

Update on Housing Market Conditions And Other Research



PD&R

State of the Nation's Housing Markets

Kevin P. Kane

Chief Housing Market Analyst

Economic & Market Analysis Division

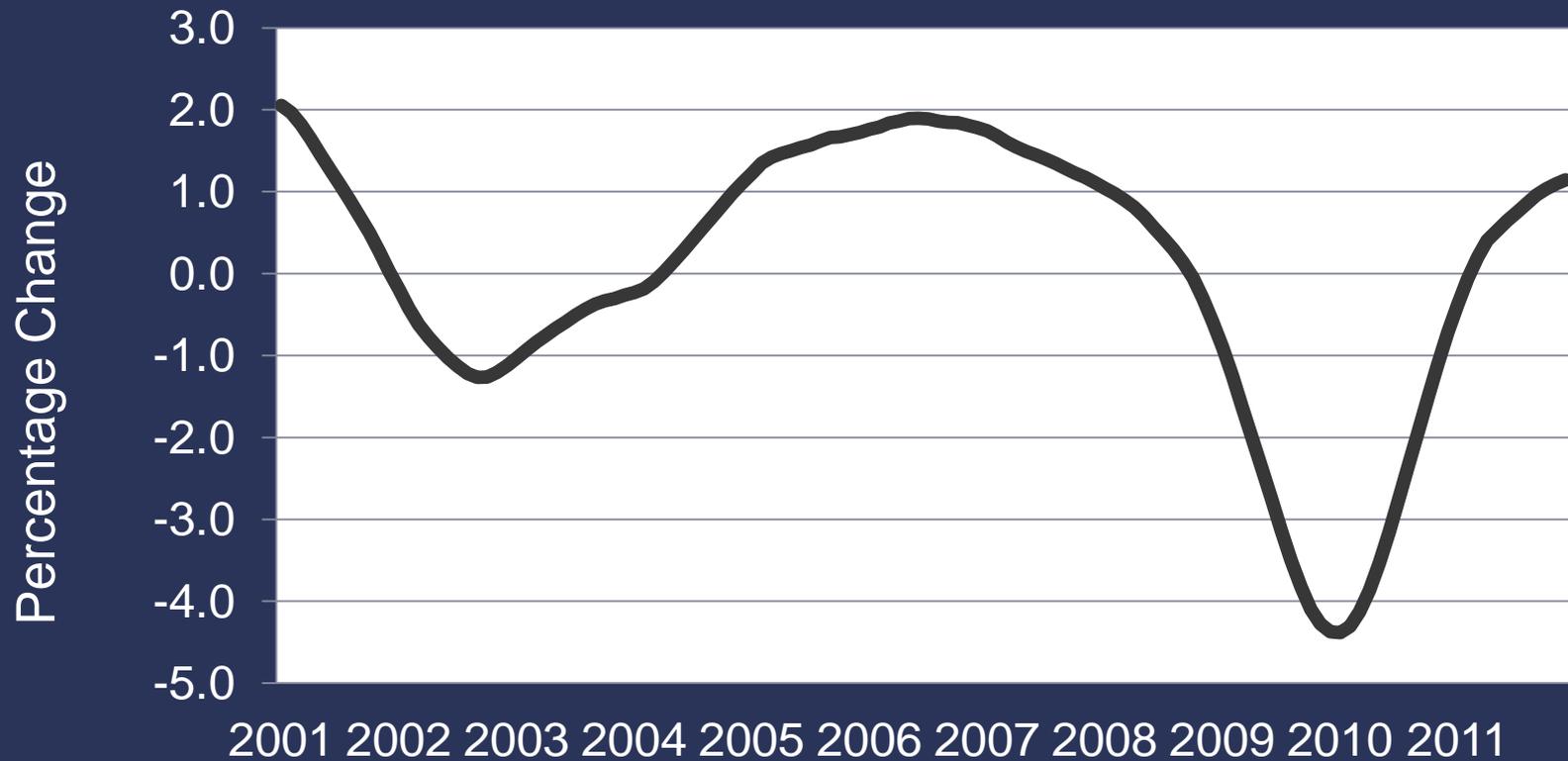
Special Thanks – Randall Goodnight (Ft. Worth)



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Nonfarm Payrolls

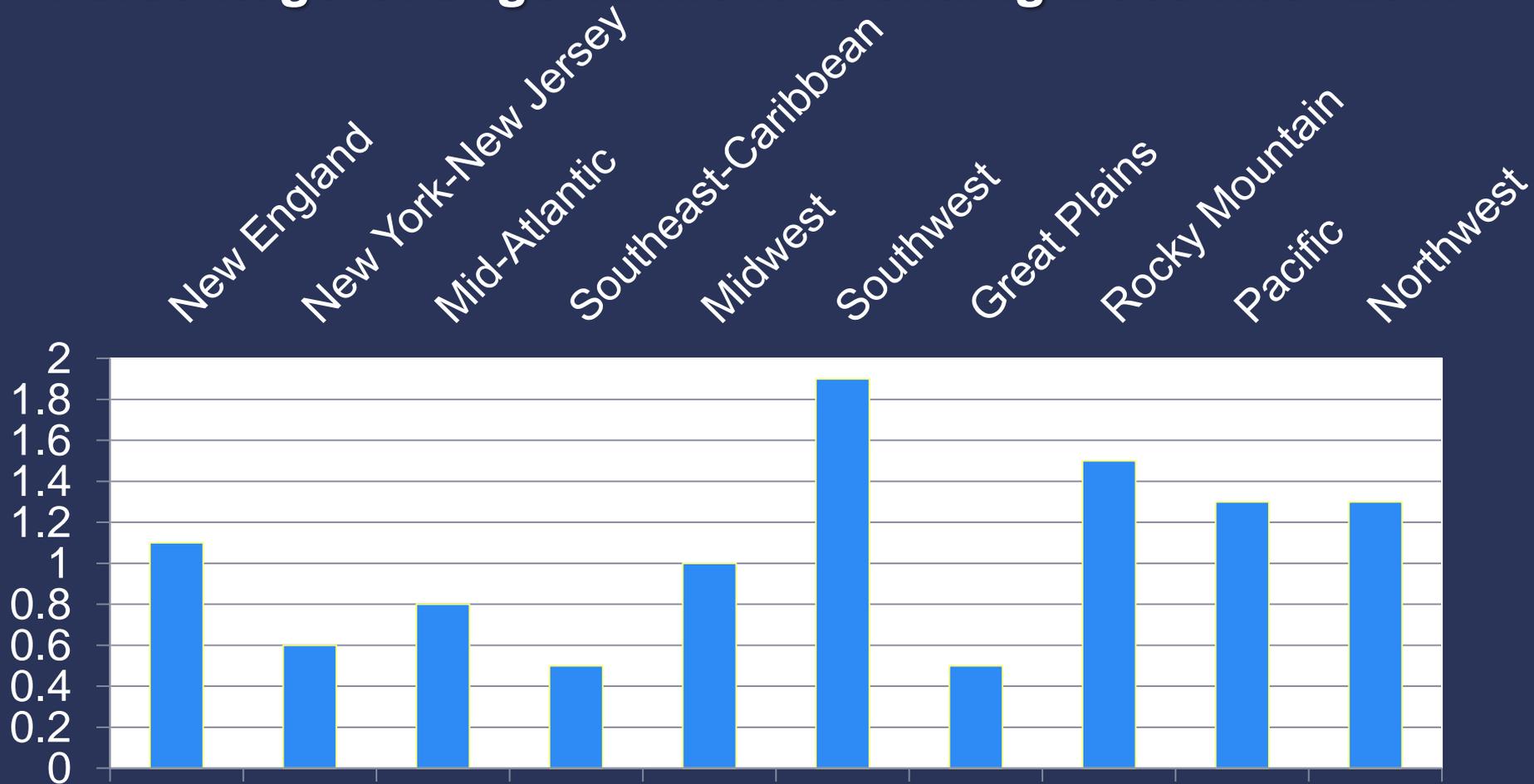
Annual Average Percentage Change (12-month avg.)



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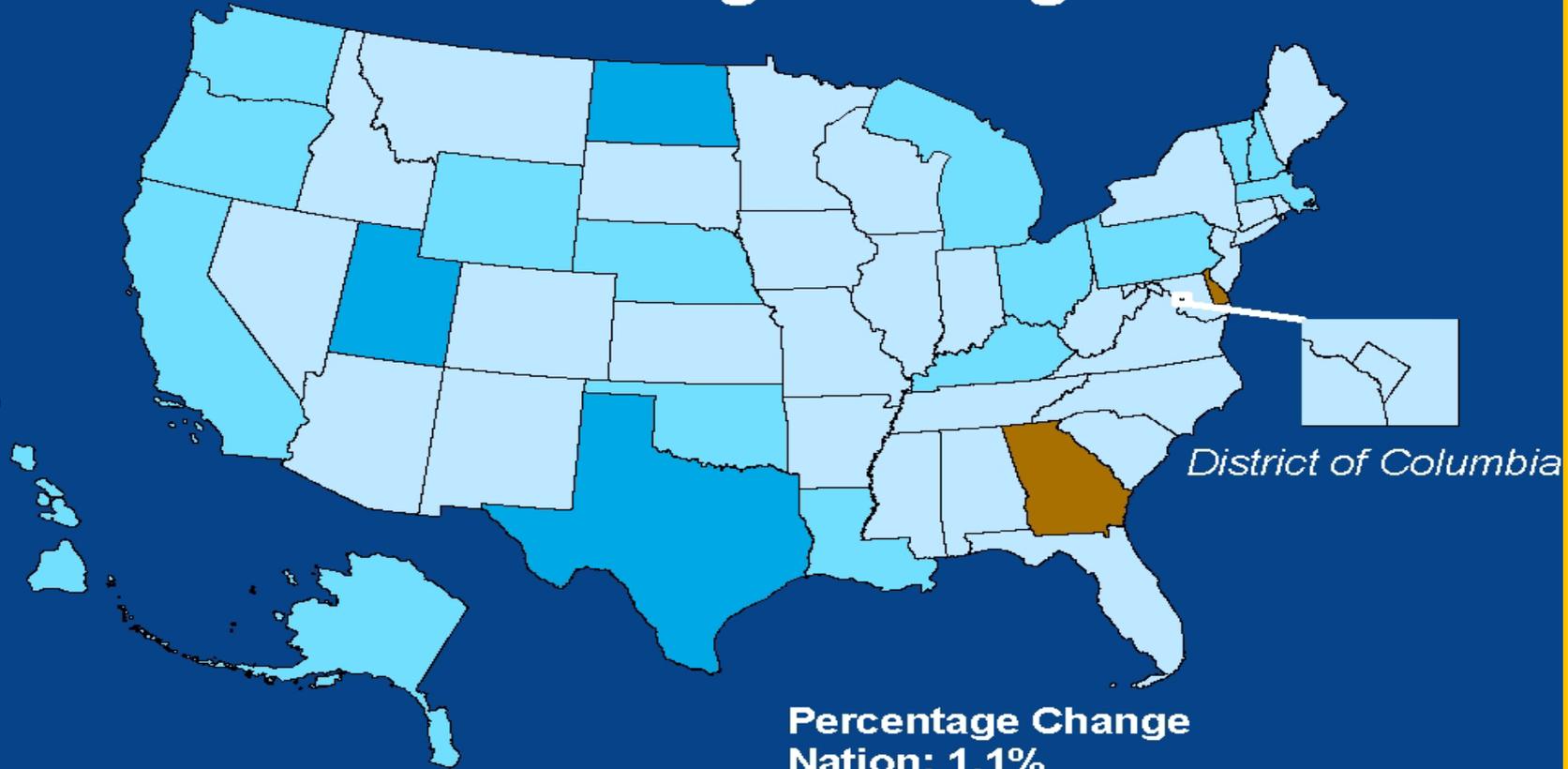
Regional Nonfarm Payrolls

Percentage Change 12 months ending December 2011



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State Nonfarm Payrolls Annual Percentage Change 2011



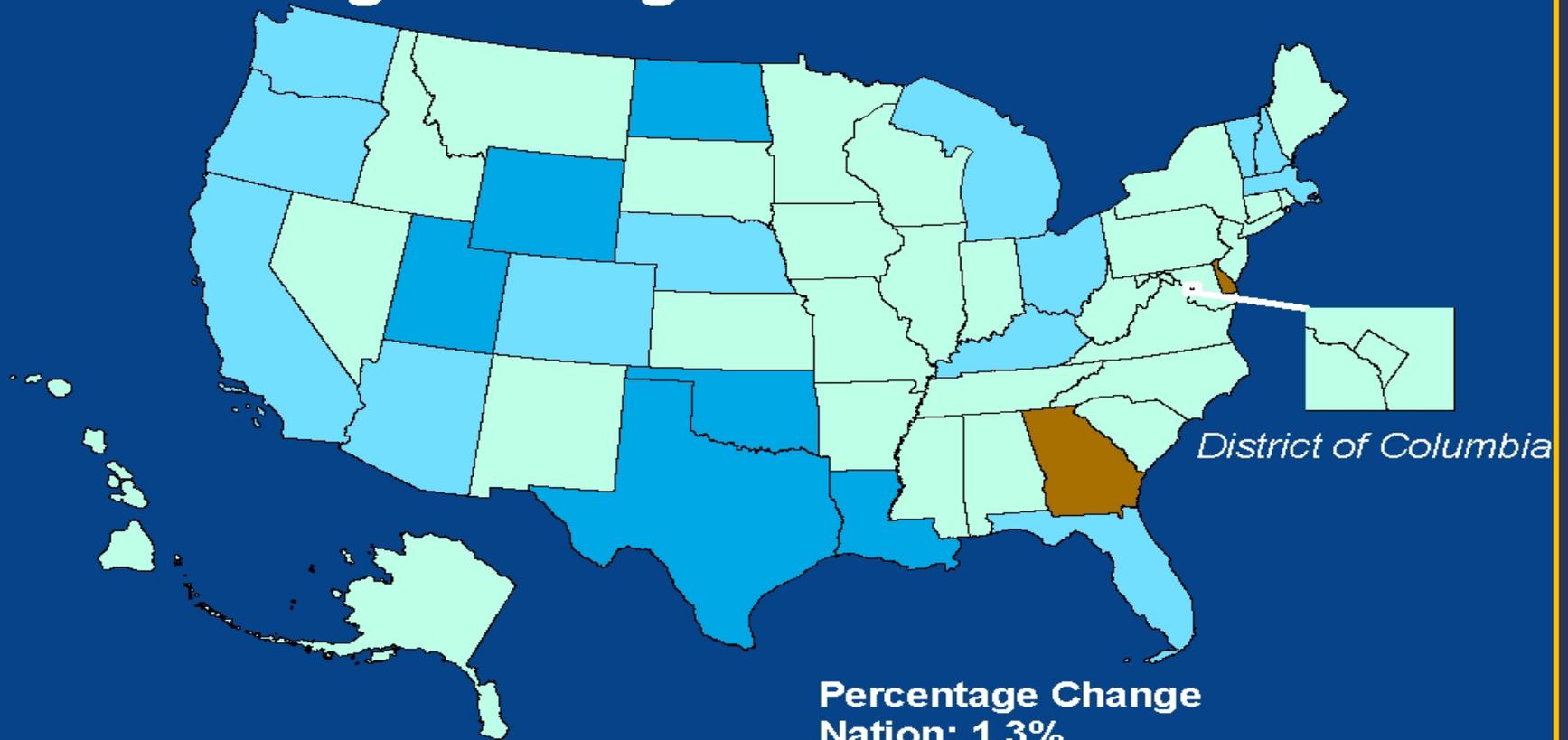
Compared with 2010
Source: Bureau of Labor Statistics

Percentage Change
Nation: 1.1%



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State Nonfarm Payrolls Percentage Change Fourth Quarter 2011



Percentage Change
Nation: 1.3%

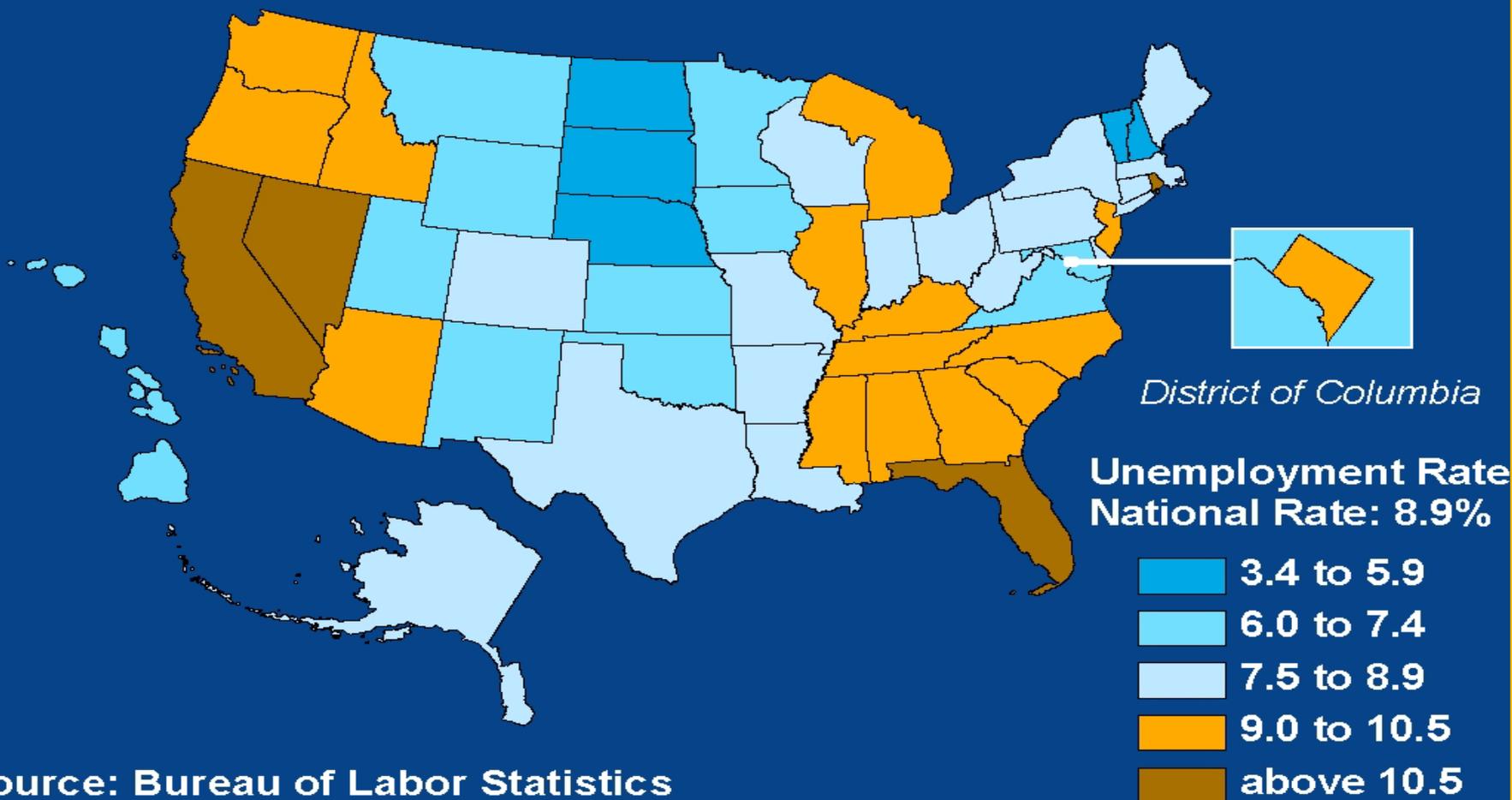


Compared with Q4 2010
Source: Bureau of Labor Statistics



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State Unemployment Rate Annual Average 2011



Source: Bureau of Labor Statistics



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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)



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U.S. Housing Market Conditions: 4Q 2011

- 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



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Regional Conditions 4Q 2011

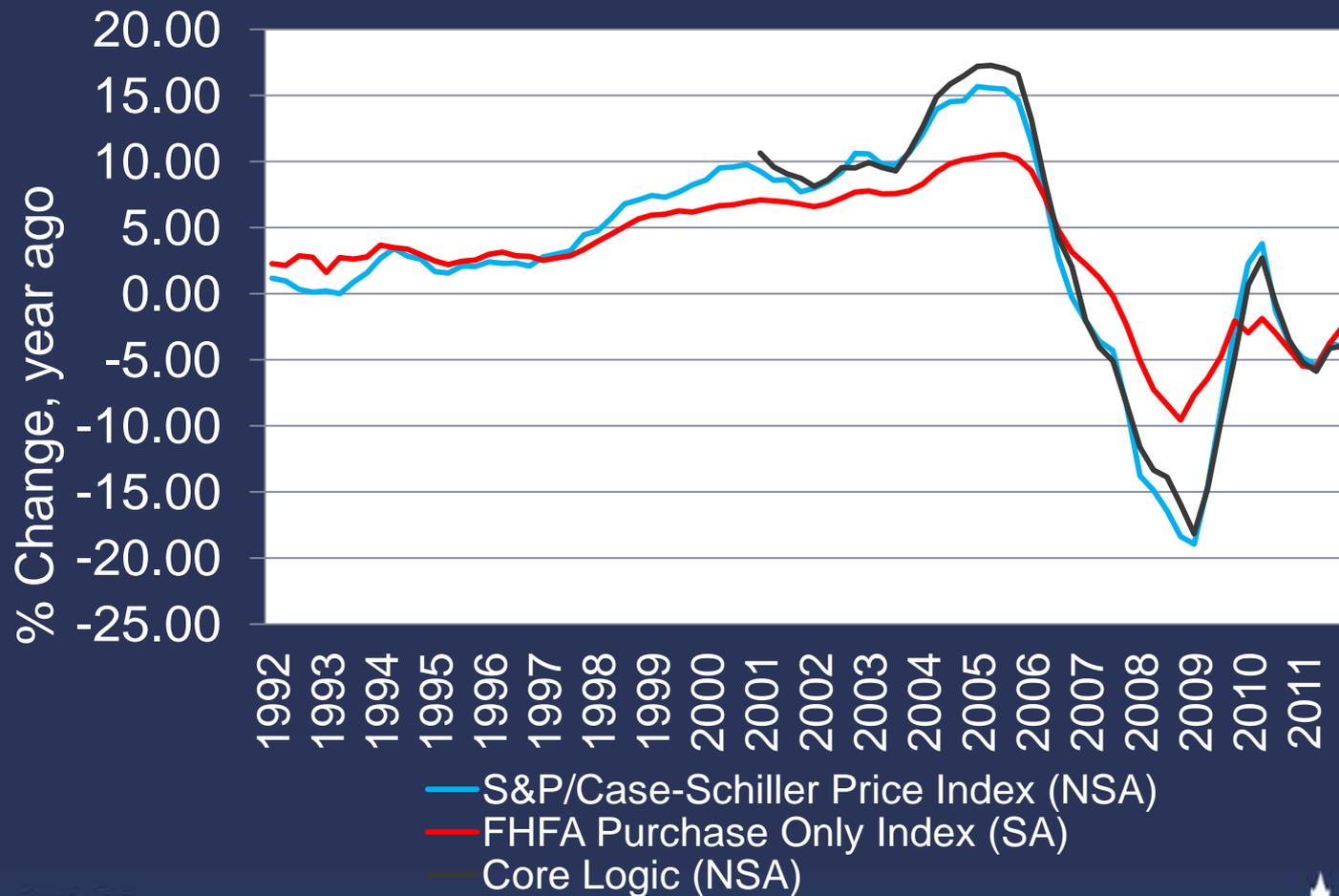
	Sales Markets	Rental Markets
Region I (New England)	Soft	Balanced to Tight
Region II (NY/NJ)	Soft	Tight
Region III (Mid-Atlantic)	Soft	Balanced to Tight
Region IV (Southeast-Caribbean)	Soft	Balanced
Region V (Midwest)	Soft	Balanced to Tight
Region VI (Southwest)	Soft	Mixed (Soft in TX-improving)
Region VII (Great Plains)	Soft	Balanced to Tight
Region VIII (Rocky Mountains)	Soft	Balanced to Tight
Region IX (Pacific)	Soft	Mixed (NV&AZ – soft)
Region X (Northwest)	Soft	Balanced to Tight



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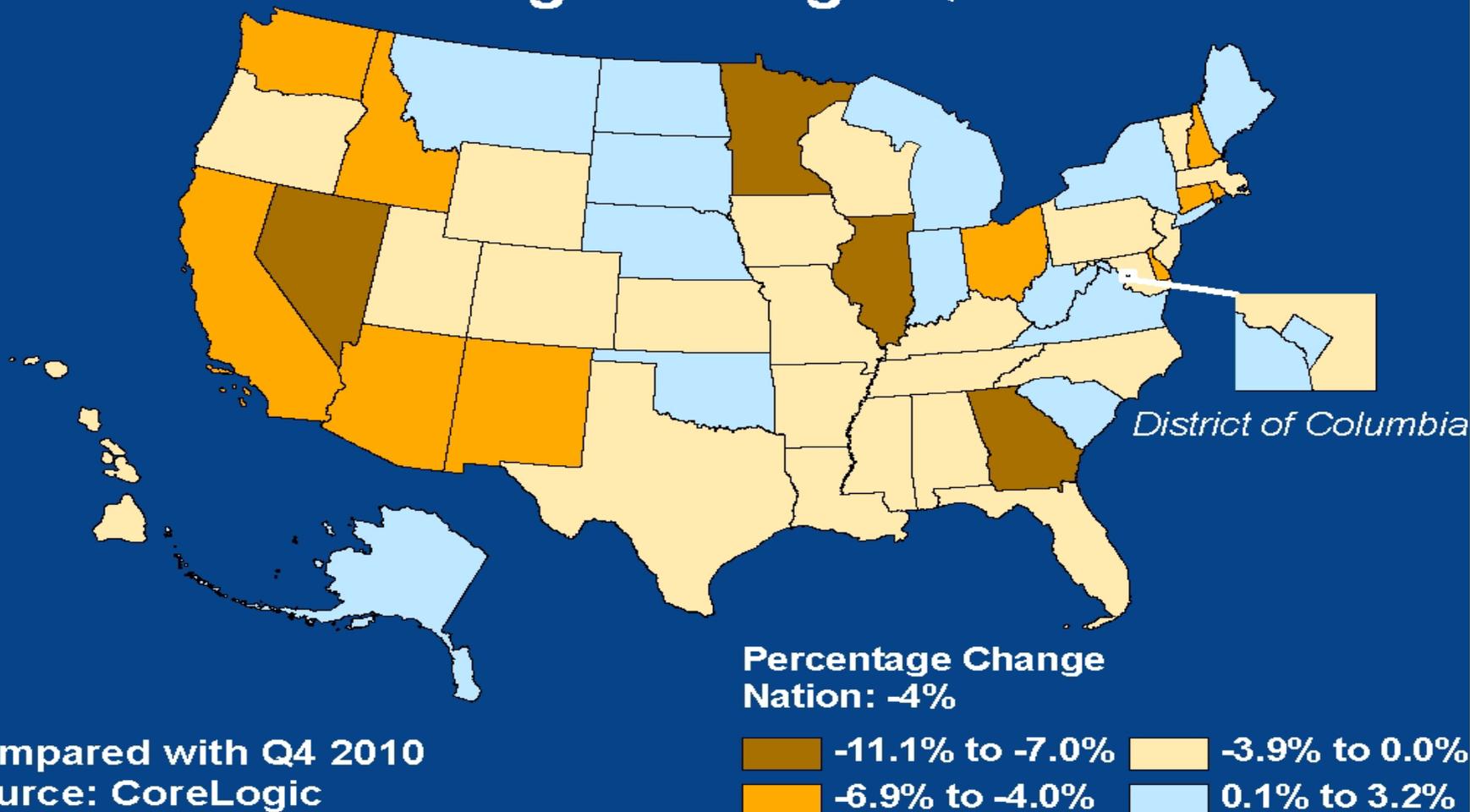


National Home Price Indices Based on Qtr. To Same Qtr. Previous Year



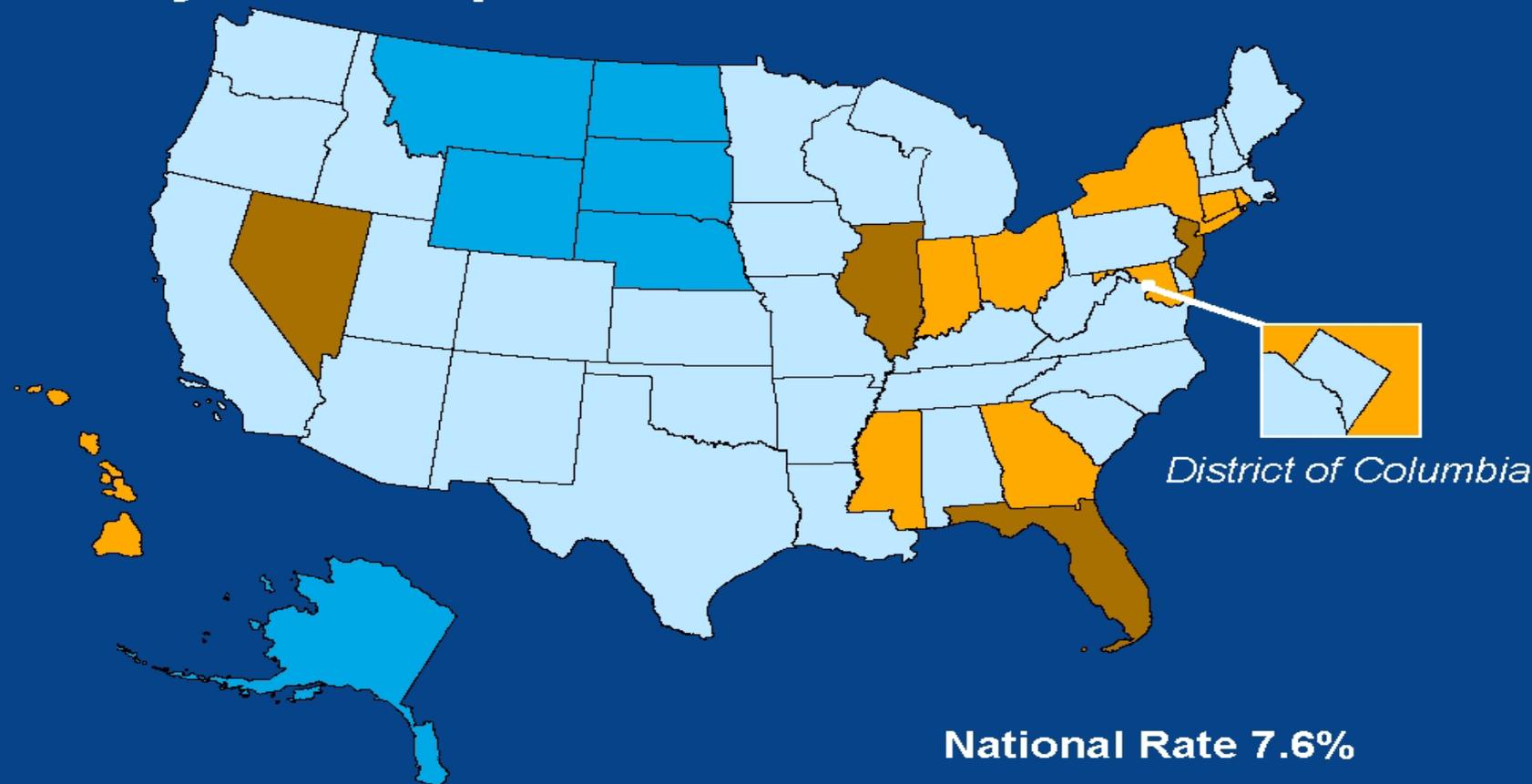
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State Housing Price Index Percentage Change Q4 2011



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State Mortgages December 2011 90+ Days Delinquent, In Foreclosure, and REO



District of Columbia

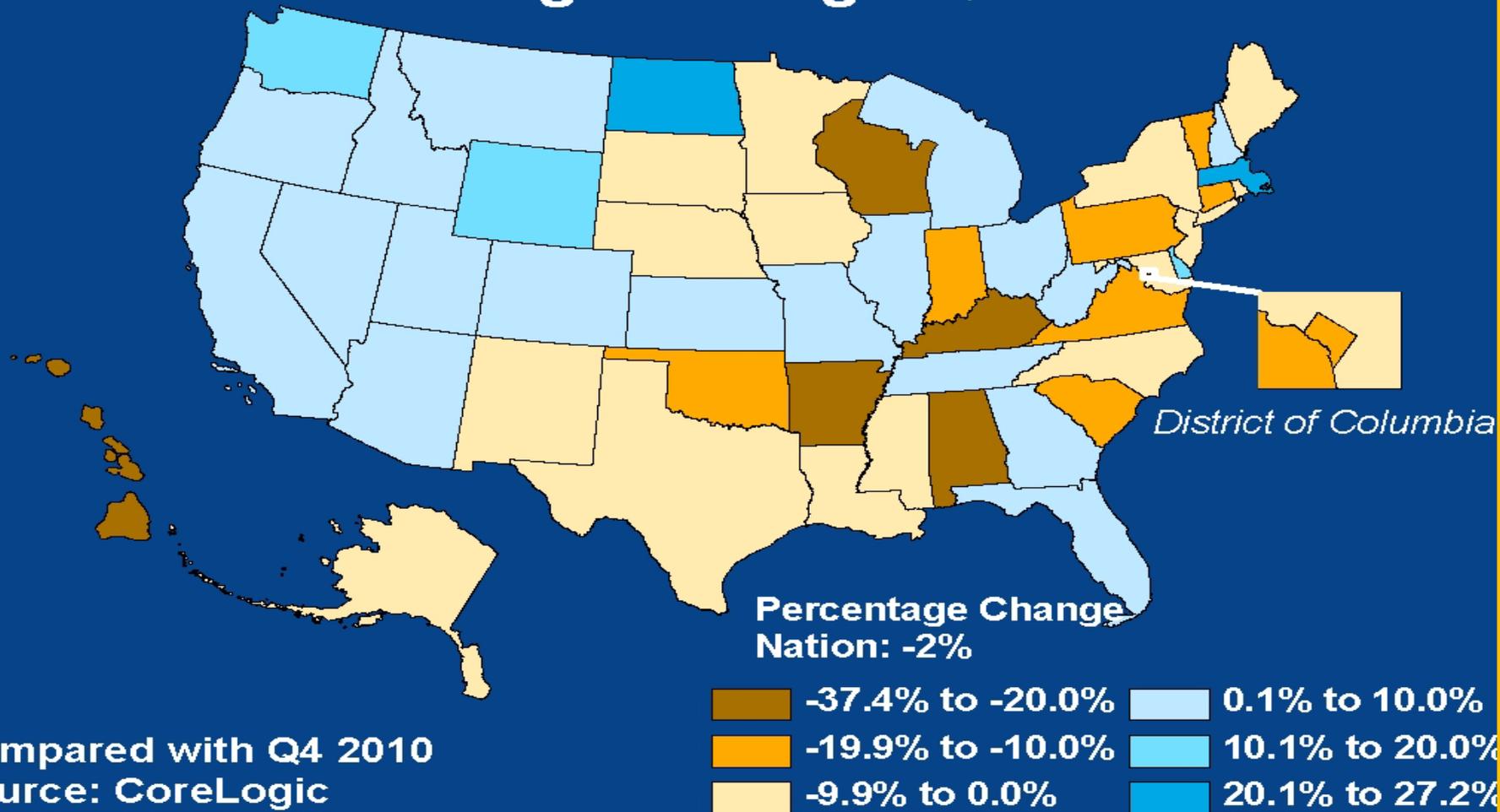
National Rate 7.6%

Source: LPS Applied Analytics



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State Existing Home Sales Percentage Change Q4 2011



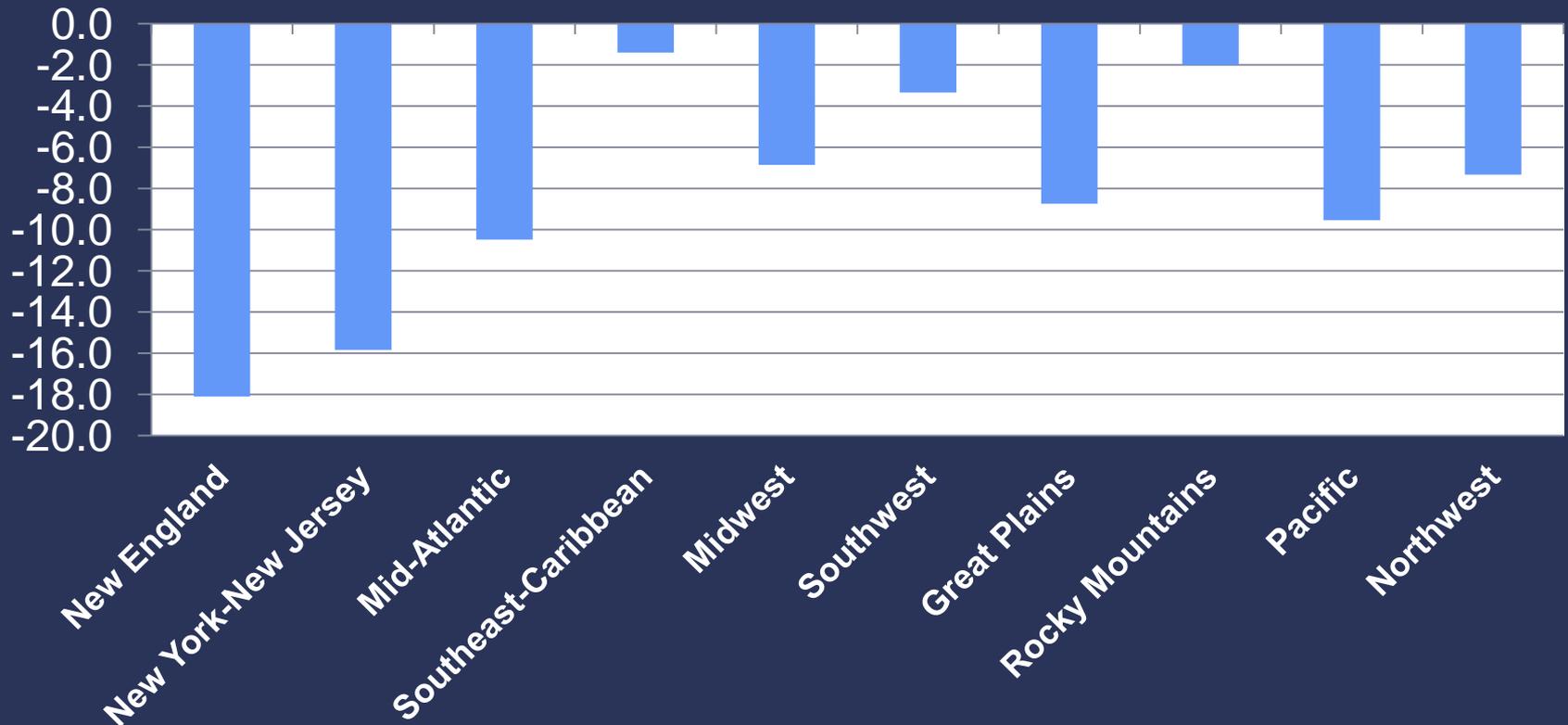
Compared with Q4 2010
Source: CoreLogic



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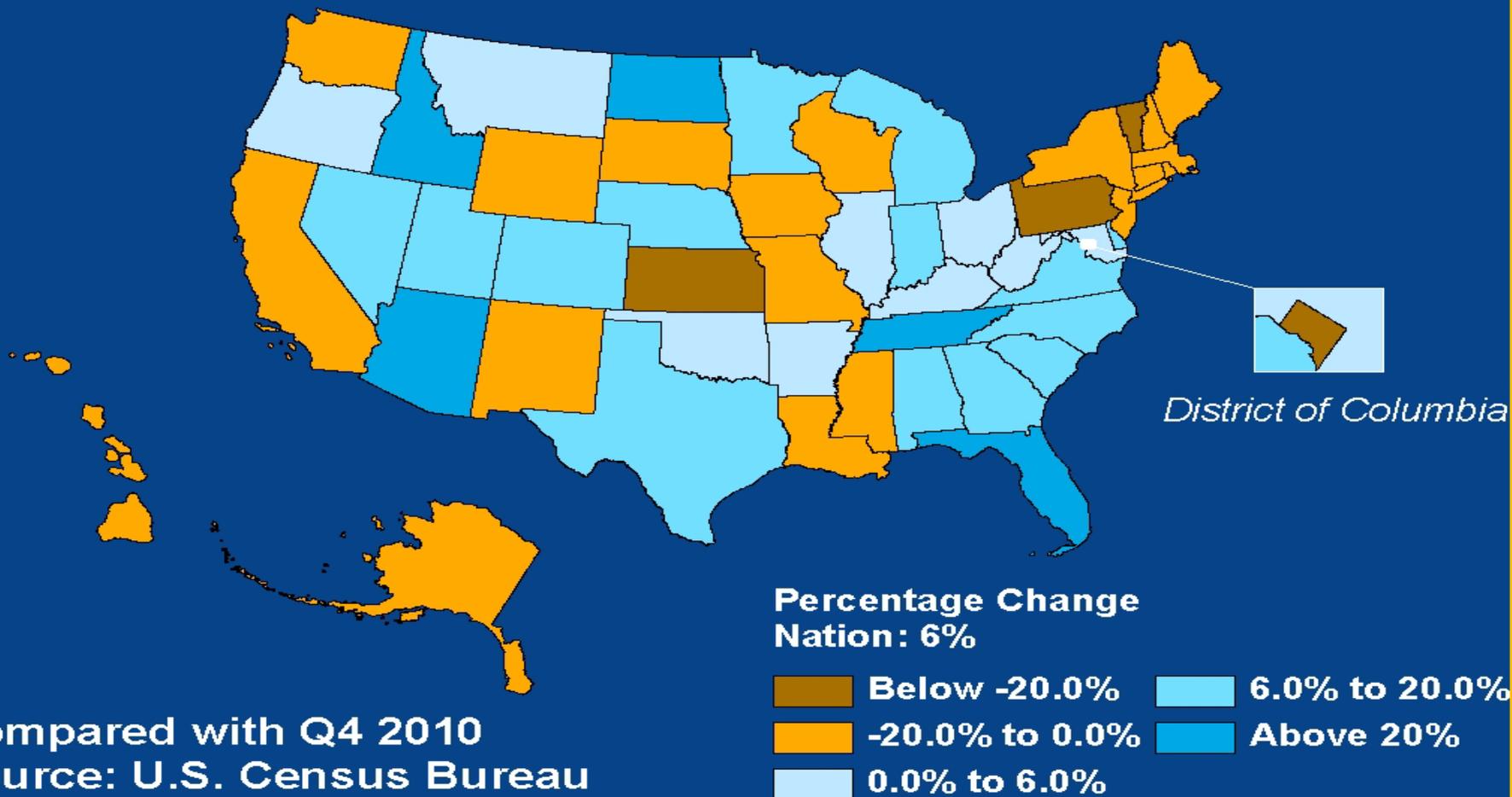
Percentage Change in SF Activity

12 Months Ending 12/10 to 12/11



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State Single-family Building Permits Percentage Change Q4 2011

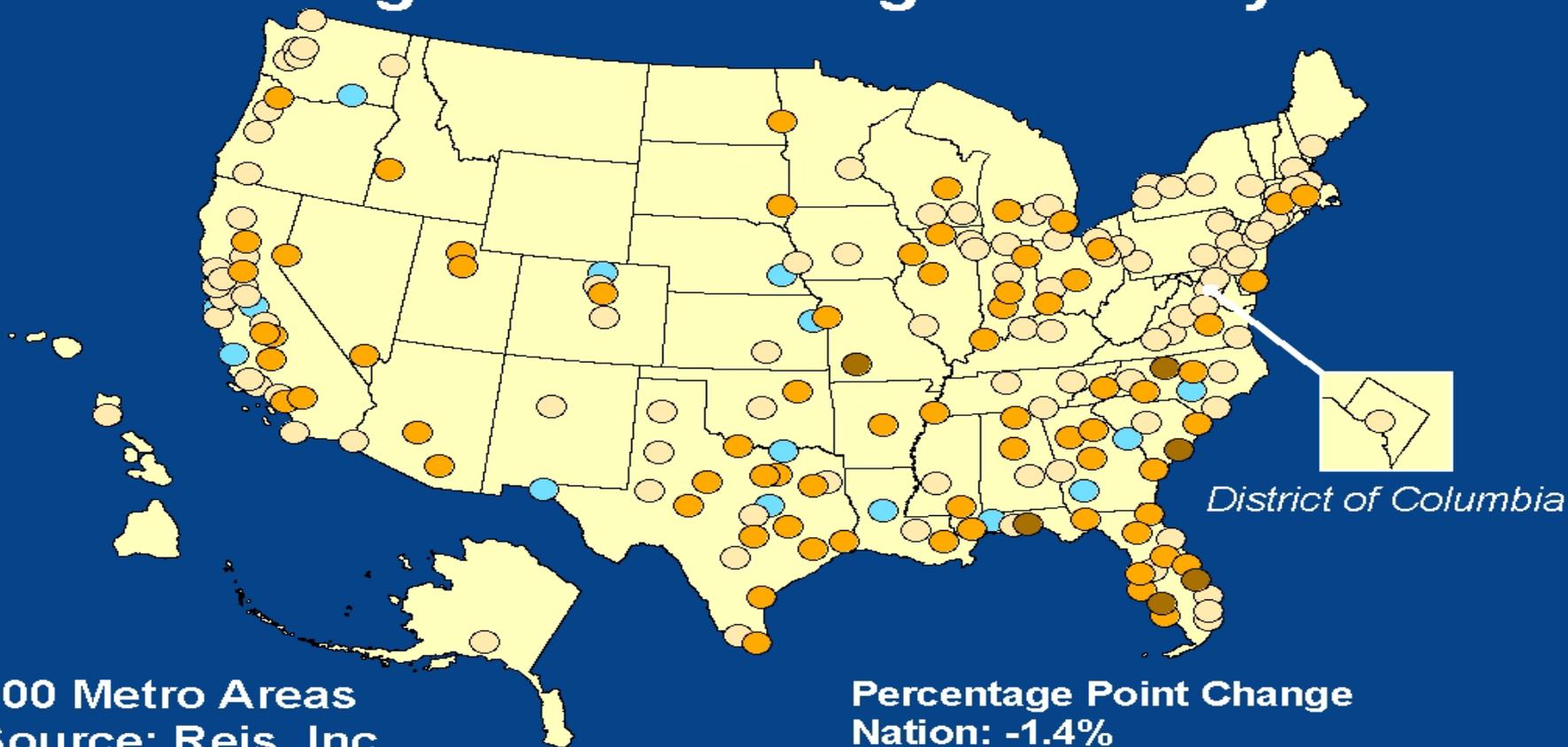


Compared with Q4 2010
Source: U.S. Census Bureau



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Metropolitan Area Apartments Percentage Point Change Vacancy Rates



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

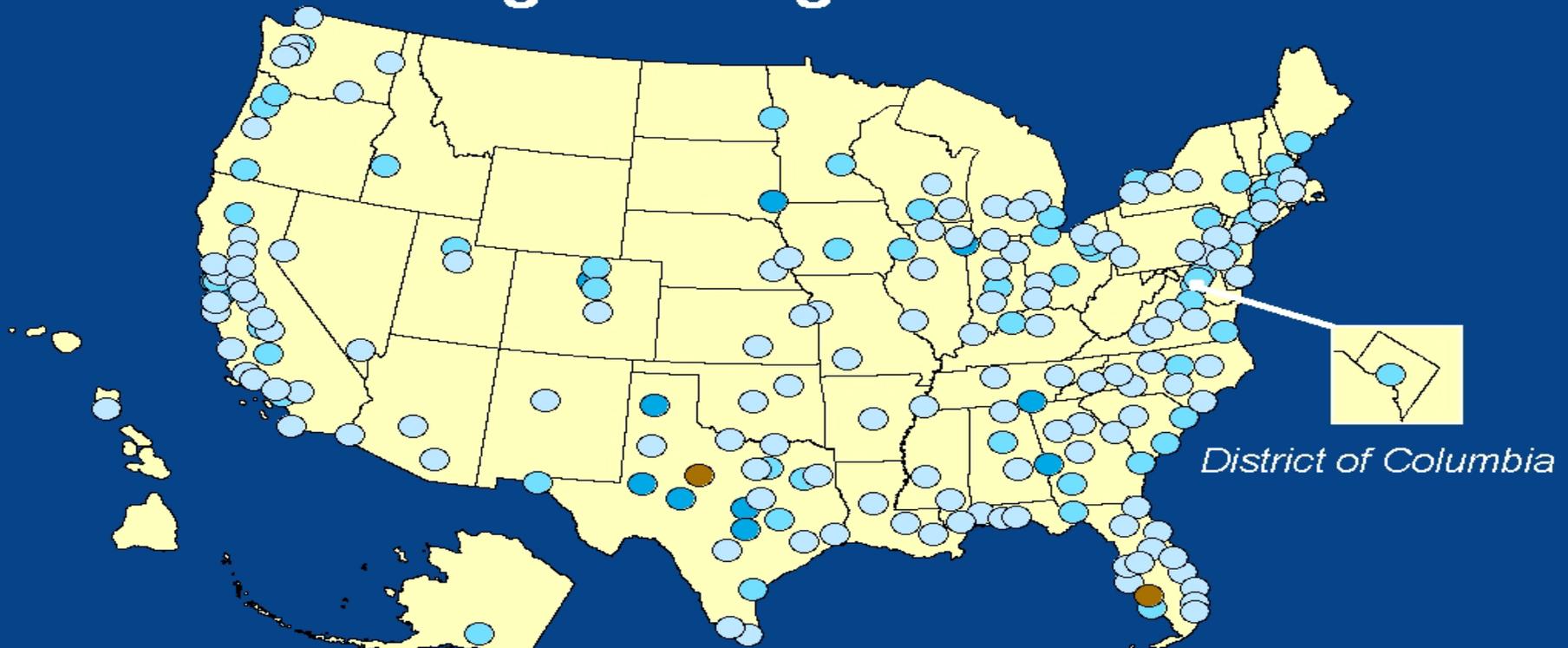
Percentage Point Change
Nation: -1.4%

- Dark Brown: -3.5% to -2.5%
- Orange: -2.4% to -1.4%
- Light Orange: -1.3% to -0.1%
- Light Blue: 0.0% to 2.1%



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Metropolitan Area Apartments Percentage Change Market Rents



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

Percentage Change
Nation: 2%

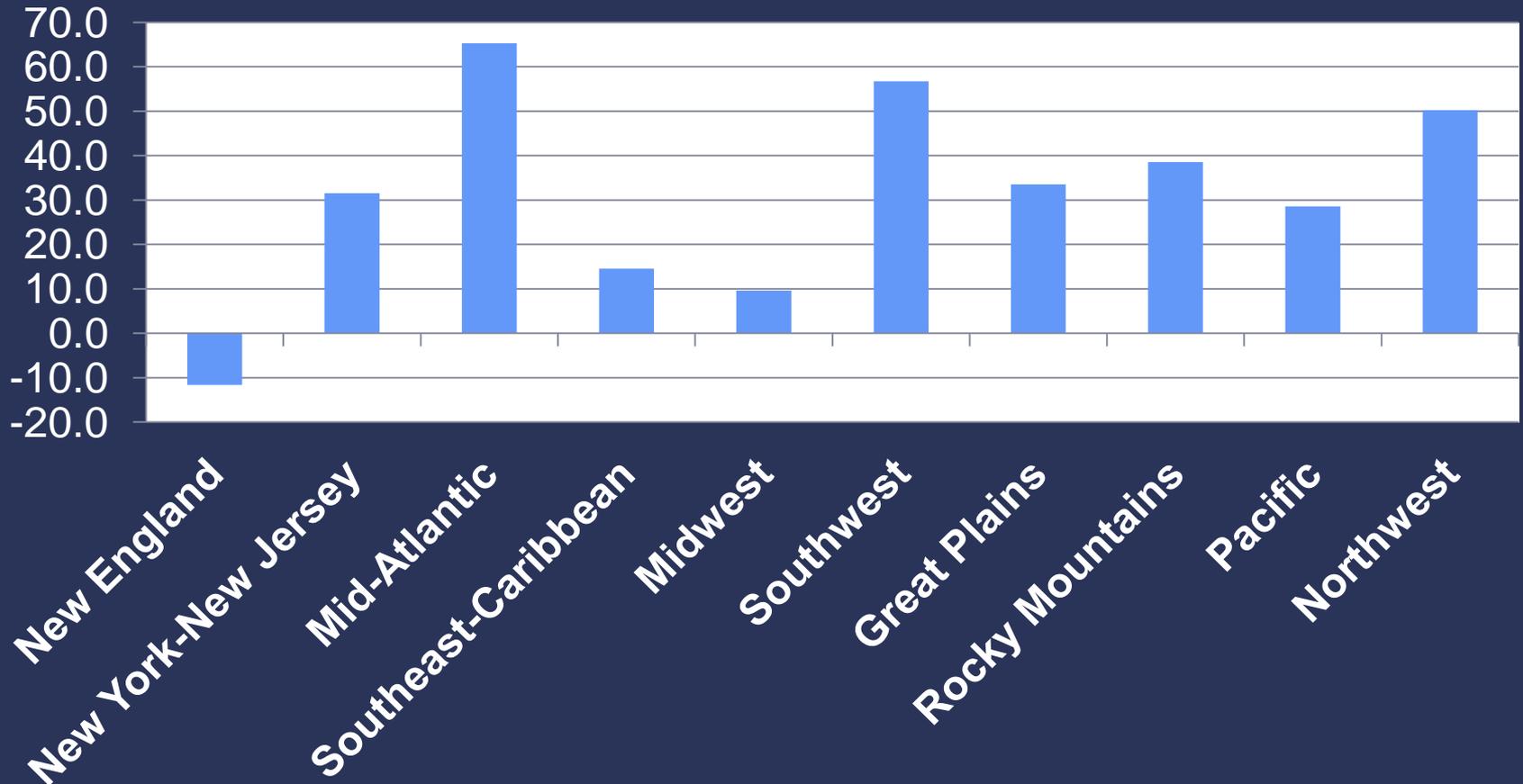
● -2.7% to 0.0% ● 2.1% to 3.0%
● 0.1% to 2.0% ● 3.1% to 4.7%



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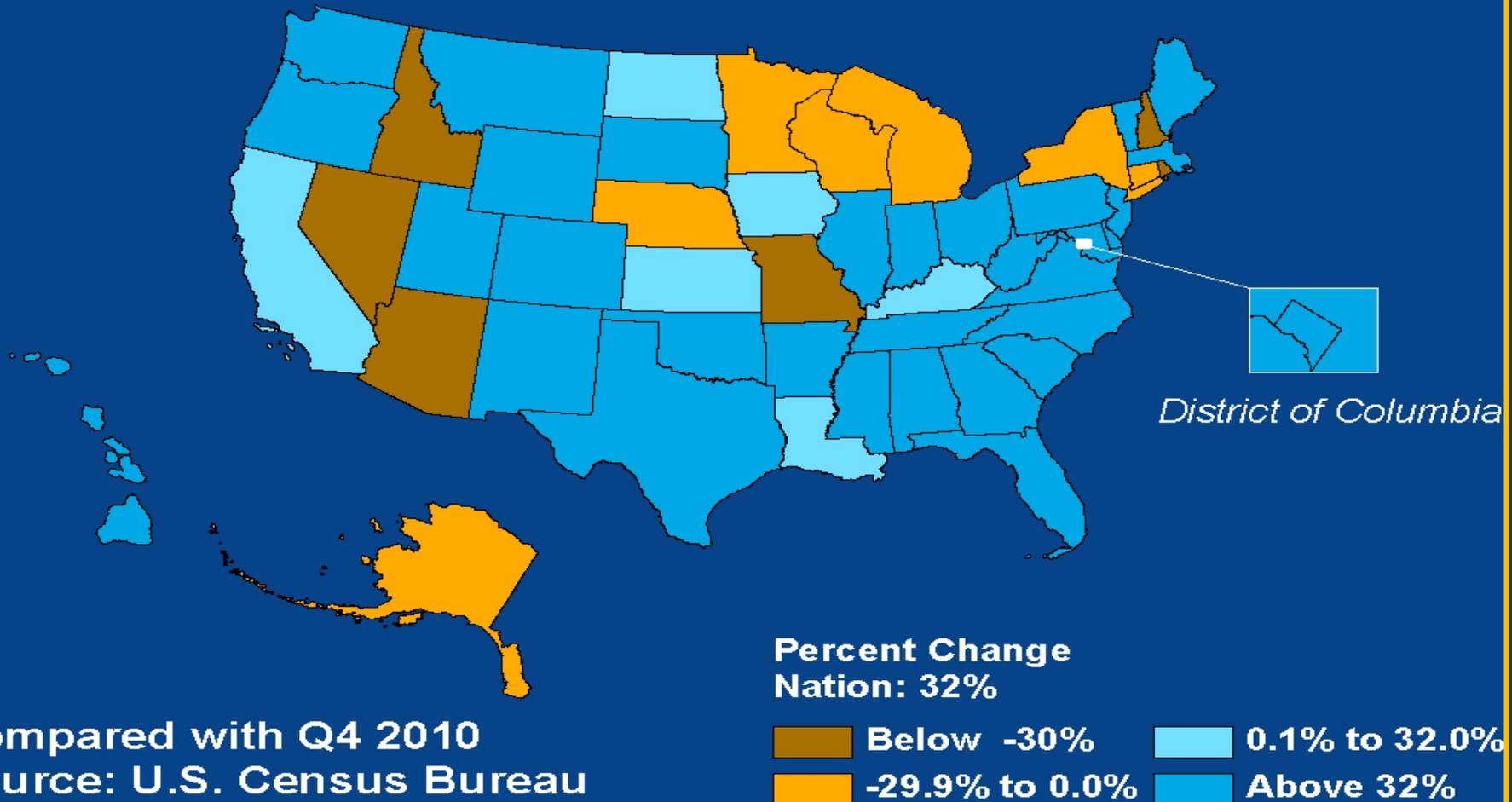
Percentage Change in MF Activity

12 Months Ending 12/10 to 12/11



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State Multifamily Building Permits Percentage Change Q4 2011



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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.



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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



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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



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LIHTC Data Collection

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



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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.



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Overview of the LIHTC Program

- 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



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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



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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



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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.



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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



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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

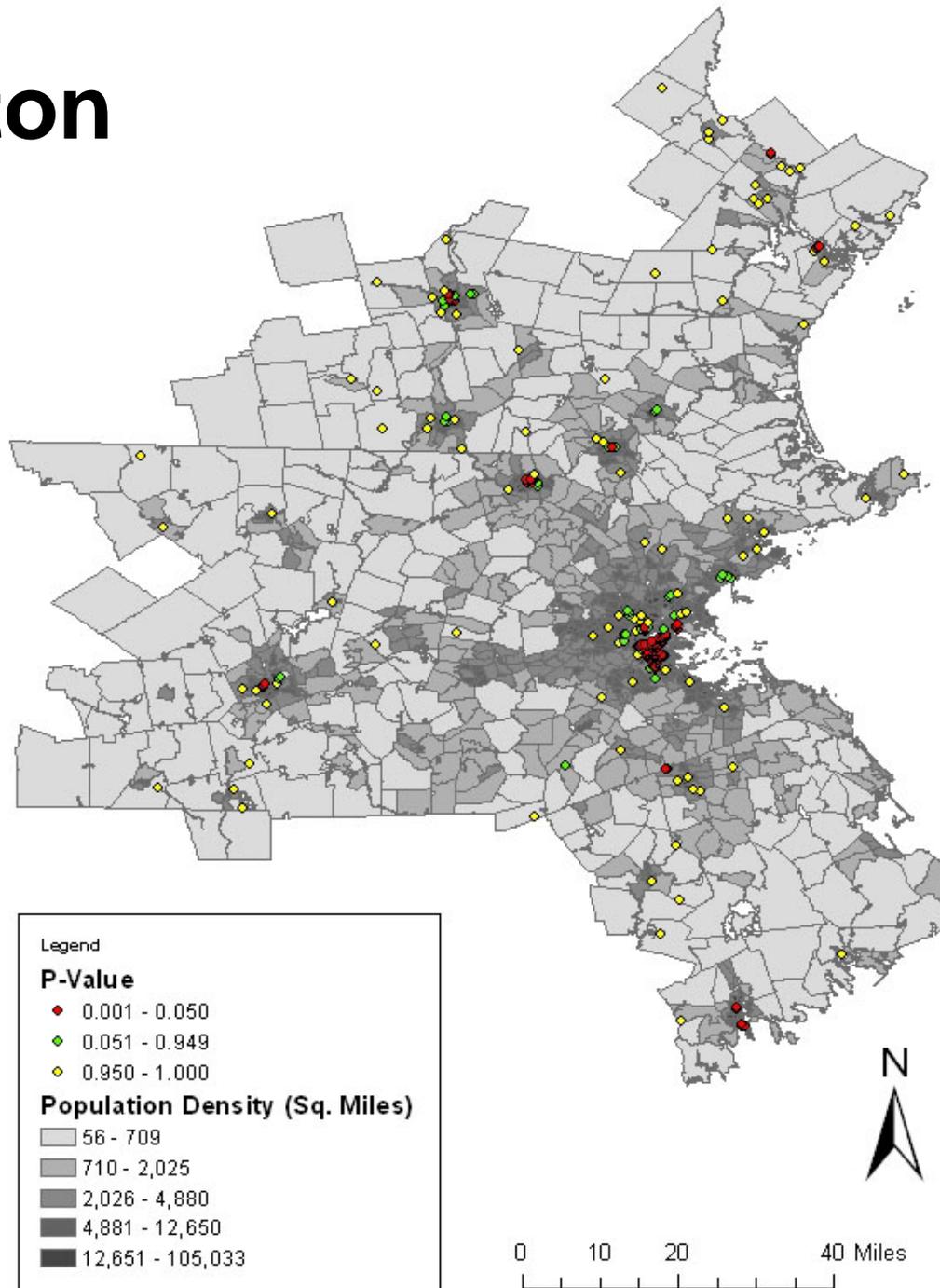
Evidence on the Geographic Location of LIHTC Properties

- 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)

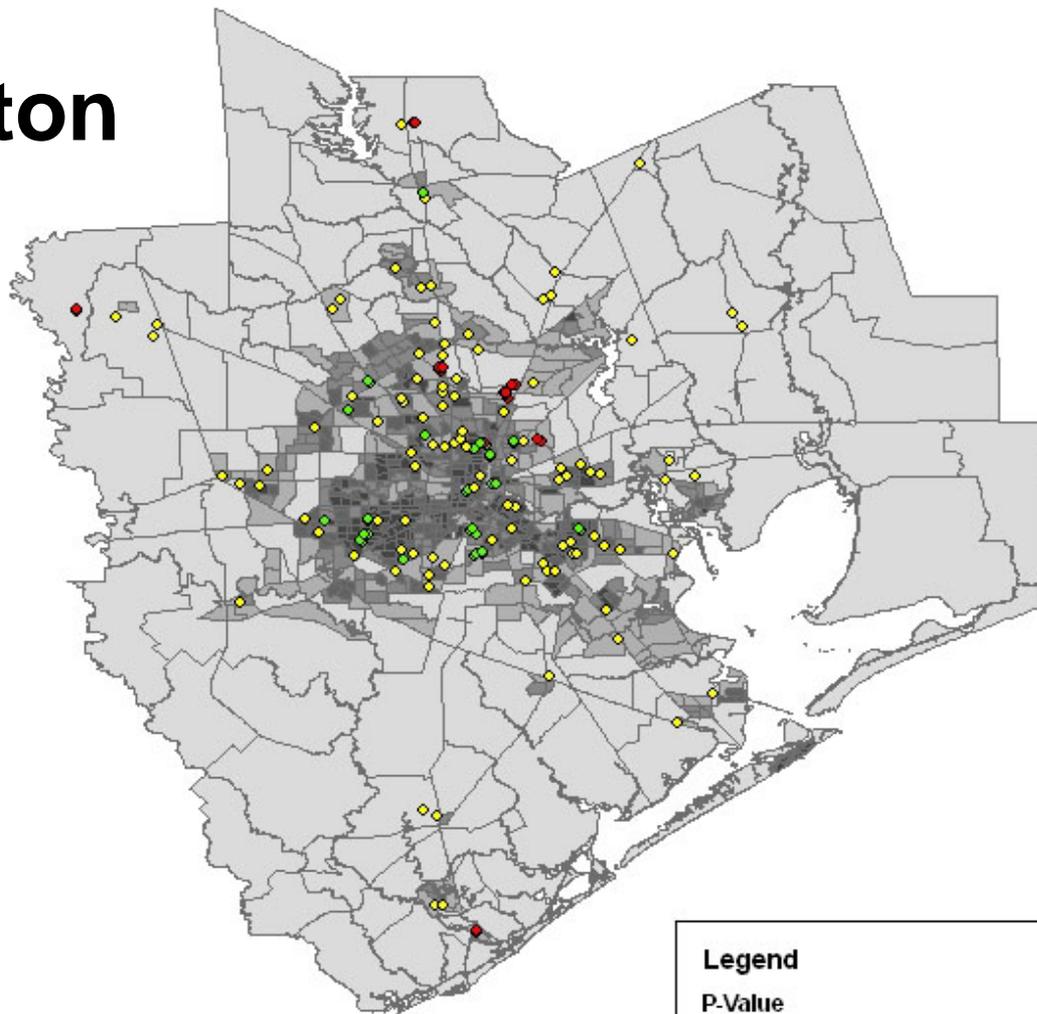
- LIHTC properties tend to be located in census tracts that exhibit higher poverty rates, lower median incomes, and lower shares of non-Hispanic white residents (Freeman 2004; Khadduri, Buron, and Climaco 2006; Ellen, et al. 2009).
- The location of LIHTC properties in a given census tract increases the likelihood of LIHTC properties being located in nearby census tracts (Oakley 2008).

Boston



SOURCE:
Dawkins, Casey. 2011. *Exploring the Spatial Distribution of Low Income Housing Tax Credit Properties*. U.S. Department of Housing and Urban Development, Washington, DC. Accessible at www.huduser.org.

Houston



Legend

P-Value

- ◆ 0.001 - 0.050
- ◆ 0.051 - 0.949
- ◆ 0.950 - 1.000

Population Density (Sq. Miles)

- 0 - 745
- 746 - 2,333
- 2,334 - 3,943
- 3,944 - 5,922
- 5,923 - 32,621

SOURCE:
Dawkins, Casey. 2011. *Exploring the Spatial Distribution of Low Income Housing Tax Credit Properties*. U.S. Department of Housing and Urban Development, Washington, DC. Accessible at www.huduser.org.

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

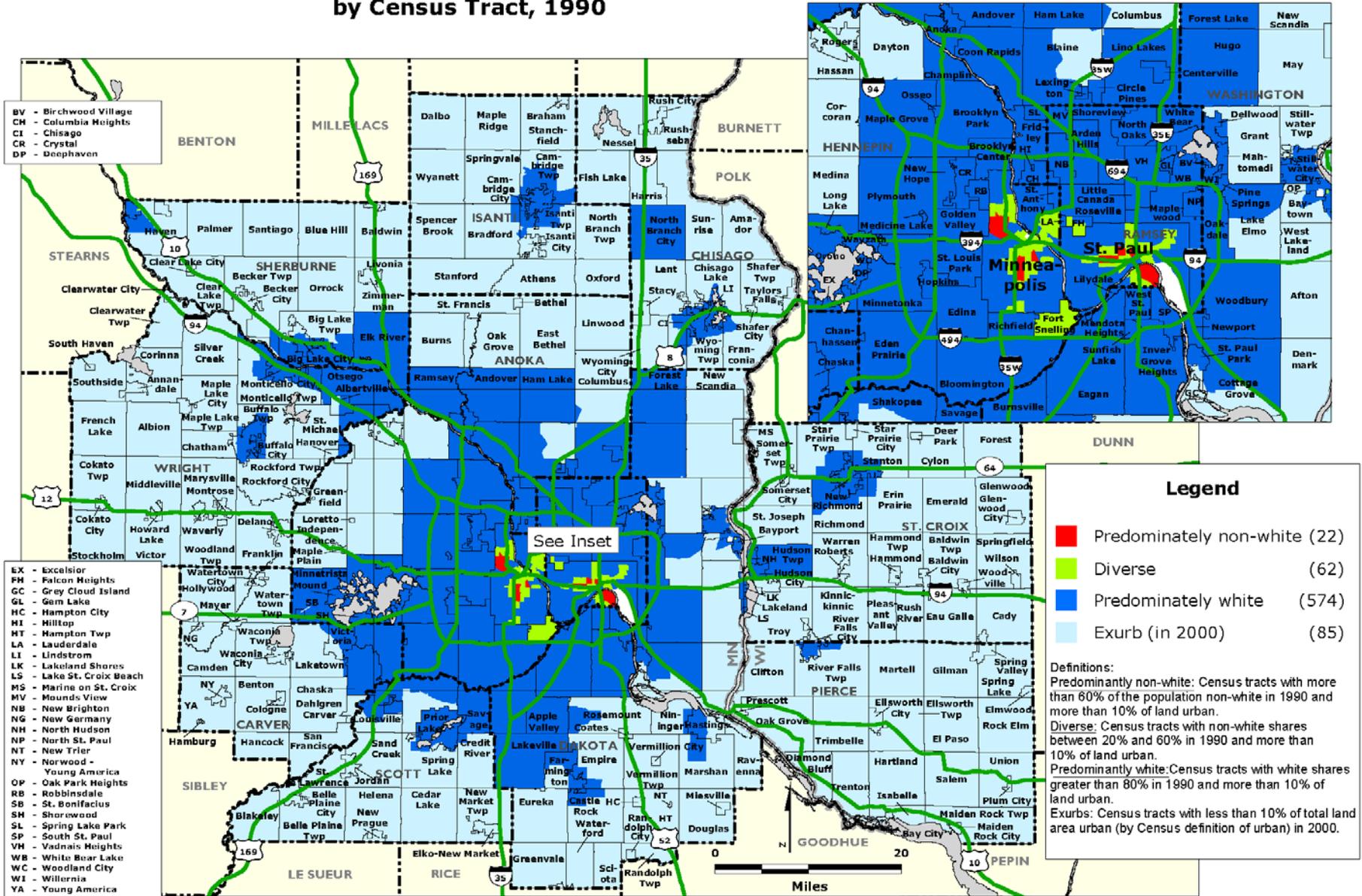
March 22, 2012



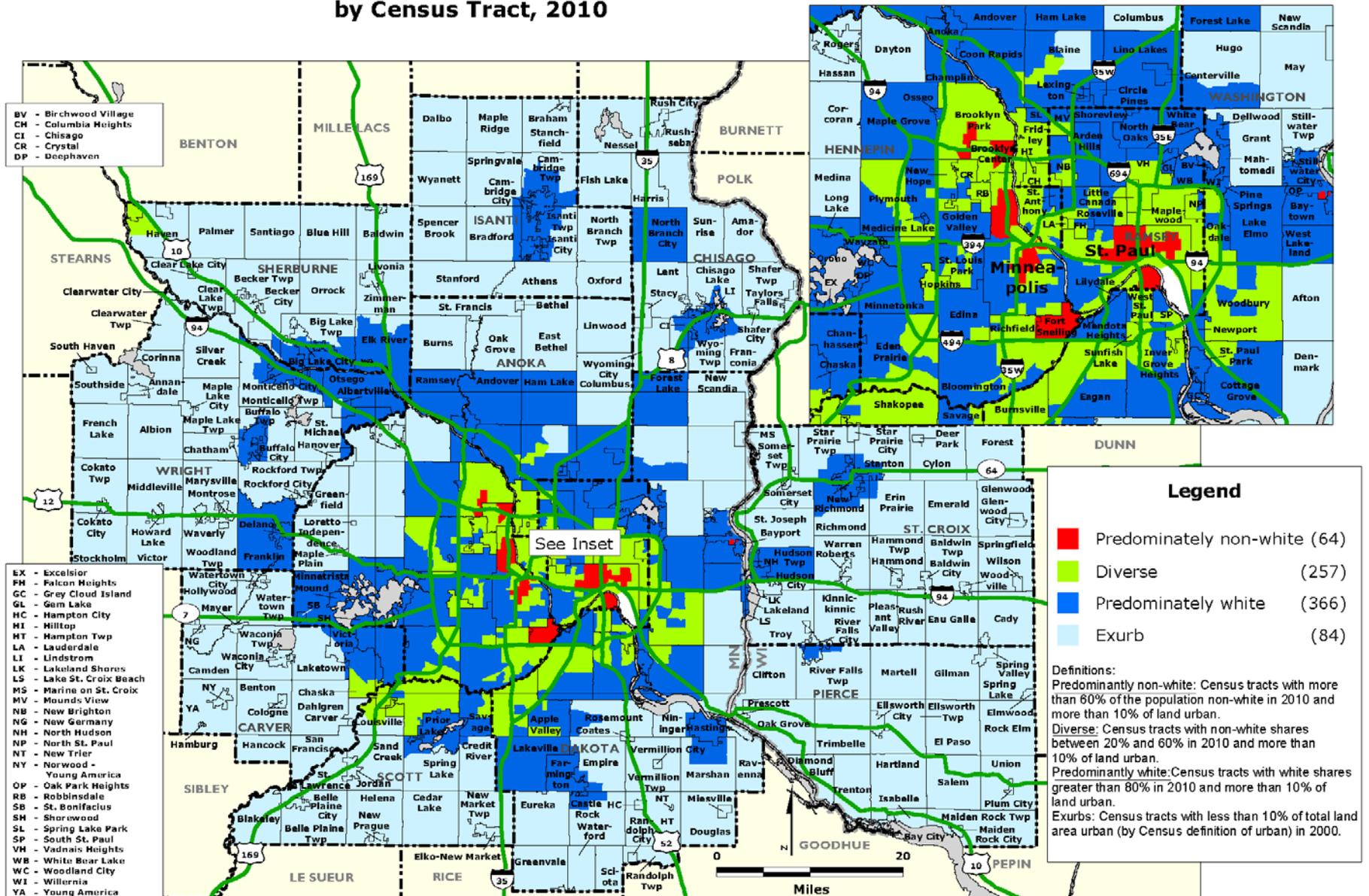
institute on race & poverty

Research, Education and Advocacy

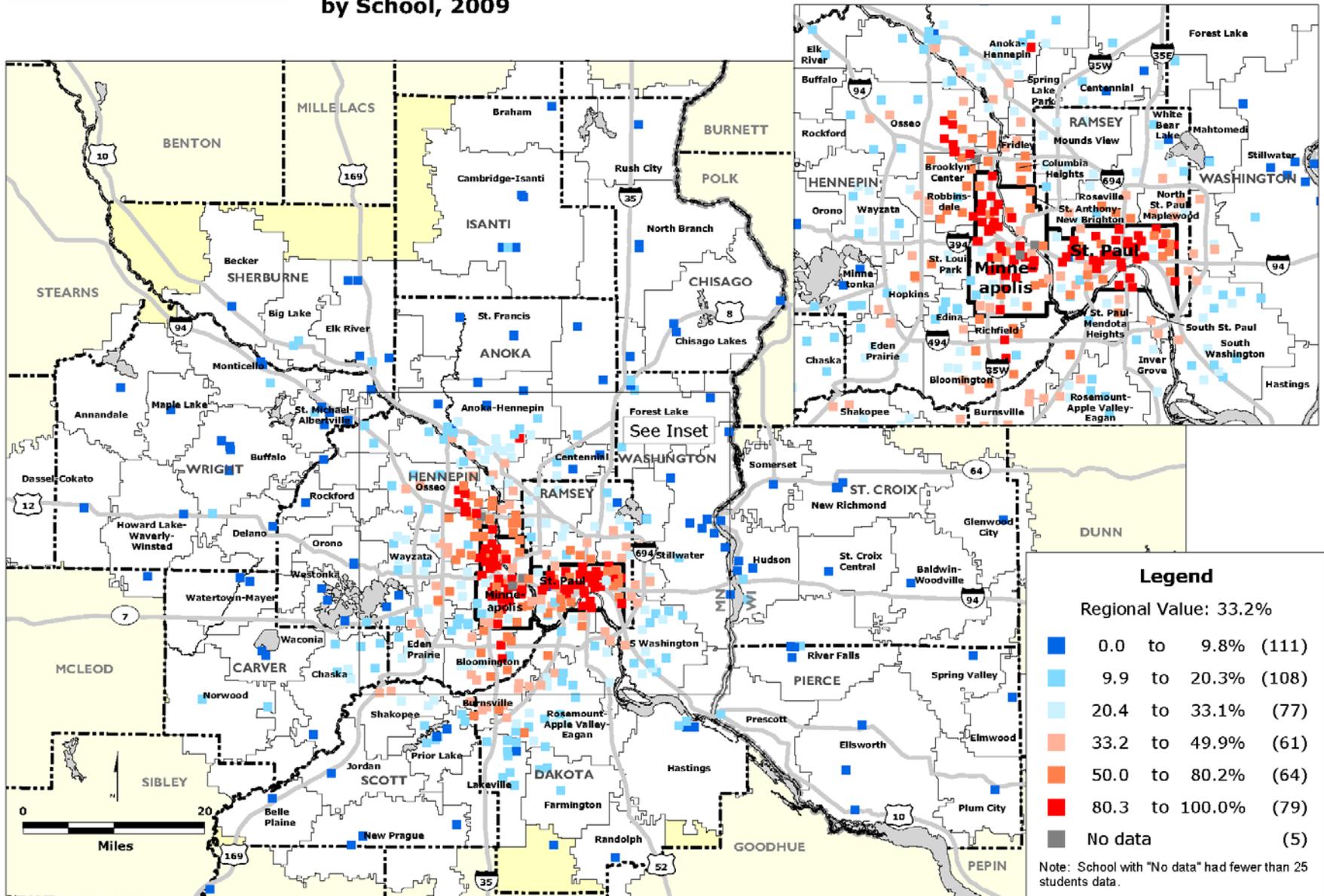
MINNEAPOLIS-SAINT PAUL REGION: Neighborhood Type by Census Tract, 1990



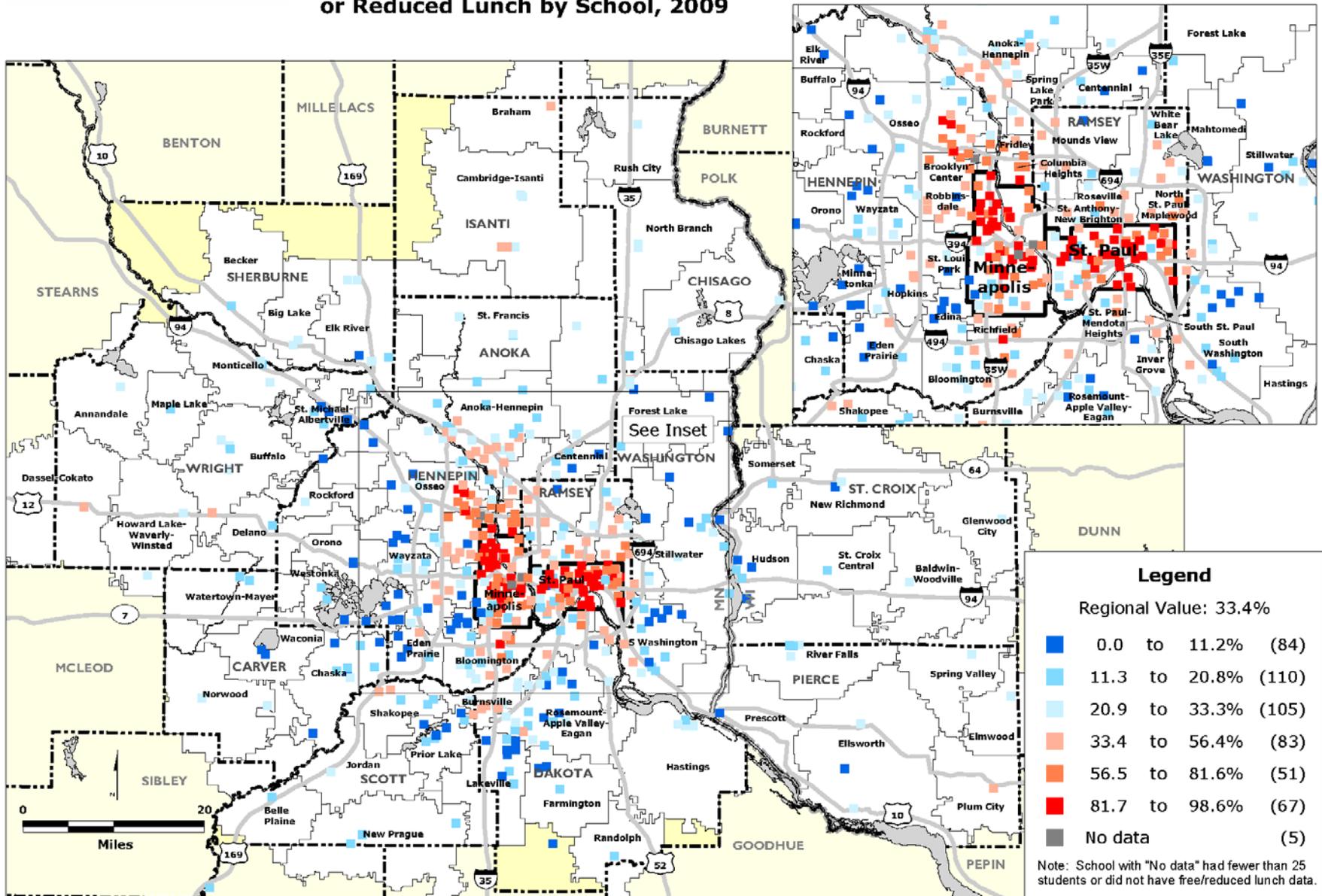
MINNEAPOLIS-SAINT PAUL REGION: Neighborhood Type by Census Tract, 2010



MINNEAPOLIS-SAINT PAUL REGION: Percentage Minority Elementary Students by School, 2009

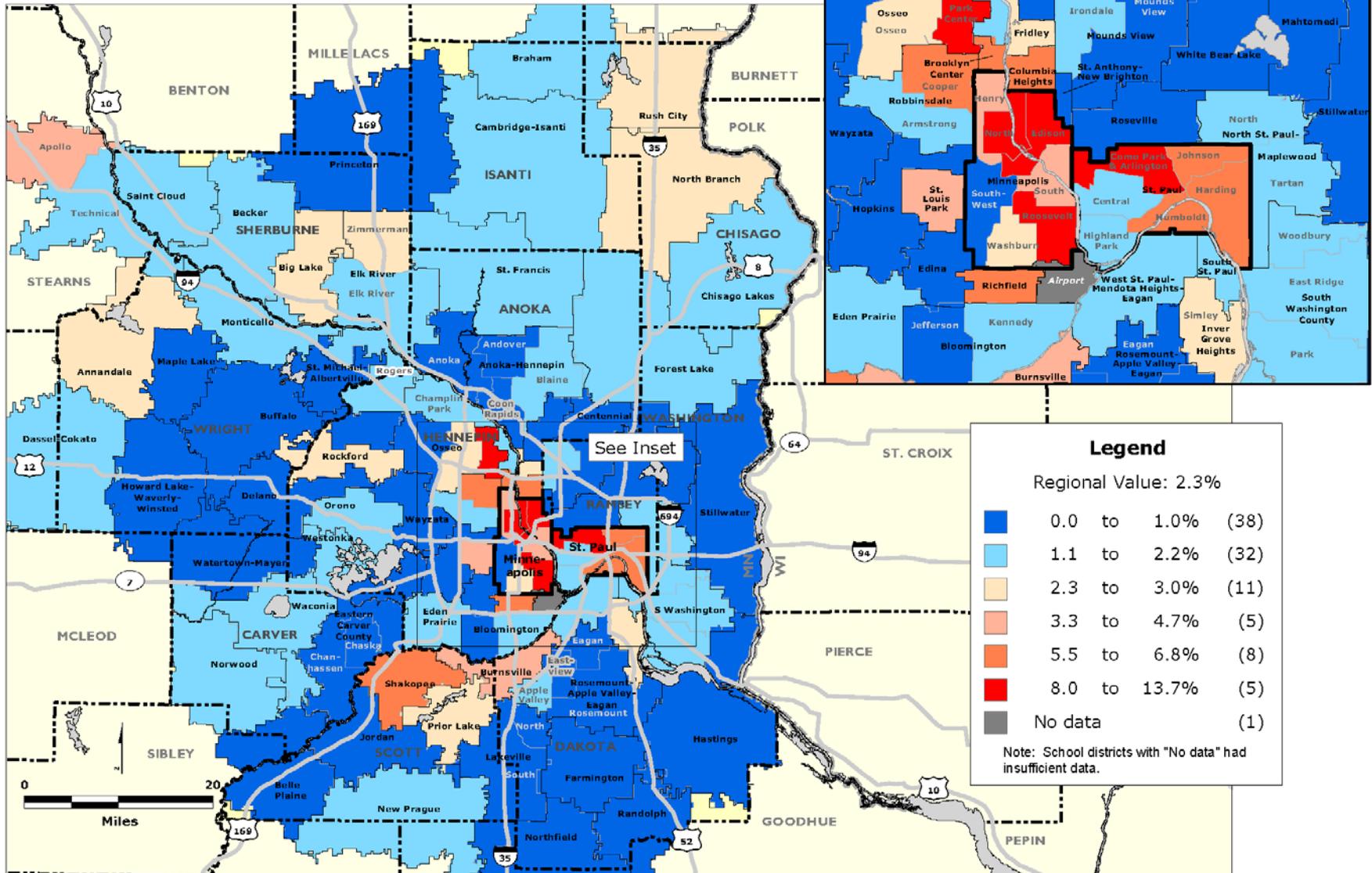


MINNEAPOLIS-SAINT PAUL REGION: Percentage of Elementary Students Eligible for Free or Reduced Lunch by School, 2009

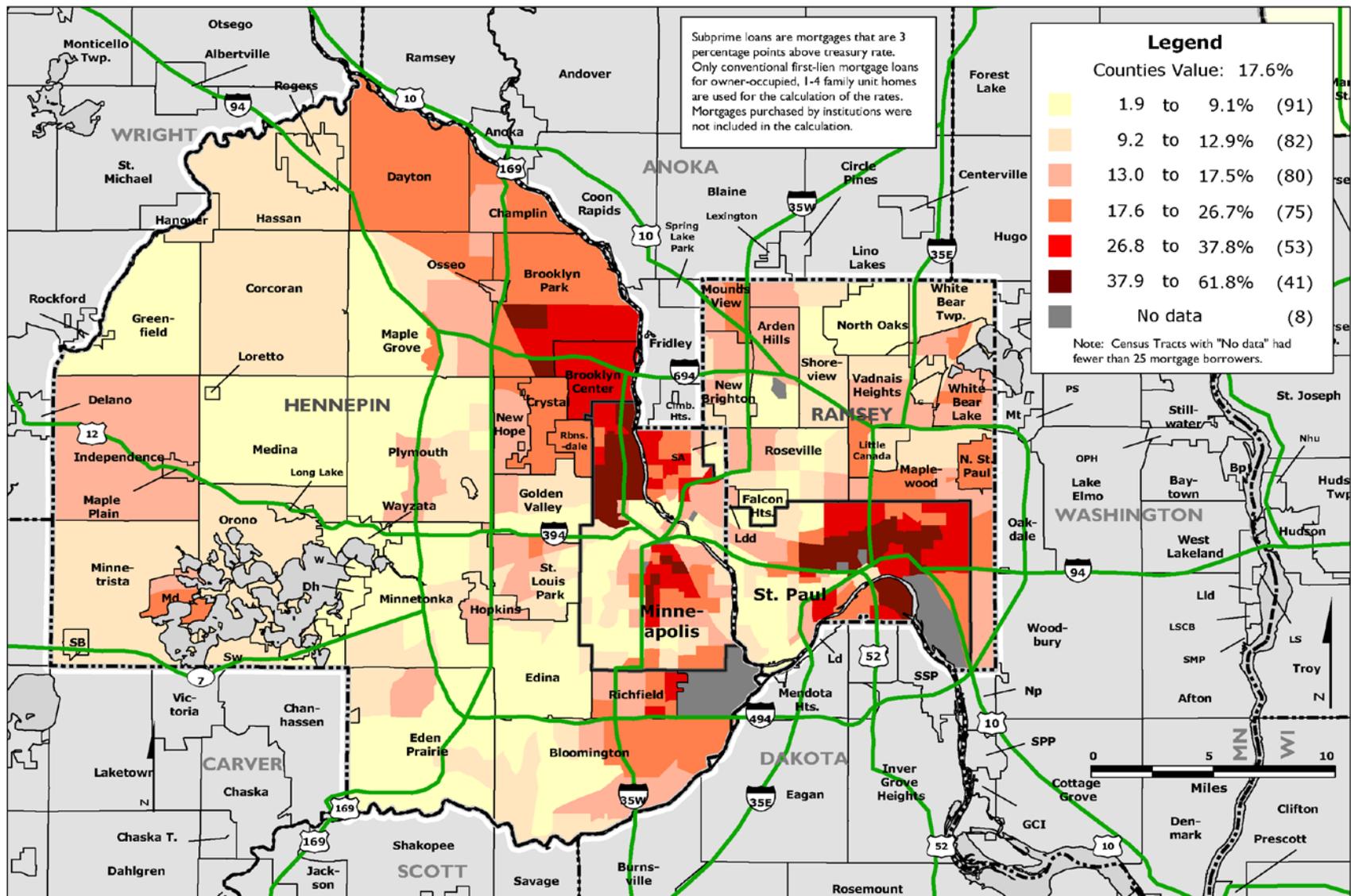


MINNEAPOLIS-SAINT PAUL REGION: Four Year Dropout Rate by High School Attendance Boundary, 2009-2010

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.



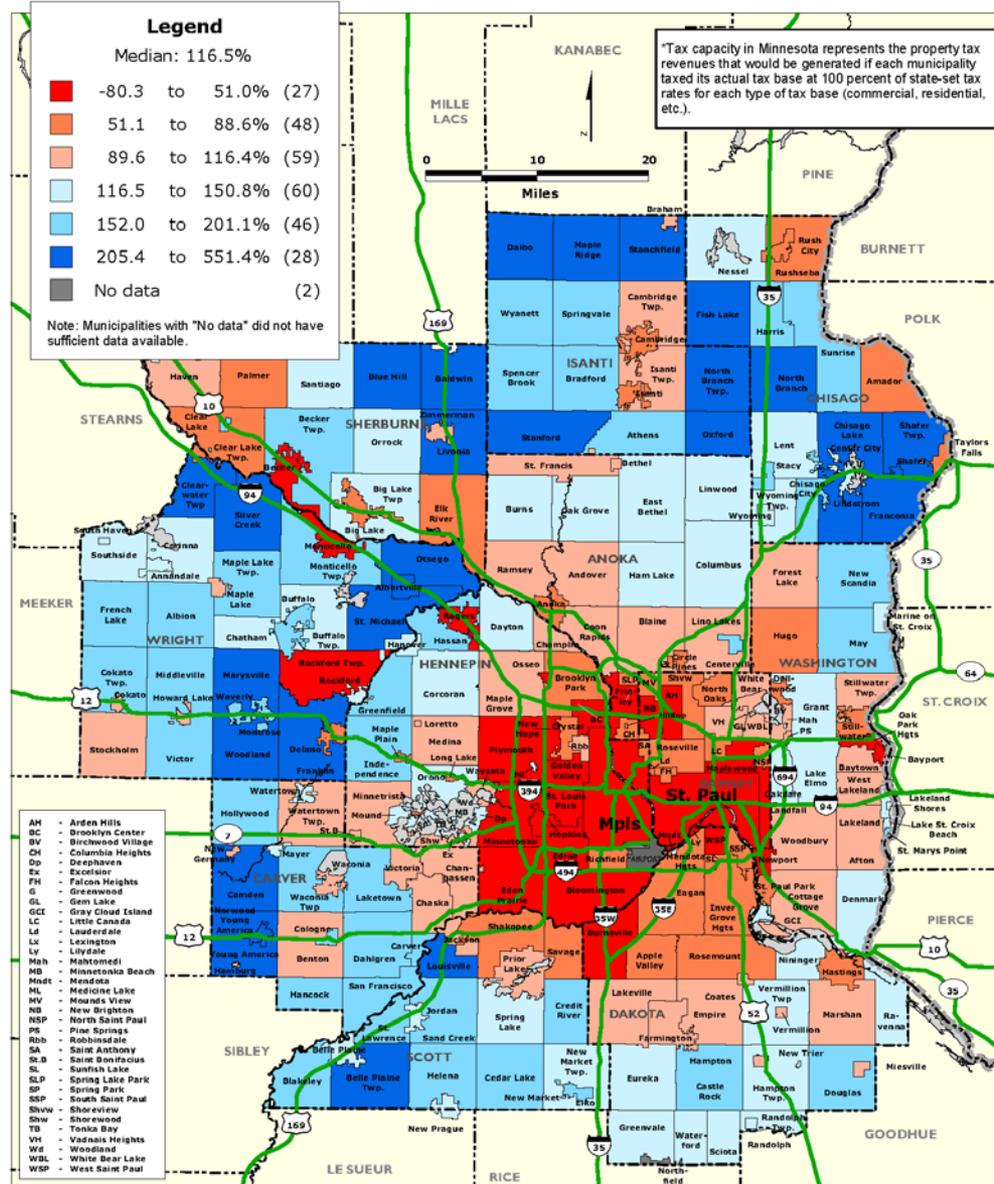
Map 5: HENNEPIN - RAMSEY COUNTIES Percentage of Mortgage Loans that are Subprime by Census Tracts, 2004-2006



Data Source: FFIEC, Home Mortgage Disclosure Act Data

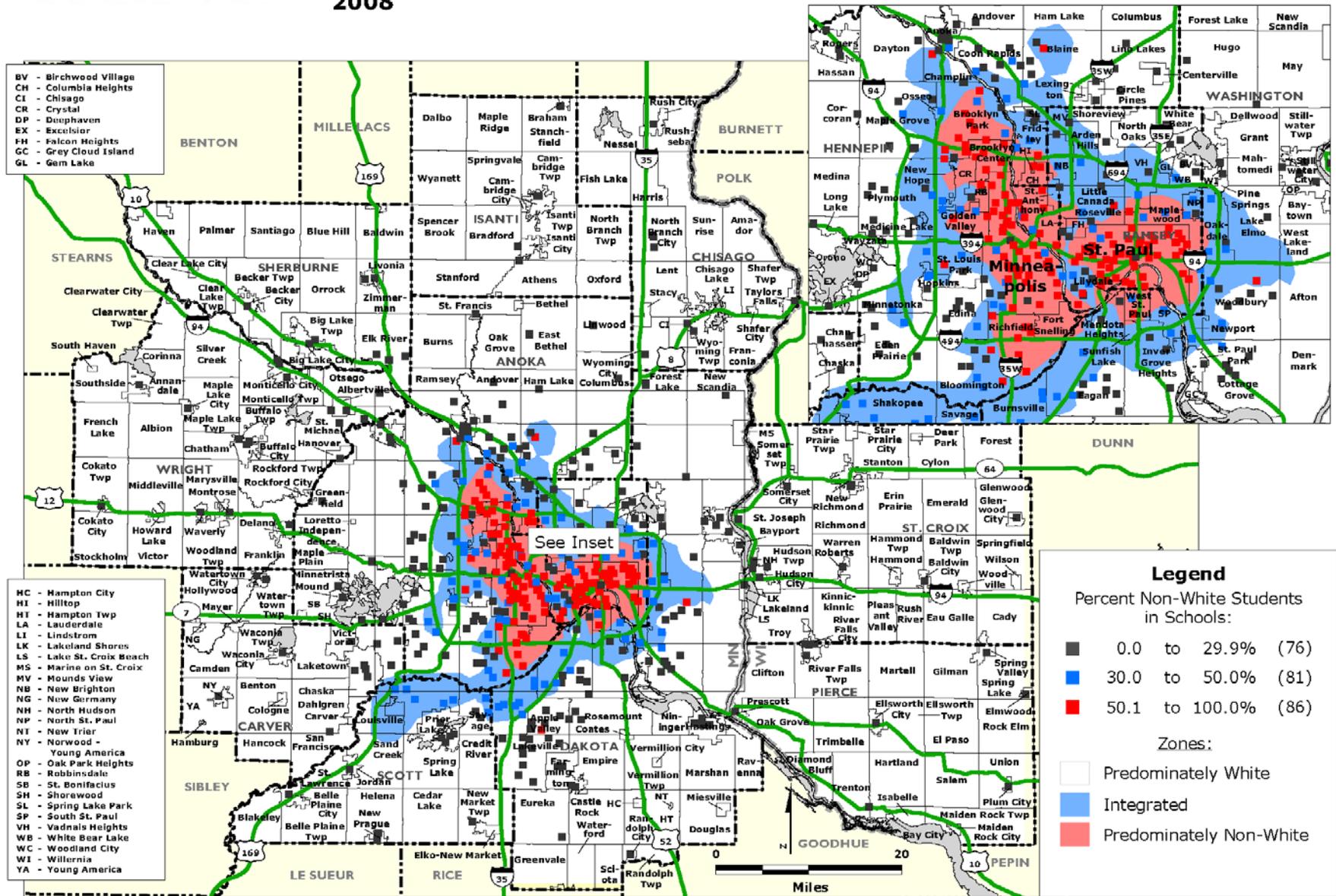
MINNEAPOLIS - SAINT PAUL REGION

Percentage Change in Property Tax Capacity Per Capita by Municipality, 1995-2008



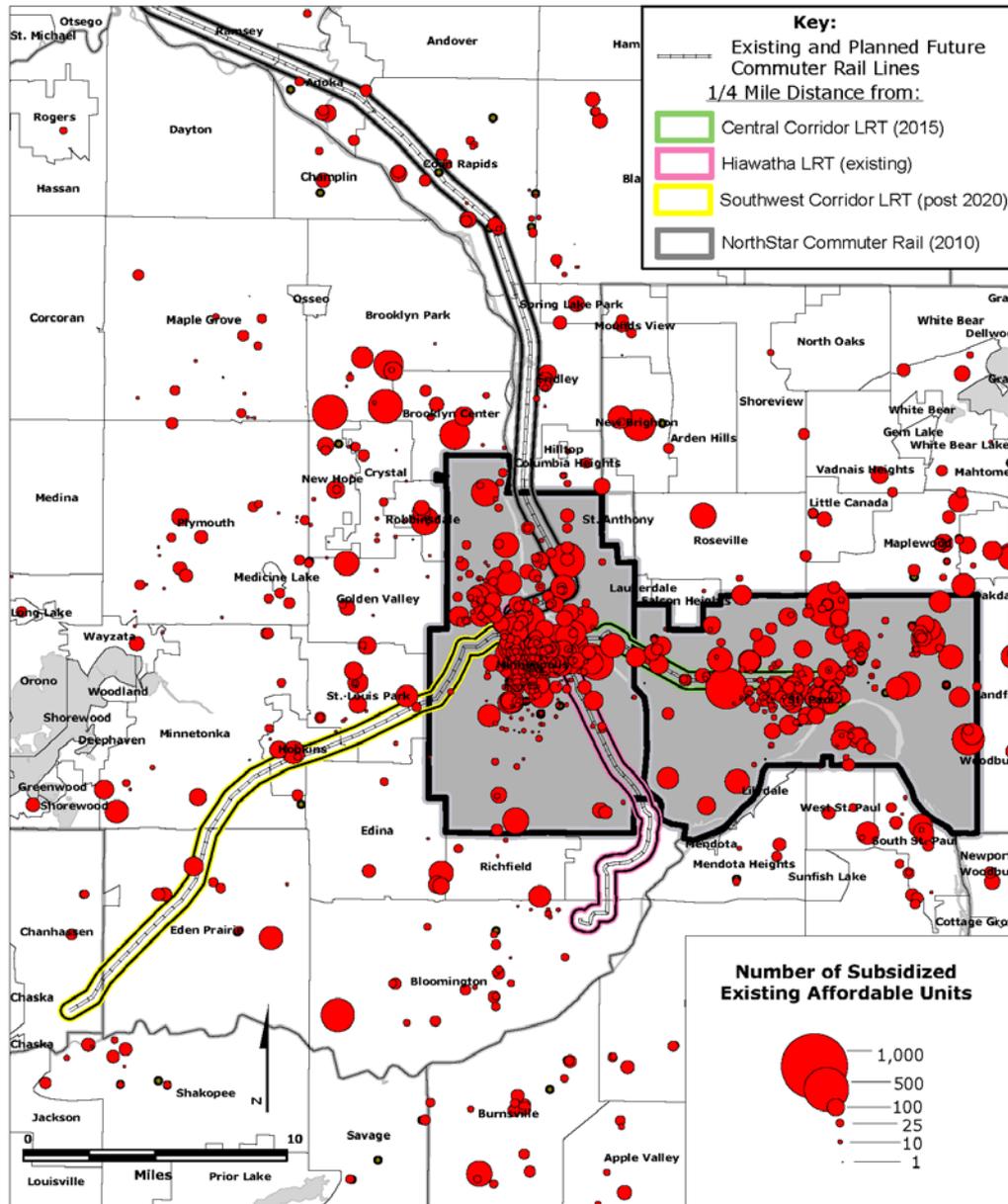
Data Source: Minnesota State Auditor.

MINNEAPOLIS-SAINT PAUL REGION: Racial Composition of Public Elementary Schools, 2008

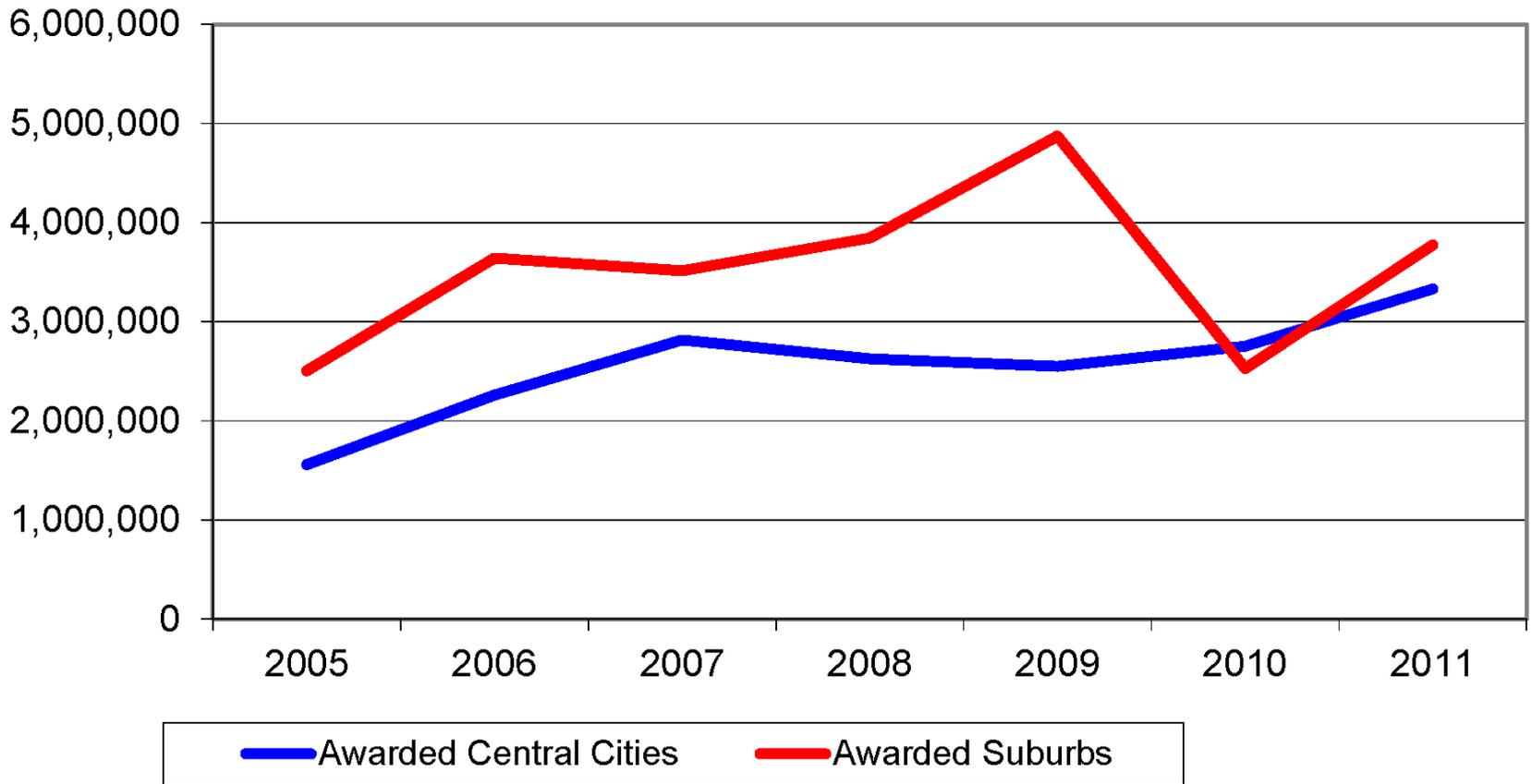


Data Source: Minnesota Department of Revenue.

MINNEAPOLIS - SAINT PAUL (Central Region) Existing Subsidized Housing (2007) and Planned or Existing Light Rail (LRT) and Commuter Rail



Low Income Housing Tax Credit Dollars Awarded to Projects in Twin Cities 7 County Area



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

% Minority in Tract	HTC Units	Rental Units Affordable at % of Regional Income		
		30%	50%	80%
0 to 19%	73	1,246	13,396	23,903
20 to 29%	263	2,135	9,963	16,023
30 to 49%	426	6,123	18,077	28,615
50 to 59%	200	2,915	8,823	12,693
60 to 79%	545	5,840	16,742	23,743
80% or more	329	3,628	6,779	9,690
Total	1,836	21,889	73,780	114,668

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

% Minority in Tract	HTC Units	Rental Units Affordable at % of Regional Income		
		30%	50%	80%
0 to 19%	4.0	5.7	18.2	20.8
20 to 29%	14.3	9.8	13.5	14.0
30 to 49%	23.2	28.0	24.5	25.0
50 to 59%	10.9	13.3	12.0	11.1
60 to 79%	29.7	26.7	22.7	20.7
80% or more	17.9	16.6	9.2	8.5
Total	100.0	100.0	100.0	100.0

Source: 2005-2011 Minnesota Housing Finance Agency, 2006-2010 American Community Survey

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

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

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

% Minority in Tract	HTC Units	Rental Units Affordable at % of Regional Income		
		30%	50%	80%
0 to 19%	58.2	46.9	37.9	40.6
20 to 29%	26.2	32.8	33.5	34.8
30 to 49%	14.6	12.8	17.8	17.1
50 to 59%	1.1	5.1	5.5	4.0
60 to 79%	0.0	2.0	4.4	2.8
80% or more	0.0	0.4	0.9	0.8
Total	100.0	100.0	100.0	100.0

Source: 2005-2011 Minnesota Housing Finance Agency, 2006-2010 American Community Survey



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

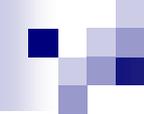
- Effect on segregation is very complicated
- 2011 NYU Wagner School paper asked
 - where HHs would have lived otherwise
 - relative %s between HHs and surroundings
 - neighborhood change over time
- Conclusion: evidence suggests LIHTC units **do not contribute to increased segregation**, even in high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

mshelburne@nchfa.com