

Monday, March 12, 2018

Trey and Marisa:

The Florida Association of Housing and Redevelopment Officials (FAHRO) and the Gainesville Housing Authority (GHA) recently submitted comments recommending that the Corporation make changes to the QAP which would extend the basis boost to more public housing properties. Specifically, FAHRO and GHA suggest that the Corporation extend the meaning of FHFC-designated Areas of Opportunity to include all public housing properties not already eligible for the basis boost. I ask that the Corporation 1) not extend the meaning of FHFC-designated Areas of Opportunity; and 2) address the underlying concern about the feasibility of public housing redevelopment by tying such development to community revitalization.

Public Housing Redevelopment does not (usually) Further Fair Housing

The purpose of the Areas of Opportunity strategy is to affirmatively further fair housing. Changing the meaning of FHFC-designated Areas of Opportunity to include all public housing properties would be counterproductive. Many, though certainly not all, public housing sites in Florida were selected during *de jure* segregation. Public records from the 1930s, 1940s, and 1950s make clear that some public housing sites were chosen for the express purpose of isolating low-income Black households in locations viewed as undesirable by the broader community. For example, Florida Housing recently awarded funding for the redevelopment of public housing on a site originally chosen because it would “never be developed for any other purpose as it adjoins the present [Black] section” and “for that reason was not a desirable locality.”¹

The neighborhoods containing public housing sites are often, though certainly not always, the most egregious examples of *de facto* segregation in Florida today. Public housing in Florida is located in census tracts with median incomes as low as \$7,000, minority concentrations as high as 100.0%, and poverty rates as high as 98.8%.² There are many public housing properties in Florida located in integrated neighborhoods with median incomes and poverty rates roughly equivalent to the figures for their respective counties. Others stand in the likely path of gentrification. The Corporation can and should craft policies which encourage preservation or redevelopment of these properties as affordable housing. However, great care is necessary to identify these properties and ensure their success. If the Corporation directs the only significant source of capital for the production of income qualified housing to redevelop sites which were originally selected to isolate minorities in areas of extreme poverty, where racialized concentrations of poverty continue to exist, it is in effect endorsing this pattern of segregation for another 50 years. Such a policy is antithetical to the concept of Areas of Opportunity.

Few Properties are Impacted

This issue requires a narrowly tailored solution, not a categorical extension of the basis boost. There are only 34 public housing properties in the state which may be in the situation described by FAHRO and

¹ Minutes of the proceedings of the Board of Trustees of the Internal Improvement Fund of the State of Florida (Volume 22) January 1, 1939 to December 31, 1940 pgs. 422 and [433](#).

² These and similar data are from the most recent 5-year average of the American Community Survey. These figures vary slightly from those used by HUD to designate QCTs; HUD, like the Corporation, averages three 5-year datasets to smooth anomalies.

GHA. Currently, the Assisted Housing Inventory maintained by the Shimberg Center for Housing Studies lists [228 public housing properties](#) in Florida. Of those, 157 are located in QCTs. Another 21 are located in SDDAs and/or FHFC-designated 2017 Areas of Opportunity. An additional 12 are located in non-metropolitan DDAs. That leaves 38 public housing properties which are not eligible for the basis boost. Of these, 4 have already been recapitalized using tax credits. The remaining 34 properties are found across the state. The majority (21) are located in small and medium counties; a little over 40% (14) are in north Florida. One of these is the Woodland Park development mentioned in GHA's comment.

QCT Designation is a Blunt Instrument

The methodology for designating QCTs produces inconsistent outcomes when applied to Florida's unique social geography. Under §42(d)(5)(B)(ii)(II) of the Internal Revenue Code, the total cumulative population of all QCTs in a Metropolitan Statistical Area (MSA) cannot exceed 20% of the total population of the entire MSA. Adhering to this guideline, HUD lists every census tract in an MSA that meets the criteria for designation as a QCT. Working down this rank ordered list, HUD stops when the next tract on this list would exceed the population cap. Consequently, there are census tracts in several MSAs which meet the criteria for designation as QCTs but are not designated as such.

Alachua county, like Leon County, has [distinctive demographic features](#) which do not fit neatly within the QCT formula. Institutions of higher education dominate the local economy. Communities of this kind are characterized by a [bi-modal income distribution](#). The presence of a major research university creates an unusual concentration of low-income households, as well as an unusual concentration of high-income households. Moreover, the Gainesville MSA includes areas which are rural in character with relatively low average incomes. Spatial segregation by income exacerbates this pattern. Most of the census tracts in the Gainesville MSA have unusually high concentrations of low-income households, and high rates of poverty. The result is that many census tracts within the MSA are eligible to be designated as QCTs, if not for the population cap. In fact, 46.4% of the census tracts in Alachua County are eligible by the poverty criterion alone. This situation contrasts sharply with other medium counties. In Sarasota County, only 4.2% of census tracts meet the poverty criterion for QCT designation; in Brevard County, only 11.6% meet the threshold.

The average tract-poverty rate of all QCTs across the state is 33.1%. In Alachua County, however, the average tract poverty rate of all QCTs is 48.6%. There are 26 census tracts which are not designated as QCTs, but which have poverty rates greater than 25%. Of these, 18 have poverty rates of 33.1% or greater, but only 13 are designated as QCTs. The census tract encompassing the Woodland Park site has a poverty rate of 28.5%. At the same time, there are many QCTs across the state with poverty rates below that level. Presumably, when Congress added the QCT basis boost to the tax credit program in 1989, it intended to encourage production of affordable housing in areas suffering from disinvestment. However, the QCT methodology bestows the basis boost upon sites in some distressed areas, while passing over more severe concentrations of poverty.

Florida's Unique Social Geography Requires a More Nuanced Evaluation

The Corporation has several tools at its disposal to address this issue. Most of these are more relevant to a discussion of goals and point items in individual solicitations. However, if the Corporation does wish to use its authority under the Housing and Economic Recovery Act of 2008 to extend the basis boost to

the 34 properties not already eligible, it should clearly distinguish this priority from Areas of Opportunity.

In addition to competitive tax credit awards for Person with Special Needs Developments, Homeless Developments, and Developments located in FHFC-designated Geographic Areas of Opportunity, the Corporation could extend the basis boost to developments which contribute to a concerted community revitalization plan, regardless of location. Implementing solicitations could award points or include funding goals which prioritize properties meeting this criterion that are subject to a Declaration of Trust. In any case, redevelopment of these properties should be tied to neighborhood-wide initiatives which bring about economic development and greater integration. This should not be a matter of box checking, but of qualitative evaluation. Given the small universe of impacted properties, such an evaluation should not significantly increase the workload of Corporation staff.

The 34 impacted properties are excellent candidates for this kind of targeting. None are located in RECAPs. None are located in census tracts with remarkably low median incomes. Only one has a tract poverty rate greater than 30%. In fact, 27 of the 34 are located in tracts with poverty rates less than 25%. In other words, these developments advance multiple Corporation priorities. All else being equal, they should be able to compete for tax credits.

Thank you.

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