

The Low-Income Housing Tax Credit (LIHTC) and Vacancy in St. Louis – The Impacts of Concentrated Affordable Housing in High Vacancy Areas

A policy-focused story told with maps from [The Place Database](#)

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The findings and conclusions of this narrative reflect the views of the author and do not necessarily represent those of the Lincoln Institute of Land Policy.

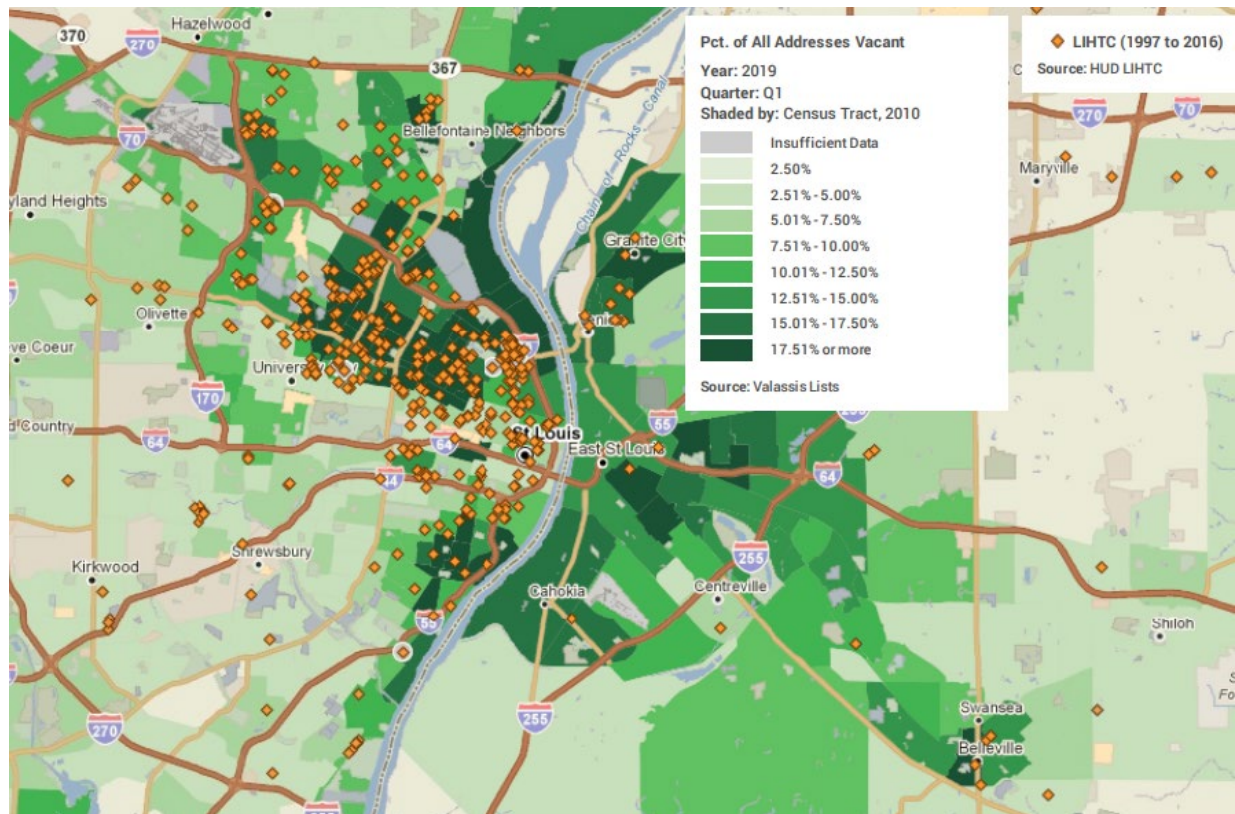


Photo: Vacant and occupied houses share the street in St. Louis. Credit: City of St. Louis Planning & Urban Design Agency.

Introduction

The Low-Income Housing Tax Credit (LIHTC) program is a federal program designed to encourage the private development of affordable housing units through the distribution of tax credits by state housing authorities. The federal government spends approximately \$9.9 billion to finance and administer the program each year and the program has been credited with the addition of millions of affordable rental units nationwide since its inception in 1986.

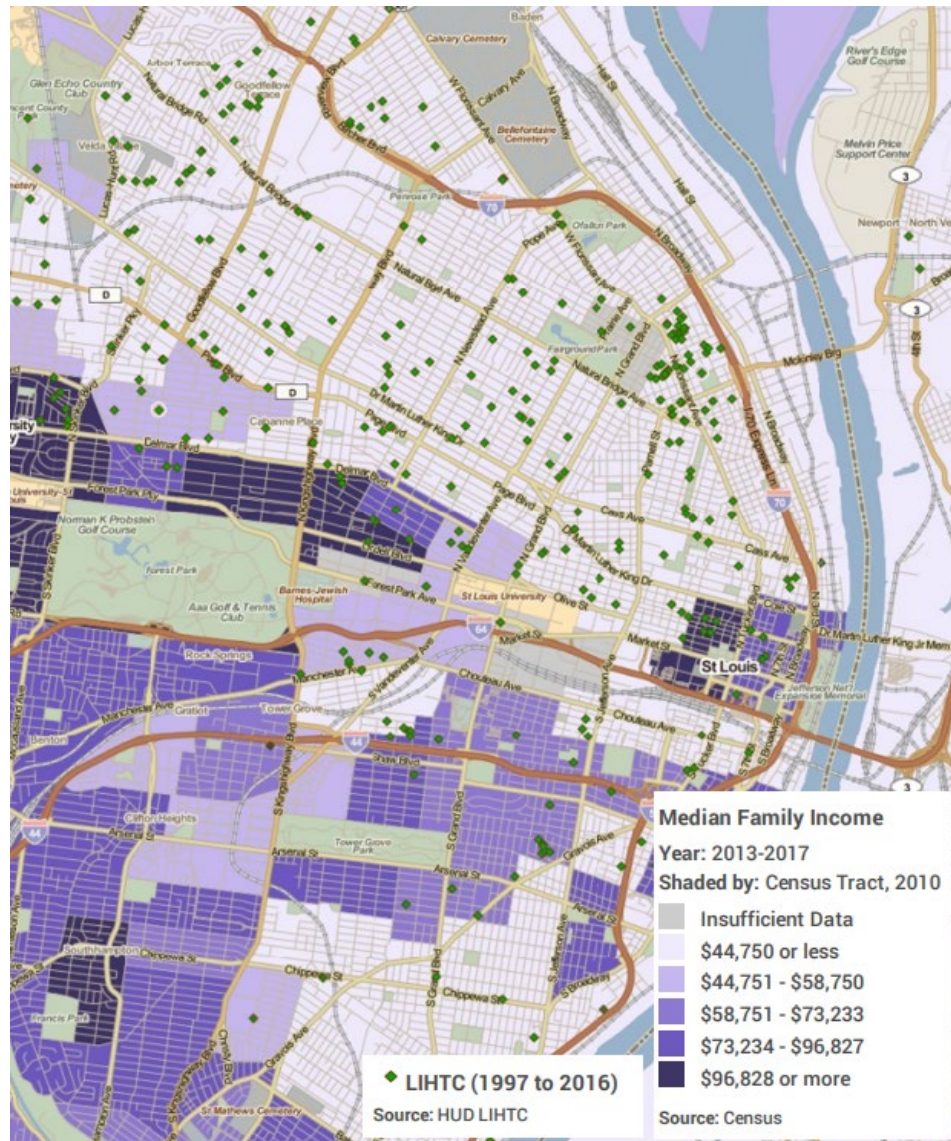
The concentration of affordable housing in areas of higher poverty has gained more attention and scrutiny in recent years, especially as some high profile developments in high opportunity areas (areas generally understood to have lower poverty and access to higher quality amenities such as schools, transportation, and employment) have faced community opposition and garnered media coverage. In light of this heightened attention, it's important that we understand the factors that have precipitated the existing geography of LIHTC developments, the arguments for and against various siting for developments, and the added dimensions of LIHTC development concentration in a city such as St. Louis, Missouri, particularly in regards to the issue of vacancy. The accompanying map from The Place Database helps us conceptualize the geographical distribution of LIHTCs within St. Louis and illustrates the correlation between LIHTC and high vacancy neighborhoods. This narrative seeks to explore this relationship and the aforementioned related issues as well as examining various interventions on LIHTC concentration and dispersal, blight reduction, and equitable interventions within the context of St. Louis.



Map: The relative concentration of LIHTC developments in and around census tracts with elevated levels of vacancy in the City of St. Louis. Credit: The Place Database, <https://plcy.mp/8bG59pv>.

Concentration and Dispersal

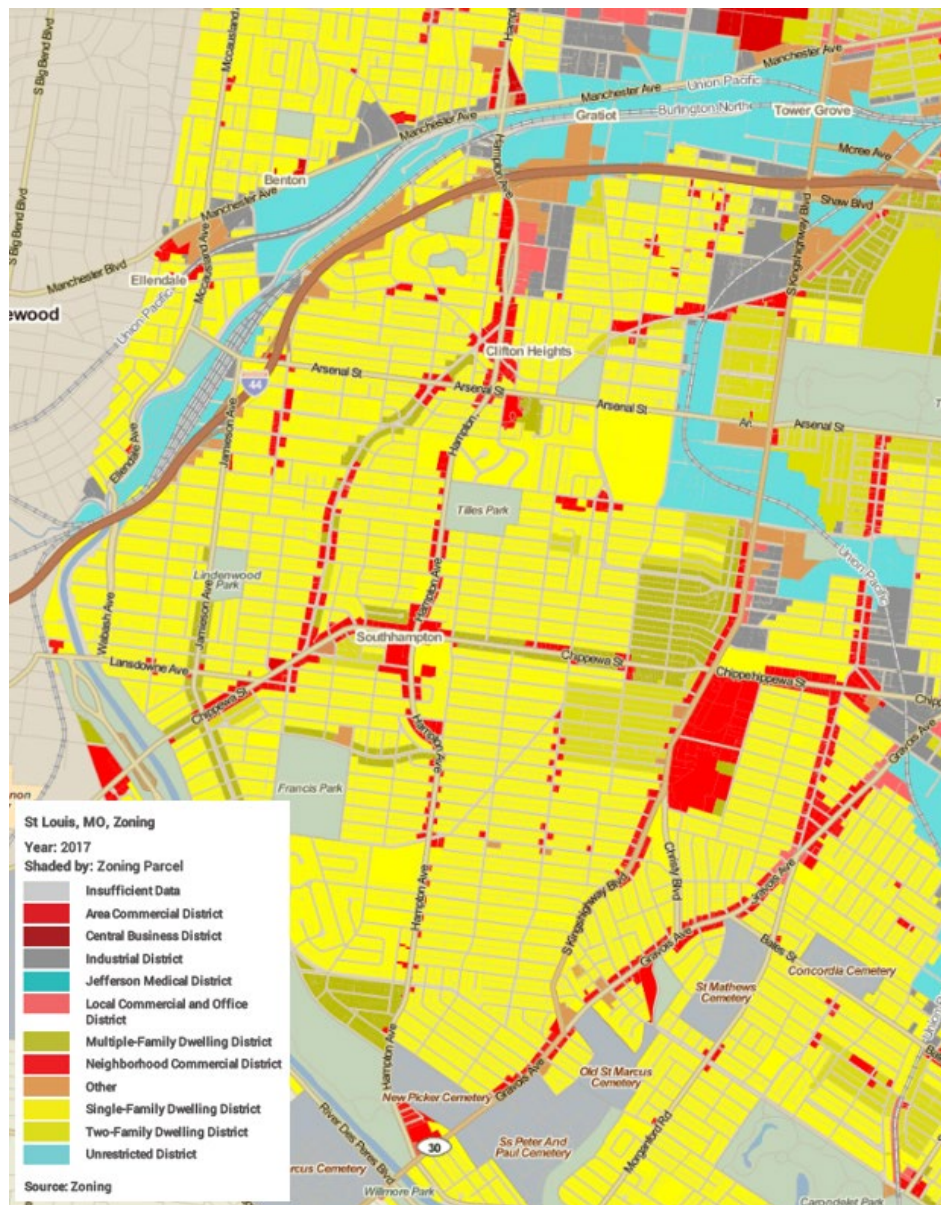
Throughout the history of the LIHTC program, LIHTCs have not only been viewed as a way to increase the supply of affordable housing and enable developers to overcome difficulties in financing low-income housing projects but also as an important tool for community development by attracting investment to distressed neighborhoods where public support and incentives can be key to redevelopment. This view has been incorporated into the LIHTC program through the availability of Enhanced LIHTCs, LIHTCs that can be claimed for 130 percent of a project's total cost, excluding land costs, for developments located in Qualified Census Tracts (QCTs) - census tracts where at least 50 percent of households earn less than 60 percent of the area median gross income. Enhanced LIHTCs and the preference given in state qualified action plans (QAPs) for developments in QCTs that are part of a concerted community revitalization plan have partially contributed to the concentration of affordable housing developments in areas where poverty is concentrated. Other factors such as favorable zoning, land availability, and low land costs have also contributed to the current geographic distribution.



Map: LIHTC and Median Family Income by Census Tract, ACS 5-year estimates, 2013-2017. Credit: PolicyMap.

In recent years, fair housing advocates have argued that such geographic clustering is tantamount to government-funded racial and economic segregation. While many have pushed for the allocation of LIHTC funding to areas that have traditionally been neglected by the program, there are several obstacles to development in these areas. Zoning regulation can often be more restrictive in low poverty areas and has served as an impediment to the development of multifamily affordable housing. The availability and cost of land in opportunity areas as well as community opposition have further complicated the development of affordable housing. While the supply of government-owned vacant properties is more limited in lower poverty areas throughout the city, one potential policy solution is an examination of the existing land inventory to see if there are opportunities to put this land to use in expanding housing choice in historically underserved parts of the city. Alternatively, future small area planning efforts are a potential avenue for building support for affordable housing and ensuring that lower poverty areas are able to meet anticipated housing demand.

There are positive cases to be made for supporting developments in both distressed communities and high opportunity areas, and more recent practice has started to facilitate the issuance of LIHTC for developments in higher opportunity areas rather than to restrict developments to higher poverty areas. In the State of Missouri, recent iterations of the State's Housing Development Commission highlights as a priority developments that are located in Opportunity Areas, which it defines as communities that have access to high-performing school systems, transportation, and employment and are located in a census tract with a poverty rate of 15 percent or lower. Rather than restricting what some continue to view as an important source of investment for distressed communities, programs are now more commonly seeking to expand housing choice to those in need of affordable housing to areas that have been typically underserved.



Map: There are relatively fewer developments in the southwest part of the city of St. Louis which includes many census tracts with poverty rates below 15 percent and higher levels of single-family zoning. Credit: The Place Database, <https://plcy.mp/NMzZVt0>.

Blight Reduction

Efforts to reduce vacant lands and buildings in St. Louis are also an important component in reducing the negative outcomes associated with vacancy. Recent efforts in St. Louis, as part of more comprehensive plans to combat vacancy, include improving data on vacancy, marketing attractive vacant properties, creating a mow to own program for vacant side lots, increasing the allocation of city funding for the demolition of condemned vacant buildings, and piloting a deconstruction program.

The effects of vacancy extend beyond their impact on those living in affordable housing in St. Louis and there have been concerted efforts and partnerships to tackle this problem throughout the city. One such effort is Proposition NS, a resident-led initiative that will increase property taxes to fund the issuance of \$40 million in bonds for the purposes of restoring and stabilizing Land Reutilization Authority properties for sale. Although Proposition NS was initially declared defeated by the Board of Election Commissioners in 2017, a legal challenge brought by the City of St. Louis has resulted in its approval and passage. A partnership formed among housing advocates, banks, and other community organizations has developed a greenlining fund that will fill the gap in financing available for the rehabilitation of vacant buildings in areas where a dearth of residential sales have made traditional lending difficult due to the appraisal gap, an issue that arises in the mortgage market when the appraised value of a structure is below the value of a structure after repairs and improvements. The new greenlining fund aims to restore a functioning credit market to areas where it has previously been difficult to obtain home financing.

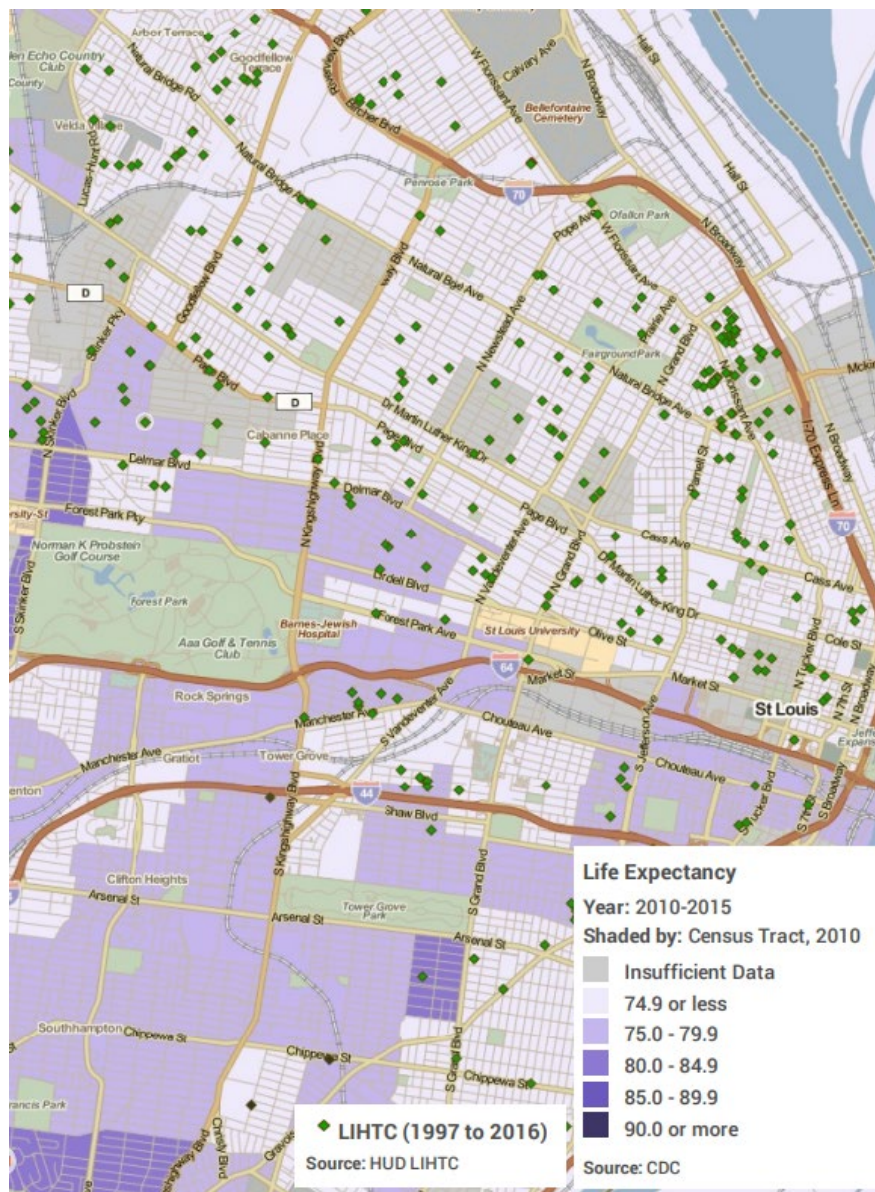


Photo: Vacant building in St. Louis. Credit: City of St. Louis Planning & Urban Design Agency.

Equitable Interventions

St. Louis has historically experienced one of the highest rates of vacancy in the country, and the concentration of LIHTC developments in high vacancy neighborhoods makes it important to assess what interventions can be made presently to improve the lives of the residents who live there. The negative effects of living in neighborhoods with extensive blight and vacancy include higher rates of chronic illness

such as cardiovascular disease, mental distress, elevated crime rates, stunted childhood development, and unhealthy eating and exercise habits, among others. While expanding housing choice for families and individuals in need of affordable housing is a good strategy, it's also important to note that existing LIHTC developments will continue to serve low-income residents for many years to come as LIHTC developments are required to maintain affordability for 30 years after they have been completed, although there are some circumstances in which developments will exit the program after year 15. Currently, there are over 1,500 active affordable LIHTC units in the city that will not reach year 15 of service until 2025 or later, and over 6,500 units in the city that will not reach year 30 until 2025 or later, leaving a significant number of families and individuals in neighborhoods where vacancy rates exceed 17.5 percent. While rehabilitation, demolition, and increased housing choice are key elements in reducing the negative outcomes associated with vacancy, interventions aimed at known negative outcomes should also be considered for the many families living in neighborhoods with high levels of vacancy.



Map: The relative concentration of LIHTC developments in census tracts where life expectancy is lower compared to other census tracts in St. Louis. Credit: PolicyMap.

In St. Louis, interventions such as the Problem Properties Task Force and VacancyStat (a committee of city agencies that examines priorities and opportunities for collaboration to combat vacancy) are addressing elevated crime in areas where vacancy has been a persistent problem. In addition, the city's Urban Greening Project, in partnership with other regional and state agencies, will result in the demolition of over 1,000 vacant buildings and the creation of green space, an intervention that has been shown to improve mental health outcomes for residents living in areas of high vacancy in Philadelphia. The State's QAP is another avenue for positive interventions and currently lists certain services such as nutrition and cooking classes, youth sports activities, periodic health screenings, access to fitness equipment, and others, as housing priorities in its allocation of LIHTC. However, it's difficult to assess to what degree these priorities have been incorporated into the existing affordable housing infrastructure in high vacancy areas. Future areas for consideration include incorporating health-based design or crime-prevention-based environmental design into the design standards in the State's QAP and examining if there are additional opportunities to expand interventions addressing the negative outcomes of vacancy such as strategies to increase access to healthy food options and recreation.

Walnut Park Vacancy to Vibrancy Project Areas

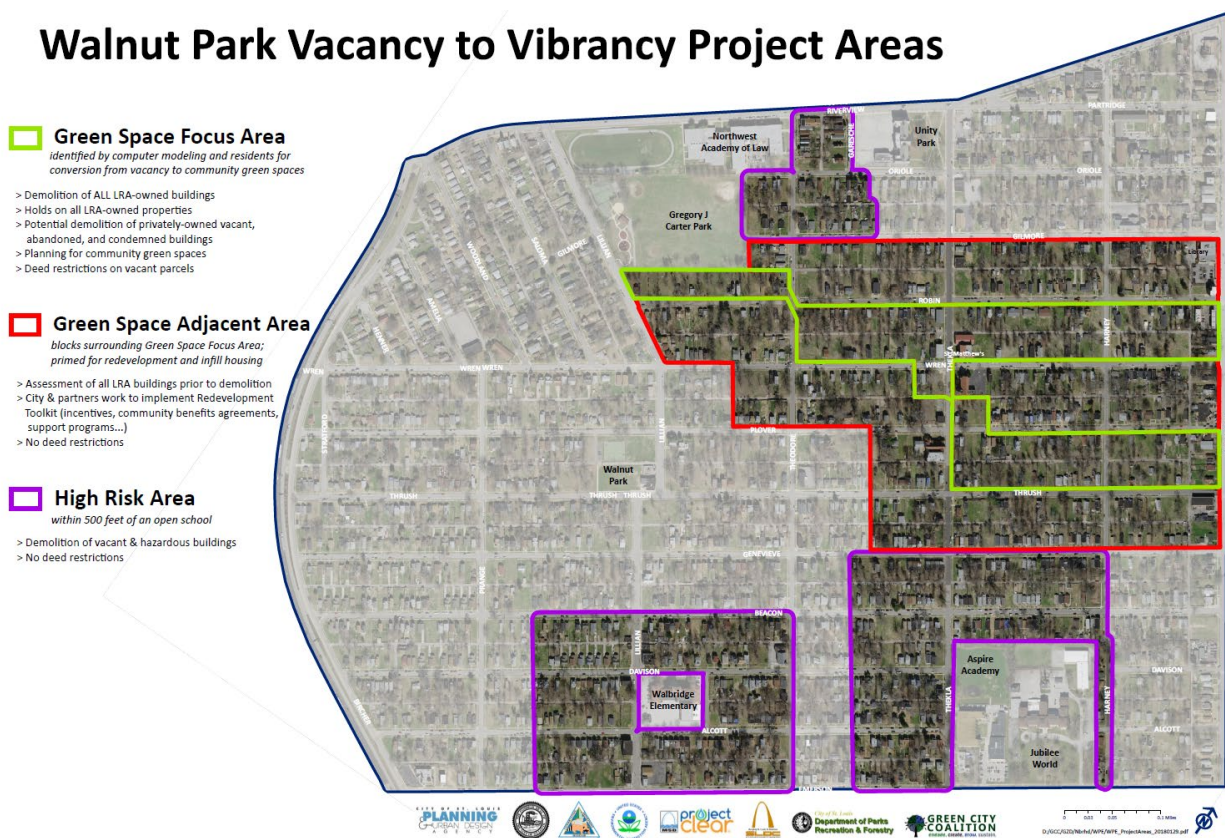


Figure: Walnut Park neighborhood in St. Louis. Credit: Green City Coalition.

Conclusion

In examining the interaction between elevated vacancy and LIHTC developments, we can see that the negative impacts of vacancy fall disproportionately on residents who live in affordable housing in St. Louis. While there are various solutions that have been implemented to address this issue, there are areas where interventions and policy can be expanded further moving forward. In some ways, St. Louis is succeeding - its implementation of a comprehensive array of solutions and policies to reduce blight through demolition and rehabilitation has been effective. In other areas, St. Louis can do more to ameliorate zoning/land use

objectives in the lower poverty census tracts within the city and to examine areas where city agencies such as the land bank can explore opportunities to facilitate land assemblage for affordable housing development. While many resources have already been brought to bear in the fight against blight through the process of demolition and rehabilitation, an equitable strategy for addressing the impacts of vacancy on residents who will continue to live in affordable housing developments in high vacancy areas will also require more targeted interventions. This should include an examination of opportunities for health-based design in LIHTC developments as well as other programs that address the negative physical and mental health impacts on residents living in high vacancy neighborhoods. This might include programs that expand food choice or improve the physical appearance of neighborhoods through urban greening. Vacancy has long been a difficult issue for legacy cities, but it's also important to consider which populations have been most impacted and how best to improve quality of life for these residents and future residents living in affordable housing.



Photo: Family crossing the street. Credit: Getty Images/Imageegaml.

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