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Resources, Community, and  
Economic Development Division

B-248332

January 10, 2000

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

Subject: Tax Credits: Characteristics of Tax Credit Properties and Their Residents

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.

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 characteristics of tax credit properties and their residents. 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 and provide information on certain characteristics of tax credit properties and their residents.

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. Therefore, the sampling errors associated with some of these estimates are large. Our sampling method is described fully in appendix I of our 1997 report. We performed our analyses from April through November 1999 in accordance with generally accepted government auditing standards.

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

<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.

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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,



Stanley J. Czerwinski  
Associate Director, Housing and  
Community Development Issues

Enclosures

**Characteristics of Tax Credit Properties, by Property Location**

Characteristic of property	Metropolitan area		Other or unknown area		All areas	
	Estimated percentage of properties	Sampling error <sup>a</sup>	Estimated percentage of properties	Sampling error <sup>a</sup>	Estimated percentage of properties	Sampling error <sup>a</sup>
Type of sponsor						
Nonprofit sponsor	30	10	11	8	22	6
For-profit sponsor	70	10	88	8	78	6
Unknown	<sup>b</sup>	<sup>b</sup>	0 <sup>c</sup>	1	0 <sup>c</sup>	0 <sup>c</sup>
Type of household property is intended to serve						
Family	78	8	59	13	70	7
Elderly	14	6	40	13	26	7
Other	8	4	1	1	5	2
Unknown	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>
Percentage of minority residents <sup>d</sup>						
20 percent or less	33	15	60	13	45	10
21-40 percent	5	3	7	6	6	3
41-60 percent	4	3	7	4	5	2
61-80 percent	4	2	3	2	3	2
More than 80 percent	32	14	9	5	22	9
Unknown	22	7	15	8	19	5
Percentage of minority residents in property and in Census tract						
26 or more percentage points lower than Census tract	1	1	<sup>b</sup>	<sup>b</sup>	1	1
11-25 percentage points lower than Census tract	2	2	12	19	6	9
Between 10 percentage points lower and 10 percentage points higher than Census tract	42	14	22	10	33	10
11-25 percentage points higher than Census tract	9	6	2	2	6	3
26-50 percentage points higher than Census tract	10	5	2	2	6	3
51 or more percentage points higher than Census tract	14	15	1	2	8	9
Unknown	22	7	62	16	39	9
Total number of units <sup>e</sup>						
1-10 units	24	19	22	19	23	14
11-20 units	8	6	21	10	14	6
21-50 units	35	11	48	14	41	9
51-99 units	18	6	4	3	12	3
100 or more units	15	5	4	2	10	3
Unknown	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>

Enclosure I

Characteristic of property	Metropolitan area		Other or unknown area		All properties	
	Estimated percentage of properties	Sampling error <sup>b</sup>	Estimated percentage of properties	Sampling error <sup>b</sup>	Estimated percentage of properties	Sampling error <sup>b</sup>
Percentage of tax credit units <sup>1</sup>						
75 percent or less	4	3	2	2	3	2
76-90 percent	4	4	1	1	2	2
91-99 percent	8	4	5	3	7	3
100 percent	83	7	92	4	87	4
Unknown	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>
Ratio of rent charged to maximum rent allowed (mean for property) <sup>9</sup>						
75 percent or less	22	8	22	10	22	6
76-90 percent	32	14	21	10	27	9
91-100 percent	20	8	31	17	25	9
Greater than 100 percent	8	4	16	8	11	4
Unknown	18	15	10	6	15	9
Ratio of household income to area income <sup>b</sup>						
30 percent or less	30	15	28	11	29	10
31-40 percent	24	9	39	13	31	8
41-50 percent	29	14	10	5	20	9
Over 50 percent	7	4	16	19	11	9
Unknown	9	5	7	5	8	4
Household incomes mixed <sup>1</sup>						
Yes	10	5	7	6	8	4
No	76	8	79	10	78	6
Unknown	14	6	14	8	14	5
Located in a qualified Census tract <sup>1</sup>						
Yes	34	14	<sup>x</sup>	<sup>x</sup>	<sup>x</sup>	<sup>x</sup>
No	66	14	<sup>x</sup>	<sup>x</sup>	<sup>x</sup>	<sup>x</sup>
Unknown	<sup>b</sup>	<sup>b</sup>	<sup>x</sup>	<sup>x</sup>	<sup>x</sup>	<sup>x</sup>
Eligible for additional credits <sup>1</sup>						
Yes	26	9	13	6	21	6
No	74	9	87	6	79	6
Unknown	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>
Extended low-income use restriction						
15 years	10	16	4	4	7	9
30 years with conversion to market rate rentals allowed under certain circumstances	41	12	59	13	49	10
30 years without allowance for conversion to market rate rentals	27	15	20	9	24	9
Greater than 30 years	6	4	9	6	8	3
Other	15	6	8	7	12	5
Unknown	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>

## Enclosure I

Note: All percentages of properties reported in this table are based on the following estimated numbers of properties: 2,342±612 in metropolitan areas, 1,871±514 in other or unknown areas, and 4,212±744 in all areas combined.

<sup>a</sup>Sampling errors are at the 95-percent confidence level.

<sup>b</sup>Indicates there were no occurrences in the sample.

<sup>c</sup>Number less than 0.5 rounds to 0.

<sup>d</sup>The estimated mean percentage of minority residents in the properties was 50±17 in metropolitan areas, 21±8 in other or unknown areas, and 36±11 overall. The estimated numbers of properties for these mean percentage estimates were 1,835 in metropolitan areas, 1,594 in other or unknown areas, and 3,429 in all areas combined.

<sup>e</sup>The estimated mean number of units in tax credit properties was 53±14 in metropolitan areas, 30±7 in other or unknown areas, and 43±8 overall. The estimated numbers of properties for these estimates were 2,342 in metropolitan areas, 1,871 in other or unknown areas, and 4,212 in all areas combined.

<sup>f</sup>The estimated mean percentage of tax credit units in the properties was 97±2 in metropolitan areas, 99±1 in other or unknown areas, and 98±1 overall. The estimated numbers of properties for these mean percentage estimates were 2,342 in metropolitan areas, 1,871 in other or unknown areas, and 4,212 in all areas combined.

<sup>g</sup>The estimated mean ratio of rent charged to the maximum rent allowed in the properties was 85±3 in metropolitan areas, 87±6 in other or unknown areas, and 86±3 overall. The estimated numbers of properties for these mean ratio estimates were 1,911 in metropolitan areas, 1,686 in other or unknown areas, and 3,597 in all areas combined.

<sup>h</sup>The estimated mean ratio of household income to area income in the properties was 35±6 in metropolitan areas, 37±5 in other or unknown areas, and 36±4 overall. The estimated numbers of properties for these mean ratio estimates were 2,125 in metropolitan areas, 1,734 in other or unknown areas, and 3,858 in all areas combined.

<sup>i</sup>Mixed income properties are defined as those in which the incomes of (1) at least 20 percent of the households are below 30 percent of the area median income and (2) at least 20 percent of the households are above 50 percent of the area median income.

<sup>j</sup>Qualified Census tracts are defined as those in which the incomes of at least 50 percent of the households are below 60 percent of the area median income.

<sup>k</sup>Not available. GAO does not have information on qualified Census tracts in nonmetropolitan areas.

<sup>l</sup>Properties developed in neighborhoods where development costs are high relative to incomes are entitled to receive supplemental tax credits.

**Selected Characteristics of Households in Tax Credit Properties**

Household characteristic	Metropolitan area		Other or unknown area		All properties	
	Estimated percentage of households	Sampling error <sup>a</sup>	Estimated percentage of households	Sampling error <sup>a</sup>	Estimated percentage of households	Sampling error <sup>a</sup>
<b>Race of head of household</b>						
White	36	5	61	7	44	4
Black	30	4	22	6	27	3
Hispanic	12	3	4	2	9	2
Other	3	1	3	2	3	1
Unknown	20	5	10	5	17	4
<b>Sex of head of household</b>						
Male	37	2	30	3	35	2
Female	60	2	66	4	62	2
Unknown	2	1	4	4	3	2
<b>Age of head of household<sup>b</sup></b>						
21 or less	6	1	5	1	5	1
22-25	13	1	11	2	12	1
26-34	26	2	19	3	23	2
35-54	26	2	22	3	24	2
55-64	5	1	9	2	6	1
65-74	8	2	13	3	10	1
75 or more	9	2	14	3	11	2
Unknown	8	3	8	5	8	3
<b>Household rental subsidy</b>						
Project-based	16	4	49	8	27	4
Tenant-based	13	3	8	3	12	2
No subsidy	68	4	41	7	59	4
Unknown	3	1	2	2	2	1
<b>Percentage of household income spent on rent<sup>c</sup></b>						
0-30	52	3	69	6	57	3
31-40	24	2	15	3	21	2
41-50	10	1	6	1	8	1
50 or more	9	1	6	2	8	1
Unknown	5	2	4	3	5	2
<b>Total rent (including subsidy, where applicable) as a percentage of household income<sup>d</sup></b>						
0-30	31	3	21	4	28	2
31-40	27	2	20	3	25	2
41-50	12	1	13	2	12	1
50 or more	28	3	43	6	33	3
Unknown	2	1	3	2	2	1

Enclosure II

Household characteristic	Metropolitan area		Other or unknown area		All properties	
	Estimated percentage of households	Sampling error <sup>a</sup>	Estimated percentage of households	Sampling error <sup>a</sup>	Estimated percentage of households	Sampling error <sup>a</sup>
Household income as a percentage of area median income <sup>b</sup>						
0-10 percent	6	1	5	2	6	1
11-20 percent	13	2	12	3	13	2
21-30 percent	16	2	23	3	18	2
31-40 percent	18	1	21	3	19	1
41-50 percent	21	1	17	2	20	1
51-60 percent	17	2	15	3	17	2
More than 60 percent	7	1	5	2	6	1
Unknown	2	1	2	2	2	1
Number of people in household <sup>c</sup>						
1	39	4	48	6	42	3
2	24	2	24	3	24	1
3	18	2	14	2	17	1
4	12	1	8	2	11	1
5 or more	6	1	4	1	6	1
Unknown	1	0	2	2	1	1

Note: All percentages of households reported in this table are based on the following estimated numbers of households: 96,129±6,871 in metropolitan areas, 46,736±6983 in other or unknown areas, and 142,865±2,912 in all areas combined.

<sup>a</sup>Sampling errors are at the 95-percent confidence level.

<sup>b</sup>The estimated mean age of the household head in tax credit property households was 42±2 in metropolitan areas, 48±3 in other or unknown areas, and 44±2 overall. The estimated median age of the household head in tax credit property households was 35±1 in metropolitan areas, 42±6 in other or unknown areas, and 37±2 overall. These estimated numbers of households for these mean and median age estimates were 88,848 in metropolitan areas, 42,863 in other or unknown areas, and 131,711 overall.

<sup>c</sup>The estimated mean percentage of household income spent on rent in the households was 39±11 in metropolitan areas, 29±6 in other or unknown areas, and 35±8 overall. The estimated median percentage of household income spent on rent was 29±1 in metropolitan areas, 23±2 in other or unknown areas, and 27±1 overall. The estimated numbers of households for these mean and median percentage estimates were 90,955 in metropolitan areas, 44,915 in other or unknown areas, and 135,871 in all areas combined.

<sup>d</sup>The estimated mean ratio of total rent to household income was 64±12 in metropolitan areas, 65±8 in other or unknown areas, and 64±8 overall. The estimated median ratio of total rent to household income was 36±2 in metropolitan areas, 46±4 in other or unknown areas, and 38±2 overall. The estimated numbers of households for these mean and median ratio estimates were 94,371 in metropolitan areas, 45,375 in other or unknown areas, and 139,746 in all areas combined.

<sup>e</sup>The estimated mean household income as a percentage of area median income was 38±1 in metropolitan areas, 36±2 in other or unknown areas, and 37±1 overall. The estimated median household income as a percentage of area median income was 38±2 in metropolitan areas, 34±2 in other or unknown areas, and 37±1 overall. The estimated numbers of households for these mean and median percentage estimates were 94,342 in metropolitan areas, 45,694 in other or unknown areas, and 140,036 overall.

<sup>f</sup>The estimated mean number of people in households in tax credit properties was 2.2±0.1 in metropolitan areas, 2.0±0.2 in other or unknown areas, and 2.2±0.1 overall. The estimated median number of people in households in tax credit properties was 1.4±0.2 in metropolitan areas, 1.1±0.2 in other or unknown areas, and 1.3±0.1 overall. The estimated numbers of households for these mean and median household size estimates were 95,504 in metropolitan areas, 46,010 in other or unknown areas, and 141,514 overall.

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