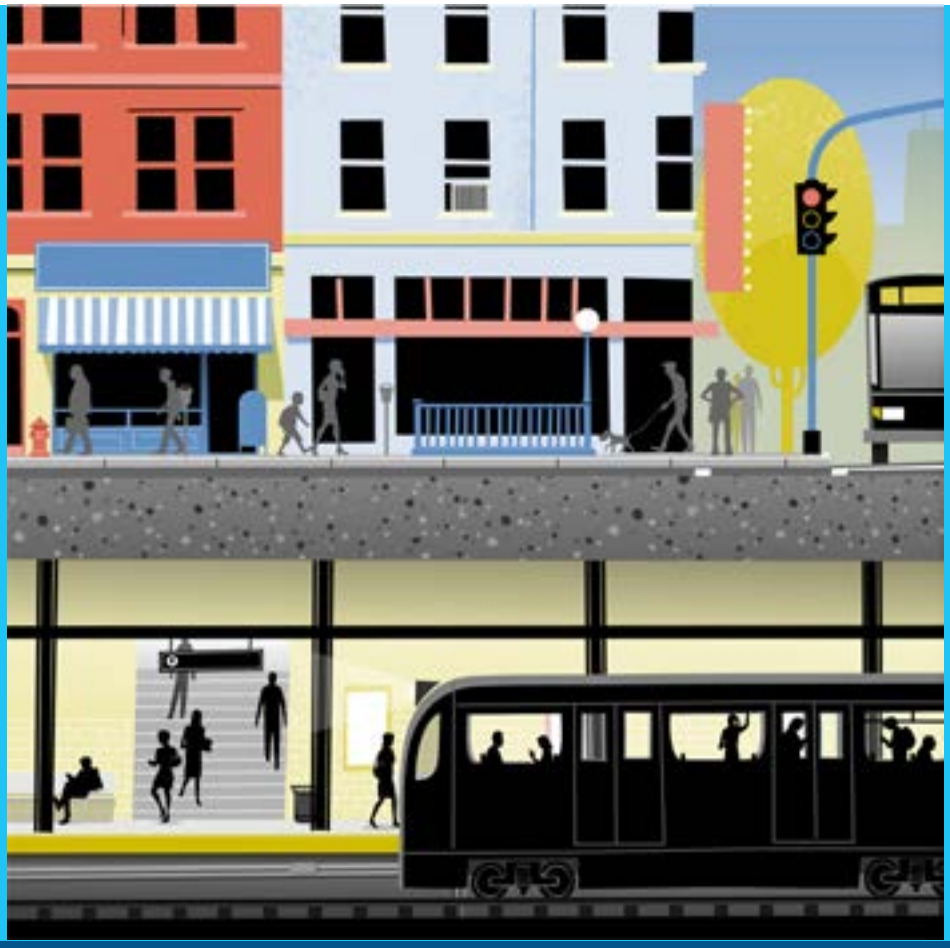

How Can the Low Income Housing Tax Credit Program Most Effectively be Used to Provide Affordable Rental Housing near Transit?

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About the National Housing Trust

The National Housing Trust protects and improves existing affordable rental homes so that low income individuals and families can live in quality neighborhoods with access to opportunities.

About Abt Associates

Abt Associates is a mission-driven, global leader in research and program implementation in the fields of health, social and environmental policy, and international development.

How Can the Low Income Housing Tax Credit Program Most Effectively be Used to Provide Affordable Rental Housing near Transit?

A HUD Sustainable Communities Research Grant report

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U.S. Department of Housing and Urban Development
Office of Policy Development and Research

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Disclaimer

The contents of this report are the views of the contractor and do not necessarily reflect the views or policies of the U.S. Department of Housing and Urban Development or the U.S. government.

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Executive Summary

The Low Income Housing Tax Credit (LIHTC) is a unique resource to create or preserve affordable homes near transit. LIHTC has been the primary source of funding for building new or preserving existing affordable housing since 1986.[1] State housing agencies have the discretion to determine which developments receive funding and can target resources to address pressing local housing needs, such as providing or maintaining affordable rental housing near transit. Developments are evaluated based on a range of criteria including property location, the tenant population served, building design characteristics, construction costs and more. These criteria are set out in each state agency's Qualified Allocation Plan (QAP).

This report addresses a fundamental question: How can the LIHTC program most effectively be used to promote the preservation and development of affordable rental housing near transit? To answer this question, the report examines the mechanisms through which state housing agencies evaluate LIHTC applicants and make funding decisions.

This report addresses a fundamental question: How can the LIHTC program most effectively be used to promote the preservation and development of affordable rental housing near transit?

Through a review of more than 400 QAPs issued over an 8-year period and interviews with more than a hundred housing agency staff, developers, and housing and transit policy experts, the report explores:

- The extent to which agencies seek to encourage the development and preservation of affordable housing near transit.
- Whether incentives had an observable impact on the location of LIHTC properties.
- Which other factors beyond these incentives- such as local relative land values and land use policies, transit availability and quality, and other QAP requirements or preferences - impact the location of LIHTC properties.

Two significant challenges must be addressed in order to effectively develop and preserve affordable housing near transit. States must seek a balance between promoting affordable housing near transit and other housing priorities. Additionally, the importance of cost in developer decision making reinforces the notion that explicit QAP preferences in and of themselves are necessary, but not sufficient, to encourage the preservation or construction of affordable housing near transit.

Challenge #1. Maintaining Balance in the QAP

The report finds significant growth in the number of state housing agencies that have incorporated an explicit preference for transit access in the LIHTC program since 2003. However, the inclusion of explicit transit incentives is not without its challenges as housing agency staff seeks to allocate tax credits in a balanced manner. Housing agency staff find it difficult to develop a "one-size fits all" criteria for the type of transit and level of service a property should meet in most states given the diversity of urban, suburban, and rural communities.

Nonetheless, several approaches adopted by some housing agencies demonstrate how the QAP can maintain balance in meeting diverse state housing needs, while still including robust incentives for properties located near transit, or that are otherwise location efficient.
Three strategies used by agencies to address incorporating transit incentives while continuing to meet other states needs include:

- **Creating geographic pools** in which developments from similar types of communities compete only with each other, i.e. a development from a suburban location would compete only with other suburban developments, rather than competing with developments from an urban location;
- **Defining transit requirements** differently based on the variety of transit infrastructure that can be found throughout a state; and
- **Incorporating other place-based criteria**, such as proximity to job or town centers to encourage development that is location efficient for reasons other than transit access.

Two significant challenges must be addressed in order to effectively develop and preserve affordable housing near transit:

- Maintain balance in the QAP; and
- Improve the financial feasibility of transit-accessible LIHTC developments.

Challenge #2: Improving the Financial Feasibility of Transit-Accessible LIHTC Developments

The report also finds that the effective use of tax credits to preserve and build affordable rental housing near transit requires a complementary set of policies that address a fundamental barrier: the cost to finance and develop affordable housing near quality transit service. Higher costs associated with developing transit-accessible sites can discourage developers from pursuing such projects. The importance of project costs in developer decision-making reinforces the notion that explicit QAP preferences, in and of themselves, are necessary, but alone are not sufficient to encourage the preservation or construction of affordable housing near transit.

Fortunately, there are promising strategies that, combined with LIHTC incentives, can encourage developers to build or preserve affordable housing proximate to transit. Developers, agency staff and other stakeholders suggested several strategies to address this barrier and increase the financial feasibility of LIHTC developments near transit:

- **Align gap financing sources.** Prioritizing gap financing for use in developments near transit would increase the competitiveness of such developments in the tax credit competition and could have a more significant impact on a developer's decision to pursue a project near transit than the incentives for transit access currently available in the QAP.
- **Improve land-use policies.** Local land use policies and regulations can complicate the economics of an affordable housing development by increasing development costs, thereby

making it more difficult to finance the property. Respondents identified several types of land-use policies that can be particularly challenging, including minimum parking requirements, restrictions on density, and high property taxes.

- **Balance cost containment with other policy priorities**. Policies, such as caps on development costs and incentives for cost efficiencies in the QAP, can make it difficult for transit-accesible developments to compete for 9 percent tax credits. While most respondents acknowledged that it is important for agencies to implement strategies to contain costs, they also underscored the importance of doing so in a balanced manner that does not undermine the ability of developers to deliver developments that best serve low- and moderate-income households.

- **Expand the use of the basis boost for transit-proximate developments**. The LIHTC basis boost allows the developer to raise more equity than would have been possible without the boost. The additional equity reduces the amount of debt and gap funding needed to finance the development.

- **Improve cross-sector collaboration.** Coordination across housing and transit agencies can help leverage and maximize resources.

Strategies to increase the financial feasibility of LIHTC developments near transit include:

- Align gap financing sources;
- Improve land-use policies;
- Balance cost containment with other policy priorities;
- Expand the use of the basis boost for transit-accessible developments; and
- Improve cross-sector collaboration.

In addition to stakeholder interviews, a quantitative analysis involved an examination of the effect of QAP transit incentives on the change in the share of transit-accessible LIHTC properties over time, controlling for several different factors. The results of the quantitative analysis suggest that explicitly including incentives for location near transit within a category (the most commonly used incentive over the study time period) slightly increases the probability of LIHTC developments being located near transit**.**

Testing the significance of other types of incentives was inconclusive. This was, in part, due to the relatively short time period under review. The period of analysis was limited because tax credit property data are only available through 2010. However, the number of agencies that adopted explicit standalone points for transit access doubled between 2010 and 2013. While we were unable to identify a direct correlation between standalone transit incentives and housing outcomes, we are also unable to conclude that such a correlation does not exist due to the limited number of observations that were included in our analysis.

Report Structure

- We first provide an overview of the LIHTC program, the key research questions addressed in this report, and a summary of data sources.

- The report then describes the types of transit incentives incorporated into QAPs and the trends in the adoption of incentives for transit-accessible tax-credit properties over time. Drawing on

discussions with state housing officials, the report describes the challenge agencies face of seeking to balance the promotion of affordable housing near transit while also addressing the housing needs of the entire state. Several strategies for overcoming this challenge are presented.

- We then draw on interviews with affordable housing developers to identify some of the challenges they face in financing LIHTC developments near transit. These discussions revealed several strategies to increase the financial feasibility of developing and preserving affordable housing near transit.
- We present the findings of a quantitative analysis that was conducted to measure the impact of QAP incentives put in place from 2003-2010 on the proportion of LIHTC developments located near fixed-guideway rail stations.
- Finally, the paper concludes with discussions about the policy implications of this analysis and future research needs.

The importance of cost in developer decision making reinforces the notion that explicit QAP preferences in and of themselves are necessary, but not sufficient, to encourage the preservation or construction of affordable housing near transit.

Background and Research Objectives

For millions of Americans, public transportation is more than a mere convenience; it is a necessity for accessing jobs, educational opportunities, health services and other everyday needs while living within their financial means. Low-income households who live in auto-dependent neighborhoods can spend as much as 25 percent or more of their income on transportation costs.[2] In contrast, families who live in neighborhoods with quality public transit options, on average, spend only 9 percent of their income on transportation costs.[3] All too often, low-income households are shut out of such neighborhoods because they are unable to afford the high housing costs that come with living in locations that are convenient to transit and other amenities. As a result, many households face a difficult tradeoff, unaffordable housing or budget squeezing transportation costs.[4]

For millions of Americans, public transportation is more than a mere convenience; it is a necessity for accessing jobs, educational opportunities, health services and other everyday needs while living within their financial means.

Providing affordable rental homes near quality public transit ensures that low-income households are able to fit both housing and transportation expenses into their budget. But it can be significantly more difficult to finance the construction or preservation of affordable housing in location-efficient areas. High demand to live in transit-accessible areas drives up land costs making it a challenge to acquire desirable sites for affordable housing and putting existing affordable rental housing at risk.[5] A 2009 study by the National Housing Trust, AARP, and Reconnecting America identified more than 250,000 HUD subsidized apartments in walking distance to quality transit in 20 metropolitan areas.[6] The premium placed on property near transit raises the prospect that owners will opt out of federal rental housing contracts to charge higher rents, resulting in the permanent loss of affordable rental housing.

The Low Income Housing Tax Credit (LIHTC) program is the largest affordable rental housing production and preservation program in the nation, creating or preserving more than 2.2 million affordable homes since 1986, with some of those homes located near transit. LIHTC's production history underscores how critical the program is for meeting our nation's affordable rental housing needs. LIHTC is the single largest source of resources for replenishing the affordable rental housing stock through new construction and substantial rehabilitation.[7] On average, the program is used to preserve or create approximately 100,000 affordable apartments a year. The Joint Center for Housing Studies recently concluded that LIHTC is "one of the most successful efforts on record in terms of sound financial performance and delivery of good-quality rentals."[8]

LIHTC is administered jointly by the U.S. Department of Treasury and state housing agencies. State housing agencies receive a fixed share of tax credit authority each year which they allocate to developers through a competitive process. Developers then sell these tax credits to corporations to offset the corporations' tax liability. In return, developers receive equity to help cover the costs of preserving or constructing affordable rental housing. (See Figure 1 for a summary of how the LIHTC program works). Apartments created or preserved using tax credits must be rented to households with incomes of no more

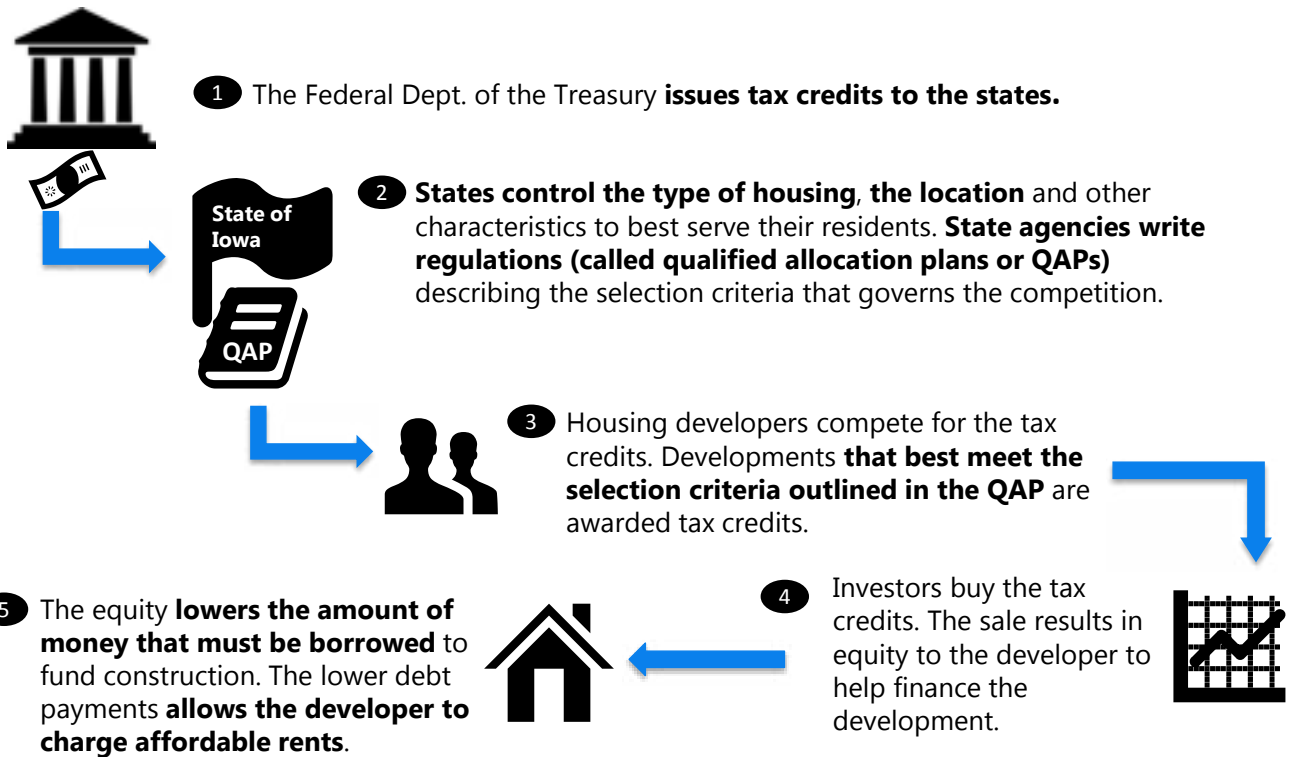
than 60 percent of the area median income. Rent restrictions must remain in place for at least 30 years from the time the property is placed in service (i.e. when the housing is ready to be occupied).

State housing agencies have wide discretion to allocate tax credits in order to address pressing local housing needs. Federal statute provides housing agencies wide latitude in determining how to distribute tax credits. Section 42 of the Internal Revenue Code requires each housing credit agency to set forth selection criteria in a qualified allocation plan (QAP). The Code states that the QAP must give preference to "developments serving the lowest income tenants," "developments obligated to serve qualified tenants for the longest periods," and "developments located in a Qualified Census Tract[9] and the development of which contributes to a concerted community revitalization plan."[10] Section 42 also requires QAPs to include ten selection criteria, but does not further define how housing agencies should evaluate these criteria. The U.S. Department of Treasury, administrator of the LIHTC program, has chosen not to provide further clarification or guidance as to how agencies should choose among competing applications.

The Low Income Housing Tax Credit (LIHTC) program is the largest affordable rental housing production and preservation program in the nation, creating or preserving more than 2.2 million affordable homes since 1986.

Congress delegated administrative responsibility to state agencies, which is often cited as a key feature that has made the LIHTC program a successful tool in affordable housing development. This was done to ensure that LIHTC investments were targeted to

Figure 1. How the LIHTC Program Works



address important state and local housing needs. As stated by the Joint Committee on Taxation after passage of the Tax Reform Act of 1986: "Congress intended any allocation procedure… give balanced consideration to the low-income housing needs of the entire state."[11] As the Housing Commission of the Bipartisan Policy Center recently put it, "These QAPs ensure that affordable housing investment is aligned with the housing needs within the state. This structure also builds flexibility into the system that enables states to continually tailor their plans to address evolving housing needs."[12]

The Role of the Qualified Allocation Plan (QAP)

Housing agencies generally use three mechanisms in the QAP to guide allocation decisions according to state and local housing needs—threshold requirements, set asides, and preferences. In general, these mechanisms vary in the degree to which they ensure that proposals meet certain characteristics.

- **Threshold requirements** set forth the minimum standards a proposal must meet to be considered for an allocation of tax credits. Threshold requirements have a significant impact on the type of applications pursued because the requirements effectively pre-select applicants based on criteria that the housing agency deems important.[13] Proposals that do not meet threshold requirements are not considered for funding.

- **Set-asides** allow housing agencies to reserve a portion of their tax credits for particular types of proposals. Although set-asides do not provide the same level of certainty as threshold requirements in terms of the type of proposals that will be submitted, they do effectively encourage specific types of developments. Housing agencies use set-asides to encourage developments according to a range of criteria, including the type of population served (e.g. people with special needs), geographic location (e.g. urban or rural), and type of construction (e.g. preservation or new construction). In addition, Federal law requires that every housing agency set-aside 10 percent of their tax credit authority for non-profit sponsored developments.

- Finally, **stated preferences** allow housing agencies to weight selection criteria often through the use of numerical points that allow developments to be ranked against each other. Point and ranking systems allow housing agencies flexibility for making trade-offs among various selection criteria. Agencies can vary how much they target a particular requirement by adjusting the relative weight assigned to that requirement. The extent to which a scoring system targets tax credits to developments satisfying a particular preference depends on the relative weight assigned to the preference. Agencies can virtually ensure that applicants will meet a particular requirement by assigning enough weight to that requirement so that the development has little chance of getting funded otherwise. Agencies can also provide relatively few points

for a range of criteria so as to provide flexibility in how the development can amass enough points to score well.

One state housing official shared his thoughts on the benefits of a flexible approach:

> "There's lots of different ways to put together a development that scores competitively and receives an award of credit, which makes sense when you're using a resource that you're spreading across the state and trying to meet many different objectives."

Affordable housing developers pay close attention to the QAP when evaluating whether or not to pursue a particular development for two main reasons. First, the 9 percent LIHTC program is very competitive. In many states, applications for credits far exceed supply year after year. As a result, developers seek to maximize their chances of getting funded by ensuring that the developments they pursue adhere closely to the priorities of the housing agency.

Second, submitting a competitive application for 9 percent low income housing tax credits is all the more important given the significant investment of capital and staff resources a developer must commit to pursue a tax credit allocation. Developers pursuing 9 percent credits must demonstrate that they have control of the property in order to be eligible for an award. The acquisition and pre-development costs associated with pursuing a particular development can be significant, and developers must be confident that their application will be competitive if they are going to invest scarce resources. A developer in Georgia, for example, said that he would walk away from a development if he were not confident it would be funded because it would mean paying all of the pre-development expenses knowing that the application for credits might not get approved, resulting in their inability to finance the development.

9 percent vs. 4 percent Tax Credit Rates

There are two types of tax credit rates in the LIHTC program- the "9 percent" rate and the "4 percent" rate. This analysis focuses on the impact of QAP incentives on the location of developments that receive 9 percent credits. The amount of 9 percent tax credits a state can allocate in a given year is limited based on a per capita formula authorized by Congress. State agencies use a competitive process based on the priorities outlined in the QAP to determine which developments will receive an allocation of 9 percent credits. In contrast, 4 percent tax credits are more widely available and are not subject to the same competitive allocation process, as they are automatically awarded along with private activity bonds. Therefore, this analysis includes only properties allocated 9 percent tax credits, as they are the only properties affected by QAP incentives.

Research Objectives

There has been little attempt to measure the prevalence of QAP transit policy incentives and, more importantly, to explore the effect that they have had, if any, on preserving or building developments near transit. As these transit preferences become more explicit and pervasive, there is a clear need to better understand their effects to date, uncover possible explanations for those effects, and determine whether these incentives are accomplishing their intended purpose

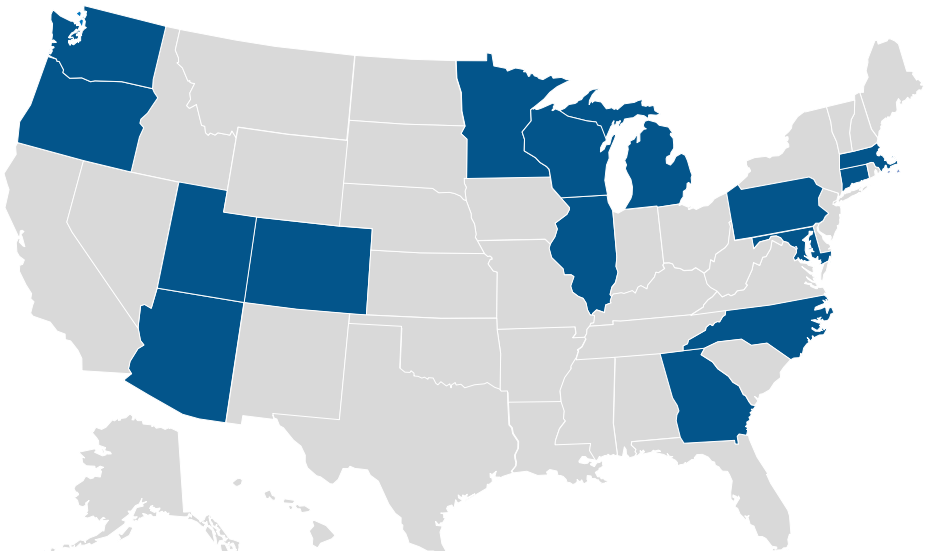
The overall policy question that motivates this research is: How can the LIHTC program most effectively be used to promote the preservation and development of affordable rental housing near transit? With this research objective in mind, the Study Team outlined three key research questions to address. These questions are:

- To what extent do agencies seek to encourage the development and preservation of affordable housing near transit?
- Do incentives have an observable impact on the location of LIHTC properties?; and
- Which other factors beyond these incentives - such as local land values and land use policies, transit availability and quality, other QAP requirements or preferences - impact the location of LIHTC properties?

Research Methodology and Data Sources

Both qualitative and quantitative methods were used to answer the research questions.[14]

Figure 2. Selected States for Qualitative Analysis



The qualitative analysis was based on discussions with a sample of various stakeholders from 15 states with a variety of QAP approaches, transit systems, and market dynamics (See Figure 2 for the states selected).

Stakeholder discussions were semi-structured and intended to identify and explore key themes. The Team developed a set of discussion guides tailored to each stakeholder category with a list of topics to explore. These guides provided open-ended prompts from which the Team began the discussion. The guides were adjusted based on the QAP incentives in the state (e.g. the guide for a state with strong transit incentives in its QAP was different from the guide for a state with no transit incentives).

Stakeholder Categories

National Stakeholder Types	*State/Local Stakeholder Types*
Housing Advocate or Policy Expert	Housing Policy Expert or Advocate
Transit Advocate or Policy Expert	Transit Policy Expert or Advocate
Investor	Housing Agency Staff
Syndicator	Affordable Housing Developer or Investor
Rural Expert	Rural Expert

A quantitative analysis was conducted to examine the relationship between the accessibility of LIHTC properties to transit and the transit-oriented incentives incorporated into QAPs. In addition to the requirements and preferences incorporated into QAPs, the location of LIHTC properties is the result of complex interactions between the strength of the local real estate market and economy, the degree of competitiveness for tax credits in a state, local demographics, and other factors. Quantitative analysis that controls for as many of these factors as possible allows us to estimate the effects of transit preferences in QAPs and help to inform public policy. Therefore, the quantitative analysis examines the effect of transit incentives on the share of LIHTC properties over time in a metro area that is transit accessible, controlling for several different factors.

The analytical approach included two phases:

1. Analysis of the annual percentage of LIHTC properties in a state that are transit-accessible.
2. Regression modeling to explore the relationship between transit-oriented QAP incentives and the share of LIHTC properties in close proximity to transit stations.

More details about the methodology used are in the Quantitative Analysis section. Several primary data sources were used in this analysis, including:

- **Stakeholder discussions.** Discussions were conducted with a sample of stakeholders from 15 states with a variety of QAP approaches, transit systems, and market dynamics. Stakeholders consisted of housing agency staff, affordable housing developers, and housing and transit policy experts (see stakeholder categories table).

- **QAP Database.** The QAPs used to allocate tax credits were a critical source of information for the study: the existence and terms of any transit incentives. Annual QAPs were analyzed to track changes in incentives for transit-accessible developments over time.
- **Center for Transit-Oriented Development (CTOD) National TOD Database.** The CTOD TOD Database[15] provides locational information for existing and proposed fixed guideway stations (that is, for commuter rail, subway, and light rail systems) and their surrounding transit zones since 2004, using the National Transportation Atlas Database (NTAD).
- **HUD's Low-Income Housing Tax Credit database** was used to identify both the properties placed in service each year and their location. The LIHTC database, available to the public since 1997, is the only complete national source of information on the size, unit mix, and locations of LIHTC developments.
- **Other Determinants of LIHTC Property Location.** Other data sources included state GDP data from the Bureau of Economic Analysis, and U.S. Census data on annual multifamily housing permits issued in each of the study years to serve as an indicator of the health of the housing market. Data on tax credit competitiveness was provided by the National Council of State Housing Agencies.

Figure 3 summarizes how these data sources were used to answer the research questions. Additional information on these data sources can be found in Appendix A.

Figure 3: Research Questions and Data Sources

Research Questions and Data Sources	
Research Question	***Data Source(s)***
What incentives do QAPs provide for preservation or production of transit-accessible developments?	• NHT QAP Database
How do stakeholders view the role of transit preferences in QAPs in influencing the location of LIHTC properties?	• Housing Policy Expert or Advocate • Transit Policy Expert or Advocate • Housing Agency Staff • Affordable Housing Developer or Investor • Rural Expert • Investor • Syndicator
Can the change in the number of LIHTC properties near transit be attributed to the QAP preference? Which other factors - such as local relative land value and land use policies, transit availability and quality, other QAP requirements of preferences, or statewide LIHTC competitiveness - might also have affected the change?	• LIHTC Database (2002-2010) • Center for Transit-Oriented Developments' TOD Database (2004-2012) • US Census (2000) • ACS Data (2005-2009) Bureau of Economic Analysis • Data from NCSHA on tax credit competiveness • Stakeholder Discussions

Transit Incentives in QAPs

A majority of states include incentives for transit proximity in their Qualified Allocation Plans. States mostly use preferences expressed as points to encourage the use of tax credits to preserve or develop affordable housing near transit. This section describes the types of transit incentives incorporated into QAPs. It also discusses trends in the adoption of incentives for transit-accessible tax-credit properties over time and the challenge agencies face when seeking to balance the promotion of affordable housing near transit while also addressing the housing needs of the entire state.

The Study Team reviewed every state's QAP from 2003-2013 to determine how housing agencies use incentives to encourage LIHTC developments near transit. The specific attributes of incentives vary in a number of ways. Our analysis revealed that incentives range based on the following three characteristics (these attributes are also summarized in Figure 4):

States mostly use preferences expressed as points to encourage the use of tax credits to preserve or develop affordable housing near transit.

- **Explicit vs implicit incentives:** An explicit incentive directly references proximity to transit as qualifying criteria. An implicit incentive includes qualifying criteria for which transit access is embedded in other priorities, such as locating in urban areas or development that is consistent with smart growth principles.
- **Standalone criteria vs. in a category:** Standalone criteria require a development to meet the agency's definition of transit access in order to qualify for the incentive. For example, the Massachusetts Department of Housing and Community Development identified transit proximity as a standalone category, requiring a development to be near transit in order to earn a perfect score.

  In states that provide points in a category, LIHTC developments do not need to receive points for transit proximity in order to receive the total number of points awarded by the QAP. For example, the Indiana Housing and Community Development Authority awards applicants up to 5 points for being in close proximity to a range of public, private or health-related services under the category of "Desirable Sites." Although public transportation is an eligible public service that can earn points, it is just one of many types of services for which an applicant can earn points. As a result, an applicant can earn the maximum 204 points awarded by the QAP without being near public transportation.
- **Points vs. policy statements:** Awarding points as part of the tax credit evaluation and selection process is the most common means housing agencies use to encourage transit proximity in LIHTC properties. Some housing agencies, however, express a preference for transit proximity through a policy statement without awarding points. Typically this is done because the agency does not use a point system to evaluate developments.

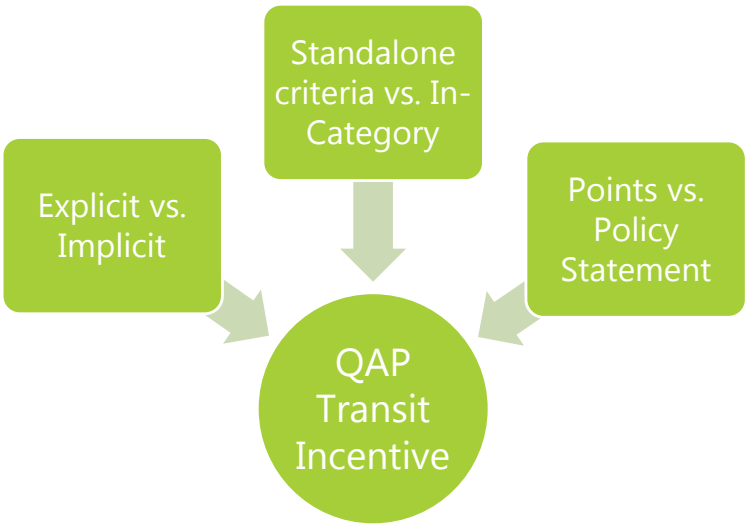


Figure 4.
Summary of QAP Transit Incentive Components

There has been a trend toward more pronounced explicit incentives for transit access in state housing agency QAPs, both in terms of the number of agencies that incorporate explicit incentives and how those incentives are structured. Figure 5 illustrates this change. As it demonstrates, the number of state housing agencies that incorporate some type of explicit incentive for transit access doubled from 17 in 2003 to 35 in 2013. Figure 6 illustrates the type of incentives each state used as of 2013.

There has been a trend toward more pronounced explicit incentives for transit access in state housing agency QAPs, both in terms of the number of agencies that incorporate explicit incentives and how those incentives are structured.

Much of this growth occurred by 2008 but the type of incentives included continued to change through 2013, with the growth uneven across the three incentive types. The primary type of incentive used among state housing agencies to encourage transit access in 2003 was "explicit points in a category." In 2003, no state agency incorporated "explicit standalone points" as the incentive type. By 2008, the number of agencies that incorporated incentives for transit access had increased to 34. However, the proportion of agencies that had adopted "explicit points in category" declined from 71% of all incentives in 2004 to 53% in 2008, while the proportion of agencies that had adopted explicit standalone points increased from 5% in 2004 to 21% in 2008.

From 2008 to 2013, the total number of agencies that incorporated some type of explicit incentive for transit proximity remained fairly constant, but the proportion of agencies that adopted explicit standalone points increased to 40%.[16] The proportion of agencies that incorporated an explicit policy statement in support of transit proximity but did not award any points remained fairly constant from 2003-2013.

There is variation in how housing agencies define transit for the purpose of qualifying for the incentive. Requirements vary most commonly based on the following characteristics:

- Mode of transit, e.g. bus vs. rail, etc.;

Figure 5. Number of State Housing Agencies with Transit Incentives by Incentive Type, 2003-2013

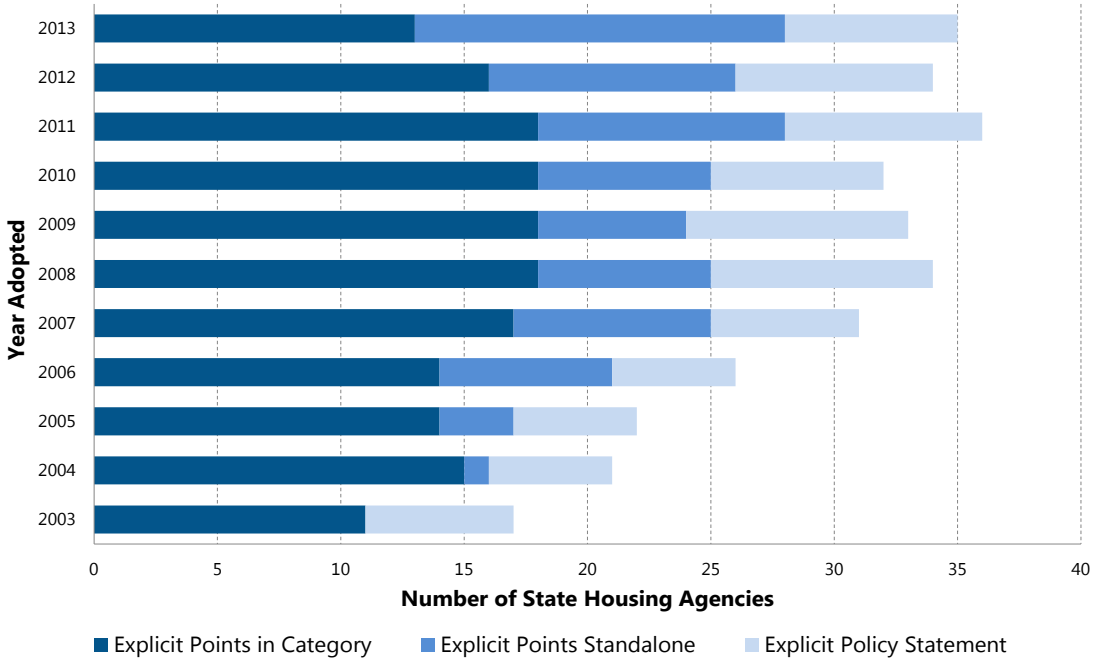
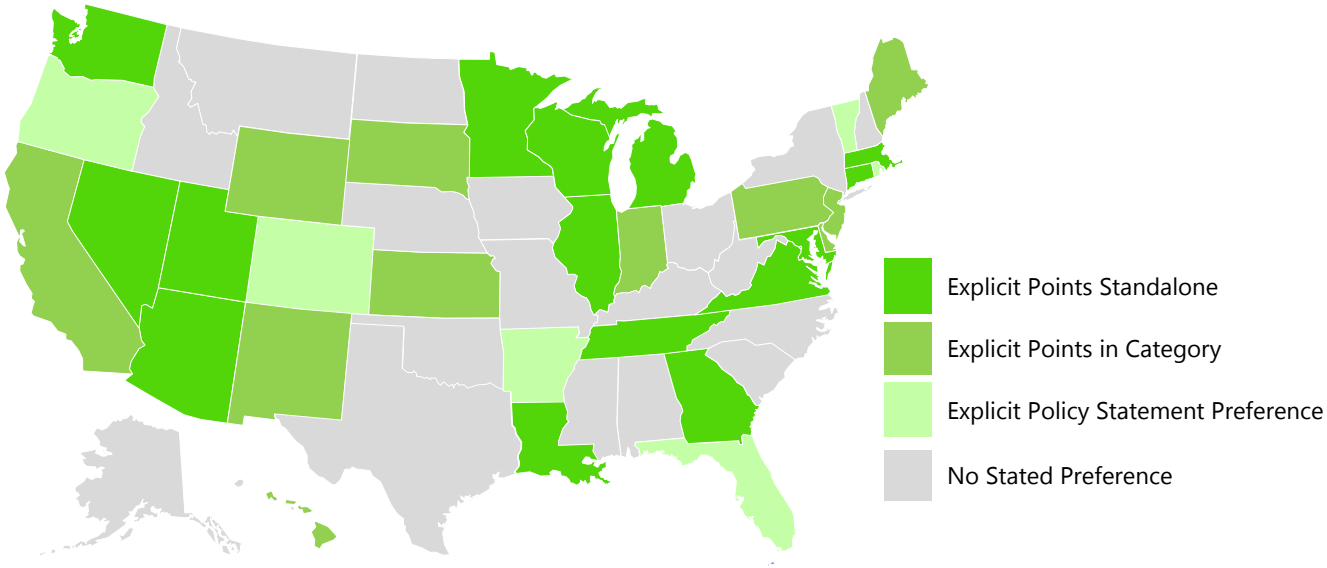


Figure 6. Type of Preference for Transit Proximity in the Most Recent QAP



- Distance of the development from the transit location; and
- Frequency of service, including the hours of service and service headways.

Figure 7 below illustrates examples of the variety of approaches state agencies use to implement the transit requirements in their QAPs.

Figure 7. Transit Requirement Examples

	Transit	Distance	Geography	Other Requirements
Arizona	Bus	.25 mile	Greater Phoenix	Min. 15 hours of service on weekdays, 12 hours on weekends at 30 minute intervals between 6:00AM-6:00pm
			Tucson	Min. 12 hours of service on weekdays at 30 minute intervals between 6:00AM-6:00PM, Min. 10 hours of service on weekends at 1 hour intervals between 6:00AM-6:00PM
			Balance of State	Min. 8 hours of service on weekdays at 1 hour intervals from 9:00AM-5:00PM
	Rail	.50 mile		
California	Bus	.33 mile		Scheduled service every 30 minutes from 7:00-9:00AM and 4:00-6:00PM
	Rail	.25 mile		
Colorado	Rail	.50 mile		
Connecticut	Rail	.50 mile		Must be part of a Transit-Oriented Development as defined by the Connecticut General Assembly
	Other	.25 mile		
Delaware	Bus	.25 mile	New Castle County	
		.50 mile	King/Sussex County	
District of Columbia	Bus	.25 mile		
	Rail	.50 mile		
Georgia	Undefined	300 ft; .25 mile; or .50 mile		The stop must rest along a transit line that follows a fixed route and daily schedule.
Illinois	Bus and Rail	.25 mile	Chicago	Operates on a schedule beginning no later than 8am and ending no earlier than 6pm, Monday through Friday
		.50 mile	Chicago Metro	
		.75 mile	Other Metro	
		1.0 mile	Non-Metro	
	Dial-A-Ride			
Indiana	Bus, Rail, or Ferry	.25 mile		Fixed transit infrastructure must exist or be planned, approved and funded at the time of application.
Louisiana	Undefined	1.0 or 2.0 miles		
Maine	Undefined	1,500 ft		Year-round service available 5 days per week that provides regular service from 6:30-9:30AM and 3:00PM-6:00PM daily.
	On-demand			On-call transportation services that operate at least 3 days per week and provide service throughout the day.

	Transit	Distance	Geography	Other Requirements
Maryland	Rail and Bus	.50 mile		Must be a part of a TOD as designated by the Maryland Department of Transporation; or within half-mile of a planned or existing transit rail stop or stationl or (b) a transit node that brings at least two bus lines or other forms of transit (excluding cars) together.
Massachusetts	Bus, Rail, and Ferry	.50 or .75 mile		Must be nearby services such as retail or commercial opportunities, grocery or convenience stores, restaurants and municipal offices.
Michigan	Bus	.10 mile		
	Walkability			Measured by the property's Walk Score
Minnesota	Bus and Rail	.50 or .25 mile	Metropolitan Area	Highest preference for properties within a half-mile of light rail transit, bus rapid transit, or commuter rail stations.
	Undefined, Dial-A-Ride	.50 or .25 mile	Greater Minnesota	Fixed route stop, or located within 5 miles of a job center, community services, and dial-a-ride service.
Montana	Undefined	1.5 mile		
Nevada	Undefined, School Bus	.25 mile		
New Jersey	Bus, Rail, Ferry	.50 mile		Mixed-use TOD development or Transit Village as designated by the NJ Dept. of Transporation.
New Mexico	Bus, Rail, and Ferry	.50 mile	Suburban/Mid Size Towns	At least 60 or more transit rides per weekday, and some type of weekend ride option.
	Other	5 miles	Rural/Tribal/ Small Towns	Transit-options include vehicle share program; dial-a-ride program; employer vanpool; and public-private regional transportation
South Dakota	Bus, On-Demand	1 city block		Projects that provide free transportation on a regularly schedule or on-call basis
Tennesse	Bus and Rail	.50 miles	Urban	Also includes regional transporation services utilizing vans or buses, and human resource agency vanpools.
		5 miles	Rural	
Utah	Rail	.33 mile		Highest preference for properties contiguous to a FrontRunner or TRAX rail station.
Virginia	Bus	.25 mile		
	Rail	.50 mile		
Washington	Bus, Rail, and Ferry	10-minute walkshed	King County	Located within a 10-minute walkshed of Fixed Transit Infrastructure and located in an area zoned for high-capacity transit-supported density.
Wisconsin	Bus, Undefined	.20 mile		
Wyoming	Undefined	1.5 miles		

Key Challenge: Maintaining Balance in the QAP

In order for a property to receive low income housing tax credits that will lead to a desired policy outcome, housing agencies must place sufficient incentives in the QAP to lead to that desired policy outcome, e.g., developing or preserving housing near transit. However, housing agencies can find it difficult to adopt QAP incentives that encourage development near transit while still addressing the housing needs of communities with little or no transit infrastructure. Housing agency staff and developers alike expressed concern about adopting transit incentives out of fear that it might skew the allocation process in favor of properties located in urban areas with heavy transit infrastructure and make it effectively impossible for suburban and rural properties to compete. A developer from Pennsylvania expressed her concern this way:

> "Too strong of an emphasis on transportation corridors will direct so many of the resources to just the urban hubs and truthfully we know we need affordable housing throughout the state whether it's rural, suburban or urban areas, so I think it's a very fine balancing act that HFA has to do. So I don't think the QAP can be just written in such a way that it really only works for urban areas."

Similarly, a housing policy advocate in a Midwestern state expressed her concern that rural areas could be shut out of the development process if the QAP point system is used to encourage development near transit:

> "The point system I think is great in theory, and I think it works with a lot of developments, but there are a vast amount of rural areas that you don't want to shut out of this process. We struggle with how to balance making transit access more common but also getting development out into the rural areas. You know it's really hard when you have to have low income housing accessible across all of the neighborhoods and all of the areas of the state."

Stakeholders also discussed the challenge of developing a workable definition of transit access that can be used as part of a statewide preference. It is difficult to develop a "one-size fits all" criteria for the type of transit and level of service a property should meet in most states given the diversity of urban, suburban, and rural communities. A developer who works in Massachusetts described this challenge:

> "You have to look at a transit metric that is one thing in the city of Boston where we have mass transit and that's another thing in places like Wareham or New Bedford or Springfield where there might be a bus network. So it is difficult to find a good metric that could let people measure how their deals are going to score in those regards. It's easy to say transit access is important, but it's really hard to operationalize it for an application."

However, several approaches adopted by housing agencies demonstrate how the QAP can maintain balance in meeting diverse state housing needs and include robust preferences for properties located near transit or are otherwise location efficient.

Strategies for Maintaining Balance in QAPs

Several approaches adopted by housing agencies demonstrate how the QAP can maintain balance in meeting diverse state housing needs while still including robust preferences for properties located near transit or are otherwise location efficient. Approaches include:

- Create geographic pools that allow developments from similar types of communities to compete with each other, i.e. a development from a suburban location would compete only with other suburban developments, rather than developments from an urban location;
- Define transit requirements differently based on the variety of transit infrastructure that can be found throughout a state (e.g. require bus service in urban areas to have more frequent service than bus service is suburban or rural areas); and
- Incorporate other place-based criteria to encourage development that is location efficient for other reasons than transit access, such as proximity to job or town centers.

Geographic pools allow agencies to target a specific percentage of their tax credit authority to different regions of a state. The use of geographic pools can result in a more equitable distribution of resources because they allow properties from similar contexts to compete against each other.

Strategic Approach #1: Geographic Pools.

Geographic pools allow agencies to target a specific percentage of their tax credit authority to different regions of a state. The use of geographic pools can result in a more equitable distribution of resources because they allow properties from similar contexts to compete against each other. In a number of states, the introduction of geographic pools have allowed the housing agency to incorporate transit preferences for the first time or to develop more nuanced criteria tailored to the diversity of communities in a state.

In its 2010 QAP, the Illinois Housing Development Authority (IHDA) created geographic set asides for the first time and also adopted more nuanced selection criteria to evaluate a development's transit accessibility. The agency distributed the credit authority among four geographic typologies: the City of Chicago, the Chicago Metro area, other metro areas, and non-metro areas. According to IHDA, the intent of the set asides was to create a more level playing field by ensuring that the same scoring criteria were not being used to evaluate developments from different geographical contexts. Prior to the geographic set asides, developments were considered close to transit if they were located within four blocks of a regular bus route or rapid transit system. IHDA concluded that this definition of close proximity favored more urban areas. Once the set asides were established, IHDA adopted tailored selection criteria for each type of geography. Close proximity was defined as the following for each type of geography:

- Chicago – 6 blocks
- Chicago metro- 1 mile

- Other metro – 1.5 miles
- Non-metro – 2 miles

Similarly, the Washington State Housing Finance Commission (WSHFC) incorporated geographic pools in its 2013 QAP so that similar developments could compete against like developments and allocation criteria could be tailored to the specific geographies. The agency developed three geographic categories based on a number of data indicators at the county level, including population size, population density, population living in Urbanized Areas, access to local housing funds, development capacity, and housing needs.[17] The three geographic categories identified were King County (which contains the city of Seattle), other metro counties, and non-metro counties.

While the agency did not specifically develop the geographic pools in order to add transit incentives, the approach created an opportunity to include targeted allocation criteria to encourage transit-accessible proposals in urban King County. Prior to creating the pools, the housing agency struggled with how to implement a statewide transit-oriented development policy. As one agency official put it:

> "As we changed our general allocation scheme to divide the state into these 3 geographic pools, we started looking at how we are going to incent developments within each one of these and TOD just became obvious. It became a lot easier to apply a TOD policy to King County now that King County is separate. Before, we were faced with writing a statewide TOD policy, which doesn't make a lot of sense in the agricultural parts of the state."

The TOD policy WSHFC has developed is only applicable to locations in King County. Developments can earn 1 point if they are located within a 10-minute walkshed of Fixed Transit Infrastructure in an area zoned for high-capacity, transit-supported density. Although the TOD policy is specific to King County, WSHFC also encourages properties competing in the metro and non-metro pools to be location efficient. Properties can earn points if they are within a certain distance of essential facilities including grocery stores and other types of retail, civic and community facilities, or other types of services. The distance requirement for the incentive varies from up to one-half mile in urban locations to up to 2 miles in rural locations.

Strategic Approach #2: Tailored Transit Requirements.

Other housing agencies that have not created geographic pools are also developing transit preferences that are tailored to the diverse geographies and transit options of their state. In Arizona, transit incentives in the QAP evolved over time as the Department of Housing (DOH) sought to reflect the housing needs and transit accessibility of the diverse range of communities throughout the state. DOH began incorporating incentives for sustainable development in 2008 when it awarded 10 points to properties that met three out of four indicators of sustainable

development, including being located within one mile or less of a mass transit route. In 2010, DOH increased the number of points available and also more narrowly defined the types of transit and level of service required to qualify for the incentive. DOH awarded 5 points if the property was located within a quarter mile of high frequency "Quality Bus Transit"[18] and 10 points if it was located within a half-mile of "High Capacity Transit" defined as "light rail transit, commuter rail, intercity rail and streetcar."[19] DOH consulted with transit-oriented development experts from the state Department of Transportation (DOT) and the Sustainable Communities Collaborative to define the transit modes and minimum service required to receive the incentive.

DOH expected the collaboration to give the housing agency credibility as it sought to increase the emphasis on transit proximity. However, there was pushback from affordable housing developers and advocates who were concerned that very few developments would meet the strict service frequency requirements given the lack of rail transit and high frequency bus service outside of the Phoenix metro area. In response, DOH adjusted the selection criteria to distinguish between the required level of bus service in the Greater Phoenix area, Tucson, and the rest of the state. For example, the 2012 QAP required weekend bus headways[20] of 30 minutes or less from 6am to 6pm in the Greater Phoenix area and one hour or less in Tucson. Bus service in the rest of the state had to meet a minimum of one hour weekday headways from 9am to 5pm to qualify. According to agency staff, adjusting the criteria to distinguish between the various types of communities has allowed them to encourage developers to provide affordable housing where there is public transportation regardless of whether they are in Phoenix or a rural community. By developing different incentive requirements for different types of communities, DOH aims to encourage sustainable development that is appropriate to a variety of local contexts.

Affordable housing developers and advocates in Arizona were concerned that very few developments would meet the strict service frequency requirements in the state's QAP. In response, the Department of Housing adjusted the selection criteria to distinguish between the required level of bus service in the Greater Phoenix area, Tucson, and the rest of the state.

Strategic Approach #3: Incorporating Other Means of Location Efficiency.

A third approach housing agencies have adopted to promote access to community amenities and reduce transportation costs, while not disadvantaging communities without transit service, is incorporating other place-based criteria. A place-based criterion can be added to encourage development that is location efficient for reasons other than transit access, such as proximity to job or town centers.

In Minnesota, QAP incentives for transit access have evolved to reflect the variety of transportation options within the Twin Cities metropolitan region and throughout the rest of the state. The state's housing finance agency, Minnesota Housing, began to encourage development near transit through targeted incentives in the 2011 QAP. Initially, the agency was focused on promoting affordable housing within walking distance of the central corridor light rail system in the Twin Cities metropolitan region. Significant investment in the rail system was occurring and Minnesota Housing saw an opportunity to secure transit-accessible housing opportunities before land prices escalated. Locations

within walking distance to fixed route public transit stations or stops were eligible to receive 3 points.

The agency, however, experienced some push back from housing advocates who thought the QAP should also encourage location efficient housing in areas without public transportation. Advocates were concerned that the preference for fixed route public transportation stops would discourage development in rural areas. They urged the agency to adopt a more nuanced definition of location efficiency that recognized regional differences. In the 2012 QAP, Minnesota Housing adjusted the location preference to reflect these concerns. The agency awarded points to properties located outside of the Twin Cities metropolitan region if they were located within 5 miles of 2,000 low- and moderate-wage jobs and were located within one mile of at least four community facilities or services. Minnesota Housing also added access to dial-a-ride services during standard workday hours as a qualifying transportation option. The agency also added more nuanced criteria for qualifying transit services in the Twin Cities metropolitan region while still maintaining a preference for properties near the central corridor transit system. The 2012 QAP awarded 3 points to properties located within a half-mile of light rail transit, bus rapid transit, or commuter rail stations. In addition, 2 points were awarded to properties located within one quarter mile of a high service public transportation fixed route stop or within one half mile of an express bus route stop or park and ride.

A third approach housing agencies have adopted to promote access to community amenities, while not disadvantaging communities without transit service, is incorporating other place-based criteria. A place-based criterion can be added to encourage development that is location efficient for reasons other than transit access, such as proximity to job or town centers.

Key Challenge: Addressing the Cost of Developing Affordable Housing near Transit

Housing developers generally recognize the benefits of locating affordable housing near transit. However, higher costs associated with transit-accessible affordable housing can make it difficult to identify sufficient sources of capital to finance the development. Our interviews illuminated several strategies to address this barrier and increase the financial feasibility of LIHTC developments near transit. These strategies include:

- aligning gap financing sources to support development near transit;
- reducing development costs through improved land-use policies;
- balancing cost containment in the LIHTC program so that higher cost developments are not put at a disadvantage;
- expanding the use of the basis boost for transit-accessible developments; and
- improving coordination across transit and housing agencies to better leverage and maximize resources.

Drawing on discussions with a range of housing and transit stakeholders, this section highlights how these strategies are being used in a variety of states. It became clear from our interviews with developers that many view providing access to transit as part of their mission to help improve the lives of their residents. A developer from a northwestern state cited the impact high commuting costs can have on the budgets of low-income households:

> "In metro areas across the country, the cost of transportation for a low-income family can be very high and it's usually the number two household cost right after housing. So to the extent that we can help people either live without a car, or use their car less, we hope that that will allow them to preserve more of their household income for other necessities."

A developer from a mid-Atlantic state discussed the role public transportation plays in allowing low-income individuals to access employment and critical services:

> "A big piece of what we're doing is to try to make life better for people with modest means. Often public transportation is the only way the residents have to get to their employment. They don't all own cars. They're often younger, or you have two working people in the household, and you have one vehicle. So it's really an advantage to our residents to have access to public transportation. At a minimum, we try to have properties that are along public bus routes, within a reasonable walking distance. And the same thing is true for the seniors we serve. They often don't have any means to get to doctor appointments or shopping, unless there's public transportation available."

While providing access to transit is an important consideration to developers, the final decision of where to pursue development opportunities comes down to real estate fundamentals and the financial feasibility of a particular development. Determining financial feasibility consists of (a) assessing the costs of acquiring and developing the housing and the prospect of raising sufficient resources to secure these costs; and (b) evaluating whether operating and debt service costs can reasonably be provided for based on expected operating income.

While providing access to transit is an important consideration to developers, the final decision of where to pursue development opportunities comes down to real estate fundamentals and the financial feasibility of a particular development. Determining financial feasibility consists of (a) assessing the costs of acquiring and developing the housing and the prospect of raising sufficient resources to secure these costs; and (b) evaluating whether operating and debt service costs can reasonably be provided for based on expected operating income. However, higher demand for sites near transit can mean higher costs. Access to transit can increase the value of nearby property. Research has documented that developers are willing to pay more for a property near certain types of transit than they would for a comparable property in the same region that does not have transit access. The premium a property near transit will garner can depend on a number of factors, including a transit system's regional connectivity and frequency of service. Generally, the more capacity a transit system has to move people through a region, the more demand there is to access the system. A study recently released by the American Public Transportation Association and the National Association of Realtors found that during the last recession residential property values performed 41 percent better on average if they were located near public transportation with high frequency service.[21]

Developers identified the cost of providing affordable housing near transit as a significant barrier. Higher acquisition and development costs can make it difficult to finance the preservation and construction of affordable housing near transit, as compared to other locations. Affordable housing developers are unlikely to have the capital on hand that is needed to acquire expensive sites. Lack of capital puts affordable housing developers at a disadvantage when competing with market rate developers to acquire transit-accessible sites. Affordable housing developers can hedge against increasing land prices by acquiring properties before land speculation begins. However, in regions where new transit infrastructure is being built, land prices can start to increase well in advance of when the system is up and running. Property values tend to increase as soon as plans for new transit investments are announced and continue to increase as construction of the transit site moves toward completion. This was the case in Atlanta as described by one developer:

"When the Beltline happened it really exacerbated the value of the properties in the Beltline. It was publicly known what was getting ready to happen and the owners of those properties began to make an adjustment in valuation."

As one would expect, these cost challenges can significantly impact a developer's decision to pursue transit-accessible sites. An official from a state housing agency summed it up this way:

"Building affordable housing within a half mile of light rail stations is not the easiest way to build affordable housing. In fact, it's one of the more complicated ways to build affordable housing. You have to deal with high land prices.... In low income rental housing, a suburban apartment complex, a standard two-story out on a flat piece of dirt someplace is really the easiest thing to do."

Drawing on discussions with a range of housing and transit stakeholders, this section highlights several strategies to overcome the cost challenges of preserving and developing affordable housing near transit.

Strategies for Overcoming Cost Challenges

Strategic Approach #1: Prioritize and Align Gap Funding Sources

A recurring theme identified from discussions with stakeholders was that targeting acquisition, pre-development, and construction "gap" financing to transit-proximate developments would be a significant incentive. A number of respondents indicated that prioritizing gap financing for use in developments near transit would increase the competitiveness of such developments in the tax credit competition and would have a more significant impact on their development decisions than the incentives for transit access currently available in the QAP.

A number of respondents indicated that prioritizing gap financing for use in developments near transit would increase the competitiveness of such developments in the tax credit competition and would have a more significant impact on their development decisions than the incentives for transit access currently available in the QAP.

Gap financing is often needed to ensure the financial feasibility of a LIHTC development. Tax credit equity and debt products are typically insufficient to cover all of the acquisition, construction, and soft costs of a development. Various sources of gap financing are often required to bridge the gap in financing until all permanent financing sources are secured. Sources of gap financing vary but can include public sources of funding from federal, state, and local government housing programs, philanthropic programs, tax increment financing, community banks and community development financial institutions (CDFI).

There are three key reasons why prioritizing gap financing for transit proximate developments is important within the context of the use of the tax credit program to preserve and develop affordable housing. First, to be eligible for 9 percent tax credits, housing developers must demonstrate control of the site. Access to acquisition gap financing can be particularly important for developments in areas of high land costs where significant capital is needed to acquire sites and where there is strong competition from market rate developers for desirable locations. Market rate developers have an advantage over affordable housing developers in that they are more likely to have the capital on hand to acquire a site. In addition, since conventional market rate developers can charge higher rents than affordable housing developers, they can typically pay more to acquire a site and still develop a financially feasible development.[22] Acquisition financing can help "level the playing field" so affordable housing developers can compete with market rate developers for sites near transit.

Second, gap financing is also critical to LIHTC projects because land costs cannot be included when computing the amount of credits available to a particular project. The maximum amount of tax credits a development can receive is determined by its eligible basis which is calculated based on (1) the cost of new construction; (2) the cost of rehabilitation; or (3) the cost of building acquisition.[23] The cost of land

is not included in the basis calculation because it is not considered a depreciable expense. Therefore, developers are not eligible to receive tax credit equity to cover the cost of land acquisition. As a result, higher cost developments can have significant financing gaps and need additional sources of subsidies.

Developers identified the cost of providing affordable housing near transit as a significant barrier. Higher acquisition and development costs can make it difficult to finance the preservation and construction of affordable housing near transit, as compared to other locations. Acquisition financing can help "level the playing field" so affordable housing developers can compete with market rate developers for sites near transit.

Third, it is common for QAPs to include point scoring incentives for developments that have received a commitment of gap financing. In many states, the QAP awards more points to developments for gap financing commitments than they do for transit access. As a result, a number of respondents indicated that receiving a commitment of gap financing would make their application for tax credits more competitive. For example, a housing policy expert in Atlanta, Georgia indicated that securing gap financing from the Atlanta Beltline Affordable Housing Trust Fund (BAHTF) can increase the potential score of a tax credit application for two reasons. First, the state housing agency views applications with no financing gaps more favorably than developments with gaps. Second, there are points in the QAP for developments that specifically receive Beltline Affordable Housing Trust Fund dollars.

Respondents identified a number of examples of gap financing sources that prioritize transit proximity. The extent to which the gap financing sources targeted transit proximate developments varied. In some cases, the financing sources were specifically designed to support only properties near transit. This was particularly the case in areas where significant new transit investments are occurring. In most cases, however, transit proximity was a stated preference but not required to receive gap financing.

Respondents identified several transit-oriented acquisition and pre-development funds that are being used to leverage LIHTCs to support the development and preservation of affordable rental housing near transit. In Arizona, a $20 million Sustainable Communities Fund provides pre-development and bridge financing for affordable housing development along the 20-mile light rail line that stretches through the cities of Phoenix, Tempe and Mesa. The Fund was initially capitalized with investments by the Local Initiatives Support Corporation (LISC) and Raza Development Fund. The Fund is administered by the Sustainable Communities Collaborative (SCC) which consists of 18 different public, private, and non-profit partners all focused on supporting economic development within the high capacity transit corridors. According to SCC, the Fund represents the first set of financial incentives designed to promote equitable TOD in the Phoenix metro area.[24] One member of the collaborative said the Fund was created to make it easy to do transit-oriented development in the area, which she said was "everything but easy" before targeted financial incentives were put in place.

In Denver, Colorado the creation of a TOD acquisition fund and a focus on transit proximity in city gap financing sources were identified by several respondents as effective drivers of affordable housing development near transit. The nation's first affordable housing TOD acquisition fund was established in Denver in 2010 through a partnership among the Urban

Land Conservancy (ULC), Enterprise Community Partners, the City and County of Denver, and several other investors. The City of Denver played an important role in the creation of the fund by contributing $2.5 million in a top loss position.[25] Top loss funding is the most critical financing piece in an acquisition fund because it is most at risk if there is a shortfall in repayment, and is necessary for attracting more risk-averse investors.[26] Without this funding in place, the remaining investors are often unwilling to fund projects, making this type of funding critical to projects moving forward. The Colorado Housing Finance Agency also invested in the Fund by contributing $2 million in a low level security position. According to ULC, as of April 2013, 8 properties have been acquired using the $15 million TOD Fund resulting in the preservation or production of 626 affordable homes.[27] In addition to investing in the TOD Fund, the City of Denver has established transit access as a priority in its other housing programs that provide low-interest loans for affordable housing preservation and development.[28]

Another example of a source of gap financing for affordable housing that is specifically targeted to properties near transit is the Beltline Affordable Housing Trust Fund (BAHTF) in Atlanta, Georgia. The purpose of BAHTF is to ensure that low- and moderate-income households can live within the Atlanta Beltline, a wide-ranging urban redevelopment aimed at connecting 45 Atlanta neighborhoods through the re-use of 22-miles of historic railroad corridors.[29] BAHTF provides incentives for the development and preservation of both single- and multifamily affordable homes. The Fund can be used to provide a subsidy of up to $40,000 per unit to create or preserve affordable rental housing or assist the developer with property acquisition by subsidizing land costs.[30] BAHTF is capitalized by 15% of net proceeds from the Beltline tax allocation district.[31]

In addition to these funds that were developed specifically to support affordable housing in transit accessible neighborhoods, there are other types of gap financing sources that promote affordable housing more generally. In some cases, these financing sources may include stated preferences for properties near transit.

A number of respondents identified tax increment financing as an important tool for generating subsidies to be used with LIHTCs. In Portland, Oregon, 30% of tax increment financing[32] tied to Urban Renewal Areas (URA) is set aside for affordable housing. A developer who works in Portland said she targets sites within the URA because of the availability of local resources that can be combined with LIHTCs. Although the tax increment funding is not tied explicitly to transit access, because the URAs are located in high density downtown areas, they tend to have transit service.

In Connecticut, the Department of Economic and Community Development, which administers the state's Housing Trust Fund, provides an additional preference to transit-oriented developments. The closer a development is to a transportation hub, the higher priority a development will receive. According to one respondent, funding from

Respondents identified several gap financing sources that are being used to leverage LIHTCs to support the development and preservation of affordable rental housing near transit:

- Arizona's Sustainable Communities Fund
- Denver, CO TOD Acquisition Fund
- Atlanta Beltline Affordable Housing Trust
- Portland, OR tax increment financing tied to Urban Renewal Areas
- Connecticut's Housing Trust Fund
- Seattle's levy and Washington State's housing trust fund

the Housing Trust Fund is essential for rounding out the financing of tax credit developments. The Fund is capitalized through general obligation bond proceeds. The State of Connecticut has committed $300 million over ten years to preserve and upgrade existing affordable rental housing.[33]

Other important sources of gap financing are federal HOME Investment and Community Development Block Grant (CDBG) funds that are administered by state and local governments. Both programs provide flexibility in how the funds are used to allow jurisdictions to implement the type of community development strategies that are necessary to meet local needs and priorities.[34] A number of respondents specifically identified these funding sources, and how they are prioritized, as having an impact on where affordable housing is preserved or developed. A number of respondents said that localities could encourage affordable housing near transit by indicating a preference for developments with transit access in their allocation process.

In addition to making gap financing for transit accessible developments available, respondents said it would help if the allocation requirements and criteria were aligned across all funding sources. Typically developers of affordable housing must assemble financing from multiple sources to fully fund a development. For example, in Washington State most developments that receive an allocation of 9% tax credits also get city levy and state housing trust fund money. Recently, the Puget Sound Regional Council (PSRC) has been working with various funders to ensure that requirements are consistent across all of their funding programs. This includes developing a precise definition of TOD to be used in all programs, including the LIHTC. One respondent said this alignment is critical to ensure that local sources of gap financing are supporting developments that will meet the same requirements of the QAP.

The Puget Sound Regional Council (PSRC) has been working with various funders to ensure that requirements are consistent across all of their funding programs. This includes developing a precise definition of TOD to be used in all programs, including the LIHTC. One respondent said this alignment is critical to ensure that local sources of gap financing are supporting developments that will meet the same requirements of the QAP.

Strategic Approach #2: Improve Land-Use Policies to Reduce Development Costs

In addition to the challenges posed by gap financing, the respondents cited land use regulations as another challenge to affordable housing development and preservation. Local land use requirements can complicate the economics of an affordable housing development by increasing development costs, thereby making it more difficult to finance the development. Respondents identified several types of land-use policies that can be particularly challenging including minimum parking requirements, restrictions on density, and property taxes. While there are limitations on what housing agencies can do directly to address these challenges, several respondents underscored the importance of working across state and local agencies to mitigate the impact of these policies on the development of affordable housing near transit.

Parking Requirements: Many respondents identified reductions in minimum parking requirements as an important incentive for developing affordable housing near transit. The cost of providing parking can be expensive, especially if land is limited and structured parking is required. A developer from Pennsylvania estimated the cost of structured parking

in downtown Pittsburgh to be approximately $30,000 per space. When municipalities lower parking requirements, it allows developers to save money which can be put towards increasing the number of units at the property and ultimately improve the economics of the development.

A number of developers who work in areas with established transit systems said that municipalities have been willing to reduce parking requirements. In Portland, Oregon, for example, a number of respondents said that parking requirements were a "non-issue" because the city lowered parking requirements for properties along the light rail line some 10 years ago. It is not uncommon for properties in Portland to have .4 parking spaces per unit, or, in some cases, no parking spots if located within the transit corridor. Likewise, a developer from Maryland said the City of Baltimore was supportive of reducing parking requirements for one of her properties that was located four blocks from a light rail station.

However, developers from areas with fairly new or expanding transit systems indicated that some municipalities still need to be convinced that parking requirements near transit stations should be reduced. A developer who works in the Phoenix metro area said that parking is the number one issue that some municipalities in the region will have to deal with to really advance transit-oriented affordable housing. In Mesa, Arizona, for example, he said that a parking variance is necessary to reduce the requirement to one parking space per unit. Similarly, in the Twin Cities region, a developer commented that some of the more suburban municipalities require as many as three parking spaces per apartment even if the property has good access to transit.

Housing agencies can encourage localities to reduce parking minimums through sharing parking usage data. In Arizona, an official from the housing agency said he has been trying to make cities more aware of the need for lower parking requirements in tax credit properties near transit. He has documented, for example, one property along the light rail line where the parking lot is typically only half full during the evening when most residents should be home from work, illustrating the need to reduce parking requirements.

Density Restrictions: Many respondents also identified relaxing restrictions on density or providing density bonuses in exchange for setting aside affordable housing as important incentives for creating affordable housing near transit. Such policies can help foster mixed-income, transit-oriented communities. Mixed-income communities provide poorer households greater access to economic and social opportunities than do communities with concentrated poverty.

In Denver, Colorado, developers can build to a higher density than is normally permitted if a development is adjacent to a transit station. The Denver Housing Authority (DHA) has taken advantage of this policy to redevelop existing affordable housing into mixed-income communities while also increasing the overall number of low-income housing units located near transit. In 2009, DHA began the redevelopment of South

Local land use requirements can complicate the economics of an affordable housing development by increasing development costs, thereby making it more difficult to finance the development. Respondents identified several types of land-use policies that can be particularly challenging including minimum parking requirements, restrictions on density, and property taxes.

Lincoln Homes, 270 public housing units located adjacent to the 10th & Osage rail station in Denver's La Alma/Lincoln Park neighborhood. DHA sought to take advantage of La Alma/Lincoln Park's location within one-mile of downtown Denver and adjacent to rail service to transform South Lincoln Homes from 100% public housing units into a higher density mixed-used, mixed-income community. DHA proposed a complete redevelopment of South Lincoln Homes, which had fallen into obsolescence, and the addition of 147 market-rate units, with the higher density being allowed because of its location adjacent to a transit station. Funding for the redevelopment included LIHTCs, a HUD grant and additional financing from both the state and the city. An official from DHA underscored why being close to transit is important for transforming the neighborhood into a mixed-income community:

"Our model is a higher density mixed income approach because we want to attract market rate into the neighborhood as much as preserve the existing public housing and so the location becomes very important. We know that the desired market, especially younger urban professionals, will locate to urban settings that have been within walking distance of the light rail station."

In Washington State, the City of Seattle approved an increase in density in exchange for the inclusion of affordable housing as part of the redevelopment of Yesler Terrace. Like South Lincoln Homes, Yesler Terrace is an existing public housing site that is being redeveloped, using Low Income Housing Tax credits, into a mixed-income, mixed-use community. The property originally consisted of 561 affordable apartments built in 1941 for households with incomes equal to or less than 30% of the area median income. In 2011, the Seattle Housing Authority adopted a plan to redevelop the site in order to preserve the aging public housing units and fix the property's deteriorating infrastructure. Adding to the importance of the redevelopment was Yesler Terrace's location. The site is located within one-mile of 25% of downtown Seattle's job market and is well-served by transit. A new streetcar line that extends through the property's 30 acres will be operational in mid-2014.[35]

The Seattle Housing Authority determined that financing the redevelopment required increasing the density of the site. The final redevelopment plan called for a total of 5,000 residential units on the site, including the replacement of all 561 public housing units. As a condition of approving a zoning change to allow the higher density, the City required the addition of affordable housing (serving households with incomes from 30-60 percent AMI) and workforce housing (serving people with incomes below 80 percent AMI).[36] When completed, the site will also include between 1,200 and 3,000 market rate homes.[37]

Property Taxes: Property tax relief was also identified as an important incentive that localities could use to support affordable housing near transit by reducing development costs. A developer in Massachusetts commented that tax relief was a big component of a preservation transaction she recently completed. The City of Portland, in Oregon, offers a Multiple-Unit Limited Tax Exemption program for properties

located in designated metropolitan smart growth areas or within a quarter mile of a MAX light rail station. The tax exemption reduces operating costs over a minimum of ten years for properties where at least 20 percent of the rental units are affordable to households making 60 percent or less of the area family median income. Properties with long-term use restrictions through state or federal affordable housing programs, including LIHTCs, can apply to have the exemption period extended beyond the 10-year frame.[38] In Minnesota, a coalition of affordable housing stakeholders have recently released a report that recommends offering property tax incentives to owners of unsubsidized rental housing in exchange for maintaining affordable rents. The report identified a priority for unsubsidized rental housing in new transit corridors where market pressures may lead to escalating rents and the involuntary displacement of lower income renters.[39] Authors of the report conducted interviews with property owners and city representatives during which property tax incentives were cited most frequently as a promising intervention to preserve unsubsidized affordable rental housing. The report states, "owners expressed concern about the amount and unpredictable nature of taxes, while cities recognized this as being a major point of leverage with their owners."[40]

The City of Portland, in Oregon, offers a Multiple-Unit Limited Tax Exemption program for properties located in designated metropolitan smart growth areas or within a quarter mile of a MAX light rail station. The tax exemption reduces operating costs over a minimum of ten years for properties where at least 20 percent of the rental units are affordable to households making 60 percent or less of the area family median income. Properties with long-term use restrictions through state or federal affordable housing programs, including LIHTCs, can apply to have the exemption period extended beyond the 10-year frame.

Strategic Approach #3: Balance Cost Containment and Securing Affordable Housing near Transit

Another common theme raised among respondents was the tension between creating and preserving affordable housing near transit and the goal of containing costs in the LIHTC program. Policies such as caps on development costs and incentives for cost efficiencies in the QAP can make it difficult for transit-oriented developments to compete for 9 percent tax credits. While most respondents acknowledged that it is important for agencies to implement strategies to contain costs, they also underscored the importance of doing so in a balanced manner that does not undermine the ability to deliver developments that best serve the needs of low- and moderate-income households.

There are a number of reasons housing agencies pursue cost containment strategies in the LIHTC program. It is important for agencies to administer a cost-effective program in order to address the growing need for affordable rental housing at a time of limited and potentially shrinking resources. Many industry experts fear that if LIHTC costs are perceived to be too high it will put the program at political risk.[41] In addition, Section 42 of the IRS code explicitly requires agencies to allocate no more than the minimum amount of credit needed to ensure that a development will be financially feasible and viable throughout the credit period.[42] As a result of these concerns, there has been increased scrutiny by housing agencies on LIHTC development costs and interest in containing costs through the QAP.[43]

Respondents raised concerns that cost containment policies could put transit-oriented affordable housing developments at a disadvantage as compared to other developments. As discussed earlier in this paper, respondents pointed out that the costs associated with transit-oriented

sites can differ from other types of developments for a number of reasons, including higher land acquisition costs and higher development costs related to construction requirements such as structured parking or compact, high density design. An official from a housing agency in in a northeastern state said they see an "immediate link between their QAP points for transit and the cost of acquiring sites near transit." One respondent who works for a developer feared that housing agencies aren't considering the additional benefits of locating affordable housing near transit when assessing the cost reasonableness of a property. Another developer lamented that tax credit caps implemented in the state where she works effectively limit in-fill developments to no more than 50 units, a density level that is not economically feasible. As she put it:

"If you have a half block in an area on a light rail stop that is zoned for high rise development, you have to pay for the land what anybody else would but you can only develop 50 units on it, so your land costs per unit are much higher than if you could develop a development at scale."

When establishing benchmarks to evaluate development costs, agencies should take into consideration those factors associated with developing and preserving affordable housing near transit that tend to increase development costs.

Respondents from housing agencies and developers alike acknowledged the need to balance containing costs with supporting developments that reflect other pressing priorities. While important, cost containment policies should not effectively disqualify certain developments from receiving tax credits. Discussions revealed a number of approaches housing agencies have adopted to achieve such a balance.

Consideration of Development Type & Location: One way agencies ensure that developments are not disqualified from participating in the tax credit program due to cost is to take into consideration the type of development and its location when assessing cost reasonableness. For example, some agencies establish a variety of multiple per unit maximums based on different development conditions. Cost limits can vary based on the construction type of the property (i.e. new construction vs. acquisition/ rehabilitation), the population served (i.e. elderly vs. family), the location of the property (i.e. urban vs. rural), building size characteristics (e.g. unit sizes or the number of stories), and/or whether the property meets a special condition (e.g. supportive housing or an adaptive reuse development).

As previously discussed, when establishing benchmarks to evaluate development costs, agencies should take into consideration those factors associated with developing and preserving affordable housing near transit that tend to increase development costs. One way to do this is to develop different development cost standards based on location. Washington State's 2013 QAP, for example, applies higher per unit cost and per unit credit limits to developments located in King County versus the rest of the state.[44] Similarly, Massachusetts' 2013 QAP includes a higher cap on the allowable eligible basis for developments in the Boston metropolitan area as compared to developments in non-metro communities.[45] Virginia's 2014 QAP breaks the state up into three regions with three different per unit cost limit standards. The highest per unit cost limit applies to properties located in the counties of inner northern Virginia where there is

existing transit infrastructure and high property costs.[46]

Comparing Developments from Similar Locations: Housing agencies that use point incentives to encourage cost-effective developments can also level the playing field by comparing developments from similar locations. In Minnesota, for example, developments that are similar in type and location are compared against each other to determine how they rank in terms of total development costs. A development can earn 4 points if it is among the 50% of developments with the lowest costs. Properties located in "Metro" Counties are ranked separately from properties in "Greater Minnesota" Counties when evaluating total development costs.[47] Pennsylvania's 2014 QAP takes a similar approach. A project can earn up to 10 points if its total development costs are more than 8 percent lower than the median total development costs of the developments in the same tax credit allocation cycle. Preservation developments and developments located in Philadelphia are evaluated separately.

Consider Building Characteristics: In addition to applying different cost and/or credit limits based on location, some housing agencies take into consideration building characteristics related to higher density construction that can increase development costs. Virginia's 2014 QAP allows an additional $37,275 per unit to be added to the maximum allowable per unit cost of new developments that contain underground or structured parking and are located in inner northern Virginia counties.[48] New Jersey's 2013 QAP takes into consideration the number of stories in a property when determining the maximum per unit cost. For example, the maximum per unit cost for family developments is $250,000 for buildings of one to four residential stories, $275,000 for buildings with five or six residential stories, and $300,000 for buildings with over six residential stories.[49] Although both Virginia and New Jersey's QAPs do not explicitly tie these policies to support of TOD developments, they do support the type of high density development that is often required of transit-oriented developments.

Waive per Unit Costs & Credit Limits: A number of agency staff also expressed a willingness to waive per unit cost and credit limits for transit-oriented developments in certain circumstances. Agencies vary in terms of how explicitly they set forth the conditions under which they will consider such waivers. Washington State's 2013 QAP states that the Washington Housing Finance Commission may consider a number of potential development characteristics that can increase development costs above the maximum total development cost limit when considering whether a development should be granted a waiver. Among the characteristics are construction type (e.g. high-rise elevator construction, structured parking) and density (e.g. units per acre).[50] According to Commission officials, two TOD developments in King County received per unit cost waivers in 2012. Both developments were located adjacent to light rail stations and included the purchase of surplus land owned by Sound Transit, the region's transit service provider. Sound Transit imposed several requirements as a condition of the sales. As a result, both developments were allowed additional costs that would not be imposed on a normal development.

While most respondents acknowledged that it is important for agencies to implement strategies to contain costs, they also underscored the importance of doing so in a balanced manner that does not undermine the ability to deliver developments that best serve the needs of low- and moderate-income households.

Limit Points for Cost Efficiency: A fifth approach housing agencies use to balance cost containment with other considerations is limiting the number of points developments can receive for cost efficiency, so as to not trump other important policy priorities. In Minnesota, for example, the number of points a development can receive for access to transit (5 points) exceeds the maximum number of points that can be earned for cost efficiency (4 points). Similarly, in Michigan, a development can receive more points for being located in a central city close to amenities than the maximum number of points that can be earned under cost efficiency.[51]

In states where the QAP favors cost efficiency over other policy priorities, like proximity to transit, developers indicated that it can be difficult to compete. In Virginia, for example, a development competing in the state's at-large pool can earn up to 10 points for being located close to transit. However, a development can earn as many as 300 points if its per unit cost and per unit credit amounts are well below a standard set by the agency.[52] Developments that exceed the agency's standards will have points subtracted from its overall score.[53] Because land and construction costs tend to be higher in areas well served by transit, developments lose points or fail to earn sufficient points and, as a result, are less competitive than developments located in other parts of the state.

Employ Cost Predictive Models: Housing agencies also employ cost predictive models to assess the cost-reasonableness of proposed developments. These models predict expected total development costs based on an analysis of cost data from developments previously financed by the agency. Ideally, such models will take into consideration a wide variety of variables that can impact development costs. The predicative model used in Minnesota, for example, measures the individual effect of 21 variables on development costs.[54] The set of variables includes development location, building type (e.g. number of stories) and building characteristics including whether underground parking is included[55] and are intended to provide a fair and transparent process for awarding cost-containment points. In Arizona, the housing agency has created cost expectations for a range of different property types based on analysis of previously financed properties. The agency singles out urban TOD developments, so the costs of proposed TOD developments are evaluated against comparable properties. In addition, the agency makes it a point to regularly share cost expectations with developers, architects, and contractors and identify strategies to efficiently build high density developments.

While important, cost containment policies should not effectively disqualify certain developments from receiving tax credits. Discussions revealed a number of approaches housing agencies have adopted to achieve balance.

- Consider development type & location
- Compare development from similar locations
- Consider Building Characteristics
- Waive per unit costs & credit limits
- Limit points for cost efficiency
- Employ cost predictive models

Strategic Approach #4: Expand the Use of the Basis Boost

The LIHTC basis boost was identified as a potential tool for improving the financial feasibility of developments with higher than average costs. Housing agencies have the discretion to increase a development's eligible basis by up to 30 percent. The higher basis allows the developer to raise more equity than would have been possible without the boost. The additional equity reduces the amount of debt and gap funding needed to finance the development.

Agencies vary in the criteria they use for awarding the basis boost. Prior

to 2008, the basis boost could only be applied to developments in Qualified Census Tracts (QCT) or Difficult Development Areas (DDA). As the economic crisis hit, it became difficult for developers to raise the equity needed to assure the financial feasibility of their developments. In response, Congress granted housing agencies the flexibility to establish their own criteria for awarding the boost. While agencies most commonly used the boost to improve the financial feasibility of developments that were otherwise struggling because of the loss of tax credit equity, more than half have identified other priorities for awarding the boost.[56] Priorities include encouraging supportive housing, energy efficient and green housing, targeting very low-income households, developing in high cost areas, rural housing, historic rehabilitation, transit-oriented housing and preservation.[57]

Housing agencies have the discretion to increase a development's eligible basis by up to 30 percent. The higher basis allows the developer to raise more equity than would have been possible without the boost. The additional equity reduces the amount of debt and gap funding needed to finance the development.

Relative to other types of priorities, the use of the basis boost to support developments near transit is uncommon. A 2010 analysis of how the basis boost was being implemented found that a dozen states used the boost to encourage supportive housing developments, 11 states used it to encourage developments to achieve green building certifications, and 10 states used it to support developments that target very low-income households. In 2010, 5 states (Indiana, Missouri, Texas, Oregon, Utah) specifically identified proximity near transit as a priority that is eligible for use of the basis boost. Although a relatively small number of agencies have specifically identified development near transit as a priority, some states have identified other uses of the boost that can benefit developments near transit. This includes using the boost to support developments in areas with high land costs or in areas of opportunity.

Several developers spoke to the benefits of using the boost to support proposals near transit or in areas with high land costs. Where a development has higher land costs, the eligible basis will be a low percentage of the development's total development costs. This is because land costs are not permitted to be included in the eligible basis calculation. Consequently, financing the development will require more private debt or public financing than otherwise would be required if the development had a higher eligible basis. Similarly, supporting private debt is made difficult by the limited income that can be generated by a development with rent restrictions. Favorable public financing could help fill the financing gap, but might be scarce and fractured. The developer would be required to assemble financing from multiple sources which can be a time consuming and challenging. A developer summed up the value of the potential boost:

"You're going to see a lot more transit-oriented development developments if you can bring more equity into the deal. Transit-oriented development is going to be much more expensive because it's truly a much more competitive and attractive market rate property."

However, housing agencies identified several challenges with using the basis boost. One challenge is that using the basis boost reduces the overall amount of credits the agency can allocate because the overall state credit cap does not change. In other words, more credits going to one development means a smaller pool of credits to allocate among other proposals. An official from one agency said they decided to stop using the basis boost to support properties in higher cost areas because it meant the agency could not fund approximately 3 developments per allocation cycle that could have otherwise been funded. In his opinion, the benefit of supporting the higher cost developments was not worth this tradeoff.

The basis boost might also be of limited use in states where there is a per-unit credit limit. In Oregon, for example, the basis boost can be used to support several property types including TOD sites, preservation properties, permanently supportive housing, and workforce housing. However, an agency official reported that the boost is rarely used for TOD sites because typically the eligible basis for these developments exceeds the state's credit cap of $820,000.

Strategic Approach #5: Improve Coordination across housing and transit agencies

Collaboration among housing and transit agencies can improve the use of the LIHTC to preserve and create affordable housing near transit in a number of ways. First, it can directly impact policies in the QAP. Collaboration with transit agencies is also important because it can identify opportunities for affordable housing development in areas where new transit investments are planned.

In a number of states reviewed for this report, coordination across housing and transit agencies has helped overcome some of the barriers to developing affordable housing near transit. In several states, housing agencies are in regular contact with their transit counterparts in order to better understand where new transit investments are being made so as to improve the chances that affordable housing goals are incorporated into station area plans. This type of coordination has helped to leverage and maximize resources and increase the financial feasibility of affordable housing developments.

In addition to these benefits, respondents also spoke to the challenges of initiating and sustaining coordination among stakeholders from disparate disciplines. Successful collaboration can be daunting because it requires those involved to reevaluate deeply rooted practices, understand different perspectives, and build trust with new partners. Respondents identified several opportunities that helped them overcome these challenges by providing credibility to the collaborative process.

A number of respondents identified state policy leadership as playing an important role in setting expectations for collaboration. In Maryland, for example, Governor O'Malley identified transit-oriented development as a top priority and directed state agencies to identify ways to encourage the development and preservation of affordable housing near transit. A Smart Growth Subcabinet consisting of representatives from a dozen state agencies provides a forum to support interagency collaboration. Similarly, in Illinois, an interagency state housing task force, appointed by the governor, identified low and moderate-income persons unable to afford housing near work or transportation as a priority population whose needs were to be addressed through a comprehensive housing plan. The task force created the Housing /Transportation/Employment

Linkages Working Group to recommend strategies to link investments in housing and transportation, as well as further regional coordination and collaboration.

Many respondents spoke of the federal government's role in spurring interest in collaboration through the Partnership for Sustainable Communities. They credit the partnership of HUD, DOT, and EPA with demonstrating the value of collaboration through their own actions. A number of respondents attributed increased coordination and dialogue among a range of disparate stakeholders to the Sustainable Communities Initiative program administered through HUD's Office of Sustainable Housing and Communities. In addition to providing funding to support regional planning and implementation goals, the program has added credibility to the process of regional coordination. One respondent spoke to the value of the program even though she was a part of an application that was unsuccessful:

> "I think that the HUD Sustainable Communities Programs has sparked a tremendous amount of conversation by dangling a relatively small amount of money. I mean, the effort that we put in as a region to applying to get funds unsuccessfully really helped gel some conversations among affordable housing providers and transit planners and that's a good thing."

Respondents also cited the role private foundations have played in supporting regional collaboration. In Denver, Colorado, financial support from the Ford and Living Cities Foundations has seeded Mile High Connects, a broad partnership of private, public, and nonprofit organizations committed to developing affordable and livable communities in walking distance to transit. Mile High Connects has developed a comprehensive strategic plan around the connection between housing, education, employment, health, and transportation. Its agenda is to bring all those issues together under the transit umbrella to ensure that low income people benefit from Denver's transit expansion.

Collaboration among housing and transit agencies can improve the use of the LIHTC to preserve and create affordable housing near transit in a number of ways. First, it can directly impact policies in the QAP. In several states, housing agencies have worked closely with state and local transit agencies and MPOs to develop criteria for the QAP transit incentive. This brings credibility to the policy and helps the housing agency target resources effectively.

In Arizona, for example, officials at the Department of Housing (DOH) sought out expertise from the state Department of Transportation when they were developing a new scoring category for transit access in the QAP. DOH began to focus on incorporating a transit incentive in the QAP in 2009 after the agency began participating in the Sustainable Communities Collaborative (SCC). SCC is comprised of 18 different public, private, and non-profit partners all focused on supporting economic development within the high capacity transit corridors of

Integrating affordable housing into transit-oriented development is more likely to be successful if planning begins early in the development process. Identifying opportunities for affordable housing development early can help lower development costs since land speculation often occurs as soon as plans for new transit investments are announced.

Phoenix, Tempe, and Mesa. Through conversations with DOT and SCC, as well as the results of market study showing demand for an additional 70,000 housing units, officials at DOH determined that they should target the transit incentive toward LIHTC developments along the light rail line over bus routes. Although the adoption of the incentive was a significant departure from past QAPs, DOT's participation in the process legitimized DOH's decision to focus heavily on rail.

Collaboration among the Washington State Housing Finance Commission (WSHFC) and the Puget Sound Regional Council (PSRC) led to the incorporation of targeted transit incentive criteria in the QAP. PSRC received a HUD Sustainable Communities Planning grant. As part of the implementation of the grant, PSRC led an effort to align funding policies and criteria of multiple funders to support and encourage the development and preservation of affordable housing near transit. WSHFC wanted to develop a targeted definition of transit-oriented development that applied only to King County, the most populated and dense county in the state. WSHFC decided to not only focus on fixed infrastructure such as rail stations, but also incorporate measures of walkability and density. Defining these criteria required expertise that WSHFC did not have, so the agency turned to PSRC for assistance. PSRC provided the mapping and analytic expertise that was necessary to develop the policy.

Collaboration with transit agencies is also important because it can identify opportunities for affordable housing development in areas where new transit investments are planned. Integrating affordable housing into transit-oriented development is more likely to be successful if planning begins early in the development process. Identifying opportunities for affordable housing development early can help lower development costs since land speculation often occurs as soon as plans for new transit investments are announced. Affordable housing is also more likely to be incorporated into TOD if transit agencies make it a criterion for station area development when evaluating master developers.

A housing official in Connecticut said that collaboration with the state Department of Transportation is essential to maximize the benefits of transit investments. Recently, a plan to create a bus rapid transit (BRT) system in Connecticut has provided an opportunity for housing and transit officials to work together to ensure that there is sufficient affordable housing along the line. The housing official said that understanding the placement of the BRT has been critical for assessing the potential impact on existing affordable housing adjacent to the line as well as identifying opportunities to develop new affordable housing.

Officials from the Maryland Department of Housing and Community Development (DHCD) realized it was critical to collaborate with the MD Department of Transportation when they became aware that it was too late to incorporate affordable housing in TOD plans at existing light rail station areas. Instead, they decided to begin discussions with DOT about a new transit line that was being planned. DHCD invited officials from DOT and the Washington Metropolitan Area Transit Authority (WMATA) to present their plans for the location of the new light rail line. One outcome

of this collaboration has been the incorporation of incentives in the QAP for locations designated as TOD sites by the DOT.

In addition to learning about plans for the new light rail line, the collaboration has allowed DHCD to educate DOT about DHCD's various affordable housing programs and tools. According to an official from DHCD, this type of education is critical to breaking down silos that can be an impediment to effective collaboration:

> "The major impediment is the lack of understanding across silos…where housing people don't understand transportation language and transportation people don't understand housing language and for us to not to feel like we're getting in each other's way, but that together, we can help each other."

She went on to say that this education process has helped to ensure that DOT understands that including affordable rental housing into station area development plans can be done and will not slow down the overall TOD development process.

In Portland, Oregon, transit officials understand the value of affordable housing development near transit and have incorporated it into station area development goals. Officials from TriMet, the city's transit agency, discussed the shared values among transit planners and affordable housing developers:

> "There's a good confluence of values often between TriMet and affordable housing providers. So they see these sites and opportunities as rare, they want to do them as dense as they can. They want to have people and not cars. They're just trying to do a quality development that will have lasting value. They're trying to develop a community; they care about the neighborhood relationship. So it's really easier in some ways to do that kind of a development than it would be a commercial financially driven development."

Officials from TriMet identified certain incentives they provide to encourage the development of affordable housing on property owned by the agency. The agency will sometimes incorporate affordable housing goals as part of the RFP process when seeking developers for certain sites. This helps to lay the groundwork by communicating to the neighborhood that affordable housing is going to be a priority at the site. This approach can provide confidence to developers that they are not going to have to deal with community opposition because the goal of including affordable housing has already been established. In addition, it helps to target the RFP to developers that have an interest and capacity to pursue affordable housing.

TriMet is also willing to provide a discount on property owned by the agency in return for achieving certain priorities such as incorporating affordable housing. The agency determines the value of the discount by projecting the expected fare revenue that will be collected as a result of

the ridership generated by the development. The write down of the land value helps with the development's financial feasibility.

The agency will also encourage affordable housing by providing free site control. Demonstrating control of a site is necessary for a successful tax credit application, but can be cost prohibitive to a non-profit developer that does not have the cash or equity on hand to purchase the property. In addition, it can be costly for a developer to pay holding costs for land as it seeks development financing.

Quantitative Analysis of Transit Incentives in QAPs from 2003-2010

The preceding sections of this paper drew on discussions with a range of stakeholders to identify the right conditions for using the LIHTC program to successfully develop affordable housing near transit. As the case study analysis demonstrates, explicit QAP preferences are necessary but not sufficient to encourage the preservation or construction of affordable housing near transit. In order to further test the impact of transit incentives on tax credit allocation outcomes, a quantitative analysis was undertaken to estimate the effects of the incentives.

The results of the quantitative analysis suggest that explicitly including incentives for location near transit within a category (the most commonly used incentive over the study time period) slightly increases the probability of LIHTC developments being located near transit. However, analysis of the effect of other types of incentives, such as implicit preferences and implicit basis boosts, was inconclusive. This was, in part, due to the relatively short time period examined in the quantitative analysis. The period of analysis was limited because tax credit property data were only available through 2010. However, the number of agencies that adopted explicit standalone points for transit access doubled between 2010 and 2013. We found a small negative correlation between explicit standalone points and the location of tax credit properties, but believe that the small number of observations available raises questions about the robustness of the results.

Looking at a cross-tabulation of data, there is an apparent relationship between tax credit awards to transit-accessible properties and incentives. As shown in Figure 8, across all housing agencies, the average number of tax credit awards to transit-accessible properties annually was 2.2. Among agencies with any explicit incentive in any year, the average was slightly higher at 2.7. Among the five agencies with no incentives, the average was 0.5. The median number of tax credits awarded to transit-accessible properties annually was also somewhat

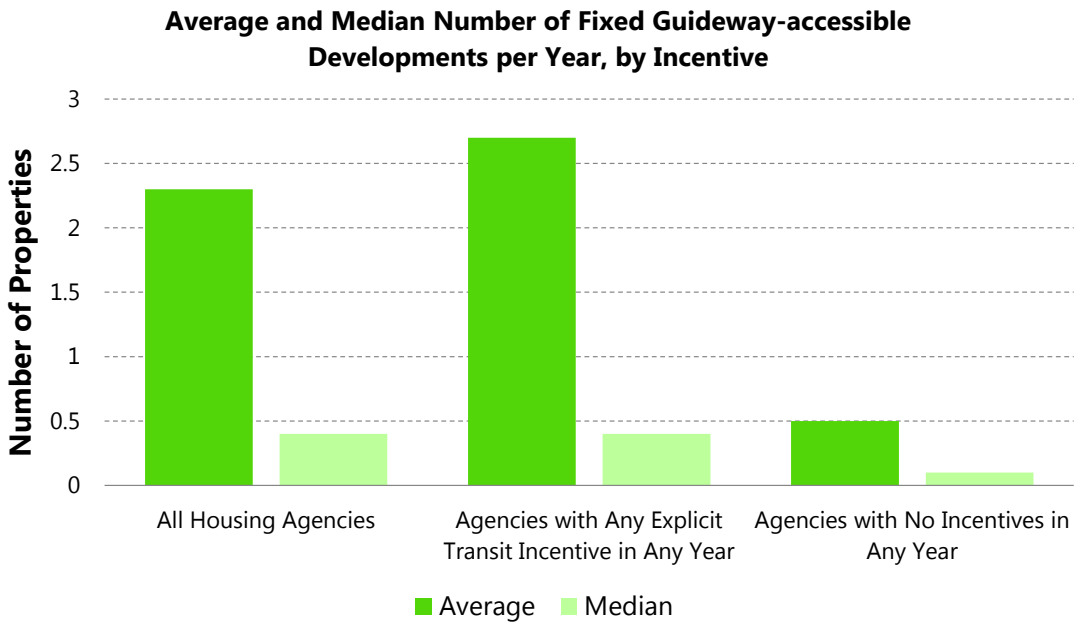


Figure 8. Relationship between Transit-Accessible Properties and Incentives

higher for agencies with incentives than for those without, at one approximately every three years compared with one every 10 years.

Multivariate regression models were used to further explore the relationship between transit-accessible tax-credit properties and incentives issued between 2003 and 2010, we also used These models test whether provisions in the tax credit housing agency's QAP were statistically related to a development's location relative to transit. For all analyses we tested both simple and fixed-effects model types for transit proximity defined as being within one-half mile, one-third mile, or one-quarter mile of transit.

Methodology for Multivariate Analysis

In addition to the requirements and preferences incorporated into QAPs, the location of LIHTC properties is the result of complex interactions between the strength of the local real estate market and economy, the degree of competitiveness for tax credits in a state, local demographics, and other factors.

Multivariate regression models are designed to account for the multitude of factors that affect the location of LIHTC properties. In addition to the requirements and preferences incorporated into QAPs, the location of LIHTC properties is the result of complex interactions between the strength of the local real estate market and economy, the degree of competitiveness for tax credits in a state, local demographics, and other factors. Regression models estimate the effects of transit preferences in QAPs, controlling for as many of these factors as possible.

Data used for analysis. This analysis relies on four main sources of data. The first of these is HUD's LIHTC database, which includes information on the location of properties placed in service in each year through 2010. The second is the Center for Transit-Oriented Development's (CTOD) TOD Database, which gives the location of fixed guideway transit stations in 54 regions covering 90 metro areas.[58]

The study team combined these two data sources to calculate the relative proximity of each LIHTC property to its nearest transit station to determine whether or not properties are transit accessible. The third source of data, the QAP database, was created specifically for this study. It summarizes the type of transit incentives included in QAPs in all states in each year from 2003-2013. Other determinants of the location of LIHTC properties are also included in the analysis, and are from a variety of sources described in the appendix.

The study period for the quantitative analysis was 2003-2010. This period of analysis was selected for two main reasons:

1. States began incorporating transit incentives in more frequency beginning in 2003; and

2. Comprehensive data were only available for LIHTC developments placed in service through 2010.

Of the 7,509 properties in the LIHTC database from 2003-2010, 5,332 were competitively awarded and subject to incentives in the QAP to locate near transit. Among these, 3,193 properties were new construction and 1,764 involved the rehabilitation of existing properties. The remaining 375 could not be identified as either new construction or rehabilitation (Exhibit 1).

Exhibit 1. Competitive Tax Credit Properties by Type (2003-2010)

LIHTC Database Classification	Competitively Awarded Tax Credit Properties, 2003-2010	Analysis Categories
New construction	3,193	New
Acquisition & Rehabilitation	1,688	Rehabilitation
Previous LIHTC	76	Rehabilitation
Both	101	Not Included
Missing	274	Not Included
Total	**5,332**	

We excluded projects that were not located within one of the 54 regions for which we have transit location data. We did not exclude properties outside of an MSA (Exhibit 2, because QAP transit incentives could have the effect of encouraging tax credit properties to be built in metro areas (that have access to transit) instead of non-metro areas. This left 3,702 projects in the dataset used for regression analysis.

Exhibit 2. Sample Size: 9% LIHTC Properties with Transit Data (2003-2010)

LIHTC Database Classification	Competitively Awarded Tax Credit Properties, 2003-2010
1. Properties in an MSA with transit data	2,425
2. Properties outside of an MSA	1,277
3. Properties in an MSA with no transit data	1,630
Total competitively awarded properties	5,332
Total properties included in analysis (1 + 2)	**3,702**

Only fixed guideway transit data were available in the TOD database used for this study. This means that for the purposes of the study, projects near bus stops but not transit stations are not considered to be near transit even though these projects may have qualified for transit incentives under some QAPs.

The study team sought other data sources to approximate the transit accessibility beyond just access to fixed guideway rail stations. One data source examined was the Transit Score® dataset created by WalkScore.com. However, this dataset had its own limitations. Unfortunately, although Transit Scores incorporate both bus and rail transit access, the dataset available to us included only 100 cities (not metro areas). About 75 percent of properties in our LIHTC sample were not in sufficient proximity to a location with a Transit Score to be matched to a score, which limited the number of observations available for analysis. In addition, the Transit Score data reflect current transit accessibility, but we analyzed properties awarded tax credits in the past, from 2003-2010, and non-fixed guideway transit service may have changed substantially

over time. Because of the small number of observations and the likelihood that current transit accessibility does not reflect conditions at the time tax credits were awarded, we were unable to use these data in our analysis.

Multivariate regression models. The primary independent variables we tested were the existence and types of incentives contained in a housing agency's QAP. In one set of regressions, these incentives were the only independent variables included. Two additional variables were included in another set of regressions to represent jurisdictions' time-variant features that could potentially influence the probability of a development being near transit. Many factors influence developers' decisions about where to site developments for which they seek tax credits, so we also controlled for two potentially intervening factors that change over time, state economic conditions and state housing market conditions. Specifically, we included:

- Annual percent changes in state GDP as a proxy for general economic conditions
- Annual percent changes in state housing permits as a proxy for housing market conditions

Two sets of regression models were tested. In the first, the probability of credits being allocated to a transit-accessible development is estimated as a simple function of incentives in the QAP. This is a strictly correlational analysis which addresses the question of whether jurisdictions with certain provisions in their QAPs have more (or fewer) tax credits allocated to transit-accessible developments.

A limitation of this analysis is that correlation does not necessarily imply causation. Some jurisdictions may have more (or fewer) credits allocated for developments near transit for reasons completely unrelated to provisions in the QAP, such as the relative availability of developable land near transit, zoning, or high premiums for land located near transit. Jurisdictions with a lot of developable land near transit may offer no incentives and still have many developments located in proximity to transit, while jurisdictions with unfavorable geographies may offer aggressive incentives and still get a weak response.

The second set of models addresses this limitation to a degree by holding the jurisdiction fixed. This "fixed effects" approach essentially removes the influence of each jurisdiction's invariant (or fixed) features. This would include many geographical characteristics and perhaps political culture. For example, developers may traditionally have more political influence in some jurisdictions than in others. Because it implicitly controls for all the invariant features of the jurisdiction, the results of the fixed effect approach may be considered closer to causal effects.

Three dependent variables were tested, indicating the probability that a LIHTC development was within 1/2 mile, 1/3 mile, or 1/4 mile of transit, measured "as a crow flies" (that is, not necessarily along pedestrian routes). Independent variables in the model indicated types of incentives contained in the QAP. The simple models were estimated using Probit,

Controlling for GDP and housing permits, our analysis found that explicitly including incentives for location near transit within a category (the most commonly used incentive over the study time period) slightly increases the probability of LIHTC developments being located near transit.

and the resulting coefficients were transformed to reflect percentage point effects on the probability of a development being near transit. The results from the fixed effect models also reflect percentage point effects on the probability of a development being near transit.

We assume that the model takes the form:

$$p = Pr(Yt = 0) = C + (1-C)F(x' \beta)$$

where:

Y is the response – either 0 or 1 (development is inside or outside of the specified distance from transit);

β is a vector of parameter estimates;

F is a cumulative distribution function of the standard normal distribution;

x is a vector of explanatory variables (in the simple model, these are preferences: explicit, implicit, and tiebreaker points);

p is the probability that a development is within ½ mile, ¼ mile, or 1/3 mile of transit as the crow flies; and

C is the natural (threshold) response rate.

In the fixed effects model, a parameter indicating the HFA is added.

Other versions of this model also include two other parameters:

- State GDP: Data from the Bureau of Economic Analysis were used to compute the annual change in per capita state GDP. This was used as a proxy for general economic conditions in the state.
- Multifamily permits: We used state-level US Census data on annual multifamily housing permits issued in each of the study years to serve as an indicator of the health of the housing market, hypothesizing that more private multifamily housing construction may increase the demand for LIHTCs and therefore increase developers' responsiveness to incentives for locating units near transit.

We were unable to identify a measure of annual average household transportation costs[59] to use in testing the hypothesis that higher costs will increase the demand for transit-accessible units and lead to an uptake in developers taking advantage of the incentive.

Models were estimated on three samples, which were:

1. All competitively awarded developments
2. Competitively awarded developments, new construction
3. Competitively awarded developments, existing/rehabilitation

Bond-financed tax credit developments were not included in the analysis, because they are not subject to a competitive process.

Effects of QAP Incentive Types

Controlling for GDP and housing permits, our analysis found that explicitly including incentives for location near transit within a category (the most commonly used incentive over the study time period) slightly increases the probability of LIHTC developments being located near transit. Incentives with consistent, statistically significant relationships in the fixed-effects models are "explicit points included in a category" and "explicit preference included in a category" for new tax credit construction. "Explicit points" is associated with an increased probability of a LIHTC development being located near a fixed-guideway transit stop, whereas "explicit preference" is associated with a reduced probability. Importantly, this incentive was used in only six QAPs, so the number of observations is small. These effects were relatively small in both directions.

The results for these two incentive types are very similar regardless of whether controls for economic conditions are included in the model, as shown in Figure 9. This suggests that the potentially intervening factors we included did not exert substantial influence on the outcome beyond the effects rooted in the QAP incentives themselves and the invariant features of HFA jurisdictions.

Figure 9. Fixed-Effects Models with No Controls versus Two Controls

	Fixed Effects Model			Fixed Effects Model (Controls for Economic Conditions)		
	1/2 mi	1/3 mi	1/4 mi	1/2 mi	1/3 mi	1/4 mi
Explicit points included in a category (incentive used in 16 jurisdictions)						
All	-0.01	0.05	0.03	-0.01	0.05	0.03
New construction	0.04	0.08	0.07	0.04	0.09	0.07
Rehabilitation	-0.05	0.08	0.01	-0.06	0.06	-0.01
Explicit preference included in a category (incentive used in 6 jurisdictions)						
All	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04
New construction	-0.09	-0.09	-0.09	-0.09	-0.09	-0.10
Rehabilitation	0.01	0.00	0.00	0.00	-0.01	-0.01

Statistically significant results are highlighted with varying shades of green-yellow. Dark green results are highly significant ($p<.05$), while light green results are of modest significance ($p<.10$) and yellow results are only suggestive ($p<.20$). We tested for and did not find evidence of collinearity among the independent variables.

Other incentives did not have a statistically significant relationship with the transit proximity of tax credit properties. One reason for the lack of statistical significance for most incentives may be that there are too few observations (Exhibit 3). Only a few incentives were used by more than a handful of tax credit allocating agencies, and some of these probably came into play only rarely. The time period covered by the study is relatively short, and relatively few states used incentives at the beginning of the period, further reducing the opportunity to observe any impacts of transit incentives on the location of tax credit properties placed in service. Other data limitations probably play some role as well. For example, our sample excludes properties in the tax credit database that were not geocoded, because their location relative to transit could not be determined. This reduced the number of observations.

Exhibit 3. Frequency of Use of Incentives

Type of Incentive	Frequency of Incetive Use
Explicit Incentives	
Explicit points included in a category	Most popular incentive. Thirty agencies included it in their QAPs for at least one year between 2003-2009.
Explicit preference included in a category	Included in QAPs by six jurisdictions during study period.
Explicit preference standalone	Used by 12 jurisdictions during the study period.
Explicit set-aside included in a category	Used by only one state, Pennsylvania.
Explicit standalone points	Used by 10 states, beginning with Texas in 2004.
Implicit Incentives	
Implicit basis boost	Six agencies included this incentive in QAPs during the study period. All did so for only a single year, and for five of them, that year was 2009.
Implicit preferences	Used by 16 agencies.
Implicit points	Used by 17 agencies.
Implicit set-asides	Used by six agencies.

The incentives used may also simply be too weak. Although two implicit incentives – preferences and points – were used by a relatively large number of allocating agencies, these incentives are indirect and therefore may not be very strong. Implicit points, for example, indicate that incentives for transit access are embedded in other priorities that receive points, such as locating in urban areas or demonstrating sustainable development. Connecticut's implicit points are a case in point. Points were awarded in QAPs in six of the seven study years for urban location, which could refer to an urban area, major metropolitan area, downtown, city center, or inner-ring suburb, regardless of whether the specific location selected is near fixed-rail transit.

Need for Improved Transit Data

In addition to the limited number of observations and the short time period discussed above, a key limitation of the analysis was the lack of comprehensive transit data available nationwide. The review of QAP transit incentives revealed that most states include frequent bus service as an eligible mode of transit. However, transit locational data were only available for fixed guide-way rail stations as no nationwide dataset of frequent bus service is available. Therefore, we suspect that there are properties near frequent bus service that benefitted from the transit incentives but could not be included in our observable findings.

Conclusion: Policy Implications and Future Research Needs

A growing number of states are including incentives for locating LIHTC developments near transit in their QAPs, with the number of such states more than doubling from 17 to 35 by 2013. Furthermore, more states, 40 percent as of 2013, are using the strongest type of incentive—explicit, standalone points. The other two types of transit incentives— explicit policy statements and explicit points in a category – are relatively weak. Most states award tax credits based on point scores. Points for proximity to transit that are submerged in a larger category can be weak, because it is possible for a proposed development not located near transit to obtain all the points in the category or to outscore a property close to transit in the number of points obtained.

Even so, the quantitative analysis that attempted to relate transit incentives to the actual location of developments awarded tax credits found that points within a category increased slightly the probability that LIHTC developments would be located near transit. The analysis of the effectiveness of the stronger, stand-alone points that states increasingly adopted after 2010 was inconclusive due to small sample sizes.

Interviews with housing agency staff, developers, and housing and transit policy experts identified two challenges to developing or preserving affordable housing near transit: 1) conflicting state priorities—in particular, the desire to locate LIHTC developments in places not likely to have the type of transit access identified in strong incentives, and 2) the high cost of developing transit-accessible sites. The interviews identified strategies that some states have used to mitigate those barriers.

Challenges and Policy Implications

Balancing LIHTC Allocations and Tailoring to the Diverse Needs of Different Geographic Areas

Perhaps the most promising approach states have used to incorporate strong incentives for location near transit into a QAP that reflects other geographic priorities is separating the allocations of tax credits into geographic pools. That makes it possible to have very strong incentives for location near transit in the urban pool without preventing all developments in rural areas from scoring enough points for a LIHTC allocation.

Another approach taken by some states—tailoring transit requirements to the nature of the location, accepting greater distances from transit and longer headways to qualify for the transit points—would seem to dilute the meaning of the transit incentive, especially if not used in combination with separate geographic pools. Points awarded for proximity for transit then become points almost any development can obtain.

Instead, states that are interested in other priorities should consider using separate geographic pools and then examine the policy priorities that are most relevant to each pool in the allocation of LIHTC, both

Perhaps the most promising approach states have used to incorporate strong incentives for location near transit into a QAP that reflects other geographic priorities is separating the allocations of tax credits into geographic pools. That makes it possible to have very strong incentives for location near transit in the urban pool without preventing all developments in rural areas from scoring enough points for a LIHTC allocation.

in deciding what percentage of the state's allocation of 9 percent tax credit authority goes into each pool and in implementing that priority through the QAP. For example, many rural areas of states have relatively affordable housing, and developing LIHTC there may not be needed and may result in LIHTC developments that struggle with maintaining occupancy.[60] State housing agencies should identify those areas that do have a pressing need for affordable housing—for example, resort communities or areas of fast growth associated with oil and gas extraction industries—and then tailor the QAP incentives to the most promising way to preserve already existing or build new affordable housing for low-income people who work in those areas, while reducing the burden of transportation costs. That could mean access to public transit, or it could mean reducing the journey to work by car from many miles to a few.

Many states recognize the need to develop and preserve affordable housing in neighborhoods where low- and moderate-income families have access to critical services. Those are by definition places where the development costs are high—including sites near transit, where desirability of the location is reflected in the high cost of available sites.

As another example, many states are concerned about the fair housing implications of LIHTC locations and attempt to create incentives in their QAPs for locating housing, especially family housing, in areas with good schools and other dimensions of "opportunity" that may or may not be closely related in practice to transit access. Depending on the configuration of metropolitan areas in the state, the state agency may want to consider creating separate competitions for suburban developments and developments in the urban core. For developments in the urban core, states may want to incentivize preservation of the thousands of affordable apartments already located near transit that may otherwise be lost to the affordable housing stock. For the pool within which suburban properties compete, the QAP could have incentives that reflect a variety of place-based criteria, including access to existing and planned transit.

In crafting incentives that are appropriate to different geographic pools, housing officials should work closely with transportation officials on plans for the transportation infrastructure and on actual use patterns of public transit for journeys to work and other purposes. This study has shown that the definitions of distance from housing, time periods covered by transit service, and headways that are used in current transit incentives vary greatly from state to state. (Current incentives seem to be silent on fares and fare structures.) Incentives should be based on rigorous studies of the features of transit most likely to be used by nearby residents seeking to save time and money.

Improving the Financial Feasibility of Transit-Accessible LIHTC Developments

State housing agencies face competing priorities in the area of cost as well. Many states have per-unit or per-development caps on the amount of tax credits that can be allocated, and this reflects the understandable interest of state officials in using their allocations of 9 percent credits to support as many affordable homes as possible. States also often assess the reasonableness of the development costs of proposed LIHTC developments, creating threshold requirements that may apply to both 4 percent and 9 percent credits, because of their responsibility for exercising prudence in decisions about the use of public resources.

On the other hand, many states also recognize the need to develop and preserve affordable housing in neighborhoods where low- and moderate-income families have access to critical services. Those are by definition places where the development costs are high—including sites near transit, where desirability of the location is reflected in the high cost of available sites.

Depending on the barriers to developing in transit-accessible locations, the state agency can adopt one or more of the promising practices identified in this report: consider the type of development and its location in applying both credit limits and development cost limits; use gap funding that the agency or its partner state and local agencies control in pursuit of locating affordable housing developments in high-cost areas; use the "basis boost" in support of the same priorities; and change land-use policies such as parking requirements and density restrictions that do not make sense in transit-oriented locations. The use of gap funding for LIHTC developments with access to transit can have the added benefit of creating housing with a fully mixed-income character, since "soft money" often comes with requirements for a portion of the development to be affordable for households with poverty-level incomes.

This study of the use of QAPs to create incentives for locating affordable housing close to transit and of the challenges to, and promising practices for, achieving that end, is one of the few to use in-depth interviews with state agency officials, developers, and housing and transit experts to study the LIHTC program.

Future Research

Nearly 30 years after its enactment, LIHTC remains one of the least-studied federal programs. This study of the use of QAPs to create incentives for locating affordable housing close to transit and of the challenges to, and promising practices for, achieving that end, is one of the few to use in-depth interviews with state agency officials, developers, and housing and transit experts to study the LIHTC program. The study's findings suggest a strategy for further research. That research strategy is based on two approaches: one intensive and based on piloting promising approaches, the other extensive and based on further analysis of national trends and patterns across states.

First, policy developers and researchers could build on this report's findings to work with one or more states on a model QAP allocation system that balances locating affordable housing near transit in urban areas with other policy priorities, including both tailoring LIHTC locations to the different needs of different types of geography and maintaining focus on the cost-effective use of public resources. Researchers would then conduct intensive case studies of the implementation and effectiveness of those systems. Among the issues to be examined in more depth than was possible in this study is how gap financing is—or could be—aligned with other state priorities, including locating affordable housing near transit.

Second, as LIHTC data for years beyond 2010 become available, researchers could repeat the quantitative analysis initiated by this report, with the particular objective of measuring the effectiveness of the stronger incentives for location near transit that more states have implemented in recent years. And as national LIHTC data makes strides

towards fulfilling the statutory requirement for a national database on LIHTC that includes the demographic and income characteristics of occupants of tax credit developments, research on the use of LIHTC nationally could examine the interplay between location near transit and the income levels and household composition of affordable housing produced by LIHTC.

End Notes

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Appendix A: Research Methodology and Data Sources

Qualitative Methods

The qualitative analysis was based on discussions with a sample of stakeholders from 15 states with a variety of QAP approaches, transit systems, and market dynamics. Stakeholder discussions were semi-structured and intended to identify and explore key themes. The Team developed a set of discussion guides for each category of stakeholders with a list of topics to explore. These guides provided open-ended prompts from which the Team began the discussion. The guides provided separate discussion questions based on the QAP incentives in any given state (e.g. the guide for a state with strong transit incentives in their QAP was different from the guide for a state with no transit incentives).

Identifying Stakeholders

A sampling analysis was conducted to identify a semi-representative group of stakeholders for the discussions. The Study Team identified 15 states that represent a cross-section of QAP transit incentive types along with perceived QAP transit incentive effects as determined by preliminary results of the quantitative analysis. Other factors that were considered in the sampling analysis were the region of the state and whether or not the housing agency had increased or decreased its emphasis on transit proximity over the course of the study period.

Within each of these states, the Study Team identified several categories of stakeholders to include in the qualitative analysis. These included the following:

1. ***State housing finance agency staff***: The Team conducted discussions with state housing agency (usually housing finance agency) staff regarding their processes for developing QAP requirements and incentives related to transit proximity and access. Where possible, the Team conducted discussions with managers/ high level staff in the Multifamily or Low Income Housing Tax Credit Divisions of each agency. The purpose of these discussions was to learn more about the kind of advocacy, development, consultation, and decision-making that are involved in adopting transit incentives in the QAPs, along with the specific terms of those incentives. For those housing agencies that had already instituted moderate or strong transit incentives during the period of study, the Team explored whether there have been any changes to the terms, and whether there has been any monitoring or evaluation (even anecdotal) of the incentive's effects. For those housing agencies in which there are no or weak incentives, the Team explored any constraints or challenges to incorporating such incentives into the QAP.

2. ***Developers:*** Affordable housing developers, owners, and managing partners of LIHTC properties took part in the qualitative research discussions. The purpose of these conversations was to ground the

overall study with specific examples of preservation developments that benefitted from various incentives, including transit incentives, as well as provide richer descriptions of the motivation and process involved in actively promoting transit-accessible properties for LIHTC allocations. Questions explored included the following: Do they consider the transit incentives in the QAP as a factor when they consider developing a new property or preserving an existing building for possible LIHTC financing? Do they perceive the incentives as meaningful? What would make the incentives more meaningful? Are there conflicting incentives that make decisions difficult or confusing? Are there factors outside of the QAP that make the QAP incentives either more or less effective?

3. ***Other Housing and Transit Policy Experts and Advocates:*** Finally, discussions were held with low-income housing and sustainability policy advocates and experts. The purpose of these discussions was to provide insight into the history and context of the work around providing/maintaining affordable housing near transit in each area, the economic and political climate, and the largest barriers to policy, regulatory or programmatic changes that appear to have an effect on the location of LIHTC properties. The Team also conducted discussions with a limited number of tax credit syndicator organizations, large investors and brokers of tax credits. We particularly focused on those entities with large portfolios of LIHTC properties placed in service when and where strong QAP transit incentives existed.

Quantitative Methods

The quantitative analysis examines the relationship between the transit accessibility of LIHTC properties and the transit incentives incorporated into QAPs. The sources of data used in the analysis are described below.

HUD's LIHTC Database

HUD's Low-Income Tax Credit database includes development address, number of total units and low-income units, number of bedrooms, year the credit was allocated, year the development was placed in service, whether the development was new construction or rehabilitation, type of credit provided (4% or 9%), and other sources of development financing. The database has also been geocoded (addresses have been linked with their associated geographic coordinates) allowing for analysis with other geographic information (such as transit station location). All LIHTC developments in the database that were allocated tax credits from 2003-2010 and were located within one of the 54 regions included in our study were compiled for the regression analysis.

We assumed that transit incentives included in one year's QAP were applied to allocations of tax credits made in the same year, although the properties receiving any of that QAP's allocations could have been placed in service in a different year (most often, in the following year).[61] Since the earliest year of QAP incentives under review is 2003, the study includes properties in the LIHTC database that were allocated tax credits in 2003 and eventually placed in service.

Center for Transit-Oriented Development (CTOD) National TOD Database

The CTOD TOD Database provides locational information for existing and proposed fixed guideway stations (that is, for commuter rail, subway, and light rail systems) and their surrounding transit zones since 2004, using the National Transportation Atlas Database (NTAD). The location of bus stops is not included in the NTAD and is consequently also not in the TOD database. This is likely because bus stops and routes are flexible and change frequently, and are therefore difficult to keep current. The TOD database was updated as of December 2011.

The database provides the geocoded (latitude and longitude) information for every station by station name, transportation agency and line, and region.

QAP Database

The QAPs used to allocate tax credits were a critical source of information for the study: the existence and terms of any transit incentives. Annual QAPs for the same jurisdictions from 2003-2010 were recorded to track changes in incentives for transit-accessible developments over time. Together with HUD's LIHTC database, these data were used to identify correlations between the adoption of incentives for transit-accessible developments and the actual location of tax credit properties once placed in service in relation to fixed guideway transit stations.

The QAP database summarizes the extent to which access to transit was identified as a priority by the state agency according to the following:

- Whether a transit incentive exists in the QAP;
- The type of transit incentive; and
- Any requirements with regard to transit distance (for example, that the property be within ¼- or ½-mile radius to a transit station), type (i.e., rail, bus, or combination), and quality (for example, the station's service hours or intervals between transport headway).

Limitations

A general limitation of the study is that correlation does not necessarily imply causation. In addition, the TOD database is comprehensive with regard to geographic information, but has four key limitations that affected this study:

1. ***Fixed guideway transit data only.*** The most important limitation of the TOD database is that it contains no bus stop location information. Unfortunately, there is no publically available historical database for bus stop locations at the national level from which to supplement the database. This means that for the purposes of the

study, developments near bus stops, but not transit stations, are not considered to be near transit. This poses a problem for the analysis because many states allow developments with access to bus service to qualify for the transit incentive.

2. ***Time coverage.*** The database provides current fixed guideway stations, and past data are not necessarily archived in useable formats. This condition is helpful for planners but not for researchers looking at historical change. Since the study looks at LIHTC property placements beginning in 2004 (from 2003 QAP allocations), we assume that the 2004 station locations data from the database is constant throughout the period of study starting in 2004 and the new stations added since then are constant from the year of construction. Given that subway and rail infrastructure does not change so much as grow, this limitation does not pose a significant problem.

3. ***Metro sample.*** The sample of metros included in the TOD database is limited to those 54 regions that have transit networks with fixed guideway stations. The limited sample size and non-representativeness affected our ability to perform meaningful multivariate analysis. Data for entire transit systems is provided in the TOD database, some of which serve more than one metro area. For example, the TOD database includes transit system information for the Boston region, which includes seven MSAs: Boston, Lowell, New Bedford, Fitchburg-Leominster, Brockton, Lawrence, and Worcester. Although the database provides transit data for 54 regions, there are 90 total metro areas included in the database, also used in the study. We did not have transit data for any metro areas in Alaska, Alabama, Iowa, Idaho, Kentucky, Montana, North Dakota, Nebraska, Oklahoma, Puerto Rico, South Dakota, and Wyoming, so these states are not included in our sample.

4. ***No transit quality data.*** The database contains no information with regard to the service hours, number or rate of trains, or other transit quality information for the stations in question. Where the QAP incentive may specify transit quality requirements, the study only tracks distance requirements to any fixed guideway transit station.

Appendix B: Interview Discussion Guides

Stakeholder Group: Housing Finance Agencies

Introduction

The National Housing Trust, in partnership with Abt Associates, is engaged in a two-year research project funded through a HUD Sustainable Communities Research Grant. The purpose of the study is to evaluate how the Low Income Housing Tax Credit (LIHTC) program has been and can be used to promote the preservation of affordable rental housing near public transportation. The researchers wish to understand how the preservation of affordable housing units has been impacted by transit preferences in Qualified Allocation Plans (QAPs) and other appropriate policies and interventions. The project will take place over two years, the end of which a final report will be disseminated and shared with stakeholders, including your organization.

Thank you for taking the time to talk with me. Please note that the discussion is being recorded.

Introductory Questions: QAP Background

We would first like to ask some general questions about your QAP development process.

1. Who leads the QAP development process each year? Example, a division of the HFA, a committee, a consultant, etc.
2. How does your agency involve external stakeholders in this process?
    a. How effective are stakeholders in influencing changes in the QAP?
3. What do you see as the main obstacles for affordable housing near transit?
    a. Are the challenges different for preservation versus new construction?

QAP Transit Incentive History

We would like to now ask some more specific questions about the QAP development process in relation to transit-accessibility incentives. When I say incentives I mean points, where the top scoring properties are awarded tax credits; basis boosts that award an additional credit bonus of up to 30 percent; non-numerical preferences that express the desired characteristics of properties getting tax credits; set-asides, when a certain portion of the total tax credit allocation is reserved for specific types of projects; and threshold requirements, which are mandatory standards that all properties must meet in order to receive tax credits.

4. I've read all your QAPs between 2003 and 2011. Your most recent QAP includes / does not include a transit incentive. [WE DESCRIBE THE EVOLUTION OF THEIR QAPS RE: TRANSIT INCENTIVES].

Does that sound correct to you?

Question 4-11: [ONLY FOR QAPS WITH TRANSIT INCENTIVES.]

5. Please describe in detail the internal decision-making process that led to the development of _____ [REFER TO INCENTIVES IN ATTACHMENT A] _____

[USE PROMPTS IF NEEDED. ASK EXPLICITLY IF THE RESPONDENT DOES NOT COVER THEM:

   a. [IF THE TRANSIT INCENTIVES CHANGED] why did the transit incentives change?
   b. What was the internal decision-making process for discussing and including transit incentives?
   c. Was there an internal champion or naysayer?
   d. Was there a mandate from a higher authority or board?
   e. Why did the agency ultimately adopt an incentive?
   f. Did any new state or federal policy lead to the addition of the incentive?

6. Please describe in detail the external influences that led to the development of [REFER TO INCENTIVES IN ATTACHMENT A].
   a. Were there any public hearings or feedback phases?
   b. Did the influence of stakeholders play a role in the development of the transit incentive (whether they were included or not)?
   c. Which outside groups were involved, if any?

7. Were other transit incentives considered at any point?
   a. If so, why weren't they chosen?

Impact of QAP Incentives

I would now like to ask you some specific questions about the effect or implications of your agency's use of transit incentives:

8. In your opinion, are [NAME OF STATE]'s QAP incentives for locating LIHTC properties near transit effective?
   a. Why or why not?
   b. Does your opinion change if you think about preservation versus new construction?
   c. If the incentive has changed, did that have an effect?

[PROMPT: SPECIFICALLY ABOUT PROPERTY NEAR PUBLIC TRANSPORTATION]

9. Have there been any unintended consequences from the transit incentives? If so, please explain.

10. Has interest in projects near transit changed over time among developers— more or less interest?

    a. Does that have to do with the transit incentive or something else?

11. In the QAP and the project selection process in general, what are the factors that compete with or offset incentives to locate property near transit?

[IF PROMPTED, USE PRESERVATION EXAMPLE, EG UNIT SIZE REQUIREMENTS MAY MAKE PRESERVATION INCENTIVES MOOT OR EXTRA CHALLENGING]

    a. How does your agency balance these potentially conflicting goals?

12. Are there other factors such as costs and financing that make it difficult to locate LIHTC properties near transit?

    a. If so, has your agency taken any steps to offset those factors?

[PROMPTS: BASIS BOOSTS, WAIVING PER UNIT CEILINGS, PROVIDING SOFT DEBT.]

Question 12-14: [ONLY FOR QAPS WITHOUT TRANSIT INCENTIVES.]

13. Has there been any attempt to include transit-related incentives in your QAP in the past?

14. Have stakeholders advocated for or against incentivizing projects near transit?

15. In your opinion, would QAP transit incentives work in your state? Why or why not?

[ASK THE REST OF THE QUESTIONS OF EVERYONE]

16. Are there plans or discussions to create or change the QAP incentives for location near transit in the future?

    a. What are they?

    b. Why- what is the motivation behind the change?

View of Transit Accessibility Factors

We would now like to ask you about factors outside of the QAP that may influence either positively or negatively the preservation or construction of affordable housing near transit.

17. Does your agency view the preservation of affordable rental housing near transit as a priority?
    a. Why or why not?
    b. What about new construction?

18. Outside of tax credits, does your state provide funding or other incentives for affordable housing near transit?

[PROMPTS: USE OF OTHER FUNDS SUCH AS HOME RENTAL PRODUCTION OR STATE HOUSING FUNDS]

    a. Is this for both preservation and new construction?

19. How important do you think the following factors outside of the QAP are in affecting whether affordable housing preserved near transit?
    a. Federal programs or policies
    b. State programs or policies
    c. Local requirements, incentives, or disincentives [PROMPT, IF NECESSARY: MUNICIPAL TAX OR IMPACT FEE BREAKS, REGULATORY STREAMLINING OR DENSITY BONUSES, PUBLIC FINANCING]
    d. Advocacy
    e. Other?

20. I'd now like to get your feedback on 3 potential policy tools. Please let me know if you think any of these in your opinion are practical or something you could envision your agency considering adopting:
    a. Basis boost for properties near transit
    b. Set aside for properties near transit
    c. Coordination with transportation agencies or regional planning organizations

Is there someone you think that we should contact for this discussion who might shed some interesting light on the topics we discussed today?

If there is something else that you would like to add, please let me know. Please also do not hesitate to contact me at any time after the discussion.

Stakeholder Group: Developers/Owners (Explicit Incentives)

Introduction

The National Housing Trust, in partnership with Abt Associates, is engaged in a two-year research project funded through a HUD Sustainable Communities Research Grant. The purpose of the study is to evaluate how the Low Income Housing Tax Credit (LIHTC) program has been and can be used to promote the preservation of affordable rental housing near public transportation. The researchers wish to understand how the preservation of affordable housing units has been impacted by transit preferences in Qualified Allocation Plans (QAPs) and other appropriate policies and interventions. The project will take place over two years, the end of which a final report will be disseminated and shared with stakeholders, including your organization.

We are interested in learning about your experience working in [State /Metropolitan area: _____] using the competitive 9% tax credits. Please relate your answers to your experience using the competitive 9% tax credits to preserve and create affordable rental housing in _____.

Thank you for participating in this research project. Please note that the discussion is being recorded.

Developer/Owner Background Questions

We would like to start off with some general questions about your organization and LIHTC housing.

1. How many properties/units has your organization developed over the past 10 years? How many of those were tax credit rehabilitation and how many were tax credit new construction?

2. Do you work exclusively in [NAME OF STATE_____]?
    a. Do you have experience with LIHTC in states that do not have incentives for constructing or rehabilitating LIHTC properties near transit?

3. What do you see as the main obstacles for affordable housing near transit?
    a. Are the challenges different for preservation versus new construction?

QAP Incentives

We would like to now ask some more specific questions about the developer/owner decision-making process in relation to the incentives in the [NAME OF STATE_____]'s Qualified Allocation Plan

using 9% tax credits. When I say incentives I mean…. points, where the top scoring properties are awarded tax credits; basis boosts that award an additional credit bonus of up to 30 percent; non-numerical preferences that express the desired characteristics of properties getting tax credits; set-asides, when a certain portion of the total tax credit allocation is reserved for specific types of projects; and threshold requirements, which are mandatory standards that all properties must meet in order to receive tax credits.

4. Do QAP transit incentives influence your decision to pursue a particular property/deal in [NAME OF STATE WITH TRANSIT INCENTIVES_____] or not?

a. Why or why not?

b. What QAP incentives do you consider when pursing a particular project in [NAME OF STATE_____?

5. According to our research, the most recent QAP for [NAME OF STATE_____] includes transit incentive(s). [WE ALSO DESCRIBE THE EVOLUTION OF QAPS RE: TRANSIT INCENTIVES]. Are you familiar with these incentives?

6. Do you consider these transit incentives when your company considers preserving a property using LIHTC allocations?

a. Why or why not? Is this different for new construction?

7. In your view, have any of your proposed tax credit projects scored better among competing LIHTC proposals because of [NAME OF STATE_____]'S transit incentives?

[IF YES],
I would like to ask you some specific questions about this property/these properties in order to learn more about the decision-making process you underwent. How many of your properties benefitted from the transit incentive?

[ASK THE FOLLOWING QUESTIONS FOR EACH PROPERTY IF MORE THAN ONE PROPERTY]:

a. What is the name of the property and where is it located?

b. What was the specific incentive that gave the property an advantage in the competition?

c. How did the transit incentive impact the project?

d. Was the quality of the nearby transit--for example, frequency of service--an issue?

e. Where there other factors that made the project less competitive?

[PROMPTS: LAND OR ACQUISTION COSTS, HOUSING MARKET FACTORS, REGULATORY ISSUES, FINANCING ISSUES?]

f. Without the transit incentive, would the company still have pursued the project?

[IF NO],

a. Have you proposed projects that you thought would benefit from a
transit incentive, but they didn't qualify?
b. [IF YES], Why did they not qualify?

[PROMPTS: UNDERWRITING ISSUES, MARKET ISSUES, ISSUES WITH TRANSIT QUALITY?

c. [IF NO], Why have you not proposed tax credit projects that would benefit from the incentive?

8. What do you think of the effectiveness of the incentives to provide affordable housing near transit?

a. Does your opinion change if you think about preservation versus new construction?

b. If the incentive has changed, did that have an effect?

[PROMPT: SPECIFICALLY ABOUT PROPERTY NEAR PUBLIC TRANSPORTATION]

9. In your view, what would make [NAME OF STATE AGENCY]'s transit incentives more meaningful or effective?

a. What type of QAP incentives for transit proximity or changes to the QAP would influence your decision to pursue a particular project?

[PROMPTS: A SET ASIDE FOR PROPERTIES NEAR TRANSIT, A BASIS BOOST FOR PROPERTIES NEAR TRANSIT, ADDITIONAL POINTS FOR PROPERTIES NEAR TRANSIT]

10. In the QAP, have there been any factors that compete with or offset incentives to locate tax credit properties near transit?

a. If so, how has your organization balanced these potentially \ conflicting goals?

11. Have you tried to influence the QAP in [NAME OF STATE] or in any other states where you work so that it includes incentives for transit proximity?

a. [PROMPTS: SUBMIT WRITTEN COMMENTS, ATTEND DISCUSSIONS, TESTIFY AT HEARINGS]

IF YES,

a. What type of incentive did you encourage? Why?

b. And what happened—was it included and how was it included? Was it the type and strength that you wanted?

12. Have you ever tried to influence a QAP in order to weaken or remove a transit incentive? If so, why?

Questions 13 and 14: [ONLY FOR DEVELOPERS WHO ALSO WORK IN STATES THAT DO NOT HAVE TRANSIT INCENTIVES]

I am now going to ask some questions about your experience in States that do not have explicit transit incentives like the incentives we discussed for [NAME OF STATE: _____].

13. In states that do not have such transit incentives, could any of your low income housing tax credit projects have benefitted from a transit incentive?

14. If there was a transit incentive, would you have pursued different preservation projects in that state?

I am now going to ask some questions about factors outside of the QAP that may influence a developer's ability to preserve affordable housing near transit.

15. How important do you think the following factors are in affecting whether affordable housing is preserved near transit?

    a. Federal programs or policies

[PROMPT: TAX CREDIT REGULATIONS; HUD INCENTIVES, OR LACK THEREOF, FOR TRANSIT PROXIMITY, LIKE SECTION 202]

    b. State or Local programs or policies

[PROMPT: MUNICIPAL TAX OR IMPACT FEE BREAKS, REGULATORY STREAMLINING OR DENSITY BONUSES, PUBLIC FINANCING]

    c. Local requirements or issues, incentives, or disincentives [PROMPT, IF NECESSARY: DENSITY BONUSES, PARKING REQUIREMENTS, NIMBYISM]

    d. Advocacy

    e. Other?

16. As an affordable housing developer, what do you consider to be the benefits and costs, if any, of preserving affordable rental housing near transit?

    a. Is it different for new construction?

17. Has your organization's interest in projects near transit changed over—more or less interest?

    a. Does that have to do with transit incentives or something else?

Is there another developer active in [NAME OF STATE_____] that you think we should contact for this discussion that might shed some interesting light on the topics we discussed today? How about a syndicator or another expert or advocacy organization?

Stakeholder Group: Developers/Owners (Implicit Incentives)

Introduction

The National Housing Trust, in partnership with Abt Associates, is engaged in a two-year research project funded through a HUD Sustainable Communities Research Grant. The purpose of the study is to evaluate how the Low Income Housing Tax Credit (LIHTC) program has been and can be used to promote the preservation of affordable rental housing near public transportation. The researchers wish to understand how the preservation of affordable housing units has been impacted by transit preferences in Qualified Allocation Plans (QAPs) and other appropriate policies and interventions. The project will take place over two years, the end of which a final report will be disseminated and shared with stakeholders, including your organization.

We are interested in learning about your experience working in [State / Metropolitan area: _____] using the competitive 9% tax credits. Please relate your answers to your experience using the competitive 9% tax credits to preserve and create affordable rental housing in _____.

Thank you for participating in this research project. Please note that the discussion is being recorded.

Developer/Owner Background Questions

We would like to start off with some general questions about your organization and LIHTC housing.

1. How many properties/units has your organization developed over the past 10 years?
    a. How many of those were tax credit rehabilitation and how many were tax credit new construction?

2. Do you work exclusively in [NAME OF STATE_____] using 9% tax credits?

3. What do you see as the main obstacles for affordable housing near transit?
    a. Are the challenges different for preservation versus new construction?

QAP Incentives

We would like to now ask some more specific questions about the developer/owner decision-making process in relation to the incentives in the [NAME OF STATE_____]'s Qualified Allocation Plan

using 9% tax credits. When I say incentives I mean…. points, where the top scoring properties are awarded tax credits; basis boosts that award an additional credit bonus of up to 30 percent; non-numerical preferences that express the desired characteristics of properties getting tax credits; set-asides, when a certain portion of the total tax credit allocation is reserved for specific types of projects; and threshold requirements, which are mandatory standards that all properties must meet in order to receive tax credits.

4. Do QAP incentives influence your decision to pursue a particular property/ deal using 9% tax credits in [NAME OF STATE _____] or not?

    a. Why or why not?

    b. What QAP incentives do you consider when pursuing a particular project in [NAME OF STATE] using 9% tax credits.

5. According to our research, the most recent QAP for [NAME OF STATE_____] includes these incentives: [LIST IMPLICIT INCENTIVES] Are you familiar with these incentives?

    a. Do you consider these incentives when your company considers preserving a property using LIHTC allocations?

    b. Why or why not? Is this different for new construction?

6. Have you tried to influence the QAP in [NAME OF STATE] or in any other states where you work so that it includes incentives for transit proximity?

[PROMPTS: SUBMIT WRITTEN COMMENTS, ATTEND DISCUSSIONS, TESTIFY AT HEARINGS]

IF YES,

    a. What type of incentive did you encourage? Why? And what happened—was it included and how was it included? Was it the type and strength that you wanted?

Now, we'd like to ask some more general questions about your views of transit incentives and possible future trends.

7. In [NAME OF STATE], could any of your low income housing tax credit projects have benefitted from a transit incentive?

8. If there was a transit incentive, would you have pursued different preservation projects in that state?

9. What type of QAP incentives for transit proximity or changes to the QAP would influence your decision to pursue a particular project?

[PROMPTS: A SET ASIDE FOR PROPERTIES NEAR TRANSIT, A BASIS BOOST FOR PROPERTIES NEAR TRANSIT, ADDITIONAL POINTS FOR PROPERTIES NEAR TRANSIT]

I am now going to ask some questions about factors outside of the QAP that may influence a developer's ability to preserve affordable housing near

transit.

10. How important do you think the following factors are in affecting whether affordable housing is preserved near transit?

    a. Federal programs or policies

[PROMPT: TAX CREDIT REGULATIONS; HUD INCENTIVES, OR LACK THEREOF, FOR TRANSIT PROXIMITY, LIKE SECTION 202]

    b. State or Local programs or policies

[PROMPT: MUNICIPAL TAX OR IMPACT FEE BREAKS, REGULATORY STREAMLINING OR DENSITY BONUSES, PUBLIC FINANCING]

    c. Local requirements or issues, incentives, or disincentives

[PROMPT, IF NECESSARY: DENSITY BONUSES, PARKING REQUIREMENTS, NIMBYISM]

    d. Advocacy

    e. Other?

11. As an affordable housing developer, what do you consider to be the benefits and costs, if any, of preserving affordable rental housing near transit?

    a. Is it different for new construction?

12. Has your organization's interest in projects near transit changed over— more or less interest?

    a. Does that have to do with transit incentives or something else?

Is there another developer active in [NAME OF STATE_____] that you think we should contact for this discussion that might shed some interesting light on the topics we discussed today? How about a syndicator or another expert or advocacy organization?

If there is something else that you would like to add, please let me know. Please also do not hesitate to contact me at any time.