Update on Housing Market Conditions
And Other Research
State of the Nation’s Housing Markets

Kevin P. Kane
Chief Housing Market Analyst
Economic & Market Analysis Division
Special Thanks – Randall Goodnight (Ft. Worth)
Nonfarm Payrolls
Annual Average Percentage Change (12-month avg.)
Regional Nonfarm Payrolls
Percentage Change 12 months ending December 2011

- New England
- New York-New Jersey
- Mid-Atlantic
- Southeast-Caribbean
- Midwest
- Southwest
- Great Plains
- Rocky Mountain
- Pacific
- Northwest
State Nonfarm Payrolls
Annual Percentage Change 2011

Percentage Change
Nation: 1.1%

Compared with 2010
Source: Bureau of Labor Statistics

-0.4% to -0.1% 1.2% to 2.0%
0.0% to 1.1% 2.1% to 4.7%

District of Columbia
State Nonfarm Payrolls
Percentage Change Fourth Quarter 2011

Percentage Change
Nation: 1.3%

Compared with Q4 2010
Source: Bureau of Labor Statistics
U.S. Housing Market Conditions: 4Q 2011

- Sales market conditions continue to remain soft
- Year over year home sales prices continued to decline in 4Q2011 (6 straight quarters)
- Existing home sales declined 2 percent compared with 4Q2010 (compared with 17% increase in 3Q2011)
Inventories of new homes for sale were down 19 percent from a year ago and down 7 percent for existing homes.

Rental market conditions are balanced to tight.

Apartment absorption is up slightly and the number of multifamily units permitted increased by 32 percent in 4Q2011.
## Regional Conditions 4Q 2011

<table>
<thead>
<tr>
<th>Region I (New England)</th>
<th>Soft</th>
<th>Balanced to Tight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region II (NY/NJ)</td>
<td>Soft</td>
<td>Tight</td>
</tr>
<tr>
<td>Region III (Mid-Atlantic)</td>
<td>Soft</td>
<td>Balanced to Tight</td>
</tr>
<tr>
<td>Region IV (Southeast-Caribbean)</td>
<td>Soft</td>
<td>Balanced</td>
</tr>
<tr>
<td>Region V (Midwest)</td>
<td>Soft</td>
<td>Balanced to Tight</td>
</tr>
<tr>
<td>Region VI (Southwest)</td>
<td>Soft</td>
<td>Mixed (Soft in TX-improving)</td>
</tr>
<tr>
<td>Region VII (Great Plains)</td>
<td>Soft</td>
<td>Balanced to Tight</td>
</tr>
<tr>
<td>Region VIII (Rocky Mountains)</td>
<td>Soft</td>
<td>Balanced to Tight</td>
</tr>
<tr>
<td>Region IX (Pacific)</td>
<td>Soft</td>
<td>Mixed (NV&amp;AZ – soft)</td>
</tr>
<tr>
<td>Region X (Northwest)</td>
<td>Soft</td>
<td>Balanced to Tight</td>
</tr>
</tbody>
</table>
National Home Price Indices
Based on Qtr. To Same Qtr. Previous Year

S&P/Case-Schiller Price Index (NSA)
FHFA Purchase Only Index (SA)
Core Logic (NSA)
State Existing Home Sales Percentage Change Q4 2011

Compared with Q4 2010
Source: CoreLogic
Percentage Change in SF Activity
12 Months Ending 12/10 to 12/11

- New England
- New York-New Jersey
- Mid-Atlantic
- Southeast-Caribbean
- Midwest
- Southwest
- Great Plains
- Rocky Mountains
- Pacific
- Northwest
State Single-family Building Permits Percentage Change Q4 2011

Compared with Q4 2010
Source: U.S. Census Bureau
Metropolitan Area Apartments Percentage Point Change Vacancy Rates

200 Metro Areas
Source: Reis, Inc.
Compared Q4 2011 with Q4 2010
Market-Rate Complexes 40+ Units

Percentage Point Change
Nation: -1.4%
-3.5% to -2.5%
-1.3% to -0.1%
-2.4% to -1.4%
0.0% to 2.1%
Percentage Change in MF Activity
12 Months Ending 12/10 to 12/11

New England
New York-New Jersey
Mid-Atlantic
Southeast-Caribbean
Midwest
Southwest
Great Plains
Rocky Mountains
Pacific
Northwest
Summary:

• Year over year job growth occurred during 2011 at a rate of 1.1%.

• Sales Market conditions remain soft. Prices continued to decline and sales also declined slightly in 4Q2011.

• Rental Market conditions are balanced to tight. Rents are continuing to increase and vacancy rates are continuing to decline.
Contact Information:

Kevin P. Kane
Chief Housing Market Analyst
Office of Policy Development and Research
U.S. Department of Housing & Urban Development
Email: kevin.p.kane@hud.gov

Regional/Field Economist

4Q2011 U.S. Housing Market Conditions
www.huduser.org
Overview of the LIHTC Program and HUD’s LIHTC Data Collection

Michael Hollar
Economist
Office of Policy Development and Research
Economic Development and Public Finance Division
LIHTC Data Collection

- Overview of LIHTC Program
- LIHTC Property Data
- New LIHTC Tenant Data
Overview of the LIHTC Program

- Created in 1986 to encourage private development of low-income rental housing.

- Developers receive federal tax credits, which are usually sold to investors. This reduces or eliminates the need for a mortgage.

- Developers can receive tax credits:
  
  1. Allocated through state competition; or
  
  2. In conjunction with Private Activity Bond revenue.
Location of properties is affected by incentives and decisions of various agencies.

- **Federal:**
  - Congress: QCTs & DDAs
  - IRS

- **State:**
  - Housing Finance Agency: QAP
  - State Bond-Issuing Agency
HUD’s LIHTC Property Data

- In mid-1990’s, PD&R began collecting data from state HFAs on characteristics of LIHTC properties.
- The latest update includes properties placed in service through 2009.
- Data can be accessed at: lihtc.huduser.org
HUD’s LIHTC Property Data

- **Strengths:**
  - Only national database of LIHTC properties
  - Property addresses are geocoded, which facilitates tract-level analysis

- **Weakness:**
  - Lack of tenant detail
LIHTC Tenant Data Collection

Housing and Economic Recovery Act (HERA) requires:

1) State HFAs must provide to HUD:
   - Race
   - Ethnicity
   - Family Composition
   - Age
   - Income
   - Use of Rental Assistance
   - Disability Status
   - Monthly Rental Payments

2) Data must be collected at least annually and made publically available.
Benefits of New Tenant Data

- Provides understanding of who the program is assisting

- Combined with HUD’s administrative data, provides a complete picture of subsidized programs

- Adds detail to property data
  - Number and location of buildings in property
  - Reliance on Rental Assistance
Evidence on the Spatial Distribution of Low Income Housing Tax Credits

Casey Dawkins
National Center for Smart Growth
Urban Studies and Planning Program
University of Maryland

Based in part on research funded by U.S. Department of Housing and Urban Development
Evidence on the Geographic Location of LIHTC Properties

- Approximately 58 percent of all metropolitan LIHTC units are located in central cities, compared to 76 percent of other project-based federally-assisted housing units (Freeman 2004).

- The share of LIHTC properties constructed within suburban neighborhoods rose during the housing bubble (McClure 2006).
Evidence on the Geographic Location of LIHTC Properties (continued)

- LIHTC properties tend to be located in census tracts that exhibit higher poverty rates, lower median incomes, and lower shares of non-Hispanic white residents (Freeman 2004; Khadduri, Buron, and Climaco 2006; Ellen, et al. 2009).

- The location of LIHTC properties in a given census tract increases the likelihood of LIHTC properties being located in nearby census tracts (Oakley 2008).
Houston

Evidence on LIHTC Spatial Clustering

• LIHTC properties are clustered over long radial distances, although the extent of clustering differs by metropolitan area.

• LIHTC clusters tend to be located in more densely-developed central city locations that have higher poverty rates and lower shares of non-Hispanic whites.
Evidence on LIHTC Spatial Clustering (continued)

- Clustered LIHTC properties are more likely to be located in QCTs and DDAs in most metropolitan areas.

- Houston is unique
  - Few LIHTC properties are located in clusters
  - Clustered properties are located in lower-density census tracts, outside of central cities, with relatively lower poverty rates and higher shares of non-Hispanic whites
  - Fewer clustered properties are located in QCTs and DDAs
Contact Information:

**Casey Dawkins**
National Center for Smart Growth
Urban Studies and Planning Program
University of Maryland

dawkins1@umd.edu
School and Housing Demographics in the Twin Cities

Myron Orfield
March 22, 2012
MINNEAPOLIS-SAINT PAUL REGION:
Percentage Minority Elementary Students by School, 2009

Legend
Regional Value: 33.2%

- 0.0 to 9.8% (111)
- 9.9 to 20.3% (108)
- 20.4 to 33.1% (77)
- 33.2 to 49.9% (61)
- 50.0 to 80.2% (64)
- 80.3 to 100.0% (79)
- No data (5)

Note: School with "No data" had fewer than 25 students data.

Data Source: National Center for Education Statistics.
MINNEAPOLIS-SAINT PAUL REGION:
Percentage of Elementary Students Eligible for Free or Reduced Lunch by School, 2009

Legend
Regional Value: 33.4%

- 0.0 to 11.2% (84)
- 11.3 to 20.8% (110)
- 20.9 to 33.3% (105)
- 33.4 to 56.4% (83)
- 56.5 to 81.6% (51)
- 81.7 to 98.6% (67)
- No data (5)

Note: School with "No data" had fewer than 25 students or did not have free/reduced lunch data.

Data Source: National Center for Education Statistics.
MINNEAPOLIS-SAINT PAUL REGION: Four Year Dropout Rate by High School Attendance Boundary, 2009-2010

Note: The Four Year Dropout Rate is based on a four-year cohort of first-time ninth grade students plus transfers into the cohort within the four-year period minus transfers out of the cohort within the four-year period. Students that dropped out were reported as dropping out of a MN public school and did not return.

Legend
Regional Value: 2.3%

- 0.0 to 1.0% (38)
- 1.1 to 2.2% (32)
- 2.3 to 3.0% (11)
- 3.3 to 4.7% (5)
- 5.5 to 6.8% (8)
- 8.0 to 13.7% (5)
- No data (1)

Note: School districts with "No data" had insufficient data.

Data Source: Minnesota Department of Education.
Map 5: HENNEPIN - RAMSEY COUNTIES
Percentage of Mortgage Loans that are Subprime by Census Tracts, 2004-2006

Legend

<table>
<thead>
<tr>
<th>Value Range</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.9 to 9.1%</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>9.2 to 12.9%</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>13.0 to 17.5%</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>17.6 to 26.7%</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>26.8 to 37.8%</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>37.9 to 61.8%</td>
<td>41</td>
<td></td>
</tr>
</tbody>
</table>

Note: Census Tracts with "No data" had fewer than 25 mortgage borrowers.

Data Source: FFIEC, Home Mortgage Disclosure Act Data
MINNEAPOLIS - SAINT PAUL REGION
Percentage Change in Property Tax Capacity
Per Capita by Municipality, 1995-2008

Legend
Median: 116.5%
-80.3 to -51.0% (27)
51.1 to 88.6% (48)
89.6 to 116.4% (59)
116.5 to 150.8% (60)
152.0 to 201.1% (46)
205.4 to 551.4% (28)
No data (2)

Note: Municipalities with "No data" did not have sufficient data available.

Tax capacity in Minnesota represents the property tax revenues that would be generated if each municipality taxed its actual tax base at 100 percent of state-set tax rates for each type of tax base (commercial, residential, etc.).
MINNEAPOLIS-SAINT PAUL REGION:
Racial Composition of Public Elementary Schools,
2008

Legend
Percent Non-White Students in Schools:
- 0.0 to 29.9% (76)
- 30.0 to 50.0% (81)
- 50.1 to 100.0% (86)

Zones:
- Predominately White
- Integrated
- Predominately Non-White

Data Source: Minnesota Department of Revenue.
Low Income Housing Tax Credit Dollars Awarded to Projects in Twin Cities 7 County Area

- Awarded Central Cities
- Awarded Suburbs
### Number of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Cities of Minneapolis and Saint Paul, 2005-2011

<table>
<thead>
<tr>
<th>% Minority in Tract</th>
<th>HTC Units</th>
<th>Rental Units Affordable at % of Regional Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>0 to 19%</td>
<td>73</td>
<td>1,246</td>
</tr>
<tr>
<td>20 to 29%</td>
<td>263</td>
<td>2,135</td>
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<tr>
<td>30 to 49%</td>
<td>426</td>
<td>6,123</td>
</tr>
<tr>
<td>50 to 59%</td>
<td>200</td>
<td>2,915</td>
</tr>
<tr>
<td>60 to 79%</td>
<td>545</td>
<td>5,840</td>
</tr>
<tr>
<td>80% or more</td>
<td>329</td>
<td>3,628</td>
</tr>
<tr>
<td>Total</td>
<td>1,836</td>
<td>21,889</td>
</tr>
</tbody>
</table>

### Share of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Cities of Minneapolis and Saint Paul, 2005-2011

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<tbody>
<tr>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>0 to 19%</td>
<td>4.0</td>
<td>5.7</td>
</tr>
<tr>
<td>20 to 29%</td>
<td>14.3</td>
<td>9.8</td>
</tr>
<tr>
<td>30 to 49%</td>
<td>23.2</td>
<td>28.0</td>
</tr>
<tr>
<td>50 to 59%</td>
<td>10.9</td>
<td>13.3</td>
</tr>
<tr>
<td>60 to 79%</td>
<td>29.7</td>
<td>26.7</td>
</tr>
<tr>
<td>80% or more</td>
<td>17.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Number of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Twin Cities Suburbs, 2005-2011

<table>
<thead>
<tr>
<th>% Minority in Tract</th>
<th>HTC Units</th>
<th>30%</th>
<th>50%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 19%</td>
<td>1,127</td>
<td>6,954</td>
<td>26,301</td>
<td>60,473</td>
</tr>
<tr>
<td>20 to 29%</td>
<td>507</td>
<td>4,874</td>
<td>23,254</td>
<td>51,749</td>
</tr>
<tr>
<td>30 to 49%</td>
<td>282</td>
<td>1,905</td>
<td>12,398</td>
<td>25,412</td>
</tr>
<tr>
<td>50 to 59%</td>
<td>22</td>
<td>754</td>
<td>3,854</td>
<td>5,919</td>
</tr>
<tr>
<td>60 to 79%</td>
<td>0</td>
<td>295</td>
<td>3,029</td>
<td>4,174</td>
</tr>
<tr>
<td>80% or more</td>
<td>0</td>
<td>61</td>
<td>640</td>
<td>1,170</td>
</tr>
<tr>
<td>Total</td>
<td>1,938</td>
<td>14,843</td>
<td>69,476</td>
<td>148,897</td>
</tr>
</tbody>
</table>

### Share of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Twin Cities Suburbs, 2005-2011

<table>
<thead>
<tr>
<th>% Minority in Tract</th>
<th>HTC Units</th>
<th>30%</th>
<th>50%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 19%</td>
<td>58.2</td>
<td>46.9</td>
<td>37.9</td>
<td>40.6</td>
</tr>
<tr>
<td>20 to 29%</td>
<td>26.2</td>
<td>32.8</td>
<td>33.5</td>
<td>34.8</td>
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<tr>
<td>30 to 49%</td>
<td>14.6</td>
<td>12.8</td>
<td>17.8</td>
<td>17.1</td>
</tr>
<tr>
<td>50 to 59%</td>
<td>1.1</td>
<td>5.1</td>
<td>5.5</td>
<td>4.0</td>
</tr>
<tr>
<td>60 to 79%</td>
<td>0.0</td>
<td>2.0</td>
<td>4.4</td>
<td>2.8</td>
</tr>
<tr>
<td>80% or more</td>
<td>0.0</td>
<td>0.4</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Considerations for HUD, Researchers, and Advocates

Mark Shelburne
PD&R Quarterly Briefing
March 22, 2012
Introduction

- Background

- Appreciate the opportunity and premise
  - not an education of HFAs
  - we can all learn from each other

- Covering two main areas:
  - shortcomings in research on LIHTCs
  - thoughts for advocacy groups
Disclaimers

- Not speaking for all HFAs, just myself
- Caution due to legal actions
  - litigation in three states
  - complaints and audits in others
- Omitting some concepts for sake of time
Concerns with Research

Several studies critique LIHTCs, e.g.
- Dawkins 2011 “Spatial Distribution…”
- UCLA 2009 report on California
- Abt’s 2006 “Are States…” report

Assume all units are sited by LIHTCs

Inaccurate for two main reasons:
- rehabilitation and
- HOPE VI / public housing redevelopment
Rehabilitation

- LIHTCs fund both (1) new construction and (2) rehabilitation of existing housing
- With rehab the units were already in place when funded by the state HFA
- LIHTCs had no role in their location
- Rehabs should be excluded from any analysis of whether program concentrates
- Yet were included in studies critiquing
Significance of Rehab %

- Excluding rehab would matter for results
- Example MSAs from Dawkins paper:
  - In Boston 69% of the units were rehab
  - Chicago were 61% rehab
- Abt study mentions Conn., >70% rehab
- Similar results in other areas
- Many are project-based Section 8 or in another HUD program
HOPE VI / Public Housing

- A material % of new const. LIHTC units in many metro areas are HOPE VI

- When replacing a unit of public housing, the net effect on concentration is zero

- Yet studies count LIHTCs as an increase, with no offset or even mention of net

- Same shortcoming as rehab: housing was there before and after LIHTCs
Consequences

- Acting on studies’ conclusions would mean reduced support for HUD priorities:
  - Rehab of rent-assisted portfolio
  - Leverage for public housing redevelopment

- Problems with methodology mean the studies should not inform policymaking

- Lack of research (based on the right units) showing LIHTCs exacerbate concentrations
Other Questions

- Effect on segregation is very complicated
- 2011 NYU Wagner School paper asked
  - where HHs would have lived otherwise
  - relative %s between HHs and surroundings
  - neighborhood change over time
- Conclusion: evidence suggests LIHTC units **do not contribute to increased segregation**, even in high poverty areas
Advocacy Groups

- HFAs have the essentially the same goals
- Challenge for any QAP policy are trade-offs and implementation:
  - conflicting objectives with local CDCs
  - benefit of relocating vs. staying in community
  - finding affordable sites with zoning (NIMBY)
  - IRC Sec. 42 required preference for QCTs
  - 5th Cir. opinion on race-based approach
  - limited/unusable data
Suggestions

- See HFAs as partners
- Understand our concerns and limitations
- Accept policy change takes time (years) and effort, even at state level
- Consult with other groups for how to make approach (e.g. preservation, green)
  - posting to a website is not enough
  - need productive, cooperative outreach
Contact Information:

Mark Shelburne
Counsel and Policy Coordinator
North Carolina Housing Finance Agency

mhshelburne@nchfa.com