

An Analysis of State Housing Finance Agencies' Response to Hurricanes Through
the Low-Income Housing Tax Credit

Excerpt

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Abstract

While hurricanes present a significant threat to housing, housing policy and disaster response rarely overlap. State governments regularly use departments unrelated to housing issues to communicate disaster-related priorities, and none consistently address long-term affordable housing safety after disasters. The state disaster-relief programs similarly miss the opportunity to address long-term affordable housing safety by focusing on short-term strategies.

The Low-Income Housing Tax Credit Program (LIHTC) and its guiding document the Qualified Allocation Plan (QAP) offer the opportunity to apply disaster response language to affordable housing policy. This thesis aimed to identify whether states use the QAP to this extent, and if so, how strict the change was. Assessing strictness of a change served as a proxy for how strong of an advocate the state was on disaster housing relief, assuming they did make a change.

A total of sixty-eight Qualified Allocation Plans, two per State Housing Finance Agency, from the year before and the year after each of the six costliest hurricanes were analyzed. Each was then assessed for possible reasons why a change was made and how strict the change was. Overall, the mechanisms that may have inspired change were the same as those that may have prevented it: extensive support from federal government, expansion of LIHTC support, developer input, and state prioritization. There were far more states that did not make a change due to these mechanisms than those that did. Only nine changes were made across the six hurricanes and most of them directly adopted federal policies and priorities with a strong level of strictness and advocacy—rather than tailoring a policy change to their own state needs.

Overall, States did not take advantage of the advocacy opportunity within the QAP. States consistently deferred to the federal government, though these policies did not institute long-term safety measures specific to each state's affordable housing needs. States should alternatively formulate and express their own priorities through the opportunity provided in the QAP, thus incorporating specific, long-term disaster response into housing policy. Incorporating disaster relief language into housing policies would show that each state considers hurricane damage a local affordable housing problem and is willing to advocate for and invest in a safer living environment for their constituents moving forward.

Findings and Policy Implications

Finding 1. Political influence is difficult, if not impossible, to directly define without a ‘smoking gun’.

While there is evidence that the same mechanisms—public comment, state priority, and federal influence and involvement—could sway a state one way or another to make a change, there are many other factors that would need to be controlled in order to assess the real influence of each.

Policy Implications:

The immense contextual differences between each state make blanket federal policies like the LIHTC difficult to assess because there are many confounding factors that could influence the outcome of whether or why a state made a change. Federal policies like the LIHTC need to be tailored to each individual state’s needs, priorities, and risk-level more adeptly in order to address the incredible contextual differences between them.

Finding 2: States supported by federal or state efforts made stricter changes than those with public or developer support or those that made disaster relief a state priority

States that made changes related to thresholds, fixed-points or set-asides, also received extensive support from FEMA, CDBG-DR funding, or LIHTC expansion policies. Of all three mechanisms—federal support, developer support, or state priority—the largest number of states that made changes had extensive federal backing. Extensive federal support may have inspired by the strictest and the most changes made to state QAPs.

Policy Implications:

Because strictness is a proxy for state-level advocacy, states are stronger advocates for federal policies than for their own priorities or for developer interests. Federal support is clearly considered a more secure investment compared to state or developer support. States should consider taking more risk and investing in both themselves and their constituents with greater advocacy.

Finding 3. Value of Public Meetings

There is enough evidence, however, that SHFAs engage often with those who attend public meetings. Some make changes to the QAP based on the comments and questions posed at these meetings, giving great power to the people who attend them. As of now, these are primarily developers and those directly invested in the projects.

Policy Implications:

Though public meetings are currently populated by developers, they can be utilized as a venue for advocating proactive mitigation policies in affordable housing. This would require considering the QAP as an advocacy document and encouraging advocates and residents to attend. Attendees' voices matter so when only developers show up, resident and advocate voices are not heard. A more diverse attendance could result in more supportive policies.

Finding 4. Deference to Federal Power

SHFAs directly referenced the actual hurricane only when funding from FEMA or other state and federal sources was offered. SHFAs relied heavily on this state and federal aid to address Hurricane-related issues, and also adapted their priorities. In many cases, the federal government prioritized siting projects in previously designated disaster zones which then was adapted in the state QAPs.

Policy Implications:

This approach makes it seem as though Hurricane response is more of a federal issue than a SHFA affordable housing issue. If the QAP is to be treated as an advocacy document for affordable housing residents, it is critical that SHFA take on more responsibility for Hurricane response through more proactive mitigation practices that directly address the Hurricane.

Finding 5. Adoption of Federal Priorities

State Housing Finance Agencies defer to other departments or the federal government for disaster aid to the detriment or loss of proactive affordable housing policies. The nature of Federal disaster aid, as of now, is to re-invest in an area after it was hit by a hurricane or disaster in order to regain what has been lost. Many state post-hurricane changes, therefore, explicitly supported siting projects in disaster-prone areas because that was the priority of federal policy.

Policy Implications:

This is a dangerous approach to disaster and hurricane mitigation. Federal disaster aid, as it currently stands, is an investment in short-term remediation of a long-term problem. Affordable housing construction or rehabilitation is inherently in opposition to that approach; it is a long-term investment that, once built, remains until a major shock like a natural disaster. Using funds meant for short-term remediation to build long-term housing is counterintuitive. It will by nature miss many of the long-term investments required of making affordable housing safe and resilient to the next hurricane.

Discussion

The Need for Policy Language Change

There is an absolute need for state policy makers to include state-specific, proactive hurricane mitigation language in affordable housing policy. This is in order to show support for constituents and validate the need for real policy change on safe affordable housing. Housing insecurity should be treated as a priority issue in hurricane risk communications and policies. This would begin the conversation around long-term solutions to this issue to protect the safety and welfare of residents as external threats like climate change and socioeconomic inequalities worsen around them.

Climate change is intensifying hurricane damage on infrastructure, and growing socioeconomic inequalities are intensifying the post-hurricane burden felt on residents of affordable housing. While there may be value in public meetings, state governments need to be better advocates of resilient housing. In many cases, the people that live in the most vulnerable housing are the most financially unstable.

The low-income population bears a significant burden of hurricane-related impacts due, largely in part, to housing and the financial inflexibility of having a low-income status. Low-income rental units are located based on market demand, which has historically been in high risk areas. Since many renters do not opt for insurance, they are left to live in hurricane-vulnerable locations without proper protections for their belongings or their livelihoods. A major factor in this vulnerability is the unit's location. A study published in the *Journal of the American Planning Association* also found that rental housing and units in low-income neighborhoods were the most vulnerable in the aftermath of Hurricane Andrew because of their location (Zhang 2009).

These housing losses are exacerbated by low-income renters' lack of financial flexibility and insurance. A study that used a cross-sectional survey of households in the Rockaways to assess post-hurricane needs found that low-income households were more concerned with access to food and daily necessities than higher income households (Subaiya 2014). They therefore concluded that these households should be given more attention in post-recovery efforts because of the excess burdens they face (Subaiya 2014). A similar study that analyzed vulnerable areas impacted by Hurricane Katrina found supportive evidence that though socioeconomic status was not an indicator of flood damage, it was indeed an indicator of overall hurricane damage and

financial loss (Masozera 2007). The combined pressure of unsafe housing locations and lack of financial stability make low-income populations incredibly vulnerable to future storms.

These vulnerabilities can result in physical and mental health problems. A study published in the *Journal of Social Science and Medicine* of 658 Hurricane Ike survivors found that this loss of property, and in many cases income and assets, resulted in a decline in the mental health (Lowe 2014). Since much of the loss due to Hurricane Ike was in low income areas, is it safe to assume that these populations could have been burdened with these mental health problems as well. A study on both Hurricane Sandy and Harvey victims found that results that mirror those on Hurricane Ike: extreme stress, anxiety, and depression can be caused by property and personal loss from Hurricanes. In addition, people who are more likely to be displaced—such as low-income renters—are more likely to experience these mental health issues (Taioli 2018). The state is responsible for the welfare of all their constituents, this population is in dire need of particular and targeted support to prevent this pattern of financial loss to mental health problems from continuing.

Safe and Resilient Affordable Housing Policy Language

The next step to support this vulnerable population would be for SHFAs to incorporate safe and resilient housing principles into the policy language. This step could even more directly address affordable housing safety issues by specifying the policy even more. The intention behind long-term, resilient policies is to avoid or minimize the impacts of future natural hazards by making changes to the way we live today (Godschalk 2003, Levine 2007). This approach can, and should, be as site specific as possible. For example, the Resilient Design Institute offers more specific guidance for long-term, resilient policies:

- 1. Resilient systems [long-term policies that provide support systems so that recipients can ‘bounce back’ from disaster] provide for all basic human needs, regardless of scale, location, or time frame.**

2. **Diverse, redundant, flexible, durable and passive systems are inherently more resilient.**
3. **Locally available, renewable, or reclaimed resources are more resilient.**
4. **Resilience is anticipatory of a dynamic future climate.**
5. **Complete resilience is not always attainable. Sometimes resilience can only be achieved in pieces** (Resilient Design Institute 2018).

These ideas could be easily incorporated into housing policy like the QAP. Policy language that promotes safe housing principles can diminish future damage more directly than merely translating the language used to respond to disasters on other formats.

Future Research

Future research could research how and whether SHFAs discuss resilient housing principles, and how resilience fits into the conversation on how states respond to disasters. It would also complement this research to analyze more hurricanes to make a stronger argument on how the language changes over time.

Conclusion

The QAP provides state policy makers an opportunity to protect constituents from excess hurricane damage, though it is not currently used to this potential. There is evidence that the high demand for credits allows for incredible influence over how and where thousands of LIHTC affordable units are constructed. While some states recognize this power and capability to address hurricane and disaster issues, but more effort can and should be made. Hurricanes are a dangerous threat to affordable housing and SHFAs should proactively support residents by incorporating disaster relief language into their policies. It is not enough to rely on federal policy and priorities to support individual state needs—especially when it may not be in the low-income population’s best interest. The opportunity in the QAP is one that will build safe, long-term affordable housing policies that combat decades of worsening hurricanes to come.