



United States  
General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-283562

September 17, 1999

The Honorable Andrew M. Cuomo  
The Secretary of Housing and Urban Development

Subject: Tax Credits: The Use of Tenant-Based Assistance in Tax-Credit-Supported Properties

Dear Mr. Secretary:

In March 1997, we issued a report<sup>1</sup> on the characteristics of residents and properties that have benefited from the Low-Income Housing Tax Credit program. Under this program, the states are authorized to allocate federal tax credits as an incentive for the private sector to develop or substantially rehabilitate rental housing for low-income households. The program is currently the largest source of federal funds for this purpose. In addition, the federal government provides rental assistance, either directly to tenants, through vouchers (tenant-based rental assistance), or to property owners, for units under contract with the government (property-based rental assistance). Both types of rental assistance may be used with tax credits.

Some months after we issued our report, we began working with your Office of Policy Development and Research on several issues that the Office is studying in connection with the Low-Income Housing Tax Credit program. One of these issues is the use of tenant-based rental assistance in tax-credit-supported properties. At the Office's request, we further analyzed some of the data relevant to this issue that we collected for our March 1997 report. The enclosures contain our analyses. Enclosure I provides our estimate of the number of properties and households that received rental assistance. Enclosure II provides information on certain characteristics of households that received tenant-based rental assistance, property-based rental assistance, and no rental assistance. Enclosure III focuses exclusively on properties in which at least one household received tenant-based rental assistance. The tables in this enclosure analyze the extent to which tenant-based rental assistance was used.

---

<sup>1</sup>Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program (GAO/GGD/RCED-97-55, Mar. 28, 1997).

Our analyses are based on data we collected for our 1997 report from our probability sample of Low-Income Housing Tax Credit properties.<sup>2</sup> Because the estimates in the enclosures are based on data collected for a sample of about 400 properties rather than for all tax credit properties (about 4,100), the estimates are subject to sampling error. The sampling error, at the 95-percent confidence level, is provided for each estimate in the enclosures. In addition, our sample was designed to provide estimates for tax credit properties and households as a whole. It was not designed to provide reliable estimates for subgroups of properties or households, such as those receiving tenant-based rental assistance. Therefore, the sampling errors associated with many of the estimates in the enclosures are very large. Our sampling method is described fully in appendix I of our 1997 report. We performed our analyses from May through August 1999 in accordance with generally accepted government auditing standards.

-----

We are sending copies of this report to your Office of Policy Development and Research. We will make copies available to others on request.

If you have any further questions, please call me at (202) 512-7631. Key contributors to this report were Karen Bracey, Dennis Fricke, David Lewis, and Elizabeth Eisenstadt.

Sincerely yours,



Judy A. England-Joseph  
Director, Housing and Community  
Development Issues

Enclosures - 3

---

<sup>2</sup>These properties were placed in service in the 48 contiguous states and the District of Columbia from Jan. 1, 1992, through Dec. 31, 1994.

**Table 1: Number and Percentage of Tax Credit Properties and Households Receiving Rental Assistance**

Type of rental assistance used at property	All tax credit properties		Households in tax credit units receiving rental assistance		All households in tax credit units	
	Number	Percent	Number	Percent	Number	Percent
<b>Property-based<sup>a</sup></b>						
Estimate	1,531	36	38,032	70	44,976	31
Sampling error	308	8	5,999	6	6,608	5
<b>Tenant-based<sup>b</sup></b>						
Estimate	1,502	36	16,532	30	70,308	49
Sampling error	466	10	2,981	6	7,396	5
<b>None<sup>c</sup></b>						
Estimate	907	22	<sup>d</sup>	<sup>d</sup>	25,925	18
Sampling error	587	11	<sup>d</sup>	<sup>d</sup>	5,613	4
<b>Unknown<sup>e</sup></b>						
Estimate	272	6	<sup>d</sup>	<sup>d</sup>	1,656	1
Sampling error	122	3	<sup>d</sup>	<sup>d</sup>	1,069	1
<b>Total</b>						
Estimate	4,212	100	54,564	100	142,865	100
Sampling error	744		5,741		2,912	

Note: Numbers may not add to totals because of rounding.

<sup>a</sup>Property-based rental assistance was available to at least one unit in this property. This category includes properties financed with Rural Housing Service Section 515 loans and properties with HUD property-based rental assistance programs.

<sup>b</sup>No units in this property received property-based rental assistance, and at least one household received tenant-based rental assistance.

<sup>c</sup>No units in this property were eligible for property-based rental assistance, and no households received tenant-based rental assistance.

<sup>d</sup>No observations.

<sup>e</sup>No information on rental assistance was provided.

**Observations**

- In 36 percent  $\pm$  10 percent (about 26 to 46 percent) of the properties, at least one tenant received tenant-based rental assistance.
- Thirty percent  $\pm$  6 percent (about one-fourth to one-third) of all the tenants who benefited from rental assistance received tenant-based assistance.
- In the 1,502  $\pm$  466 properties classified as benefiting from tenant-based rental assistance, 70,308  $\pm$  7,396 households lived in tax credit units. Only 16,532  $\pm$  2,981 of these households received tenant-based rental assistance.

Table 2: Rental Assistance Received by, and Incomes of, Households in Tax Credit Units

Type of rental assistance	Occupied tax credit units				
	All units		Units with data on household and area median income		
	Number	Percent	Number	Percent	Average household income as a percentage of area median income
Property-based <sup>a</sup>					
Estimate	38,032	27	37,493	27	26
Sampling error	5,999	4	5,959	4	1
Tenant-based <sup>b</sup>					
Estimate	16,532	12	15,921	11	24
Sampling error	2,981	2	2,898	2	2
None <sup>c</sup>					
Estimate	84,929	59	84,246	60	45
Sampling error	6,081	4	6,011	4	1
Unknown <sup>d</sup>					
Estimate	3,372	2	2,417	2	35
Sampling error	1,522	1	1,367	1	3
Total					
Estimate	142,865	100	140,077	100	37
Sampling error	2,912		3,011		1

Note: Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- Data on household and area median income were fairly complete for the approximately 143,000 tax credit units.
- Our analysis of the data revealed no statistically significant difference in the average household income as a percentage of the area median income for households receiving tenant-based rental assistance and households receiving property-based rental assistance. (P-value T-test = 0.0674.)

**Table 3: Income of Tax Credit Households as a Percentage of Area Median Income, by Type of Rental Assistance**

Household income as a percentage of area median income	Tax credit households receiving								All tax credit households	
	Property-based rental assistance <sup>a</sup>		Tenant-based rental assistance <sup>b</sup>		No rental assistance <sup>c</sup>		Unknown <sup>d</sup>		Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Less than 30%</b>										
Estimate	23,319	61	11,092	67	14,141	17	940	28	49,492	35
Sampling error	3,968	5	2,213	7	2,106	2	537	6	3,846	3
<b>30%-40%</b>										
Estimate	9,004	24	2,707	16	17,987	21	522	15	30,220	21
Sampling error	2,011	3	761	4	1,739	1	381	5	2,024	1
<b>41%-50%</b>										
Estimate	3,370	9	1,392	8	22,711	27	487	14	27,960	20
Sampling error	843	2	438	2	1,950	1	307	6	1,751	1
<b>More than 50%</b>										
Estimate	1,801	5	730	4	29,406	35	467	14	32,404	23
Sampling error	540	1	462	3	3,043	2	252	4	2,947	2
<b>Unknown</b>										
Estimate	539	1	611	4	683	1	956	28	2,789	2
Sampling error	823	2	723	4	306	0	420	13	1,217	1
<b>Total</b>										
Estimate	38,032	100	16,532	100	84,929	100	3,372	100	142,865	100
Sampling error	5,999		2,981		6,081		1,522		2,912	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- According to our analysis of the data, there was no statistically significant difference in the distribution of household income as a percentage of the area median income for households receiving tenant-based rental assistance and households receiving property-based rental assistance. (Chi Sq P-value = 0.0719.)
- Households receiving tenant-based rental assistance were more likely to have low incomes than households that did not receive rental assistance. (Chi Sq P-value = 0.0000.)

**Table 4: Rent Burden of Tax Credit Households, by Type of Rental Assistance**

Percentage of income paid for rent	Tax credit households receiving								All tax credit households	
	Property-based rental assistance <sup>a</sup>		Tenant-based rental assistance <sup>b</sup>		No rental assistance <sup>c</sup>		Unknown <sup>d</sup>		Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
<b>0-30%</b>										
Estimate	35,191	93	13,549	82	33,158	39	20	1	81,918	57
Sampling error	5,736	4	2,623	6	3,279	3	21	1	4,573	3
<b>31%-40%</b>										
Estimate	493	1	676	4	29,171	34	•	•	30,341	21
Sampling error	349	1	238	1	2,596	2	•	•	2,586	2
<b>41% or more</b>										
Estimate	694	2	1,089	7	21,829	26	•	•	23,612	17
Sampling error	435	1	405	2	2,290	2	•	•	2,327	2
<b>Unknown</b>										
Estimate	1,654	4	1,218	7	771	1	3,352	99	6,995	5
Sampling error	1,469	4	1,062	6	343	0	1,522	1	2,362	2
<b>Total</b>										
Estimate	38,032	100	16,532	100	84,929	100	3,372	100	142,865	100
Sampling error	5,999		2,981		6,081		1,522		2,912	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- The rent burden (percentage of income paid for rent) was generally higher for households receiving tenant-based rental assistance than for those receiving property-based rental assistance. (Chi Sq P-value = 0.0001.)
- The rent burden was lower for households receiving tenant-based rental assistance than for those receiving no rental assistance. (Chi Sq P-value = 0.0000.)

**Table 5: Geographic Distribution, by Census Region, of Tax Credit Households, by Type of Rental Assistance**

Census region	Tax credit households receiving								All tax credit households	
	Property-based rental assistance <sup>a</sup>		Tenant-based rental assistance <sup>b</sup>		No rental assistance <sup>c</sup>		Unknown <sup>d</sup>		Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>West</b>										
Estimate	2,955	8	2,451	15	19,323	23	1,024	30	25,753	18
Sampling error	1,977	5	1,107	7	4,686	5	1,060	24	5,608	4
<b>Midwest</b>										
Estimate	10,655	28	5,830	35	21,524	25	956	28	38,966	27
Sampling error	3,465	8	2,046	10	4,736	5	1,079	25	6,360	4
<b>South</b>										
Estimate	17,797	47	5,338	32	34,686	41	688	20	58,509	41
Sampling error	4,594	9	1,692	9	5,661	6	226	11	7,031	5
<b>Northeast</b>										
Estimate	6,625	17	2,913	18	9,396	11	704	21	19,637	14
Sampling error	2,770	7	1,594	9	3,400	4	136	10	5,086	4
<b>All regions</b>										
Estimate	38,032	100	16,532	100	84,929	100	3,372	100	142,865	100
Sampling error	5,999		2,981		6,081		1,522		2,912	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- The data did not reveal statistically significant differences in the geographical distribution of households receiving tenant-based rental assistance and households receiving property-based rental assistance. (Chi Sq P-value = 0.1005.)
- The data revealed statistically significant differences in the geographical distribution of households receiving tenant-based rental assistance and households receiving no rental assistance. (Chi Sq P-value = 0.0182.)

**Table 6: Location of Tax Credit Households, by Type of Rental Assistance**

Location of household	Tax credit households receiving								All tax credit households	
	Property-based rental assistance <sup>a</sup>		Tenant-based rental assistance <sup>b</sup>		No rental assistance <sup>c</sup>		Unknown <sup>d</sup>		Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Central city</b>										
Estimate	7,993	21	10,118	61	41,599	49	1,361	40	61,071	43
Sampling error	3,129	8	2,545	10	6,015	6	794	21	7,101	5
<b>Balance of metropolitan area</b>										
Estimate	7,114	19	2,669	16	23,979	28	1,297	38	35,059	25
Sampling error	2,765	7	1,062	6	4,975	6	1,045	23	6,073	4
<b>Nonmetropolitan area</b>										
Estimate	10,864	29	1,012	6	5,968	7	177	5	18,020	13
Sampling error	3,765	9	886	5	2,749	3	213	6	4,948	3
<b>Unknown</b>										
Estimate	12,061	32	2,734	17	13,384	16	537	16	28,716	20
Sampling error	3,757	9	1,426	8	3,921	4	769	20	5,904	4
<b>Total</b>										
Estimate	38,032	100	16,532	100	84,929	100	3,372	100	142,865	100
Sampling error	5,999		2,981		6,081		1,522		2,912	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- Households receiving tenant-based rental assistance were more likely to live in central cities and less likely to live in nonmetropolitan areas than households receiving property-based rental assistance. (Chi Sq P-value = 0.0000.)
- Households receiving tenant-based rental assistance were less likely to live in metropolitan areas outside the central city than households receiving no rental assistance. (Chi Sq P-value = 0.0091.)



**Table 7: Poverty Rate of Census Tracts in Which Tax Credit Households Resided, by Type of Rental Assistance**

Poverty rate of Census tract	Tax credit households receiving								All tax credit households	
	Property-based rental assistance <sup>a</sup>		Tenant-based rental assistance <sup>b</sup>		No rental assistance <sup>c</sup>		Unknown <sup>d</sup>			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>0-10%</b>										
Estimate	5,811	15	4,858	29	33,100	39	1,009	30	44,777	31
Sampling error	2,674	7	1,785	9	5,856	6	797	20	6,775	5
<b>11-20%</b>										
Estimate	10,213	27	3,426	21	18,033	21	625	19	32,297	23
Sampling error	3,621	8	1,450	8	4,256	5	754	20	5,988	4
<b>21-30%</b>										
Estimate	4,288	11	2,077	13	9,803	12	133	4	16,301	11
Sampling error	2,378	6	1,017	6	3,268	4	74	3	4,433	3
<b>31-40%</b>										
Estimate	3,423	9	1,403	8	6,307	7	457	14	11,589	8
Sampling error	2,139	5	1,005	6	2,882	3	751	20	4,018	3
<b>Over 40%</b>										
Estimate	2,236	6	2,035	12	4,302	5	612	18	9,185	6
Sampling error	1,263	3	1,284	7	2,071	2	27	8	3,075	2
<b>Unknown</b>										
Estimate	12,061	32	2,734	17	13,384	16	537	16	28,716	20
Sampling error	3,757	9	1,426	8	3,921	4	769	20	5,904	4
<b>Total</b>										
Estimate	38,032	100	16,532	100	84,929	100	3,372	100	142,865	100
Sampling error	5,999		2,981		6,081		1,522		2,912	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- The data revealed statistically significant differences in the poverty rates of the Census tracts lived in by households receiving tenant-based rental assistance and by those receiving property-based rental assistance. (Chi Sq P-value = 0.0300.)
- The data did not reveal statistically significant differences in the poverty rates of the Census tracts lived in by households receiving tenant-based rental assistance and by those receiving no rental assistance. (Chi Sq P-value = 0.2602.)

**Table 8: Size of Tax Credit Properties, by Type of Rental Assistance**

Number of units in property	Tax credit households receiving								All tax credit households	
	Property-based rental assistance <sup>a</sup>		Tenant-based rental assistance <sup>b</sup>		No rental assistance <sup>c</sup>		Unknown <sup>d</sup>		Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
<b>1-20</b>										
Estimate	4,819	13	1,416	9	4,261	5	412	12	10,909	8
Sampling error	2,524	6	1,263	7	2,220	3	758	20	3,856	3
<b>21-50</b>										
Estimate	19,811	52	5,520	33	20,501	24	771	23	46,603	33
Sampling error	4,840	9	2,210	11	4,637	5	766	20	6,926	5
<b>51-99</b>										
Estimate	4,124	11	3,314	20	21,125	25	1,002	30	29,565	21
Sampling error	2,403	6	1,239	7	4,798	5	1,089	25	5,869	4
<b>Over 100</b>										
Estimate	9,277	24	6,282	38	39,042	46	1,188	35	55,789	39
Sampling error	2,931	7	1,657	9	6,016	6	115	16	6,993	5
<b>Total</b>										
Estimate	38,032	100	16,532	100	84,929	100	3,372	100	142,865	100
Sampling error	5,999		2,981		6,081		1,522		2,912	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>Household received rental assistance, and some units in the property where the household lived were eligible for property-based rental assistance.

<sup>b</sup>Household received tenant-based rental assistance, and no units in the property where the household lived were eligible for property-based rental assistance.

<sup>c</sup>Household did not receive rental assistance.

<sup>d</sup>No information on rental assistance was provided.

**Observations**

- Households receiving tenant-based rental assistance were more likely to live in properties with larger numbers of units than households receiving property-based assistance. (Chi Sq P-value = 0.0093.)
- The data did not reveal statistically significant differences in the size of the properties (defined as the number of units in the properties) lived in by households receiving tenant-based rental assistance and by those receiving no rental assistance. (Chi Sq P-value = 0.1772.)

**Table 9: Extent of Tenant-Based Rental Assistance at Tax Credit Properties in Which at Least One Household Received Such Assistance**

Percentage of households in property receiving tenant-based rental assistance	Properties with households receiving tenant-based rental assistance <sup>a</sup>			
	Properties		Households in properties	
	Number	Percent	Number	Percent
5% or less				
<b>Estimate</b>	<b>195</b>	<b>13</b>	<b>14,491</b>	<b>21</b>
Sampling error	78	6	4,347	6
6-15%				
<b>Estimate</b>	<b>288</b>	<b>19</b>	<b>16,792</b>	<b>24</b>
Sampling error	136	10	4,759	6
16-30%				
<b>Estimate</b>	<b>192</b>	<b>13</b>	<b>12,923</b>	<b>18</b>
Sampling error	83	6	4,033	5
31-50%				
<b>Estimate</b>	<b>169</b>	<b>11</b>	<b>7,937</b>	<b>11</b>
Sampling error	104	7	3,208	4
51% or more				
<b>Estimate</b>	<b>525</b>	<b>35</b>	<b>10,101</b>	<b>14</b>
Sampling error	432	20	3,675	5
Unknown <sup>b</sup>				
<b>Estimate</b>	<b>134</b>	<b>9</b>	<b>8,063</b>	<b>11</b>
Sampling error	73	5	3,530	5
<b>Total</b>				
<b>Estimate</b>	<b>1,502</b>	<b>100</b>	<b>70,308</b>	<b>100</b>
Sampling error	466		7,396	

Note: Numbers may not add to totals because of rounding.

<sup>a</sup>A property was classified as receiving tenant-based rental assistance if at least one household received rental assistance and none of the property's units was eligible for property-based rental assistance.

<sup>b</sup>Includes households living in properties where information on rental assistance was not known for more than 5 percent of the households.

**Observations**

- None.

**Table 10: Extent of Tenant-Based Rental Assistance at Tax Credit Properties in Which at Least One Household Received Such Assistance, by Census Region**

Census region	Extent of tenant-based rental assistance at tax credit properties <sup>a</sup>							
	30 percent or fewer <sup>b</sup>		Over 30 percent <sup>c</sup>		Unknown <sup>d</sup>		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>West</b>								
Estimate	160	66	47	19	37	15	244	100
Sampling error	61	21	64	22	31	12	92	
<b>Midwest</b>								
Estimate	237	36	398	60	24	4	659	100
Sampling error	137	27	416	28	25	4	436	
<b>South</b>								
Estimate	184	57	113	35	27	8	324	100
Sampling error	68	16	68	16	29	9	98	
<b>Northeast</b>								
Estimate	94	34	136	49	47	17	276	100
Sampling error	68	24	130	29	54	19	155	
<b>All regions</b>								
Estimate	674	45	694	46	134	9	1,502	100
Sampling error	169	15	443	17	73	5	466	

Notes:

1. Shading indicates that the sampling error exceeds the estimate.
2. Numbers may not add to totals because of rounding.

<sup>a</sup>A property was classified as receiving tenant-based rental assistance if at least one household received rental assistance and none of the property's units was eligible for property-based rental assistance.

<sup>b</sup>Thirty percent or fewer of the property's tax credit households received tenant-based rental assistance.

<sup>c</sup>Over 30 percent of the property's tax credit households received tenant-based rental assistance.

<sup>d</sup>Includes households living in properties where information on rental assistance was not known for more than 5 percent of the households.

**Observation**

- The data did not reveal any statistically significant differences among Census regions in the extent to which tenant-based rental assistance was used. (Chi Sq P-value = 0.2162.)