January 29, 2016, Workshop Presentation on Opportunity Area Analysis ♦ INTRODUCTION

In recent years affordable housing providers across the country have become increasingly focused on expanding housing opportunities for low income households in areas of opportunity, which are typically non-poverty, higher income areas. There are several recent events driving this:

- FIRST, the Texas Supreme Ct decision last June (ICP v TDHCA) ruled that the federal Fair Housing Act of 1968 prohibits not only intentional discriminatory practices, but UNINTENTIONAL (or "disparate") discrimination.
- SECOND, HUD's Affirmatively Furthering Fair Housing Rule, which requires public entities to further fair housing – which is in the process of being implemented
- THIRD, HUD's adoption of a new methodology for designating metropolitan Difficult Development Areas, or DDAs. We want to focus our attention on this latter issue today, but it is intertwined with the items I just mentioned

To step back for a moment

Developments in federally designated DDAs and Qualified Census Tracts receive a boost in tax credits they are eligible for, compared to other areas.

- DDA = higher cost areas (ratio of VLI Income Limit to FMR)
- QCTs = lowest income areas (either > 25% of population is below the poverty line; or > 50% of households have incomes below 60% AMI)
- As most of you know, the metro DDAs have been changed and are now set to be smaller areas, or what we're calling Small DDAs. Nonmetro areas are still county based.
    - The unit of geography being used to designate DDAs in metro areas is the Zip Code Tabulation Area, which is made up of census blocks. ZCTAs aggregate data from census blocks based on the most common zip code occurring for addresses within the block.
- Bottom line: this change will provide a HC basis boost in fewer, often much higher income areas in these new small DDAs

How has the boost affected location of properties in FL?

The boost has been significant in developers' determination of where to locate their transactions.

- From 2009 through mid-2015, ~90% of all awarded HC deals have been located in DDAs or QCTs.
- 54% in DDAs alone, 14% in QCTs alone, 21% in both DDA/QCT – so 75% of all awards made in DDAs

By changing the DDAs to smaller areas with – typically – higher incomes, the choices for where a developer can site a development and maximize tax credits in many metro areas will be more limited. Building in a small DDA will likely mean increased land costs and, perhaps, more NIMBY issues.

How does this impact our rental programs going forward?

Here's where we stand today:

- So across the state the majority of deals are in DDAs, although M-D is the outlier in this regard.
- For JUST THE 7 LARGE COUNTIES, from 2002 forward, the median household income of the census tracts where FAMILY deals have been funded is GREATER than the average of the QCTs in each of those counties. This is also true for 5 of the 7 counties for ELDER properties – tho Hillsborough and M-D show the median income Elder census tracts to be slightly lower.
- On the other hand, in each of these counties our funded properties are located in tracts w/ an overall lower med household income than the overall average for the county.
- And definitely lower than the average for the new small DDA areas, which across the 7 counties have an average median household income of 20% higher than the county average for all tracts
- Assuming that the basis boost or some type of incentive will be key to developers choosing their sites, the new metro DDAs provide fewer developable sites b/c they aren't county-wide
- Concern that developers may concentrate applications for funding in QCTs
    - Concern about over-concentrating developments in QCTs and ultimately the implications of this occurring vis a vis the Supreme Ct decision and the AFFH rule.

OUR OBJECTIVES:

- Consider whether to and how we might incentivize additional areas for development – in addition to just small DDAs and QCTs.
- We haven't discussed whether we'd use a basis boost in these additional areas or some other incentive. To be clear, at this point we would look to add new areas, not keep development out of QCTs.
- Right now we're calling these possible areas "Opportunity Areas."
- These are areas where families may have more potential to access resources such as jobs, good schools and services – areas where there is economic mobility. We are typically talking about higher income areas, but not always.
- States have been implementing incentive scoring for Opportunity Areas for some time now.

- How should FL choose where to expand the areas to incentivize development?
    - Our first stop is to look at various types of census and other data, starting with the 7 large counties.
    - Our plan is that whatever changes we would make would be implemented starting with Housing Credit applications in the issued in the next cycle – next Sept.
- We are familiarizing ourselves with census tract data mapped by the Shimberg Center for us. At this point, we do not have any proposals in mind to discuss.
- Today's presentation is to give you a sense of what we're doing, and we hope to bring some preliminary ideas to you at our March workshop.