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Low Income Housing Tax Credits and Poverty Concentration

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Introduction

This paper is a critical examination of the role that the Low-Income Housing Tax Credit program plays in reproducing social stratification. To accomplish this goal, this paper will first describe the tax credit program; I will examine the purpose of the program, how it works, and who the stakeholders are. The discussion will then move to the sighting of Low-Income Housing Tax Credit projects. Since these credits are used to build residential housing, their spatial context is of critical importance. Notably, this discussion is not just about where and how sights are chosen, but also the consistency of these decisions in the context of contemporary poverty alleviation strategies. Ideally, this in-depth examination of the program will inform a discussion on how the various nuances of the program either hinder or help the amelioration of social stratification.

Overview

The Low-Income Housing Tax Credit (LIHTC) program is the largest housing assistance program in the United States in terms of dollars invested. As of 2015, LIHTCs have financed 45,905 projects that built nearly 3 million housing units (USHUD, 2017). The program also accounts for "roughly one-third of multifamily rental construction in recent years" (Roden, 2010). LIHTCs were established by the Tax Reform Act of 1986 within Section 42 of the Internal Revenue Code. This major overhaul of the tax code by Reagan's administration eliminated a variety of programs that favored rental housing and replaced them with tax credits. The sole purpose of these credits, as written, is to produce affordable rental housing targeted at lower income households. This is accomplished by lowering the debt burden on projects via a tax credit, which provides project owners with additional capital to offset the burden of providing affordable units (Buron et al., 2000). A tax credit offsets taxes owed to the government by directly reducing a taxpayer's tax liability dollar-for-dollar. This is opposed to a tax deduction which reduces a taxpayer's taxable income, thus reducing their tax liability indirectly and less efficiently.

The LIHTC program is a joint effort by the United States Departments of Housing and Urban Development, Justice, and Treasury to "promote enhanced compliance with the Fair Housing Act". The Fair Housing Act was part of the Civil Rights Act of 1968 which, namely, banned discrimination – due to race, color, religion, sex, familial status, or national origin – against home buyers, sellers, and renters. The Treasury implements the tax credits while Housing and Urban Development as well as the Justice Department enforce that the credits are being used in compliance with the Fair Housing Act (Summers et al., 2000). This paper will assume that all LIHTC projects are in compliance with the Fair Housing Act, making the focus on the Treasury Department.

The Treasury Department's Internal Revenue Service (IRS) administers the LIHTCs. They give state and local agencies – New York City's Housing Development Corporation, for example – "authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households". There are 58 such agencies across the country. The value of this allocation is roughly $8 billion annually (USHUD, 2017). However, because these are credits, they will not appear in any Federal, state, or local budget. This is a key reason for the programs success and longevity – it remains politically palatable by staying out of the news because it does not factor into major fiscal decisions like the passing of the Federal budget. Its local control and provisions that allow for recapture of credits in case of failure are also important for its success (Joint Center, 2009).

Program

The LIHTC program is complicated. The next three subsections will attempt to explain how these credits are valued, who gets them, and how. An understanding of LIHTCs work is critical for understanding their many social effects.

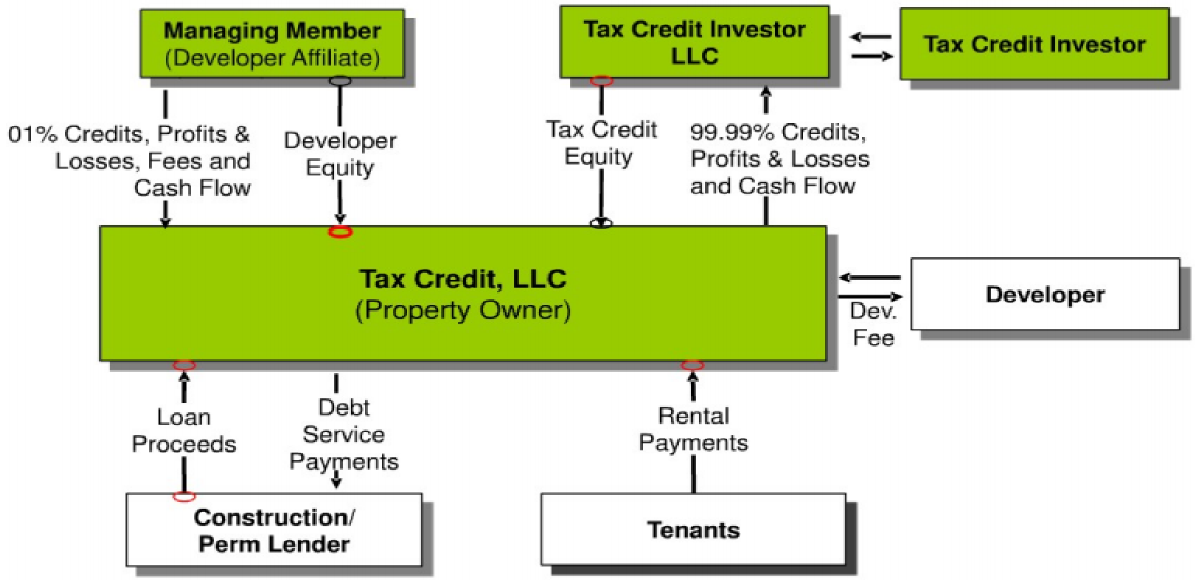
Value

The value of a tax credit is “calculated as a percentage of the depreciable cost of creating or rehabilitating low-income housing units” (Roden, 2010). This is determined by first by calculating the Eligible Basis. The Eligible Basis is, for simplified purposes, the cost of the project. This does not include land or building costs, financing costs, and many other fees and costs that are part of a large-scale project. It is solely the cost to construct or rehabilitate. The Eligible Basis is then adjusted to account for the percent of units that qualify for credits. This factor is called the Applicable Fraction. Multiplying the Eligible Basis with the Applicable Fraction results in the Qualified Basis. This Qualified Basis is then multiplied by the Tax Credit Rate to calculate the dollar value of the credits annually. The LIHTC program offers two Tax Credit Rates: 9% and 4%. The former is the more popular and competitive credit, the latter is for projects that are using LIHTCs in conjunction with other federal financing. Since the LIHTC program provides tax credits to qualified projects for 10 years, the figure calculated above is multiplied by 10 to reach the total LIHTC value for the project. This formula is intended to to yield a present value of 70% or 30% of the Eligible Basis for 9% and 4% credits, respectively (Norman, 2017; Keightley, 2017). This value is rarely realized for reasons that will be discussed in the next section, “Syndication”.

Syndication

This will not be an exhaustive examination of the indicators involved in utilizing LIHTCs. However, simplified knowledge of the process is important in highlighting some faults of the program. Figure 1, below, is a diagram of some of the major financing roles played in getting an LIHTC project to work.

Figure 1. Diagram of LIHTC Partners



Source: Norman, 2017

For our purposes, the Managing Member is also the Developer. The Managing Member(s) create a company that will own the building, which they infuse their own equity into. This building owner will apply for the financing using the provided equity. This financing comes from multiple Lenders in the form of construction loans, mortgages, and mezzanine loans. Roughly 30% of LIHTC projects are undertaken by nonprofits (Abravanel & Johnson, 2000). In these cases, the owner may qualify for below-market rate financing. The owner also applies for the tax credits. Unfortunately, LIHTCs are “paid” over 10 years, though as we know, not in the form of equity. They are useless in actually financing the building of a building – go figure. The tax credit holder (the building owner) must find a tax credit investor to buy the LIHTCs in exchange for project financing. This is what is known as a public-private partnership. In this scenario, the tax credits serve as a relatively risk-free return on investment. A tax credit investor is usually another limited partnership that many large corporations have invested in to purchase tax credits on their behalf. This allows the corporations to diversify their tax credit holdings – not just for risk aversion, but also for geographic dispersion. For example, Ford Motor Company may choose to have a portfolio of credits that are heavily concentrated in Michigan to offset local taxes, while also having some credits in other states to offset smaller local tax burdens as well as to offset federal burdens while reducing risk. Additionally, financial institutions seek geographic dispersion because the Community Reinvestment Act (CRA) requires them to invest in the communities they serve; purchasing LIHTCs fulfills this requirement. To continue, the owner may find several interested tax credit investors or none. This is a quirk of LIHTCs – they have value as a tax shelter and this value is market driven. For example, between 2007 and 2009, the value of LIHTCs dropped from $0.95 per dollar (5% return on investment) to $0.74 per dollar (26% return on investment), a likely result of the housing market collapse (Ernst & Young, 2009). The transaction costs and syndicator fees accrued through this whole process are enormous and further reduce the equity available to the owner.

Qualifying for Credits

In order to qualify for LIHTCs, minimum standards must be met. The first is an occupancy restriction. There are two choices:

1. At least 20% of units occupied by households whose income is below 50% of Area Median Income (AMI)
2. At least 40% of units occupied by households whose income is below 60% of AMI

These units must have rent pegged to 30% of the AMI bracket. For example, given Option 1, if AMI is $60,000, 50% of AMI is $30,000. 30% of $30,000 is $9,000. Thus the maximum annual rent for a unit in Option 1 in this area is $9,000 annually or $750 monthly. To enforce this, LIHTC projects have a 15-year compliance period. If it is found that a project violates these rent and affordability restrictions before the 15-year period is over, all tax credits are forfeited and the tax credit holder must repay all credits used previously. In 1989, this 15-year compliance period was extended to 30 years. However, through a device called “qualified contracts”, this longer restriction can be circumvented. Briefly, if an owner attempts to sell the building in the fourteenth year and is unable to find a buyer, the LIHTC restrictions will be lifted (NHLP – LIHTC, 2017).

While meeting the rent and affordability requirements is a minimum, it is rarely enough to be granted LIHTCs. There is a limited supply of these credits; housing agencies use this scarcity to create stricter requirements. Agencies further competition through the use of Qualified Action Plans (QAPs) to choose the projects that will be funded. A QAP is a document issued by the housing agency that outlines the criteria by which it will select the projects to award LIHTCs (NHLP – LIHTC, 2017). It is required by the IRS as a measure to increase transparency in the program (Roden, 2010). Figure 2, below, is an example of a QAP. Generally, QAPs will have a list of attributes deemed desirable in a housing project, and these attributes will be assigned point values based on how important they are. For example, providing “amenities” is typically considered important, while having accessible community space is not. The more points a proposal has, the more likely it is to qualify for LIHTCs (NHLP – QAP, 2017; Norman, 2017). One problem with this system is its subjectiveness. As a result, often the same developers tend to receive the credits based on past performance and built relationships with the issuing agency.

Figure 2. Example of a Qualified Action Plan

	Possible Points
A. Place-Based Criteria	
1. Proximity to Transportation	5
2. Site Amenities	20
3. Central Cities Developments	10
4. Developments near an Employment Center	5
5. Neighborhood Investment Activity Areas	10
6. Affordable/Market Rent Differential	5
7. Mixed Income Development	6
8. Historic Rehabilitation Projects	5
9. QAP Green Policy	10
Section Total:	**76**
B. Municipal Support	
1. Tax Abatement	5
2. Proper Zoning	5
3. Site Plan Approval	5
Section Total:	**15**
C. Development Characteristics	
1. Accessible Community Space	5
2. Native American Housing	5
3. Low Income Targeting	20
4. Affordability Commitment	5
5. Tenant Ownership	1
6. Visitable Units	3
7. Barrier-Free/Fully-Adaptable-to-Barrier-Free Units	3
Section Total:	**42**

	Possible Points
D. Development Team Characteristics	
1. Previous Experience of Owner/Member	10
2. Previous Experience of Management Agent	10
3. Nonprofit Ownership Participation	2
4. Temporary Point Reduction	-5
5. Increase In Total Development Costs	-10
6. Poor Previous Participation of Applicant	-20
7. Poor Previous Participation of Management Agent	-20
Section Total:	**22**
E. Development Financing	
1. Rehab Only Preservation	5
2. Replacement/Redevelopment of Public Housing	5
3. RHS Section 515 Property	5
4. Project-Based Tenant Subsidies	5
Section Total:	**20**
F. Permanent Supportive Housing Developments	
1. Supportive Service Coordination	6
2. Service Funding Commitments	5
3. Targeted Supportive Housing Populations	5
4. Developing in a High Need Area	6
5. Experienced Supportive Housing Development Team	9
6. Successful PSH Outcomes	6
Section Total:	**37**
G. Cost Resonableness	
1. Cost Reasonableness	5
2. Credit Efficiency	5
Section Total:	**10**

Source: Norman, 2017

Qualified Census Tracts and Difficult Development Areas

Discussed in the last section was how the projects are chosen. One important factor that is part of this process is where to site projects. Roughly 50% of projects are sited in central cities, with 30% in non-metropolitan areas and the remaining 20% in non-central city metropolitan areas. Nonprofits tend to develop in central cities more so than for-profits, and 54% of central city projects are rehabilitations instead of new construction. 61% of projects are in areas with average income below 80% of AMI, and 42% are in areas with average income below 50% of AMI (Abravanel & Johnson, 2000; Freeman, 2004). These last statistics are particularly important. Why are such a high percentage of projects in areas below AMI? The answer is Qualified Census Tracts and Difficult Development Areas.

A Qualified Census Tract (QCT) are census tracts where at least 50% of households have an income below 60% of AMI. A Difficult Development Area (DDA) is a census tract with high construction, land, and utility costs compared to the AMI. Because land costs are not counted towards credit allocations, the DDA designation was created as an incentive to build low-income housing in high cost areas. Application of LIHTCs to a project in either designation yields up to 30% more credits. Whereas before, a project would qualify for the 70% (or 30%) of the present value of its Eligible Basis, this designation will increase that to 91% (or 39%) (Cuomo, 1999). This obviously creates an incentive to build in these areas. To restate a statistic in the last paragraph: as of 2007, greater than 40% of LIHTC units have been built in QCTs (no data for DDAs) (Roden, 2010). The focus of the rest of this paper will lean towards LIHTC projects in QCTs; it is here that one would expect to see the disparate stratifying effects of these subsidies. Before that, however, there is a need to discuss contemporary poverty alleviation strategies from a housing perspective.

A Brief History of Housing Policy

Now that you know all about LIHTCs, they must be placed in the context of other housing programs. Poverty is a vast and encompassing issue that is constantly being combated. Each discipline has its own understanding of what causes poverty and how it can be ameliorated; this is no different for urban planning and public policy. Since the late-1970s, the primary strategy to reduce and eliminate poverty has been deconcentration. This is the result of many studies showing the many negative impacts of concentrated poverty on individuals. Paul Jargowsky, a Professor of Public Policy at Rutgers University, describes the cumulative effects of concentrated poverty:

> In these "deadly neighborhoods," families have to cope not only with their own poverty, but also with the social isolation and economic deprivation of the hundreds, if not thousands, of other families who live near them. This spatial concentration of poor people acts to magnify poverty and exacerbate its effects. (Jargowsky, 1996)

To break it down further, children living in areas of concentrated poverty are more likely to have lower birth weights (Remez, 2003), inferior education, and poorer mental health. Adolescents in these areas exhibit higher rates of promiscuous activity which, in turn, causes higher pregnancy rates and high school dropout rates, increased exposure of violence, increased likelihood of becoming a member of a criminal gang, and worse employment outcomes. Adults in these areas have lower education levels, higher unemployment, and worse health outcomes tied to increase exposure to environmental hazards (Galster et al, 2006; McClure, 2008; Ellen & Turner, 1997; Goetz, 2003). Neighborhoods experience similar negative effects: higher crime, lower capital investment, decreased property values, and diminished property tax base (Wolch & Sessoms, 2005; Katz, 2006; Ellen & Turner, 1997).

Part of the problem has always been due to the government. Redlining prevented poorer (read: black) urban areas from receiving adequate investment. White flight and urban renewal in the 1950s further exacerbated this issue. The government responded by building housing projects for the poor. These projects were disproportionately located in poor, minority-dominated neighborhoods, ostensibly because land was inexpensive and easy to take via eminent domain and not the fact that no middle- and upper-class people wanted an influx of hundreds of poor, minority families in their neighborhoods. This, of course, further concentrated the poor in small urban neighborhoods. Failing to adequately fund these projects, they quickly fell into disrepair and the negative effects discussed above spiraled out of control. Violence and crime, often attributed to these projects, became a national issue spurring a new discourse around how to address poverty and its negative effects. Poverty deconcentration was born as a government-backed policy to attack the spatial aspects of poverty.

The first deconcentrating measures seems to have started with the 1965 Section 23 program. This program "allowed public housing authorities to lease scattered private homes to public housing tenants". It was largely ineffective and often disregarded; housing policy was not viewed as the right tool to promote desegregation. Desegregation, not deconcentration. In 1974, the Housing and Community Development Act was passed. This Act created Section 8 vouchers – certificates that subsidized the difference between a tenant's rent and 25% of their monthly income. This allowed poor residents to move away from the concentrated poverty that they had become trapped in. While Section 23 was viewed as a desegregation policy, Section 8 was viewed as a deconcentration policy. As a result, Section 8 vouchers are widely considered the beginning of deconcentration due to their continued popularity and efficacy. LIHTCs were introduced in 1986 "to promote a greater involvement of the private sector in supplying low-income housing". In the 1990s, the HOPE VI program was passed (Roden, 2010). This program provides funds to demolish and replace "severely-distressed public housing with new mixed income housing developments" (Dawkins, 2011). Mixed-income housing is the next iteration of poverty deconcentration: deconcentration at a building scale in addition to a neighborhood scale. The goal is to provide more opportunities for residents to build "bridging" social capital with their high income neighbors (Putnam, 2000). As a result, the Reagan administration's neoliberal influence makes LIHTCs the black sheep of these housing programs. The next section will show how the programs differences are realized in practice and what effects they have.

Stratification and Suggestions

The LIHTC program effects urban stratification mainly through the siting of affordable housing. However, there are other negative effects related to how the program is run, both in terms of administration by the IRS and the actual valuation and transfer of credits themselves. This section will attempt to highlight those effects.

Program Administration

As mentioned in the Overview, the LIHTC program is administered by three departments: Housing and Urban Development (HUD), Justice, and Treasury through the IRS. This is a bit misleading. While HUD and the Justice Department are involved with upholding the Fair Housing Act, they really are not involved in the LIHTC program. They simply oversee compliance with the law, as they do with all privately-owned housing in the United States. Does it strike you as a bit strange that the largest housing program in the country is not run by HUD? If it does, you are not alone. The IRS has no housing department; which is why is must outsource oversight of the program to local housing agencies. While local control is not necessarily a bad thing, it leads to inconsistencies with HUD regulations, those that all programs under their direct supervision must abide by. These regulations “prohibit sites that are detrimental to family life or have urban blight, as typified by poor housing stock and ‘other undesirable elements,’ unless there is a ‘concerted program’ to fix the problem” (Orfield, 2005).

The effects of the LIHTC administrative structure are hard to disentangle from the program itself. In an effort to shed light on this issue, let us examine how the value of the credits are determined. Recall that the the value of credits is determined, in part, by the Applicable Fraction. This is the percent of units in a project that qualify for credits. This factor actively encourages the development of buildings with disproportionately large percentage of low-income units by increasing a project's Qualified Basis. For example, a project with an Eligible Basis of $10 million and 90% low-income units would have a Qualified Basis of $9 million. If the project was more consistent with contemporary deconcentration strategies, like HOPE VI, the expected Applicable Fraction would be more like be between 20% and 80% – at least 20% market-rate units and 20% affordable units is the traditional minimum threshold to be considered mixed-income. This would reduce the Qualified Basis from $9 million to between $2 million and $8 million. A lot of large LIHTC projects cost more than $10 million, however. Projects with an Eligible Basis exceeding $100 million are not unheard of; to sacrifice, at minimum, $10 million in free government financing would be the very definition of insane. As a result, a 2000 survey of LIHTC properties found that just 4% of buildings had at least 20% units at market-rate rents and 20% units at affordable rents (Buron et al, 2000). It could be argued that this is good tax policy (I do not know if it is or is not), but the effects on real-world urban development have clearly not been taken into account. Perhaps those who actually study housing and urban development would be able to shed light on this issue and amend it accordingly.

In the grand scheme of the project, however, this is a relatively small problem with an easy solution. Amy Roden, a program manager for economic policy studies at the American Enterprise Institute, suggests a cap on the Applicable Fraction of 50%, though she provides no motive for this figure (Roden, 2010). A cap would have the effect of disincentivizing buildings concentrated with low-income residents. The cap could further disincentivize concentrating low-income residents by penalizing projects that exceed the cap. This would bring new LIHTC projects in line with HUD's contemporary deconcentration strategies that emphasize poverty management and alleviation on the micro- or building-scale.

Siting

The siting of LIHTC projects also contributes to stratification in cities. This is largely due to the QCT designation – census tracts where at least 50% of households have an income below 60% of AMI – that provides a 30% bonus in tax credits to builders. This 30% increase has been shown to lead to “six additional LIHTC units constructed on a base of seven units per census tract” (Baum-Snow & Marion, 2009). To put it another way, QCTs have almost two times more LIHTC units than a non-qualified census tract. This phenomena has been supported by other research that has shown that LIHTC projects tend to cluster in more densely-developed central city locations. These locations are disproportionately in QCTs or DDAs, and have higher poverty rates and fewer non-Hispanic whites (Dawkins, 2011). It is also evident that the largest share of LIHTC units built are in census tracts with poverty rates between 10% and 30% (Ellen et al, 2009; Buron et al, 2000). Comparing LIHTC projects clustered in QCTs to those that are more geographically dispersed, the patterns become even more clear. Dispersed LIHTC projects are predominately in non-Hispanic white neighborhoods and the tenants are more likely to be non-Hispanic whites. Clustered LIHTC projects are predominately in non-Hispanic black neighborhoods and the tenants are more likely to be non-Hispanic blacks or other minorities (Dawkins, 2011). In fact, 78% percent of LIHTC projects have at least 70% minority tenants (Buron et al, 2000). The tenants in these clustered projects also have lower median incomes than their peers in dispersed projects (Freeman, 2004). Finally, at least in California, clustered LIHTC projects are primarily in low-performing school districts (Pfeiffer, 2009).

The QCT designation and the way LIHTC projects cluster is terribly inconsistent with the current poverty alleviation efforts. The design of the program encourages the placement of low-income housing in poorer urban areas, inherently “contributing to the concentration of subsidized housing units within the nation's largest metropolitan areas" (Dawkins, 2011). The designation allows financial institutions to fulfill their CRA requirements without actually lending to borrowers in these poor areas. Lending to a developer with a near risk-free return in the form of tax credits is much preferred over lending to a poor, minority resident in a lower-income neighborhood. The effects of this are predominately racially- and class-centered, concentrating poor minorities together in poor neighborhoods, while removing their ownership of place.

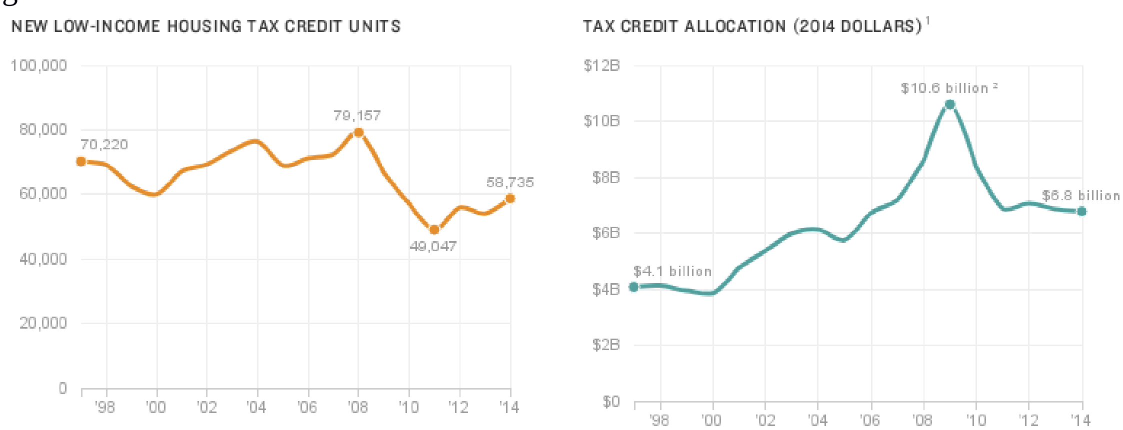
Roden's suggestion to cap the percentage of low-income units would be a step in the right direction for solving this problem. At least under this framework, all LIHTC projects would be mixed-income. Deconcentrating poverty at the building scale would necessarily deconcentrate poverty at the neighborhood level as well. However, this does not guarantee that high income people will take up residence in these new LIHTC buildings in poor neighborhoods, even if market-rate housing is available. A better solution would be to immediately scrap the QCT designation. This designation is grossly inconsistent with efforts to deconcentrate poverty, so much so that it has been incredibly successful at concentrating it in low-income areas. Casey Dawkins, Associate Professor of Urban Studies and Planning at the University of Maryland, goes a step further, suggesting that the QCT designation and associated tax credit bonus should be replaced by a High Employment Area (HEA) designation. While Dawkins fails to expand on this suggestion, I believe the idea would be to lower transportation costs and increase access to employment opportunities for the people who need them the most. However, this may have the effect of concentrating poverty in these HEAs (Dawkins, 2011). A similar suggestion that I have come across is the designation of High-Opportunity Areas (HOAs – not to be confused with Home Owner's Associations). HOAs are "places without a lot of crime and with access to jobs and high-performing schools." Currently, only 17% of LIHTC buildings are in these areas

(Sullivan & Anderson, 2017). Separately, Dawkins suggests provisions that would prevent LIHTC properties to be located within some distance of each other. Texas, for example, does not allow these properties within one mile of one another; this is the only state that has not shown gross patterns of LIHTC clustering (Dawkins, 2011). (In 2015, Dallas was sued in the Supreme Court for locating 90% of their LIHTC units in high-poverty areas. However, these units were not located within one mile of one another (Sulivan & Anderson, 2017)). Therefore, a combination of HEAs or HOAs and distance buffers may be incredibly effective at curbing poverty concentration instigated by the LIHTC program.

Tax Credits

A whole report could be written about the effects of the valuation and convoluted syndication process that is inherent to LIHTCs. However, some of these issues must be addressed very briefly. Since 1997, the number of LIHTC units built has remained fairly consistent but the cost of credits has ballooned, even when counting for inflation (Figure 3).

Figure 3. LIHTC Units versus Allocation



Source: Sullivan & Andersen, 2017

These figures have been attributed – by industry representatives – to "rising construction costs, decreasing federal dollars that funded other housing subsidy programs, and stricter state requirements to build homes for the lowest-income households." However, investigative journalists Laura Sullivan and Meg Andersen attribute these figures to fraud and mismanagement. They found several examples of developers submitting inflated construction costs with their applications. This enabled the developers to receive more tax credits than they should have. In some cases, these were used to offset the costs of development. In another case, the surplus was stolen from the LIHTC property's holding company. This is just one way the valuation of the credits is distorted in favor of developers.

As for syndicators, it is estimated that they take in over $300 million per year in fees; that is, transaction costs. So, almost 4% of tax credits each year goes to these syndicators. I am not going to get started on this transfer to wealth to for-profit entities in the process of creating affordable housing for the poor. The contradictions in mission are evident; people are content to make money off of anything. The larger concern is that the estimate of $300 million also comes from industry representatives. The actual figure is not known because the IRS has only audited 7 of the 58 local housing agencies that allocate the credits since 1986. Michael Sherwin, Assistant U.S. Attorney who uncovered and prosecuted one instance of LIHTC theft, frames the inherent issue of fraud and corruption in the LIHTC program best: "It's really a program of trust… [Housing agencies are] a small office with a limited staff that is in charge of managing hundreds of millions in state, local, and federal money" (Sullivan & Andersen, 2017). As long as the IRS continues to administer the program, they should actually start overseeing housing agencies to ensure good, lawful practice. A better solution, but less politically palatable, would be to administer this program with equity instead of credits. Cutting out the syndicators would lower the costs for developers. And since the government is providing these funds in the first place, maybe the government should be the entity claiming the near risk-free return.

Conclusion

This paper examined the Low Income House Tax Credit program and its effects on social stratification. It is clear that the goals of the program are not consistent with other government-backed housing programs. While most housing programs encourage – and often require – an effort to deconcentrate poverty, the LIHTC program actively encourages poverty concentration through its design. It is easy to say that the IRS is at fault, but would this program be any better if administered by HUD? Though poor execution and oversight has caused problems for the program in the past, its faults tend to be more inherent. However, slight tweaks to the programs design, as suggested above, could be very effective at reducing its negative effects.

It should be noted that this paper remained relatively focused on LIHTCs in urban areas, especially in QCTs. This narrow focus was by design, as these areas are where stratification is most prominent. If one looked to suburban and rural LIHTC buildings, they would see that these programs actually decrease segregation and increase minority representation in predominately white areas. This program is not all bad. For example, research has also shown that these projects have a positive amenity effect and can stabilize housing prices in declining areas. This paper also avoids critical normative debates that are taken as assumptions. Notably, is poverty deconcentration effective, and is mixed-income housing good for the poor? While the literature supports the positive effects of each, neither should be taken as gospel. Even so, this program has faults that must be addressed.

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