Using LIHTC to Provide Housing Opportunities for Families with Children in Ohio

PROGRESS REPORT 2018

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Introduction: An important policy objective for Ohio's LIHTC program is to create affordable housing for families with children in areas of opportunity

A growing body of research shows that where a child grows up has a profound effect on the child's future life experiences. (Brooks-Gunn, Duncan, and Aber 1997; Chetty, Hendren, and Katz 2015) Spatial isolation of children, particularly children of color, has resulted from historic patterns of racial segregation in metropolitan America. Ohio is no exception. The Ohio Housing Finance Agency (OHFA) has a responsibility under the Fair Housing Act to use its affordable housing resources, in particular the Low Income Housing Tax Credit (LIHTC), to overcome those patterns.

This Progress Report follows a report produced by Abt Associates in July 2016, *LIHTC Awards in Ohio, 2006-2015: Where Are They Providing Housing for Families with Children?* This update assesses changes in the extent to which the policy objective is being met that may have resulted from OHFA's 2016, 2017, and 2018 allocations and concludes with a discussion of the extent to which OHFA will need to change its policies in order to make a meaningful difference the amount of affordable family housing located in areas of opportunity.

From 2006 to 2015, LIHTC awards in Ohio produced few units of family housing in areas of opportunity and many units of family housing in areas of concentrated poverty. This pattern of development continued with the 2016 allocations. The 2017 and 2018 allocations showed some modest improvement, but a 30 percent set-aside will be needed to achieve meaningful progress going forward.

> *As with the analysis in the original report, this new analysis is based on data on LIHTC awards provided by the Ohio Housing Finance Agency (OHFA) that shows the numbers, characteristics, and locations of properties and units. OHFA staff compiled the data (available in a different format on OHFA's website) to ease replicating the earlier analysis using the newer data for 2016 through 2018. To be comparable to the analysis presented in the original report, Census tract characteristics are based on estimates from the 2010-2014 American Community Survey.*
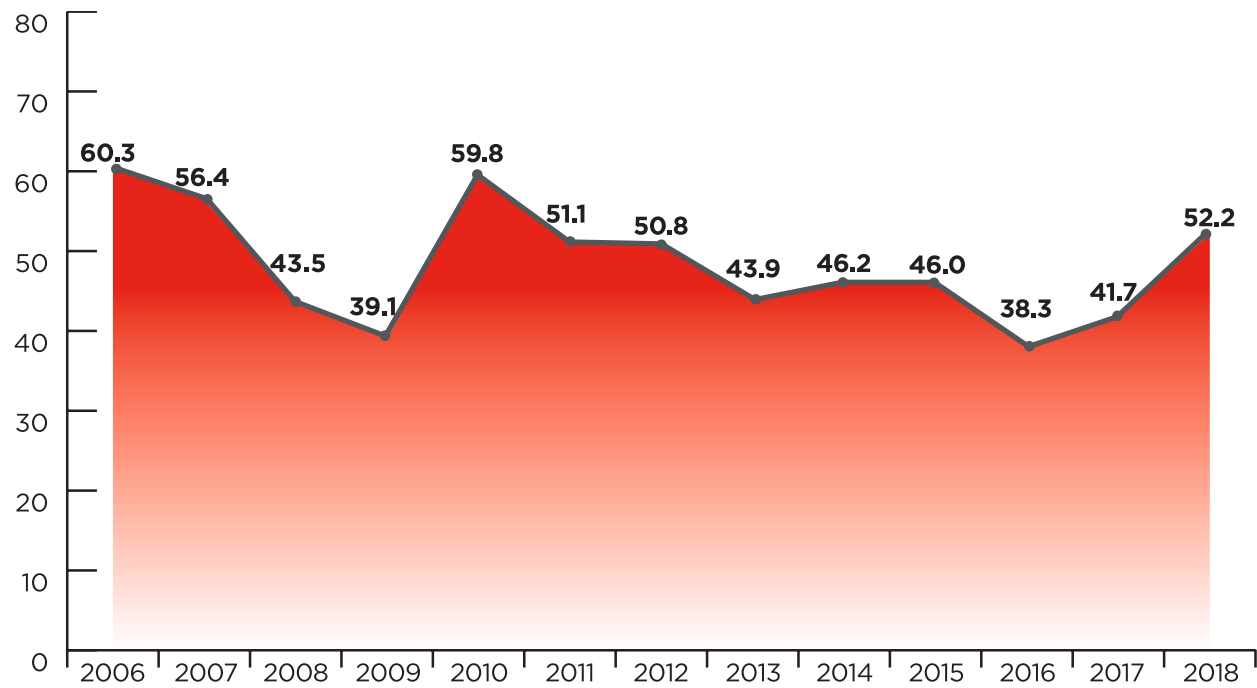
An area of opportunity can be defined as a census tract within a metropolitan area where the poverty rate is less than 10 percent

The definition of an area of opportunity focuses on metropolitan areas because this is where separation by income and race is most relevant to the opportunities available to children and, in Ohio, where families with children are most likely to live in areas of poverty and racial concentration. Nearly 80 percent of the 1.25 million families with children in Ohio live in metropolitan areas, including about 540,000 families in areas with moderate to high levels of poverty and racial concentration. The definition uses poverty concentration as a proxy for opportunity, following a substantial body of literature that shows that it is a good proxy, in addition to being easy to apply. The definition uses 10 percent as the threshold for a census tract that can be considered an area of opportunity, because neighborhoods with poverty rates between 10 and 20 percent may be undergoing racial or economic transition. A neighborhood with a poverty rate greater than 40 percent has an extreme concentration of poverty. The Appendix to this research summary is a review of the research literature that supports these definitions.

The amount of LIHTC family housing that has been produced in areas of opportunity has been constrained by the share of Ohio's LIHTC that is not available for occupancy by families.

OHFA supports housing for occupancy by families, by seniors, and by people with special needs. The annual share LIHTC housing that was developed for families dropped to under 40 percent in 2016 (from peaks of about 60 percent in 2006 and 2010) and then went up to just over 50 percent in the 2018 allocation.

EXHIBIT 1: SHARE OF LIHTC AWARDS ANNUALLY FOR FAMILY HOUSING, 2006-2018 PERCENTAGE OF ALL UNITS

Note: Based on OFHA designations of developments as family, senior, or special needs. The earlier report also used an alternative definition based on whether more than half of the units in a development have two or more bedrooms. In 2016, a third of the units designated by OFHA as family housing were in developments with mainly smaller units, but that percentage dropped to 5% in 2017 and zero in 2018.
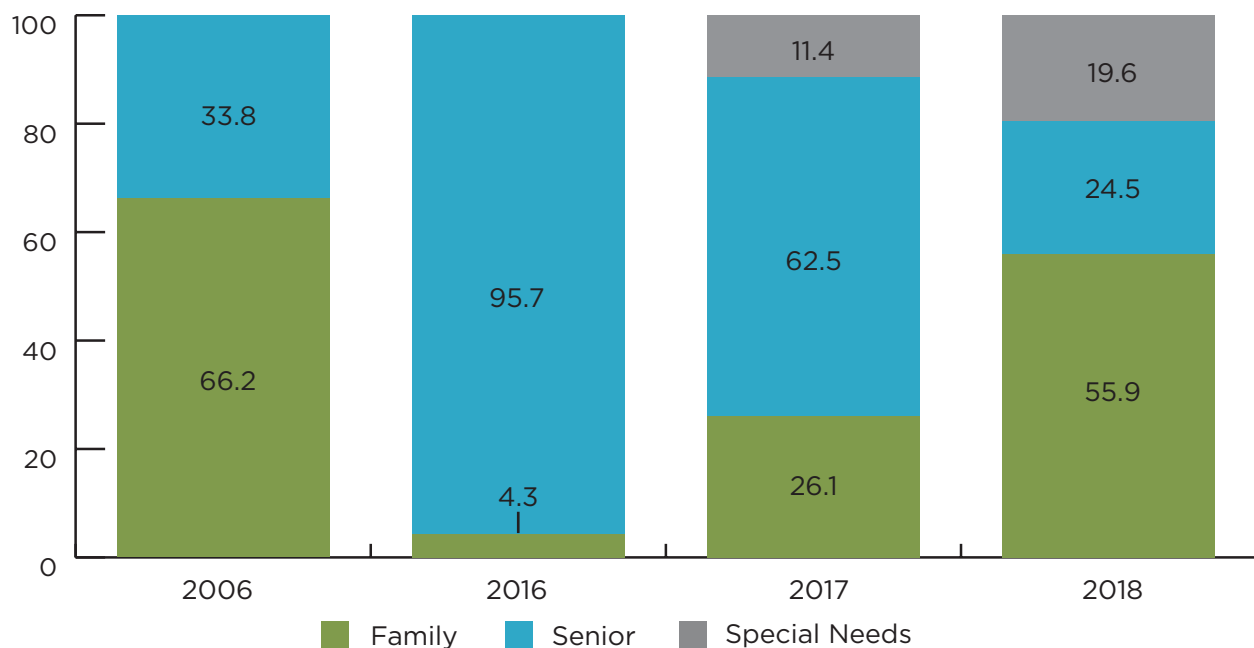
Recent LIHTC allocations of housing in suburban locations have increasingly been for seniors rather than for families, but with some change in the pattern starting in 2017

Recent OHFA analysis of housing needs found that severe housing cost burdens affect households throughout the state, not just in the larger cities. On average 82 percent of all allocated LIHTC units have been in Ohio's metropolitan areas, slightly lower than the percentage of all rental housing units in metropolitan Ohio. The percentage has varied over time, but with no particular pattern.

Within metropolitan Ohio, about 36 percent of all allocated LIHTC units have been in the suburbs—that is, not in the principal city of the metropolitan area. The pattern over time has been for units located in the suburbs to be increasingly intended for elderly occupants rather than for families. In 2006, about 66 percent of all suburban units were for families, but in the 2016 allocation only 4 percent of suburban units were for families. The rest were for seniors or (in a few cases) for younger people with special needs. The 2017 and 2018 allocations show OHFA starting to allocate more suburban housing for families (Exhibit 2).

Typically housing in the suburbs is more likely to be in areas of opportunity than housing in principal cities, and few suburban areas are areas of poverty and racial concentration. That is not always the case, however, so the rest of this research update focuses on the poverty rate of the census tract in which LIHTC housing is located.

EXHIBIT 2: LIHTC AWARDS IN SUBURBAN LOCATIONS, 2006 AND 2016-2018 PERCENTAGE OF UNITS IN FAMILY AND SENIOR HOUSING
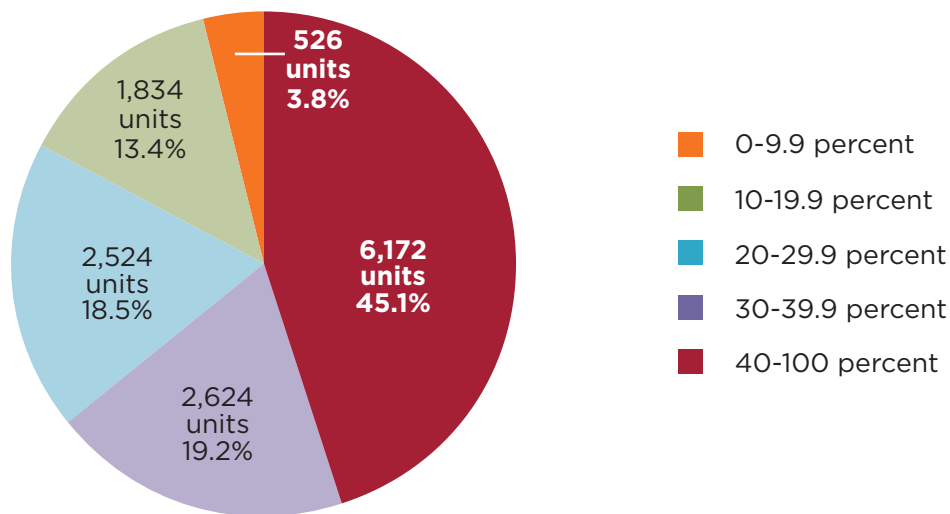

Note: Totals may not sum to 100.0 percent due to rounding.

Since 2006, Ohio has produced very little family housing in areas of opportunity and a great deal of family housing in areas of concentrated poverty. That pattern continued in 2016, with the 2017 and 2018 allocations showing some modest improvement.

In the entire decade between 2006 and 2015, only 526 units of family housing were produced in metropolitan Ohio census tracts with poverty rates less than 10 percent. In the same period, 6,172 units were produced in metropolitan tracts with extreme concentrations of poverty, neighborhoods where more than 40 percent of the population is poor, and 2,624 units in tracts with poverty rates between 30 and 40 percent.
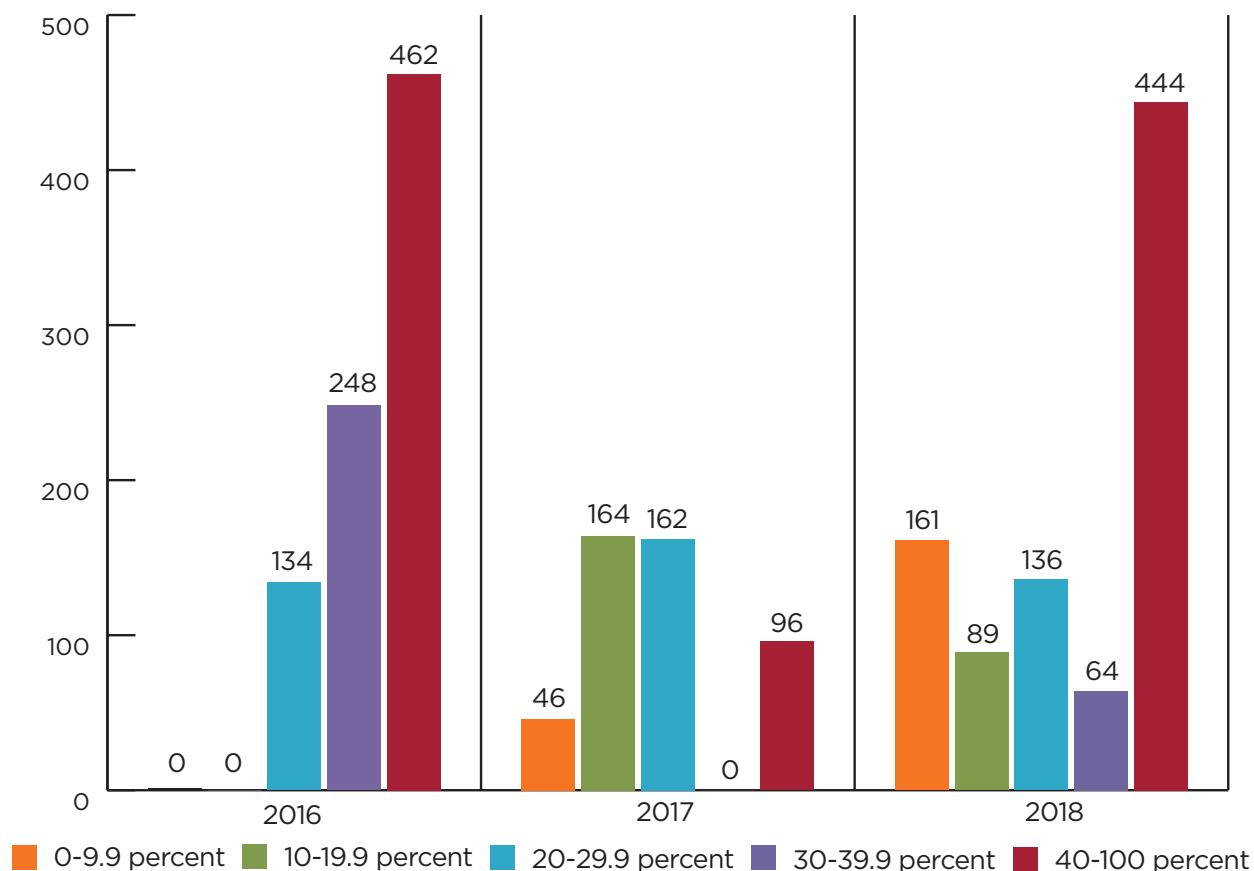
EXHIBIT 3: LIHTC AWARDS FOR UNITS IN FAMILY PROPERTIES IN METROPOLITAN AREAS, 2006-2015 BY CENSUS TRACT POVERTY RATE

526 units 3.8%

1,834 units 13.4%

2,524 units 18.5%

6,172 units 45.1%

2,624 units 19.2%

■ 0-9.9 percent

■ 10-19.9 percent

■ 20-29.9 percent

■ 30-39.9 percent

■ 40-100 percent

In 2016, this pattern continued, with no units in tracts with poverty rates less than 10 percent and 462 units in tracts with extreme concentrations of poverty. In 2017 and 2018, a few family units began to be located in high opportunity tracts, but the pattern of overwhelmingly placing family housing in locations with extreme concentrations of poverty continued. In 2018, 161 family units were allocated to areas with less than 10 percent of the population living in poverty, while 444 units were allocated to areas in which at least 40 percent of the population is poor.

Legend:
- 0-9.9 percent
- 10-19.9 percent
- 20-29.9 percent
- 30-39.9 percent
- 40-100 percent

Chart values:
- 2016: 0, 0, 134, 248, 462
- 2017: 46, 164, 162, 0, 96
- 2018: 161, 89, 136, 64, 444

Notes: In 2016, the 0-9.9 percent and 10-19.9 percent poverty categories had zero units. In 2017, the 30-39.9 percent poverty category had zero units.

The Cleveland, Toledo, and Dayton metropolitan areas continued in the 2016-2018 period to have no family housing allocated in areas of opportunity, and overall a large portion of family units continued to be allocated to areas with extreme poverty concentrations

Among the six largest metropolitan areas in Ohio, only Cleveland and Columbus had substantial allocations of family housing in the 2016-2018 period. Columbus added 110 units in two developments in an area of opportunity, but at the same time had allocations for 288 units in areas of extreme poverty. The Cleveland metropolitan area continued its previous pattern of having no units allocated to tracts with poverty rates below 10 percent, and 520 units were allocated in 2016-2018 to Cleveland tracts with poverty rates greater than 40 percent. (One 60-unit development was in a tract with a poverty rate between 10 and 20 percent.) Cincinnati added a 51-unit development in an opportunity area and a 44 unit development in an area with relatively low poverty, between 10 and 20 percent. All 55 family units added in Toledo were in an area of extremely concentrated poverty. In Dayton, one development was in an area with a poverty rate between 10 and 20 percent, and another in an area with a poverty rate between 30 and40 percent, but no family units were allocated to opportunity areas.

NUMBER OF UNITS		Cleveland	Columbus	Cincinnati	Toledo	Dayton	Akron
TOTAL FAMILY UNITS		696	796	237	55	127	188
POVERTY RATE	BELOW 10%	0	110	51	0	0	46
	10-20%	60	58	44	0	61	30
	20-30%	76	184	0	0	0	112
	30-40%	40	156	50	0	66	0
	ABOVE 40%	520	288	92	55	0	0

A 30 percent set-aside will be needed to achieve any meaningful increase in the overall number and percentage of LIHTC housing in Ohio for families with children in areas of opportunity
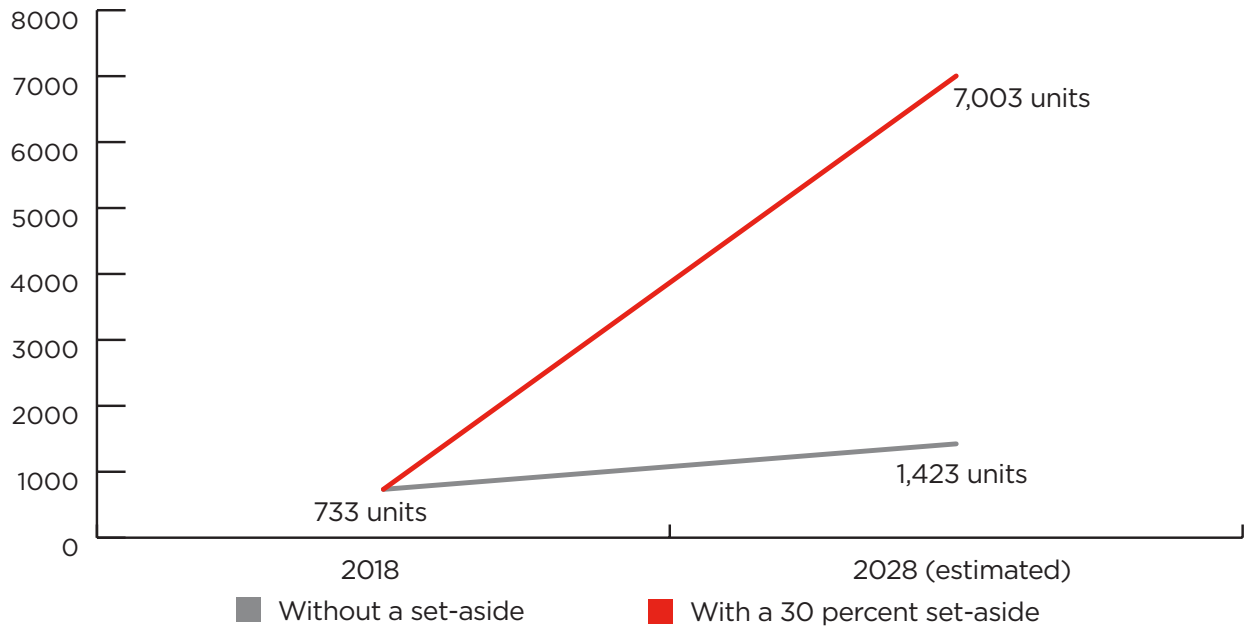
Between 2006 and 2018, OHFA has allocated 40,525 LIHTC units. Only 733 of those units, less than 2 percent, were for family housing in metropolitan census tracts with poverty rates below 10 percent, and this includes the 207 units allocated to such areas in 2017 and 2018. While the 2017-2018 units represent a change in OFHA policy, a more substantial change will be needed to achieve the policy goal of using LIHTC to provide opportunities for children to live in areas of opportunity.

An average of 2,090 LIHTC units were allocated by OHFA each year the 2016-2018 period. Assuming a similar pattern of LIHTC awards from 2019 to 2028, an estimated 1 423 units of affordable family housing would be in opportunity areas as of 2028. If a plan were put in place for a 30 percent set-aside, 627 units per year, an estimated total of 7,003 units of affordable family housing in opportunity areas as of 2028. That would raise the percentage of family units in metropolitan areas that are in opportunity areas from 4.6 percent to 24.3 percent and the percentage of all LIHTC units that provide family housing in opportunity areas to 11.4 percent. While a very substantial portion of all family housing in metropolitan areas would be need to be part of the set-aside, OHFA would not need to alter the percentage of overall LIHTC unit allocations going to non-metropolitan areas or the percentage of overall LIHTC allocations for units serving seniors or people with special needs. However, increasing the overall percentage of LIHTC allocations that are family housing and the overall percentage in metropolitan rather than non-metropolitan areas would be reasonable policy changes to accompany the set-aside and would bring LIHTC allocations in Ohio into better alignment with overall needs for affordable housing.

EXHIBIT 6: RESULTS OF A 30 PERCENT SET-ASIDE OF LIHTC ALLOCATIONS FOR FAMILY HOUSING IN OPPORTUNITY AREAS

NUMBER OF METROPOLITAN AREA FAMILY UNITS IN OPPORTUNITY AREAS
2018 TO 2028 (ESTIMATED NUMBER OF UNITS)

7,003 units

733 units

1,423 units

2018   2028 (estimated)

■ Without a set-aside   ■ With a 30 percent set-aside

Appendix: Review of the literature supporting using a poverty rate of less than 10 percent as the definition of an opportunity area

A body of literature shows that area poverty rates are associated with certain outcomes for children and families. Much of the research has focused on negative impacts that appear to be associated with living in neighborhoods with high rates of poverty. (Jencks and Mayer 1990) William Julius Wilson (The Truly Disadvantaged, 1987) famously suggested that "concentration effects" emerge when neighborhood poverty levels exceed a certain threshold and contribute to the perpetuation of poverty. (Jargowsky 2013) Conversely, growing up in a low-poverty neighborhood—defined here as having a poverty rate of 10 percent or less—is associated with positive outcomes and increased opportunity, especially for children. (Schwartz 2010) The Moving to Opportunity (MTO) demonstration offers some of the most robust evidence for this relationship. Children under the age of 13 who moved from housing developments in high-poverty areas to neighborhoods with poverty rates below 10 percent as part of the demonstration were more likely to attend college and had substantially higher incomes as adults compared to children who remained in high-poverty areas. (Chetty, Hendren, and Katz 2015) Moves to low-poverty neighborhoods as part of MTO were also associated with improvements in adults' mental health and significant reductions in anxiety and risky behavior for teenage girls. (Kling, Liebman, and Katz 2007) A recent longitudinal study of more than 20 million children born from 1978 to 1983 also finds that the local rate of poverty is related to children's outcomes. Specifically, the share of residents above the poverty line in the neighborhood in which a child grows up predicts upward mobility, although race, local employment rates, and other factors also help to explain variations in outcomes. (Chetty et al. 2018) The precise mechanism by which area poverty rates impact outcomes is unclear; however, poverty levels are highly correlated with, and often used as a proxy for a broader constellation of indicators of opportunity. (Sanbonmatsu et al. 2011; Newman 1997)

Alternatives to the 10 percent threshold

In this brief, we define opportunity areas as those with poverty rates of 10 percent or lower; however, other thresholds are also used in research and practice to define relative levels of poverty. For example, some researchers broaden the definition of "low-poverty" to include areas with poverty rates of up to 20 percent. However, neighborhoods with poverty rates between 15 and 20 percent are often at a "tipping point," and critics of this more expansive definition suggest it captures areas that may be undergoing a racial and/or economic transition. (Galster, Cutsinger, and Malega 2008)

Neighborhoods with poverty rates between 30 and 40 percent are often described as those with moderate concentrations of poverty, while those where more than 40 percent of the population lives below the poverty line have generally been described as having "extreme" concentrations of poverty, and are associated with the worst outcomes for residents. (Devine et al. 2003) Subsequent increases in concentration of poverty above 40 percent do not appear to have marginal effects. (Galster 2010) Census tracts with extremely high rates of poverty tend to be dominated mainly by public housing, where residents' income is restricted by program rules. (Jargowsky 2013)

Potential limitations associated with relying on poverty rate only

While poverty rate has been used as a proxy for a wide variety of indicators of opportunity, reliance on this single variable may fail to adequately capture the multidimensional characteristics that contribute to opportunity. (Orr et al. 2003) Most notably, measuring opportunity by poverty rate alone ignores differential access to opportunity associated with living in neighborhoods with high concentrations of racial and ethnic minorities, with important implications for the level of neighborhood resources available. (Sampson, Sharkey, and Raudenbush 2008) The role of racial segregation may help to explain some of the disappointing findings in the MTO demonstration: Families who moved to low-poverty areas as part of the demonstration moved to neighborhoods with lower concentrations of minority residents, but the overall reduction in average percent minority was relatively small (less than 10 percentage points). (Orr et al. 2003)

An indexed approach

To overcome potential shortcomings associated with relying on a single factor (e.g., concentration of poverty or race) to indicate opportunity, researchers and practitioners have constructed indices that account for a wide array of location characteristics. Rather than assuming that concentrations of poverty or race serve as a proxy for these characteristics, this approach incorporates these characteristics directly into the analysis, to generate a single opportunity score. High-scoring neighborhoods are assumed to provide a better environment, while low-scoring neighborhoods lack a variety of indicators associated with opportunity and improved quality of life.

The index approach has the advantage of looking at a multidimensional "bundle" of attributes that have been shown to impact outcomes for children and families, rather than a single factor. (Acevedo-Garcia et al. 2016) However, the comprehensive nature of the index approach also presents a potential limitation: the possibility that one or more indicators that represent a narrow strand of opportunity may dominate the index and distort the score. For example, an analysis of Seattle and New York City found that many neighborhoods that score well in terms of being walkable and providing access to transit tend to score poorly in terms of other indicators of opportunity, such as those related or educational proficiency, job growth, or crime levels. (Been et al. 2010) If this tension is not addressed—including by explicitly accounting for concentrations of race and poverty when targeting policy interventions—neighborhoods that are characterized by high rates of poverty or concentrations of racial or ethnic minorities may be unintentionally identified as areas of opportunity.

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