Title
Learning from Existing High Opportunity Affordable Housing

Author
Proussaloglou, Emmanuel

Publication Date
2023-08-01

Learning from Existing High Opportunity Affordable Housing

Emmanuel Proussaloglou, MArch/MURP • 2023

Issue

Housing has become increasingly unaffordable in metro areas across the United States. This housing affordability crisis is particularly acute in the most sought-after places: urban areas with access to good jobs, educational opportunities, cultural vibrancy, and diverse populations.

While America is known as the land of opportunity, the reality is not so simple. Across much of the country, opportunity remains geographically segregated. Where people live makes a significant and quantifiable difference in their expected life outcomes. People who live in so-called "high opportunity areas" benefit from better educational, economic, and health outcomes, but less than 20% of the U.S. population lives in these areas. Inaccessibility persists largely because of restrictive single-family zoning ordinances. In California, for example, more than 80% of high opportunity areas are comprised predominantly of single-family homes, with less than 10% of their housing stock in multifamily buildings. Often, these restrictive regulations in high opportunity areas are perpetuated by vocal anti-development residents.

Since 1986, only 10% of the over 2.5 million housing units produced using the Low-Income Housing Tax Credit (LIHTC)[1], America's chief vehicle for affordable housing production, have been built in high opportunity areas. These LIHTC projects are unique, as they offer greatly needed housing options to lower-income residents in communities that they otherwise would lack access to. Accordingly, this begs the guiding research question for this project: Is there a statistically significant difference between LIHTC projects built in high opportunity areas versus those built elsewhere?

Study Approach

Using data from the Department of Housing and Urban Development (HUD), the National Housing Preservation Database (NHPD), the Federal Housing and Finance Administration (FHFA), the U.S. Census, and metro area parcel databases, the researcher looked at the granular physical and administrative characteristics of 25,260 projects nationwide, 12% of which are located in high opportunity census tracts.[2]

The researcher used three definitions of opportunity with varying levels of strictness to ensure robust conclusions. The broadest definition is based upon HUD's Affirmatively Furthering Fair Housing Indicators, the second is based on FHFA's opportunity database, and the strictest is a combination of the preceding two. Numerous logit regressions were then run with these definitions as the dependent variables.[3] Furthermore, to investigate aesthetic differences, the researcher conducted a simplified architectural analysis of 240 LIHTC projects located in the Denver-Aurora-Lakewood, Los Angeles-Long Beach-Anaheim, and New York-Newark-Jersey City Metro Statistical Areas (MSAs).

Research Findings

There are statistically significant differences between LIHTC projects built in high opportunity tracts and those built elsewhere within metropolitan areas. These differences can be categorized along three dimensions: physical, administrative, and geographic.

Physically, high opportunity-sited projects have more units, and these units are more likely to be predominantly studios or 1-bedroom units. Noticeably, these projects avoid predominantly 3+ bedroom units. These projects are also more likely to be newly constructed[4], situated on large lots, built at low residential densities, contextually designed, and characterized by welcoming and varied street facades — all characteristics that help allay potential anti-development sentiments.

Administratively, projects built in high opportunity areas are more likely to be targeted toward senior and disabled populations, financed using 4% tax credits, owned by for-profit companies, built either before 2002 or after 2016 (particularly 4% financed projects), and have 100% of their units designated for affordable housing

Figure 1.

One example of a high opportunity affordable housing project in Santa Monica, CA, designed by Kevin Daly Architects

rather than being a mix of both affordable and market-rate units (particularly 9% financed projects). Since 2009, having more units and being financed via 4% tax credits have become less correlated with high opportunity sitting.

Recommendations

Localities interested in building more affordable housing in high opportunity areas might pursue one of two strategies:

Invest in projects that have shown a propensity for building success. In the past, projects that are ground-up construction, 4% financed, for-profit owned, targeted toward senior populations, and have predominantly studio/1-bedroom units have had more success at building in high opportunity areas. Presumably, future projects with similar characteristics have higher chances of being built too.

Invest in projects that have historically not been built in these places. Localities could support projects that are acquisition and rehabilitation, 9% financed, nonprofit owned, family-oriented, and include predominantly 3+ bedroom units. Through doing so, previously unsuccessful projects may see more success alongside the continued construction of the project types outlined in the first recommendation.

Regardless of the development strategy chosen by local government, the research throughout this report suggests that high quality design makes a notable difference in project approval. As such, localities should also:

Utilize design to allay community concerns. The visual analysis of projects in Denver, Los Angeles, and New York generated remarkably consistent results. Buildings that are lower in height, built at lower residential densities, arranged across larger sites, built with more varied and appealing exterior facades, have more welcoming ground floors, and match their surrounding context are more frequently found in the hardest places to build: high opportunity areas. Typically, these projects also have better-hidden parking spaces, more communal outdoor spaces, and improved interior unit quality compared to their counterparts built elsewhere.

Conclusion

This research sheds light on the types of projects that have successfully moved through the existing regulatory system to offer high opportunity affordable housing to the individuals and families who need it most. Ideally, these insights and findings can provide guidance to practitioners and policymakers who are actively considering, designing, and planning future developments in high opportunity areas.

For More Information

Proussaloglou, E. (2023). Affordable Housing in High Opportunity Areas: Insights for Fair Housing Advocates (Master's thesis, UCLA). Retrieved from: https://escholarship.org/uc/item/2nm2072x

References

[1] The LIHTC program provides funds through two financing streams, 4% and 9% Tax Credits. The 4% and 9% programs finance different types of projects so they were analyzed separately in this research.

[2] 12% is the average share of high opportunity sited projects using three different definitions of opportunity.

[3] In addition to the full dataset, 4% LIHTC financed new construction projects, 9% LIHTC financed new construction projects, projects built after 2009, and states with a high share of their tracts labeled high opportunity are all analyzed separately.

[4] New Construction and Acquisition and Rehabilitation are the two major forms of housing development.