



OPEN COMMUNITIES ALLIANCE

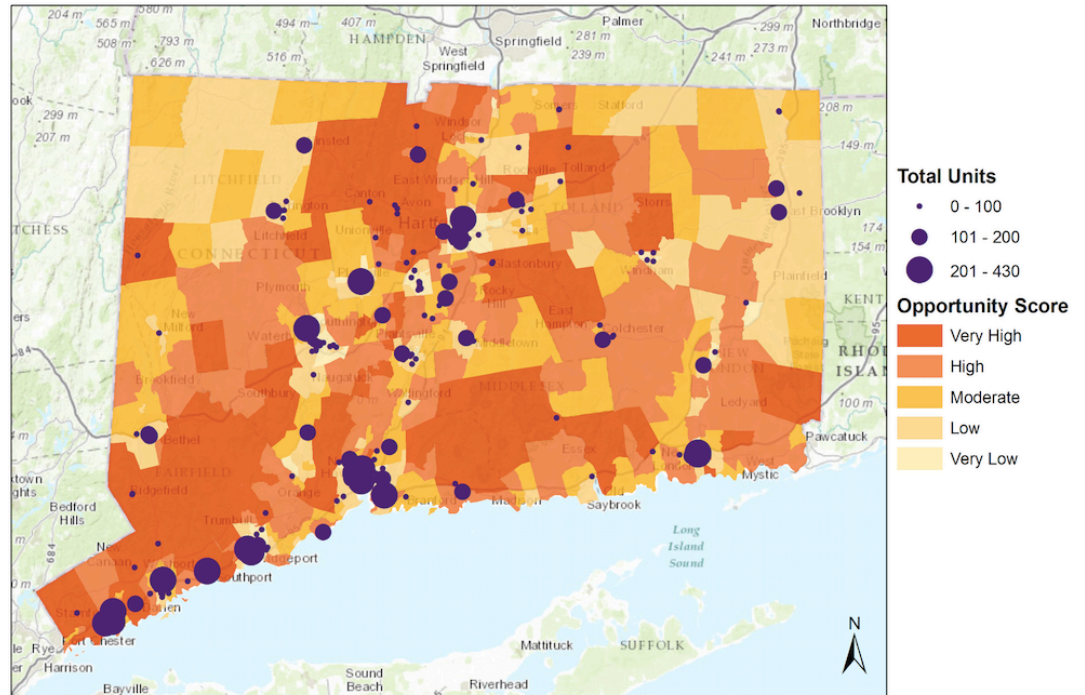
Embracing Diversity to Strengthen Connecticut

LIHTC Reform: Leveraging Opportunity for All

Prioritizing Low-Income Housing Tax Credits for higher opportunity areas

➤ **What is the LIHTC program?** The Low Income Housing Tax Credit (LIHTC) program is the biggest federally-funded program supporting the creation or rehabilitation of affordable housing. It is a program of the federal Department of Treasury administered in Connecticut by the Connecticut Housing Finance Authority (CHFA). The program has produced roughly 23,000 units of affordable housing in Connecticut since 1987.

➤ **What's wrong with LIHTC?** As currently implemented, the tax credits **create severe racial and socioeconomic isolation** for those who live in the units: 88% of LIHTC units are located outside of higher opportunity areas, meaning 58% of the land area of the state hosts only 12% of LIHTC units. In fact, almost half of LIHTC are located in very low opportunity areas which represent only 2% (!) of the land area of the state.¹



Current LIHTC Units by Opportunity and Type

Demographic Served	Total Units	Very Low Opportunity	Low Opportunity	Moderate Opportunity	High Opportunity	Very High Opportunity
% of CT Land Area		2%	17%	23%	28%	30%
All Units	23,563	49%	27%	12%	4%	8%
Open to All	15,843	33%	21%	6%	3%	4%
Age-Restricted	5,813	12%	2%	6%	1%	4%
Other	1,907	5%	3%	0%	0%	0%

¹ Due to the number of categories, in order to reach 100%, certain numbers were rounded up or down.

- **Is this legal? Probably not.** Statutes like the Fair Housing Act **require that state housing programs avoid having a disparate impact** on people of color. The U.S. Department of Housing and Urban Development recently renewed its commitment to the requirement that states counteract housing segregation. And the Supreme Court also recently held that housing programs that have a “disparate impact,” as Connecticut’s implementation of the LIHTC program does, could be subject to litigation.
- **So, how can we fix LIHTC in Connecticut?** Our goals are to **support more low-income housing in higher opportunity areas while supporting catalytic projects in under-resourced communities**. Among other changes, we propose the following changes to the formula that the state uses to give out LIHTCs:
 - At least 60% of credits should be prioritized for non-age-restricted developments in “higher opportunity” areas.
 - At least 25% of credits should be prioritized for “catalytic” (revitalization) projects in areas of “moderate” and “lower opportunity.”
 - The remaining credits would become available largely without regard to location if an insufficient number of applications are submitted for either area type.
- **What effect would these changes have?** **All Connecticut residents would benefit** from greater diversity and stronger communities.

For low-income kids, living in higher opportunity areas has been linked to...

- Decreased risk of asthma, obesity, and neurodevelopmental disorders.
- Lower incidence of adolescent risky behaviors.
- Improved educational performance, and reduced likelihood of placement in special education, repeating a grade, dropping out, or being suspended or expelled.



All residents in newly diverse neighborhoods can benefit from...

- Schools that better reflect multiculturalism, diversity of background and thought, and preparation for the 21st century economy.
- Lighter traffic and car pollution, as more local employees can live where they work.
- A reduction in statewide poverty rates as moves to opportunity break the cycle of poverty.

- **How much would this all cost? Nothing!** We are proposing only to make changes the formula used to administer LIHTCs, not to add or reduce any of its funding.