for better understanding how the LIHTC program works. It was frustrating that this was not a reliable set of data and had many missing pieces of information as I noted previously. The LIHTC database has much potential to help us understand the complexities of this programs. There is the potential to really dig into the database of property level tenant data and make it available for researchers. This would allow us to better understand whether there are concentrations

¹⁵⁷ The state House and Senate recently voted to prevent cities from enacting policies that force developers to add affordable units to new developments known as inclusionary zoning.

of vouchers in specific developments, and then seek to understand what might be causing that. The project data currently needs some cleaning, but it this is potentially achievable by crowdsourcing data on projects and asking citizens to help find errors.

By releasing the tenant-level data that is already in existence researchers would be able to see how these programs actually function with one another over time. I have made an attempt to do this with some of the mapping referenced in the last section. In the website that I created, I was able to create a map of all of the LIHTC developments in the city including ones that were done on a scattered site basis.

Some of the worthwhile fixes for the LIHTC database:

- Provide for fields for multiple addresses
- Make it easier to track when the compliance period for a development is expiring
- Create easy linking that allows one to see whether the project “went back in” for a 4% rehabilitation.
- Allow viewers to see operating subsidies that may be in place on the development

While this policy proposal is beyond the scope of my research and this , I thought it was worth noting one important

Policy Change #4. Improve the Project-based Voucher Program execution.

In order to reach the lowest income levels, some form of additional operating support is necessary. The achievable rent from a Low-Income unit is oftentimes lower than the expenses. The only way to reach those lower incomes is with some form of a voucher or operating subsidy. The frustration experienced by the developers that I spoke with demonstrates that the housing authority needs to find a way to more quickly filly project based voucher. This is critical not just for the bottom line of developers, but for providing housing for those who need it, not to mention building trust in the housing authority. If the above prescriptions are followed, then there would be a greater need for project-based vouchers to reach the lowest income individuals. Making this process as painless as possible for developers is critical to making sure that the lowest income individuals receive adequate housing.

Areas for Further Research

- This thesis provides a jumping off point for more detailed research to better understand the interaction between LIHTC and Housing Choice Vouchers. Below are a few possible areas that I think bear further investigation.

- Who are the landlords that service just the Housing Choice Voucher population. Is there a way to incent them to develop more housing, or do the numbers just not work out? What sort of incentives might be able to be incorporated into the HCVP that might encourage them to develop new properties?
- Should we treat higher FMR cities different than low FMR? Due to the way that tax credits are allocated by states, sometimes there are suburban or rural developments that do not have a sufficient local population to fill them. Is there an opportunity here for voucher holders to move to new perhaps high-opportunity areas?
- Learn more about scattered site developments and how they may have higher or lower interaction with Housing Choice Vouchers. It also seems that there is probably little research on this due to the fractured nature of the HUD LIHTC database.
- There is the possibility to determine the scale of this problem at the national level. One could probably obtain a pretty accurate picture with a relatively straightforward process of looking at all LIHTC developments, determining the LIHTC rents in those zip codes and then comparing it to the FMR. Simplified calculations that assume the rest of the country looks exactly like the payment standards for New Orleans suggests that there could be hundreds of millions of dollars that go towards Section 8 overhang every year. This especially warrants further investigation that would be greatly enhanced with greater transparency of property level data.

Appendix I: Maps

Notes on creating Maps

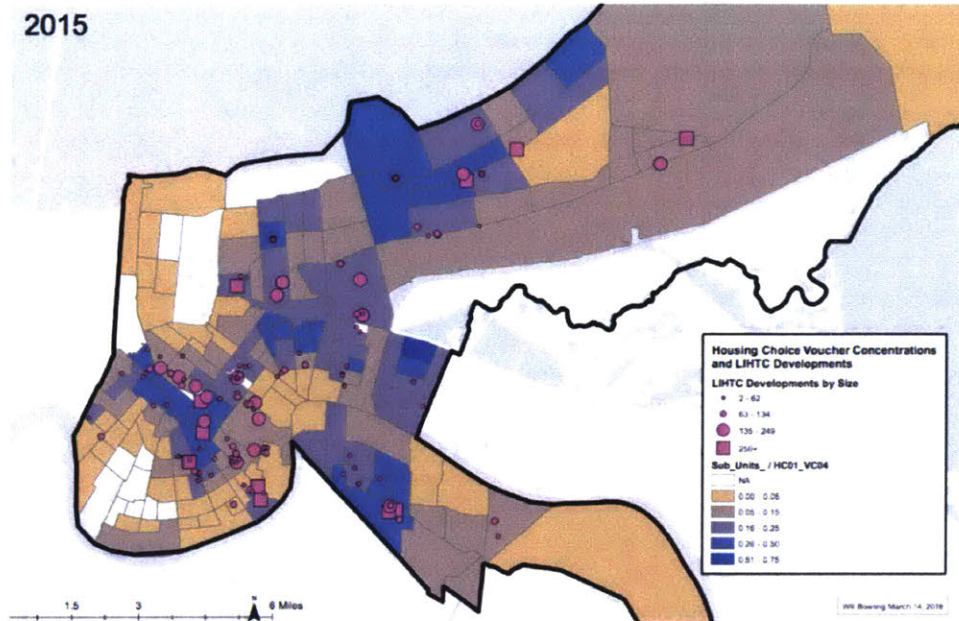
The American Community Survey (ACS) collects census data on an annual basis and uses it to make estimations on the population and demographic characteristics of the city. This dataset allowed me to determine both the number of renters and number of homeowners in the city by census tract. Using the ACS data, I was able to infer the number of renters who do not have Housing Choice Vouchers or Public Housing. Due to not using the number of project-based vouchers, this probably undercounts the number of households receiving assistance.

Finally, I focused upon the LIHTC database maintained by HUD. This provides information on all projects that have received tax credits through the LIHTC program. As I note further down, this data is complicated for a number of reasons, but I believe that by refining LIHTC addresses, de-duplicating the list, and estimating the date that projects were placed in service, I was able to obtain a more accurate picture of the LIHTC program in New Orleans.

Here I have scattered I thought that mapping the information was a useful way to understand what is typically represented as an individual address.

On the mapping approach.

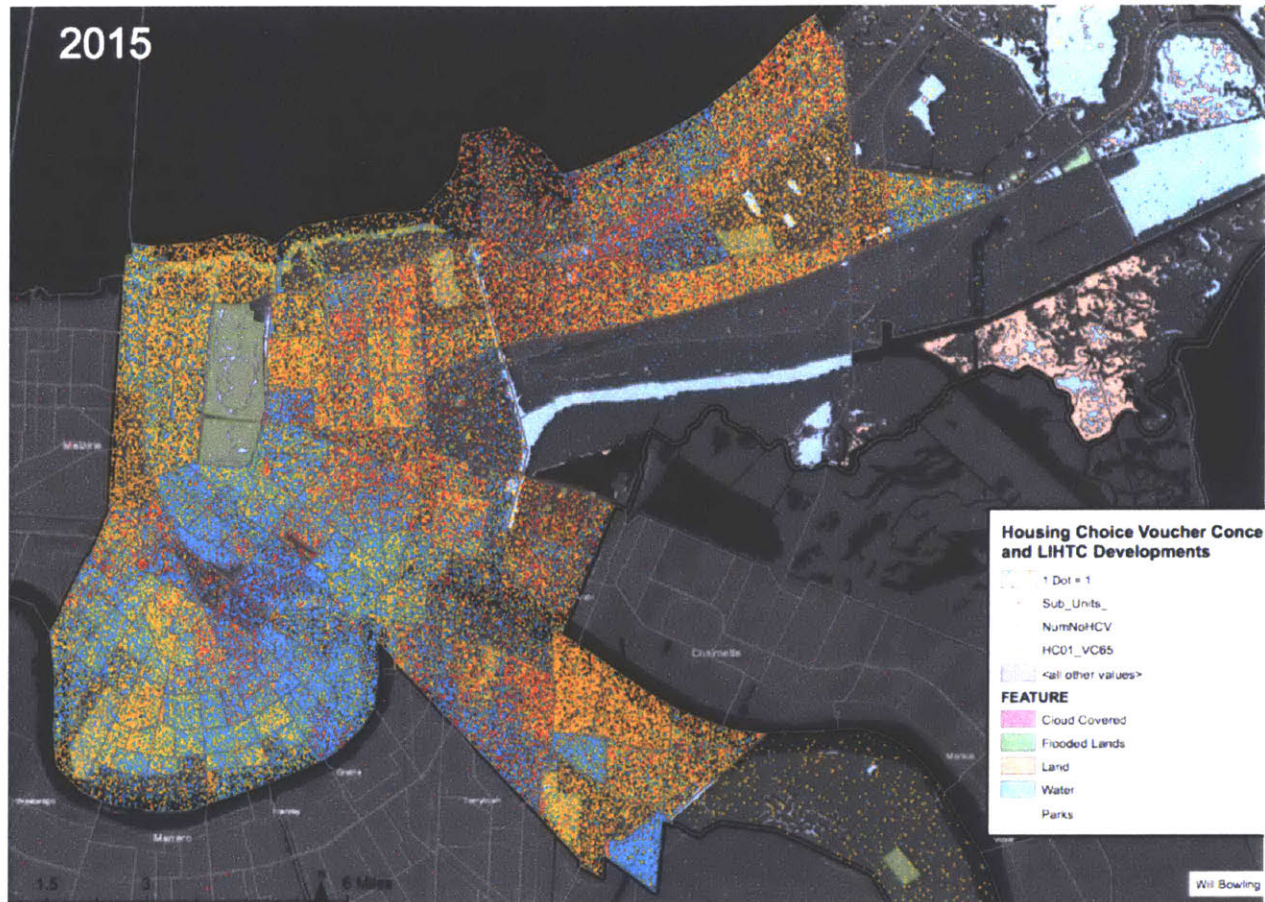
My first attempts at spatially representing this information struggled to adequately show the relationship between LIHTC and Section 8, much less the broader renter pool. As is typical I shaded areas of the map with the with varying intensity to represent the variation in the number of vouchers. Due to the high percentage of abandoned homes it was necessary then to normalize these vouchers over the percentage of occupied housing units.



This map is a picture of the study in progress.
Some important trends can be observed in this map.

However, this map is insufficient for a few reasons. First, by portraying census tracts with a single color it makes large swaths of the city read as more important than they area. Remember, all census tracts are roughly the same population size, but the regions of New Orleans East appear more prominent simply because of their size. In reality, much of this area I uninhabited estuaries and swamp. Second, it is shows only one variable and does not portray the variations in housing tenure (homeowner, renter, subsidized renter) to show the true diversity that exists.

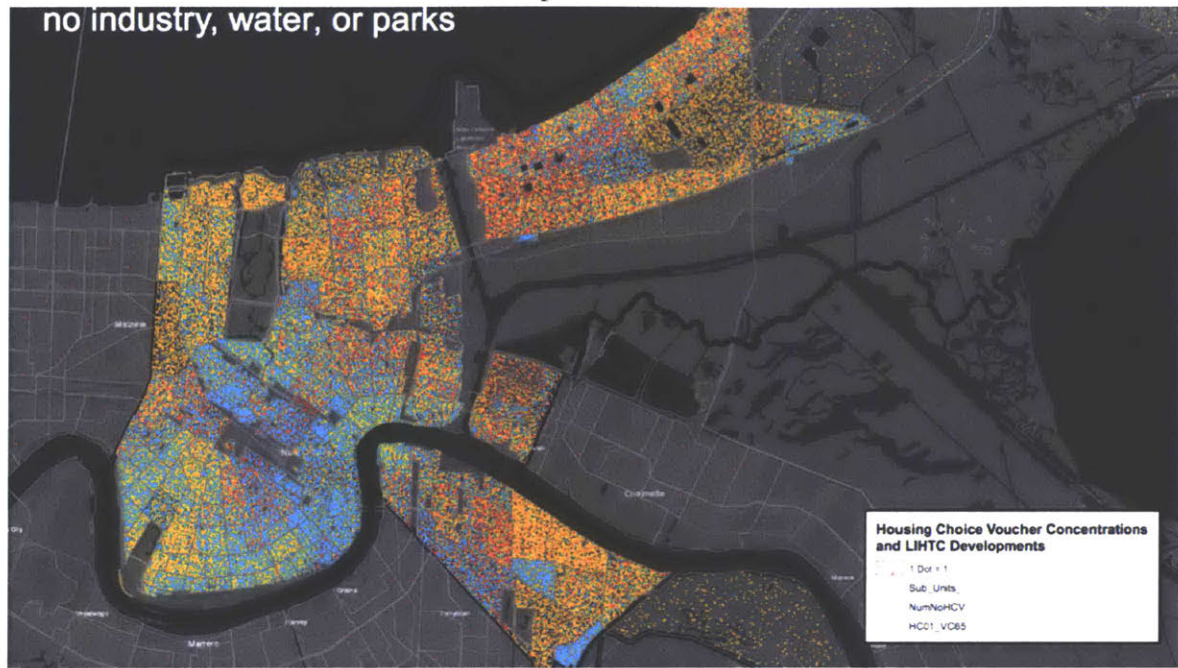
It seemed appropriate to enhance this representation through the dot density map. This approach is commonly used in mapping the racial compositions of cities because it allows one to represent multiple racial groups at one time. By representing each household as a single dot we are able to see more accurately the diversity that exists within each census tract. The best map would project individual households onto specific parcels, however due to privacy, none of these data provide data at that level. The dot density function distributes dots (households) proportionately over the census tract area. Here, I have added in data from the ACS, but am otherwise portraying the same data as in the map above.



While this approach provides a more accurate representation of households at the tract level it has at least two drawbacks. First, the distribution gives the appearance of perfect integration between these tenure types. In actuality, they may be completely separated from one another (ie all of the renters live in a complex that is adjacent to a census tract dominated by single family homes). This is difficult to correct for without a more precise area of measurement and it is beyond the scope of this project to try fully correct for it.

Second, my initial efforts did not account for the presence of parks and industrial land, areas that represent large parts of the city. Much like the water and swamps, it meant that dots were distributed in areas where no one could possibly live. I removed these areas from the analysis. Using data available from the city of New Orleans I removed schools, drugstores, hospitals, and roadways. Finally, based upon building structure data provided by the city, I determined the parcels that were

vacant lots and removed those from the representation.



Note how this map more accurately maps the density of households within the census tract in those area where they are most likely to live.

This map gives a more accurate portrayal of the interplay between housing tenure and parts of the city. In order to enhance this map and address my primary research question, it was necessary to bring in the LIHTC database data. This involved another process of refinement which will be explored in the next section.

Looking at the inhabitable census tracts in the city, an even distribution of vouchers throughout the city would be 106 vouchers per tract.¹⁵⁸

Notes on the Methodology used to map LIHTC Developments.

While HUD collects data for all of the LIHTC projects completed nationwide, this information is oftentimes incomplete or inaccurate. First, only one address is provided for each project. While this is acceptable for a single development, or perhaps even a contiguous set of buildings, it is very difficult to do good analysis at a small scale when many of the projects are “scattered site,” a term used to refer to projects on multiple sites with multiple addresses. Based on prior knowledge of the LIHTC market in New Orleans, I improve the accuracy of this dataset by complementing it with data from the Orleans Parish Assessor. For scattered site projects, I searched records based on the entity names and located the multiple addresses for each of these buildings. Inconsistencies in the Assessor’s database may mean that not every address was picked up, but it is far more accurate than the HUD database. In several cases one data point has been corrected to include over 30 addresses.

¹⁵⁸ In part, an update of Seichnaydre’s analysis of 2010 census. 18650 vouchers/176 census tracts.

There are at least two developments listed that are scatter site, but I was unable to locate adequate documentation to determine the actual locations of the finished projects. In these situations I left the address provided by HUD.

Second, the year placed in service or data of the award was not available for every project. While it would have been possible to review the awards for each year and conduct searches on each project individually, however, that would have been overly time consuming. Here, I have utilized the provided “Placed in Service” date for all projects which reflects when the first unit was made available for occupancy.¹⁵⁹ If this was unavailable, an estimate of one year was added to the year that the tax credits were allocated. While not exact it provides a reasonably accurate date of when the project opened, as tax credit projects generally must be placed in service within one year of receiving their allocation.¹⁶⁰ This method was not possible for seven addresses due to insufficient data. Alternative means of web searches, newspaper article searches, and use of Louisiana State Identifier Codes available in the dataset were used to approximate the placed in service date.

Third, there are often duplicate addresses in the LIHTC database file. Reviewing the New Orleans data line by line, I was able to deduplicate the list. In some cases three listings for a single project in a single year. While I recognize that these approaches may have some flaws, and are heavily dependent upon local knowledge, my intent here is primarily to create a *more* precise (if still imperfect) picture of the LIHTC developments in New Orleans.

Based on this experience, I believe that it points to the difficulties inherent in relying too heavily on this information for research. While some data is better than no data, it can provide the false impression that the results are certain. I believe that this data can be improved upon further as suggested in the section on further research.

Below are the maps that I created. The more detailed ones are available online.

¹⁵⁹ IRS ON LIHTC 2016 p6

¹⁶⁰ IRS on LIHTC p5



Figure 1: Map of LIHTC Developments in New Orleans, 2014

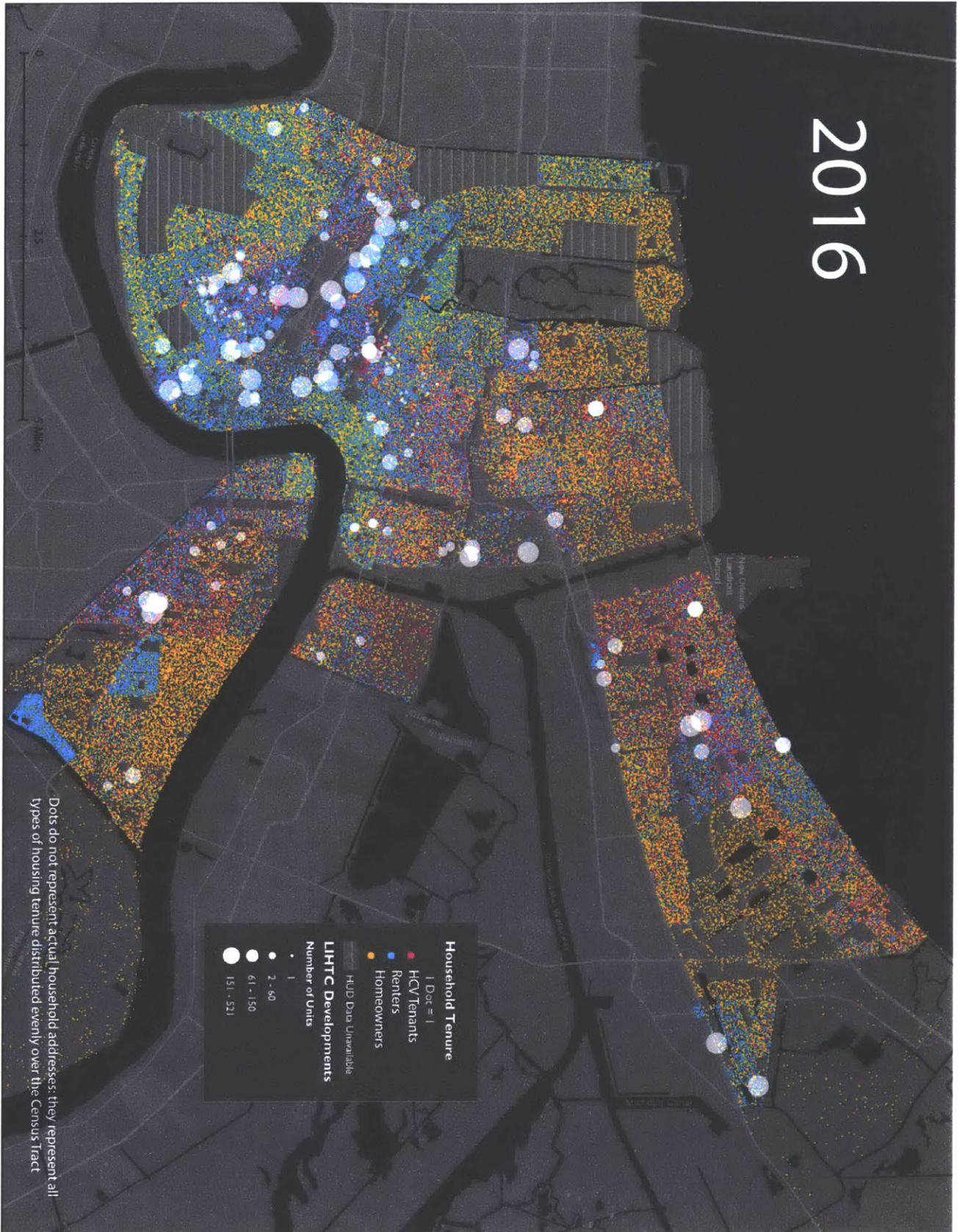


Figure 2 Map of Housing Tenure by Census Tract, Dot Density



Figure 3 Map of Housing Choice Vouchers by Census Tract and LIHTC Developments

Appendix II: Methodology

Table X 2018 Rent Differences New Orleans

2018 Rents	Studio	1br	2br	3br	4br
LIHTC 60% Maximum Rent	\$ 690.00	\$ 738.00	\$ 886.00	\$ 1,023.00	\$ 1,141.00
Metropolitan Fair Market Rent (FMR)	\$ 708.00	\$ 827.00	\$ 996.00	\$ 1,277.00	\$ 1,477.00
Difference (FMR - LIHTC 60% Rent)	\$ 18.00	\$ 89.00	\$ 110.00	\$ 254.00	\$ 336.00
Percentage Difference (FMR vs. LIHTC 60% Rent)	3%	12%	12%	25%	29%
Metropolitan Payment Standard Max	\$ 778.00	\$ 909.00	\$ 1,095.00	\$ 1,404.00	\$ 1,624.00
Difference (Payment Standard Max - LIHTC 60% Rent)	\$ 88.00	\$ 171.00	\$ 209.00	\$ 381.00	\$ 483.00
Percentage Difference (Payment Standard vs. LIHTC 60% Rent)	12%	21%	21%	30%	33%

These are the current exception payments as compared to the metropolitan FMR and the LIHTC rents. It is worth noting here that if all of the LIHTC developments in SAFMR were to request the new exception payment there could be a considerable additional expense for the voucher program and windfall for the owners of developments in those 5 zipcodes.

Here, I highlight the 50% figure which my analysis suggests in the likely number of LIHTC units occupied by Individuals with Housing Choice Vouchers. The voucher amounts are based upon an average spend of \$806 per voucher by HANO.

Table XI Calculation of Voucher Equivalents Created by Overhang

Percent of LIHTC Units Assumed to be occupied by Individuals with Housing Choice Vouchers	Therefore, if LIHTC Unit Receives...	There is an annual citywide Overhang of...	If all of that money could be put towards vouchers, there would this many additional vouchers...	Estimated Percentage of Total New Orleans Vouchers in LIHTC Developments
20%	Fair Market Rent	\$ 1,789,320	185	11%
	Payment Standard	\$ 3,364,416	347	
30%	Fair Market Rent	\$ 2,688,816	278	17%
	Payment Standard	\$ 5,046,624	521	
40%	Fair Market Rent	\$ 3,588,312	371	22%
	Payment Standard	\$ 6,728,832	695	
50%	Fair Market Rent	\$ 4,487,808	464	28%
	Payment Standard	\$ 8,411,040	869	
60%	Fair Market Rent	\$ 5,377,632	556	33%
	Payment Standard	\$ 10,093,248	1043	
70%	Fair Market Rent	\$ 6,277,128	649	39%
	Payment Standard	\$ 11,775,456	1217	

In order to improve this model, it would be helpful to better understand the breakdown of voucher units in Orleans parish. To improve refine this model, it would be necessary to get a better breakdown of the units by bedroom type. As mentioned, LIHTC units skew smaller, while HCVs skew towards larger unit types. For this analysis I kept the percentage of LIHTC units occupied by HCVs consistent over the range of unit types, however, based on my conversation I suspect that a higher percentage of the 3 and 4 bedroom LIHTC units are occupied by tenant-based vouchers.

To step through this example, start from the middle. Each percentage indicates the percent of tenant based vouchers in the universe of 9% LIHTC developments in New Orleans – 12,807 units. As we do not know, I use 50% as a safe estimate based on the data I did find. The 981 in the center states that “If 50% of the LIHTC units are currently occupied by tenant-based vouchers, and the landlord currently receives the Payment standard, then HANO could afford an additional 981 vouchers based on its average \$818 contribution to each voucher.

Table XII Small Area Fair Market Rents New Orleans

Zip Code		Studio	1br	2br	3br	4br
70115	Exception Payment	\$ 979.00	\$ 1,144.00	\$ 1,375.00	\$ 1,760.00	\$ 2,035.00
	Compared to FMR	133%	132%	130%	131%	128%
	Compared to LIHTC Rent	142%	155%	155%	172%	178%
70116	Exception Payment	\$ 847.00	\$ 990.00	\$ 1,188.00	\$ 1,529.00	\$ 1,771.00
	Compared to FMR	115%	114%	112%	114%	111%
	Compared to LIHTC Rent	123%	134%	134%	149%	155%
70118	Exception Payment	\$ 891.00	\$ 1,045.00	\$ 1,254.00	\$ 1,606.00	\$ 1,859.00
	Compared to FMR	121%	121%	118%	120%	117%
	Compared to LIHTC Rent	129%	142%	142%	157%	163%
70124	Exception Payment	\$ 1,023.00	\$ 1,199.00	\$ 1,441.00	\$ 1,848.00	\$ 2,145.00
	Compared to FMR	139%	138%	136%	138%	135%
	Compared to LIHTC Rent	148%	162%	163%	181%	188%
70130	Exception Payment	\$ 1,100.00	\$ 1,287.00	\$ 1,551.00	\$ 1,991.00	\$ 2,299.00
	Compared to FMR	150%	149%	146%	148%	144%
	Compared to LIHTC Rent	165%	181%	181%	202%	209%

Some notes on methodology.

- I determine the HANO contribution based on the average HANO contribution per voucher. This is based on data from the Picture of Subsidized Housing. It does conflict slightly with information that was provided to me by HANO. What is important here is the average ratio of HUD to tenant contribution. I determine that this is 71%.
- I recognize that as the tenant contribution is fixed at 30% of their income, that ratio will change as the rent goes up or down and that this is an imperfect methodology.
- HUD Picture of Subsidized Households states average HANO spend at \$806, while HANO states their average spend at \$698. I choose to go with the Picture of Subsidized Housing as the data I have is more complete and I believe that this understates the case that I make in this thesis.
- I choose to ignore utility allowances for the purpose of this calculation. Utility allowances do impact the amount that the developer receives, however the money spent by the housing authority will not fluctuate that much as it pays out a utility allowance for each voucher.
- I recognize that some of the units that are considered in this count may not be eligible for the inclusion of tenant-based vouchers. This may be due to the number or to some of the particularities of the “Piggyback” program which allowed the mixing of LIHTC funds with CDBG funds as long as there was some degree of mixed income housing and public housing operating funds. Admittedly, I do not understand the particularities of this program and how it interfaces with LIHTC and tenant-based vouchers and that may impact my count in some way. Further some of the units considered in these counts are actually market rate units, though these would presumably also be eligible to receive tenant-based vouchers.
- Further, it is not clear whether the voucher count provided by Picture of subsidized housing considers tenant-based HCVs that have been converted to project-based vouchers. As mentioned, very late in the thesis process I learned that Project-Based voucher were actually considered in the Housing Choice Voucher Count in the Picture of Subsidized Households. Going forward, I would want to critically examine property by property data.
- **There are some important factors that this model does not take into consideration.** Some indicators suggest there may be even more units that are restricted to LIHTC rents, but I have not considered. First, due to data constraints it does not include all of the 9% tax credit developments

that have come online in 2015-2018 as well as potentially some units that were awarded by the GOZone legislation. Second, I constrain my research focus to the 9% tax credit deals, but 4% tax credit deals are also restricted to LIHTC rents and could have just as many tenants with vouchers in them. Third, there may actually be fewer units under tax credit affordability restrictions as some of the earlier developments from the late 1980s through most of the 1990s may have reached the end of their compliance period.¹⁶¹ That said, I know that at least a few of them have gone back to the state for the 4% tax credits to rehabilitate and would thus be under new compliance periods. Further research might try to get a firmer grasp of how many of these units exist on the market in New Orleans.

- It is unclear whether all landlords receive the full payment standard or FMR. In theory, they could receive just the 60% LIHTC rent, however, a sophisticated owner or manager would be aware that they could ask for the maximum rental amount.
 - to give a more accurate representation of the possible Section 8 Overhang.

Interviewees

Development Company	Name of Interviewee, Title	Company Focus	~Number of LIHTC Units Developed
Gulf Coast Housing Partnership	Kathy Laborde	Well capitalized nonprofit	~2000
Certain Property Management	Brent Couture, Owner	Mid-size property manager	Manages approximately 450 units - project-based, tenant-based, and cash paying tenants
Red Mellon	Neal Morris,	Scattered-site historic rehabilitations.	
Renaissance Development	Victor Smeltz, Executive Director	Nonprofit	500 units + 500 market rate
Providence	Terri North	Nonprofit affordable housing developer, offshoot of Roman Catholic Archdiocese of New Orleans	~1500
Enterprise	Matt Morrin	Enterprise is a national firm, does not typically do development, but has a New	~600

¹⁶¹ Based on the available data. This number may be as high as 35 developments with 2229 units. Taking into consideration units that came online between 1989 and 2002 (ie 15+ years ago, as 15 years was for some time the minimum number of years that affordability could be restricted.)

		Orleans office as part of post-Katrina response.	
Neville Development	Jamie Neville	Small-scale boutique historic renovations LIHTC, for profit.	~200
Yusef Freeman	McCormack, Baron, Salazar	Public housing redevelopment national scale developer.	~1000 in New Orleans

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