Poverty deconcentration has gained prominence as a federal housing policy goal during the past decade. The authors address the issue of whether the interaction between the two dominant programs aimed at housing for low-income persons in the United States—the Housing Choice Voucher and the Low-Income Housing Tax Credit (LIHTC)—tends to support this goal by examining three questions: How extensively are vouchers used in LIHTC developments? Does the pattern of usage vary across counties and metropolitan areas? Does the use of vouchers in LIHTC units result in concentrations of voucher holders in poverty areas, contrary to poverty deconcentration goals? The authors find that LIHTC units are important sources of housing opportunity for voucher holders in some areas. However, they also find evidence that LIHTC location patterns in economically distressed areas known as Qualified Census Tracts may reinforce existing poverty concentrations.

**Keywords:** Housing Choice Vouchers; Section 8; Low-Income Housing Tax Credit; housing policy; poverty; deconcentration

Efforts such as HOPE VI and Moving to Opportunity, initiatives included in the 1998 Quality Housing and Work Responsibility Act, and concerns about jobs–housing mismatch make it clear poverty deconcentration is a major federal policy goal that has gained increased prominence in recent years (Von Hoffman, Belsky, and Lee 2006; Popkin et al. 2004; Orr et al. 2003). This note asks whether the interaction between the two programs...
currently dominating the federal government’s efforts to address the rental housing needs of low-income households supports that goal. Specifically, we address the relationship between Housing Choice Vouchers (HCVs) and the Low-Income Housing Tax Credit (LIHTC) program using data sets for the state of Florida. We examine three questions: How extensively are vouchers used in LIHTC developments? Does the pattern of usage vary across counties and metropolitan areas? Does the use of vouchers in LIHTC units result in concentrations of voucher holders in poverty areas, contrary to poverty deconcentration goals?

The HCV program (known as Section 8 vouchers and certificates from program inception in the 1970s until 1998) is the “centerpiece of the federal low-income housing assistance arsenal” (Grigsby and Bourassa 2004, 805). A household receiving a voucher is able to search for a unit in the private market that meets quality and rent requirements. Approximately 1.9 million vouchers were in use in 2008 (Haley 2008, 1). The HCV program is the manifestation of the trend in federal low-income housing policy toward providing assistance through direct (or “demand-side”) subsidies to tenants (Orlebeke 2000).

The LIHTC program was created by Congress as a part of the Tax Reform Act of 1986 and is a “supply-side” program. The tax credits have become the primary vehicle in delivering new affordable rental housing in the United States and have been responsible for a significant share of the multifamily housing produced since 1986. The total number of housing units produced using the LIHTC is nearly 1.5 million (National Council of State Housing Agencies 2008).

The structure of the HCV program makes it a deep subsidy program that can result in income-qualified households paying no more than 30% of their gross income for housing costs, including utilities. The LIHTC provides a shallower subsidy, as maximum allowable rents on the units against which the tax credits are claimed are constrained by the level of the area median income rather than by individual tenant income. O’Regan and Quigley (2000) concluded that the LIHTC does not create sufficient subsidy to reach many low-income households without being combined with other subsidies, given that most LIHTC units have rents affordable to those with incomes at 60% of area median.

One advantage cited for the HCV program is that it gives recipients flexibility in choosing housing types and locations, unlike public housing and other supply programs that have historically resulted in concentrations of units in low-income neighborhoods (Turner 2003). However, dispersal of voucher holders has been limited in some areas by shortages of available,
affordable rental housing. These shortages are the result of exclusionary land-use practices, tight rental markets, unwillingness of landlords to participate in the program, personal problems of voucher holders, program administration, and racial discrimination (Turner 2003).

The LIHTC is a potential source of housing opportunities for voucher holders, and extremely low-income households (with incomes at or below 30% of area median) receiving vouchers have been able to use them to occupy LIHTC units they might otherwise have been unable to afford. Studies have found that almost one-half of all LIHTC developments have at least one resident with a voucher (Climaco et al. 2006). LIHTC developments may grant voucher holders access to rental units in areas that otherwise would present limited housing offerings, thus providing opportunities for dispersion. Alternatively, the incentives in the LIHTC program promote projects in areas of concentrated poverty called Qualified Census Tracts (QCTs); vouchers used in such developments would obviously not support the goal of poverty deconcentration (Grigsby and Bourassa 2004). In that case, the voucher holders might be enjoying a substantial improvement in housing quality when the LIHTC development is compared to the housing stock of the surrounding neighborhood.

**HCVs and Poverty Deconcentration**

The deconcentration of poverty is a goal of federal housing programs, including HOPE VI and the HCV program. Popkin et al. (2004, 2) articulated HOPE VI’s poverty deconcentration goal as “[providing] housing that will avoid or decrease the concentration of very low-income families.”

While not originally a component of the housing voucher program, deconcentration has become a goal and was emphasized in the Moving to Opportunity program (Sard 2001). Although the Moving to Opportunity demonstration program was small compared to the number of vouchers in use throughout the country, it highlights the rising concern among policy makers and administrators with this issue.

The U.S. Department of Housing and Urban Development (HUD) Web site describes the rationale behind the Moving to Opportunity demonstration program designed to encourage poverty deconcentration using vouchers:

> One of the advantages that tenant-based rental assistance has over subsidized housing projects and public housing is that it allows the recipient to choose modestly priced private housing in neighborhoods that can offer ample
educational, employment, and social opportunities. However, many house-
holds receiving Section 8 rental assistance are confronted by an array of
barriers—market conditions, discrimination, lack of information and/or
transportation, among others—that force them to rent housing in neighborhoods
of intense poverty. (US Department of Housing and Urban Development 2000).

One problem in achieving the deconcentration goal is the lack of afford-
able housing. The availability and location of housing occupied by voucher
holders are therefore of particular interest. Grigsby and Bourassa (2004)
noted the lack of attention to the need for new construction of affordable
housing in the voucher program. Studies of the mobility of voucher holders
and the factors necessary to their success in using their vouchers in a mar-
et include Basolo and Nguyen (2005), Marr (2005), Solomon (2005),
Turner (1998), and Varady and Walker (2000). As noted above, efforts such
as HOPE VI and the Moving to Opportunity demonstration have attempted
to use vouchers as a vehicle to encourage deconcentration of poverty.3
Devine et al. (2003) examined the location patterns of voucher usage and
the implications for participants and their welfare. This HUD report sug-
gests that the program encourages participants to avoid high-poverty areas.
The study also found that close to three-fourths of all voucher recipients
earn less than 30% of area median income. McClure (2004), however,
found that in Kansas City voucher recipients did not use the voucher to
move to areas of greater employment opportunity but rather remained in
racially concentrated areas with fewer job prospects. Pendall (2000) dis-
cussed reasons for his finding that voucher holders are predominately
found in poverty neighborhoods. Factors include a lack of affordable hous-
ing outside such areas, the minority status of recipients, and a lack of coun-
seling and assistance in housing search.

LIHTC and Poverty Neighborhoods

Section 42 of the Internal Revenue Code, which governs the LIHTC,
requires state housing credit agencies to create an annual Qualified
Allocation Plan (QAP). In 2000, revisions to the code included a provision
that states must give preference in their QAPs to “projects serving the low-
est income tenants,” “projects obligated to serve qualified tenants for the
longest period,” and “projects which are located in qualified census
tracts . . . and the development of which contributes to a concentrated com-
community revitalization plan.”4
Thus, to offset the competitive disadvantage of impoverished neighborhoods in the allocation of credits, the IRS requires that state housing credit agencies give preference in the allocation of housing credit dollar amounts to projects in QCTs that contribute to a well-defined community revitalization plan. More important, LIHTC developments located in a QCT currently receive 1.3 times the tax credit that would otherwise be allocated to the project. (The same incentive is available for projects in high-cost areas referred to as Difficult to Develop Areas.) In addition, some states give preference to urban infill developments in the LIHTC selection process.

Cummings and DiPasquale (1999, 267–68) examined the first 10 years of experience with the LIHTC program. Some 27% of the projects in their sample are in census tracts in which no new rental housing had been built in the preceding five years. In 13% of the tracts in which LIHTC projects had been built, they represented over 20% of all rental housing in the tract. “LIHTC projects provide affordable housing for low and moderate households in higher-income neighborhoods or better quality housing in low-income neighborhoods.”

Several additional studies have examined the neighborhoods in which LIHTC projects have been sited. Results suggest that a significant portion of LIHTC projects have been built in inner-city locations. For example, Rohe and Freeman (2001) found that predictors of the location of LIHTC developments include the percentage of African-American residents in a neighborhood, the value of owner-occupied housing, neighborhood income, the proportion of population in poverty, vacancies, and other variables indicative of a poverty neighborhood. Newman and Schnare (1997) also found that LIHTC projects are concentrated in low-income neighborhoods. In contrast, a more recent study using the LIHTC national database (McClure 2006) found that tax credit developments are becoming more prevalent in suburban census tracts.

**Research Design and Method**

The empirical analysis uses data from the state of Florida, where over 800 LIHTC projects have been built since 1986. Florida ranks third among the states in the number of units subsidized by the LIHTC from 1987 through 2006 (National Council of State Housing Agencies 2008). Furthermore, it is characterized by more extensive suburban development than many other states, particularly those in the North. A lower level of LIHTC development in QCTs exists in the state. This presents an opportunity to observe the
use of vouchers in a setting in which a large number of non-QCT choices exist in the LIHTC inventory.

LIHTC projects are sorted by county location and by location within each of Florida’s 67 counties. Each development was geocoded and placed in a precise location, for which census tract and block group information was also obtained. Furthermore, each LIHTC project was designated by its QCT status in 2004.

Information was also available on the location in which each HCV was utilized in 2004. The addresses for the voucher holders were geocoded and subsequently matched to the geocoded addresses of LIHTC developments, allowing us to determine the extent of voucher use by development and location.

A significant aspect of the research was determining an appropriate method for allocating voucher holders into LIHTC projects. Multifamily housing developments in Florida frequently have multiple street addresses but list one address (e.g., the leasing office or community room) in the LIHTC files. Matching voucher holder addresses that may be in a LIHTC development with the LIHTC developments themselves therefore required a decision rule.

Tenant income certification (TIC) records for 2004 indicated the proportion of vouchers used in LIHTC developments. That proportion was applied to the comprehensive voucher data set, so that we had a number of vouchers expected to be used in LIHTC developments in the entire state.

Through a series of iterations experimenting with different distances using GIS, we found that allocating vouchers to a LIHTC development within a distance of 800 feet (excluding those vouchers that were closer to other developments receiving federal, state, or local subsidies) resulted in reaching the expected share of vouchers used in LIHTC developments as found in analysis of the TIC data set. Therefore, we created the decision rule that a voucher holder address should be assigned to a LIHTC development if the voucher address was within 800 feet of the development and was no closer to any other development receiving federal, state, or local subsidies.

Using the decision rule, a data set was developed that included the number of voucher holders and the number of LIHTC units in each county, the number of LIHTC units in QCTs in each county, and the number of vouchers used in all LIHTC units and those located in QCTs. Percentages of vouchers used in LIHTC units and LIHTC units occupied by voucher holders were calculated to compare across counties.
## Table 1
### Usage of Housing Choice Vouchers in Low-Income Housing Tax Credit Projects in Florida’s Metropolitan Areas

<table>
<thead>
<tr>
<th>MSA</th>
<th>Voucher TC in QCT 2004 as % of All Vouchers</th>
<th>Voucher TC in QCT 2004 as % of TC-assisted Units</th>
<th>Voucher TC of All TC in QCT 2004</th>
<th>Voucher TC in QCT 2004 as % of Voucher TC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daytona Beach</td>
<td>0.00</td>
<td>0.00</td>
<td>236</td>
<td>0.00</td>
</tr>
<tr>
<td>Fort Lauderdale</td>
<td>6.13</td>
<td>73.02</td>
<td>184</td>
<td>73.02</td>
</tr>
<tr>
<td>Fort Myers–Cape Coral</td>
<td>0.00</td>
<td>0.00</td>
<td>231</td>
<td>0.00</td>
</tr>
<tr>
<td>Fort Myers–Port St. Lucie</td>
<td>0.00</td>
<td>0.00</td>
<td>18</td>
<td>0.00</td>
</tr>
<tr>
<td>Gainesville</td>
<td>3.41</td>
<td>21.33</td>
<td>166</td>
<td>21.33</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>0.65</td>
<td>2.36</td>
<td>1,366</td>
<td>2.36</td>
</tr>
<tr>
<td>Lakeland–Winter Haven</td>
<td>6.87</td>
<td>72.65</td>
<td>32</td>
<td>72.65</td>
</tr>
<tr>
<td>Miami</td>
<td>7.58</td>
<td>62.91</td>
<td>605</td>
<td>62.91</td>
</tr>
<tr>
<td>Naples</td>
<td>1.03</td>
<td>2.37</td>
<td>165</td>
<td>2.37</td>
</tr>
<tr>
<td>Ocala</td>
<td>14.39</td>
<td>97.12</td>
<td>135</td>
<td>97.12</td>
</tr>
<tr>
<td>Orlando</td>
<td>4.61</td>
<td>13.52</td>
<td>1,426</td>
<td>13.52</td>
</tr>
<tr>
<td>Panama City</td>
<td>10.38</td>
<td>57.50</td>
<td>51</td>
<td>57.50</td>
</tr>
<tr>
<td>Pensacola</td>
<td>3.01</td>
<td>25.85</td>
<td>152</td>
<td>25.85</td>
</tr>
<tr>
<td>Punta Gorda</td>
<td>0.00</td>
<td>0.00</td>
<td>24</td>
<td>0.00</td>
</tr>
<tr>
<td>Sarasota–Bradenton</td>
<td>3.64</td>
<td>19.65</td>
<td>278</td>
<td>19.65</td>
</tr>
<tr>
<td>Tallahassee</td>
<td>2.93</td>
<td>25.45</td>
<td>123</td>
<td>25.45</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>MSA</th>
<th>Voucher All</th>
<th>Voucher TC %</th>
<th>Voucher TC as % of All assisted Vouchers</th>
<th>Voucher TC in QCT 2004</th>
<th>Voucher TC Not in QCT 2004 as % of All Vouchers</th>
<th>Voucher TC in QCT 2004 as % of Voucher TC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tampa–St. Petersburg–Clearwater</td>
<td>14,508</td>
<td>1,876</td>
<td>12.93</td>
<td>15.27</td>
<td>693</td>
<td>1,183</td>
</tr>
<tr>
<td>Titusville–Pal Bay</td>
<td>1,275</td>
<td>188</td>
<td>14.75</td>
<td>11.30</td>
<td>37</td>
<td>151</td>
</tr>
<tr>
<td>West Palm Beach–Boca Raton</td>
<td>4,444</td>
<td>1,034</td>
<td>23.27</td>
<td>13.55</td>
<td>261</td>
<td>773</td>
</tr>
<tr>
<td>Total for MSAs in Florida</td>
<td>65,620</td>
<td>10,446</td>
<td>15.92</td>
<td>9.51</td>
<td>3,272</td>
<td>7,174</td>
</tr>
</tbody>
</table>

Note: MSA = metropolitan statistical area; TC = tax credit; QCT = Qualified Census Tract.
Analysis

For the state as a whole, 10,841, or almost 16%, of the 68,690 vouchers are being used in LIHTC projects. The state has a total of 120,042 total assisted units in 847 tax credit developments. Of those units, the 10,841 voucher holders represent 9%. Vouchers are used in over 63% of the tax credit projects in the state. Thus, LIHTC units are an important resource for voucher holders in the state of Florida.

Table 1 shows the usage of vouchers in LIHTC projects in Florida metropolitan areas. Table columns include the metropolitan area, the number of vouchers used in the metropolitan statistical area (MSA), the number of vouchers used in tax credit projects, and the percentage those vouchers comprising all vouchers used in the area and all LIHTC units in the area. The remaining four columns of the table show the number and percentage of vouchers used in tax credit projects located inside and outside QCTs. The discussion that follows discusses individual counties within MSAs.

Less than 12% of the LIHTC developments in Florida are located in QCTs, yet over 30% of the vouchers used in tax credit projects are used in LIHTC units located in QCTs. Voucher holders also occupy about 30% of all LIHTC units in QCTs. The large share of voucher holders in QCT units indicates that the QCT units may continue patterns of poverty concentration, but the share of vouchers used outside of QCTs also indicates a high proportion of voucher use outside of the QCT-designated poverty neighborhoods.

There is considerable variation across the state in the usage of vouchers in tax credit projects. Among major metropolitan counties, Orange County (Orlando) uses 33.5% of its vouchers in LIHTC units, while Duval (Jacksonville) and Palm Beach Counties use 27.6% and 23.3%, respectively. At the other extreme, Pinellas (St. Petersburg) at 4.9%, Broward (Fort Lauderdale) at 8.4%, and Miami–Dade at 12.0% are below the state average of share of vouchers used in tax credit units. These shares may reflect the availability of LIHTC units in each county. Orange County has a large number of LIHTC units, and only 6.2% of those units are occupied by voucher holders. Duval County has 17.4% of its LIHTC units occupied by voucher holders, and Palm Beach has 13.5%. These findings suggest that LIHTC units are a major component of the affordable housing stock in those counties.

Across all counties, the highest percentages of vouchers used in tax credit projects for counties with more than 100 vouchers are 45.5% in Seminole County, a suburban Orlando location, and 43.4% in Collier
County (Naples), a high housing cost area. The highest percentage of LIHTC units occupied by voucher holders is in Escambia County (Pensacola) with 27.8%; the next highest percentages are in Alachua County (Gainesville) with 19.3% and in Hillsborough County (Tampa) with 18.1%.

The greatest share of voucher usage in QCTs among all voucher usage in tax credit projects is found in Marion County (Ocala) at 97.1%. Other counties with large shares of QCT usage include Broward (Fort Lauderdale) at 73.0%, Polk (Lakeland) at 72.6%, Miami–Dade at 62.9%, and Bay (a Florida panhandle county) at 57.5%. Among the large metropolitan counties beyond Broward and Miami–Dade, the QCT shares include 43.7% in Pinellas, 38.3% in Hillsborough, 25.2% in Palm Beach, 16.9% in Orange, and 2.5% in Duval County.

**Summary and Policy Implications**

The HCV program provides households with the opportunity to improve their housing situation and also has a goal of dispersal of voucher holders away from areas of concentrated poverty. However, achieving the dispersal goal has been limited in some areas by shortages of available, affordable rental housing. The LIHTC is a potential source of units that provide housing opportunities to voucher holders but with incentives that encourage projects in low-income neighborhoods as a means to improve the housing stock and encourage redevelopment of such areas. Extremely low-income households receiving HCVs have been able to use those vouchers to occupy LIHTC units; this study examined the location of the LIHTC units occupied by voucher holders.

While less than 12% of the LIHTC developments in Florida are located in QCTs, over 30% of the vouchers used in tax credit projects are used in LIHTC units located in QCTs. Voucher holders also occupy about 30% of all LIHTC units in QCTs. There is considerable variation across the state in the usage of vouchers in tax credit projects, ranging from Orange County (Orlando) with 33.5% of its vouchers in LIHTC units to Pinellas County (St. Petersburg) at 4.9%.

The data suggest the importance of LIHTC developments in providing affordable rental units in some counties. When the percentage of voucher-occupied units of all tax credit units is examined, the share of all tax credit units that are in QCTs is remarkable. The significance of this variable indicates that tax credit units in QCTs are more likely to be occupied by voucher holders.
The policy implications arising from the use of vouchers in LIHTC projects are mixed. The large share (over 30%) of LIHTC units with voucher holders in QCTs indicates the disproportionately high use of vouchers in these troubled tracts. The newly developed affordable housing in QCTs may provide better quality housing for voucher holders in poverty neighborhoods and help to improve those neighborhoods, but this may also cause even greater concentrations of impoverished households in these tracts that already suffer from a high concentration of the poor. LIHTC units may provide voucher holders alternatives in the housing market that would not otherwise be available, and households may be exerting their personal preferences for location of residences inside QCTs despite efforts by local public housing authorities to direct voucher holders to areas of low poverty concentration. The results of this study suggest that further research is needed to determine whether the benefits of neighborhood revitalization within QCTs more than offset the social costs of further concentrating poverty in these tracts.

Notes

1. Among the authors addressing the trade-off between vouchers and housing production are Deng (2005) and Shroder and Reiger (2000).

2. Households are income qualified for the Housing Choice Voucher program if their income is at or below 50% of area median income as defined by the U.S. Department of Housing and Urban Development.

3. The extensive literature on the Moving to Opportunity program includes Feins and Patterson (2005), Goering (2003), Pashup et al. (2005), Popkin et al. (2000), Rosenbaum and Harris (2001), and Shroder (2001).

4. A Qualified Census Tract is one in which 50% or more of households have incomes below 60% of the area median income or the poverty rate is 25% or greater.

5. The address data for Low-Income Housing Tax Credit (LIHTC) developments were obtained from the Florida Housing Finance Corporation.

6. U.S. Department of Housing and Urban Development regional offices in Jacksonville and Miami provided detailed address data for approximately 80% of voucher holders in 2004 throughout the state.

7. Tenant income certification records of 2004 were obtained from the Florida Housing Finance Corporation.

8. Earlier studies by Ernst & Young, LLP, Kenneth Leventhal Real Estate Group (1997) and the U.S. General Accounting Office (1999) found that approximately 30% of LIHTC tenant households used vouchers. Our results may differ for a number of reasons, including the time frame for which their research was conducted (early 1990s) and the possibility that many of Florida’s real estate markets may offer more choices affordable to voucher holders than some other large states, particularly those in the North and on the West Coast.
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