Recent Tax Credit Award Pattern Reinforces Low Opportunity in Mississippi

MISSISSIPPI CENTER FOR JUSTICE

In this brief, we analyze the pattern of awards of Low Income Housing Tax Credits (LIHTC) over a 5-year period in Mississippi and whether or not the allocation of credits to develop affordable housing advances the Fair Housing Act's national goal of affirmatively furthering fair housing.

Affordable Housing is Not Developed in Diverse, High Opportunity Areas

A majority of post-recession low income housing tax credits have been awarded outside of high opportunity areas, that is, areas that are more racially and economically diverse. High opportunity areas have comparatively better outcomes across indicators of well-being, including education, earnings, employment and many associated factors.

Data shows that a low rate of LIHTC development is awarded in Mississippi's highest opportunity areas. This may be the result of many factors, such as local ordinances, the needs of land developers, and the costs of land and insurance. If perpetuated, however, this pattern can create a disincentive among prospective developers to invest in these areas.

In seven of the state's high opportunity counties, which are generally more populous and have relatively high per capita and median household income, our research shows:

Advancing Goals of the Fair Housing Act

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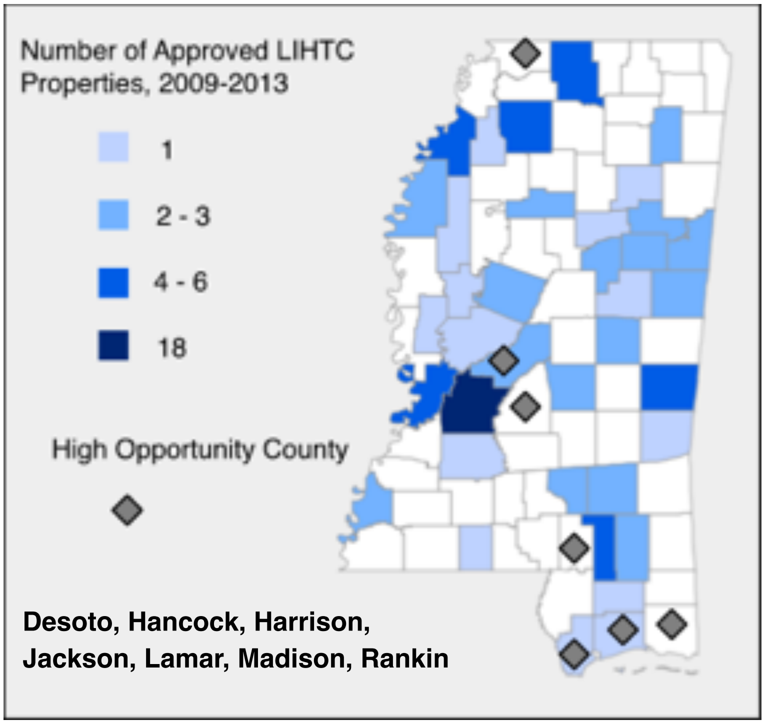
The Fair Housing Act has two goals: to end housing discrimination and to promote diverse, inclusive communities of opportunity for all. The second goal is referred to as Affirmatively Furthering Fair Housing (AFFH). The Mississippi Center for Justice's Housing Campaign is engaged in the first of these goals, through multiple HUD fair housing enforcement grants. Currently, we are working with the Lawyer's Committee for Civil Rights Under Law to advance the second of these goals, or the promotion of diverse, inclusive communities.

Although these seven counties contribute over one quarter of the state's population, they have received only five percent of successful LIHTC applications. In contrast, over 15 percent of rejected applications have come from these counties.

Between 2009-2013, only five out of 93 projects were awarded in these seven high opportunity counties. Moreover, only two of the five locations are situated in majority white census tracts so as to advance the Fair Housing Act's goal to promote diverse and inclusive communities.



Madison County tops the state rankings as one of the most highly developed counties, with one of the highest educational attainment rates and lowest poverty rates in the state.   Here, as in other counties, however, patterns of affordable housing contribute to structural inequalities, like the proximity to high performing public schools.

During this period, three successful applications came from Madison County while eight were rejected. Each successful location is in a relatively lower area of opportunity, as indicated by relative socioeconomic status compared to the rest of the county. In two approved locations, the child poverty rate is 4 times the countywide rate, 65% at the Tract-level compared to 15.8% at the county level, and median earnings are $20,000 less on average. Children living in neighborhoods where these two properties were approved would attend the Canton Public School District in Madison County.

During the 2013-2014 school year the Canton Public School District, which has a 94.5% African American student population, received a 2014 State Accountability Label of **D,** or low performing or academic watch. This ranking is based on a composite score that takes student performance, student progress and high school completion, among other factors, into account.

By contrast, for the same school year the Madison County School District, which has a 35.78% African American student population, received a 2014 State Accountability Label of **A,** the highest performing designation a district can receive. In fact, the Madison County School District is one of the best in the state.

On the Gulf Coast, the situation reveals an opportunity for inclusiveness that could have been much greater. One out of four applications was successful. This 30 unit project in the city of Waveland is in a Census Tract with 19.5% African American residents, which is the lowest rate in any Census Tract to receive a LIHTC award for this period. If three more applications had been approved, they would have provided a total of 158 units of LIHTC housing in Hancock County, whose school districts received a 2014 State Accountability Level of B**.**

Areas Awarded LIHTCs Have More Homogenous Populations and Lower Economic Opportunity

The share of African American residents and the socioeconomic status are the common denominators among areas awarded the vast majority of tax credits that differ from the state as a whole and from the counties and cities in which they are located.

Seventy-seven percent of the Census Tracts in which tax credits were awarded are more heavily African American than the cities which they are contained, **and** are more heavily African American than the counties in which they are contained, **and** are more heavily African American than the state.

Median earnings and poverty are the top two socioeconomic indicators with the most pronounced differences between Census Tracts where LIHTCs were approved and the surrounding communities. More than 80% of approved properties during the 5-year interval are in Census Tracts with lower median earnings than the surrounding county's average. More than three-quarters (76.4%) of approved properties are in Tracts with a higher child poverty rate than surrounding areas.

If an African American family wanted to move to a more diverse area with better opportunities, their access to affordable housing would be significantly limited based on the pattern of tax credit awards. This effect over time reinforces low opportunity.

Areas Denied LIHTCs are More Racially Diverse

Areas where applications are rejected tend to be more racially diverse. Over the five year period, the Mississippi Home Corporation (MHC) awarded tax credits to only three developments in Census Tracts that are less than 30% African American: only 3.2% of successful applications. Those developments call for the construction of 84 units, just 2.2% of total units in successful applications.

Rejected applications—if successful—would have increased the number of units in more racially diverse areas. 15.4% of units included in unsuccessful LIHTC applications would have been in Census Tracts that are less than 30% African American. 11.8% of units would have been in Census Tracts that are less than 20% African American.

LIHTC Disbursement Pattern Falls Short of AFFH Goal

HUD recognizes that "diverse, inclusive communities with access to good jobs, schools, health care, transportation, and housing are crucial to our nation's prosperity."

Affordable housing development patterns described here using 5 years of LIHTC disbursement data likely work against the national goal of promoting diverse, inclusive neighborhoods by reinforcing patterns of residential segregation and racial isolation.

In May 2015, the "Equality of Opportunity" project released two studies analyzing the effects of neighborhoods on intergenerational mobility. This research establishes strong evidence that place is a causal factor in determining an individual's relative economic position later in life. Each study concluded that moving to a higher opportunity county or neighborhood has a direct and measurable influence over an individual's earnings later in life. The effect is made even clearer by the fact that for each additional year that a child is exposed to a higher opportunity area, he or she is significantly more likely to reach the same outcomes of children in the "area of destination". The effect is more pronounced among boys and among lower income children.

For instance, a child born in a relatively poor family (bottom quartile of the income distribution) who grew up in a higher opportunity county such as Desoto County, would earn 2% more at age 26. In a lower opportunity county, such as Hinds County, however, a child at the same income level would earn 22% less by age 26.

This research and the on-the-ground experience provide solid evidence that moving to a place with characteristics including less segregation by income and race, lower levels of income inequality, better schools leading to better educational outcomes, and several other key factors strongly increase the odds of upward economic mobility.

Conclusion

Mississippi Home Corporation, as a housing finance agency, has a duty to affirmatively further fair housing. As noted in the latest U. S. Supreme Court decision on fair housing, the operation of low-income housing tax credit programs requires balancing a variety of competing objectives. Nevertheless, the agency must face scrutiny when patterns emerge of disproportionate allocation of the tax credits, either too many in predominantly black communities or too few in predominantly white suburban communities, which is what is shown in this issue brief. MHC's use of neutral criteria through the state's Qualified Allocation Plan is an important safeguard, and it has no control of local policy on proposed developments or restrictive zoning ordinances that may prevent the approval of LIHTC properties. Additionally, MHC is limited in its ability to incentivize developers. Steps can be taken through the QAP process, however, that would better ensure that LIHTCs are disbursed in a pattern that disrupts the perpetuation of low opportunity.

The Qualified Allocation Plans are the key instrument of state policies for creating balance in the locations of LIHTC developments. We encourage MHC to create a better balance between locating LITHC projects in "high-opportunity" communities and locating them in neighborhoods where substantial numbers of poor people and minorities currently live. Researchers examined QAPs from 35 states and the District of Columbia to demonstrate the way administrators of LITHC can use the systems through which they allocate tax credit authority to change the balance of LIHTC locations. The research showed no substantial improvement in distressed neighborhoods with LIHTC investments in school performance, public services or safety. MHC should limit incentives that lock in the historically segregated geography of affordable housing and should change QAP provisions to eliminate local vetoes.

State housing agencies like MHC need to play an even more assertive role in demanding fair housing performance within the development and housing management communities, specifically on issues of siting and tenant selection. MHC's acknowledgement of the geography of opportunity in Mississippi and responsive actions by the entire affordable housing community are necessary to advance HUD's national goals under AFFH and to transform the landscape for low-income families.

This executive summary is a preview of a full report to be released in the summer of 2015. For more information, please contact Housing Law director John Jopling at 228-435-7284.

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