



FACT SHEET

The Low Income Housing Tax Credit and Racial Segregation

Summary: The Low Income Housing Tax Credit (LIHTC) is the largest federal program supporting the creation of affordable rental housing. Some advocates have raised concerns that the siting patterns of LIHTC projects, which comprise over 10 percent of the metropolitan affordable rental housing, may exacerbate racial segregation. Focusing on various channels through which such housing might heighten racial segregation, the authors find no evidence that the LIHTC program contributes to greater segregation. Instead, increases in the production of LIHTC housing are associated with declines in racial segregation at the metropolitan level. *Keren M. Horn and Katherine M. O'Regan, May 2, 2011.* Access the full paper [here](#).

Key Findings:

- On average, LIHTC developments are not sited in neighborhoods of higher minority concentration than the neighborhoods where tenants would otherwise live within the metropolitan area.
- In some states, a significant portion of LIHTC developments are located in high-poverty areas that do not have high minority concentrations.
- In some cases, siting a development in a high minority area may contribute to reduced minority concentration in a neighborhood by bringing in tenants of different races or ethnicities.
- High minority concentration neighborhoods in which LIHTC development occurs actually experience declines in minority representation over time, not increases. On net, at the metropolitan level, from 1980 to 2000, increases in the number of LIHTC units were associated with declines in segregation.
- In terms of specific uses of tax credits, LIHTC units built in high-poverty areas, LIHTC units built by non-profits (as opposed to for-profit developers), and LIHTC units located in central cities are associated with lower levels of segregation. No use is associated with increases in segregation.

Methods:

- HUD's LIHTC database and census data were supplemented with state-collected data on the racial composition of LIHTC tenants in Delaware, Massachusetts and Texas to analyze (1) who lives in LIHTC developments and (2) whether and how neighborhood composition changes after the completion of LIHTC developments.
- The authors compare the locations of LIHTC units to the distribution of other low-income households and poor renters in the same metropolitan area. This is a more reasonable counterfactual as to where near-poor and poor live when they are not LIHTC tenants than those used by other recent studies that compare the location of LIHTC housing to that of the entire housing stock.

Implications:

- Focusing solely on racial composition of a neighborhood at the time an LIHTC project is initially sited may not provide an accurate picture of the ultimate effect of LIHTC developments on segregation over time and in conjunction with who lives in that housing.