October 25, 2004

ATTN: Ms. Edwina Carrington, Executive Director
Center for Housing Research, Planning, and Communications
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, TX 78711

VIA FACSIMILE: (512) 475-3746

Re: Public Comments on 2005 Texas Qualified Allocation Plan (QAP)

Dear Officials of the Texas Department of Housing and Community Affairs:

On behalf of the organizations listed below, we respectfully submit the following comments on the Texas Department of Housing and Community Affairs (“TDHCA”)’s draft 2005 Texas Qualified Allocation Plan (“QAP”) because we are concerned that the 2005 QAP, following the pattern of previous years, will exacerbate housing segregation by disproportionately siting affordable housing projects in low-income minority neighborhoods. As noted below, seeking desegregative sites in affordable housing programs is not merely a question of good policy, but is required by the affirmative obligations of the federal Fair Housing Act. Accordingly, we urge that the draft QAP be changed so that TDHCA’s Low-Income Housing Tax Credit (“LIHTC”) program actively promotes racial and ethnic integration by giving due weight and consideration to its obligation to site affordable housing in areas that will foster integration.

The Lawyers’ Committee for Civil Rights Under Law is a nonpartisan, nonprofit organization, formed in 1963 at the request of President John F. Kennedy. The Committee’s major objective is to obtain equal opportunity for and fight discrimination against minorities by addressing the many facets of our society that affect racial justice and economic opportunity. Given our nation’s history of racial discrimination, de jure segregation, and the de facto inequities that persist, the Lawyers’ Committee actively participates as attorneys in numerous cases to enforce compliance with civil rights laws and the desegregation of our communities.

The Texas Lawyers’ Committee for Civil Rights Under Law is the only statewide organization in Texas dedicated to protecting the basic constitutional rights of immigrants through the rule of law. Over the years, the Texas Lawyers’ Committee has worked on behalf of thousands of low-income immigrants of all nationalities on issues that reach the very heart of U.S. society: the guarantee of
due process, judicial review over arbitrary agency action, unlawful governmental detention, abusive police power, denial of access to safety net services, and removing roadblocks to legal permanent residency and citizenship for new Americans. To ensure fair treatment for immigrants, the Texas Lawyers’ Committee conducts advocacy, major law reform litigation, and individual representation of persons whose rights were violated.

The Greater Houston Fair Housing Center is a nonprofit organization that assists persons in the Houston metropolitan area who feel that they have been discriminated against in housing through the filing of an administrative complaint, a lawsuit, or mediation.

Operating under the philosophy that everyone has a right to safe, decent, affordable and fair housing, the Austin Tenants’ Council fulfills thousands of requests each year for help with housing problems. Austin Tenants’ Council programs, which serve residents of the city of Austin and some of its surrounding communities, address many areas of need: housing discrimination, landlord/tenant education & information, and housing repair & rehabilitation.

**Segregation and the LIHTC Program**

Segregation continues to pervade the communities of Texas and across the nation, and poses a continuing and serious problem to race relations, education achievement, and economic disparities between non-Hispanic whites and minorities. As the largest source of federal funding currently available for affordable housing development, the LIHTC program provides Texas in general – and TDHCA in particular – with a strong opportunity to address such segregation by siting affordable family housing in areas that will promote integration. Indeed, since 1987, the LIHTC program has been the de facto federal production program for low and moderate income family housing nationwide. See, e.g., Jean Cummings & Denise DiPasquale, *The Low-Income Housing Tax Credit: An Analysis of the First Ten Years*, 10 Housing Policy Debate 251, 303 (1999).

However, recent history indicates that TDHCA’s implementation of the program has done the opposite – increased segregation. For example, according to HUD, Texas LIHTC units are concentrated in areas with more minorities and higher levels of poverty than the rest of the state. Specifically, HUD reports that 34.3% of Texas LIHTC units are in census tracts where more than half the households are below 60% of Area Median Income, and 26.4% of the units are in census tracts with over 30% of households in poverty. (By contrast, of all Texas rental units, the respective percentages are 15.2% and 13.1%). Similarly, 62% of Texas LIHTC units are in majority-minority census tracts; by contrast, less than half of all Texas rental units are in such tracts. See HUD/Abt Associates, *Updating the Low-Income Housing Tax Credit Database* (Dec. 2003).

Such data clearly reflect an ongoing pattern of siting the affordable family housing disproportionately needed by minorities primarily within minority (and, often, poor) neighborhoods. Moreover, these figures likely mask an even more pronounced degree of racial concentration subsidized by the LIHTC program because the total figures include both multi-family (predominantly minority) and elderly (predominantly white) development. Thus, the
share of predominantly minority multi-family LIHTC developments in minority areas and high-poverty areas is even higher than the overall figures for the program.

**TDHCA’s Affirmative Obligation to Promote Integration**

Increasing segregation in Texas under the LIHTC program is not merely poor policy – it is also illegal. At least since the passage of the federal Fair Housing Act in 1968, federal law has been clear: federal and state entities implementing federally-subsidized affordable housing programs have an affirmative obligation to consider impacts of those programs on racial segregation, and to promote integration. Specifically, the Fair Housing Act requires that:

> All executive departments and agencies shall administer their programs and activities relating to housing and urban development (including any Federal agency having regulatory or supervisory authority over financial institutions) in a manner affirmatively to further the purposes of [the Fair Housing Act].

42 U.S.C. § 3608(d) (emphasis added). This provision of the Fair Housing Act thus imposes “a substantive obligation to promote racial and economic integration” in administering federal housing programs. *Alschuler v. HUD*, 686 F.2d 472, 482 (7th Cir. 1982). In sum, an agency’s affirmative duty is not merely to refrain from discrimination, but also to use federal programs to actively assist in ending discrimination and segregation.¹

Time and again, courts and agencies implementing federally-subsidized housing programs have recognized these affirmative obligations. For example, compliance with the affirmative obligation is required throughout the U.S. Department of Housing and Urban Development (“HUD”)’s programs, whether the Community Development Block Grant program

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¹ Numerous courts have upheld this clear pronouncement. See *NAACP, Boston Chapter v. Sec’y of HUD*, 817 F.2d 149, 154 (1st Cir. 1987) (stating there is an affirmative duty for federal programs to actively assist in ending discrimination and segregation); *id.* at 155 (noting a statutory “intent that HUD do more than simply not discriminate itself; it reflects the desire to have HUD use its grant programs to assist in ending discrimination and segregation, to the point where the supply of genuinely open housing increases”); *Anderson v. Alpharetta*, 737 F.2d 1530, 1535 (11th Cir. 1984) (the “affirmatively to further” provision is intended to allow race-conscious decision-making); *Alschuler v. HUD*, 686 F.2d 472, 482-484 (7th Cir. 1982) (Fair Housing Act imposes “a substantive obligation to promote racial and economic integration” and prohibits the siting of housing projects in areas of undue minority concentration that would have the effect of perpetuating racial segregation); *Otero v. New York City Hous. Auth.*, 484 F.2d 1122, 1134 (2d. Cir. 1973) (the “affirmatively to further” requirement seeks to prevent the increase of segregation of racial groups whose lack of opportunities the Act was designed to combat); *Shannon v. HUD*, 436 F.2d 809, 820 (3d Cir. 1970) (color blindness in the administration of federal housing programs is impermissible).

(24 C.F.R. § 570.487(h)), Section 8 program (24 C.F.R. § 982.53(b)), Empowerment Zone program (24 C.F.R. § 598.210(h)), or other state housing programs (24 C.F.R. § 91.325)).

Notably, courts have repeatedly required agencies to consider the racial impacts of site selection procedures for affordable housing as part of compliance with their affirmative obligations. The Shannon decision, handed down just two years after the Fair Housing Act’s passage, upheld a challenge to the site selection process for a subsidized housing project on the basis that “the site chosen will have the effect of increasing the already high concentration of low income black residents.” Shannon v. HUD, 436 F.2d 809, 812 (3d Cir. 1970). Noting that the agency failed to consider the discriminatory effects of site locations which aggravated segregation, the Third Circuit ruled that “such color blindness is impermissible,” id. at 820, because

the choice of location of a given project could have the “effect of subjecting persons to discrimination because of their race . . . .”

24 C.F.R. § 1.4(b)(2)(i). That effect could arise by virtue of the undue concentration of persons of a given race, or socio-economic group, in a given neighborhood.

Id. The Seventh Circuit reiterated that “[a]s part of HUD’s duty under the Fair Housing Act, an approved housing project must not be located in an area of undue minority concentration, which would have the effect of perpetuating racial segregation.” Alschuler v. HUD, 686 F.2d 472, 482 (7th Cir. 1982).

Thus, as required by the Fair Housing Act’s affirmative obligation and such case law, HUD programs have been careful to implement regulations which require careful consideration of racial segregation in site selection – whether in public housing or Section 8 subsidized housing. Notably, the state agency’s obligation to consider the racial impact of sites selected for housing subsidies applies regardless of whether the agency itself selects the sites (as in public housing) or whether it chooses among sites proposed by private developers (as in subsidized housing programs). See, e.g., Project B.A.S.I.C. v. Kemp, 776 F. Supp. 637, 640 (D.R.I. 1991).

Of particular importance in fulfilling such obligations is the collection of data by the agency regarding the demographics of tenants and sites selected. As numerous courts have concluded, an agency cannot fulfill its obligation to affirmatively further fair housing unless it gathers and considers the site selection data necessary to fully understand the effects of its housing programs on racial segregation. See Shannon, 436 F.2d at 821 (“[T]he Agency must utilize some institutionalized method whereby, in considering site selection or type selection, it

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3 See, e.g., 24 C.F.R. § 941.202(c)(1)(i) (public housing site selection regulations requiring that “[t]he site for new construction projects must not be located in [a]n area of minority concentration” unless specified exceptions are met, including the existence of “sufficient, comparable opportunities [] for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration”); 24 C.F.R. § 983.6(b)(3)(i), (ii) (Section 8 site selection regulations requiring that “[t]he site must not be located in an area of minority concentration,” subject to the same exceptions).
has before it the relevant racial and socio-economic information necessary for compliance with its duties under the 1964 and 1968 Civil Rights Acts.”).

Proposed Amendments to the Draft 2005 QAP

To fulfill its affirmative obligations under the Fair Housing Act, we believe that TDHCA should amend its draft 2005 QAP in ways that will discourage the concentration of LIHTC projects in areas of minority concentration and promote the siting of projects outside such areas. As it stands currently, many available steps to place emphasis on or increase incentives for integration are not being taken, even though they do not detract from the overall goals of the LIHTC program. For example, without attempts to encourage developments in non-minority areas or for mixed-income tenants, monitor racial demographics of development areas and reach out to diverse tenants, and eliminate possible local efforts to maintain segregation, affirmative obligations are not being met. These concerns are reflected in our comments and recommendations below with respect to application requirements and scoring criteria.

Allocation Formula

As a preliminary matter, TDHCA does not set forth in the QAP the “Regional Allocation Formula” that it purports to use in “distribut[ing] credits . . . to all urban/exurban areas and rural areas” § 49.7(a). TDHCA states that this “formula is based on the need for housing assistance, and the availability of housing resources in those urban/exurban areas and rural areas.” Id. Because the formula is not set forth in the QAP, the undersigned organizations cannot assess the

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3 See also, e.g., Alschuler v. HUD, 686 F.2d 472, 482 (7th Cir. 1982) (to meet its obligation not to build housing “which would have the effect of perpetuating racial segregation,” HUD must ensure it has the proper data “necessary to make an informed decision on the effects of site selection on the area”); Jones v. Tully, 378 F. Supp. 286, 292 (E.D.N.Y. 1974) (“[i]t is incumbent upon the reviewing court to be assured that the Secretary of HUD, in administering the programs and activities relating to housing and urban development, did so ‘in a manner affirmatively to further the policies’ of the Civil Rights Act, which means that HUD in choosing site locations for funding must avoid racial discrimination”); Blackshear Residents Org. v. Housing Auth. of the City of Austin, 347 F. Supp. 1138, 1147 (W.D. Tex. 1971) (quoting Shannon’s requirement that the agency “utilize some institutionalized method” of considering the necessary racial and socioeconomic data).

Notably, the Third Circuit in Shannon made clear that this requirement does not prohibit the construction of all public or subsidized housing in areas of minority concentration. See Shannon, 436 F.2d at 822 (“We hold only that the agency’s judgment must be an informed one.”). On the other hand, of course, “the obligation does not end with a mere consideration of the proper factors.” Project B.A.S.I.C. v. Kemp, 776 F. Supp. 637, 643 (D.R.I. 1991).

4 Under the applicable statutes and regulations, there is no requirement that the TDHCA administer its LIHTC program through the point allocation system it uses. In particular, TDHCA is not required by any statute or regulation to include the problematic provisions identified in this comment letter, which have the effect of preventing the development of affordable housing in a manner that would promote economic and racial integration.
impact of that formula on housing segregation. However, because the proposal purports to be based on "need," we caution TDHCA against defining need narrowly – e.g., by neighborhood or municipality – rather than by region. Defining need in limited, narrow geographic areas is likely to have the result of increasing segregation. Specifically, if “need for housing assistance” under TDHCA’s formula correlates with high-poverty and/or disproportionately minority neighborhoods, then allocating credits to narrowly-defined geographic areas having such “need” – rather than allocating them on a regional basis – will concentrate tax credit housing in those areas, exacerbating segregation.

Threshold Requirements

- **Local Notice and Approval.** One of the most troublesome aspects of TDHCA’s QAP is the extensive provisions regarding notice to local government entities and other groups, combined with the scoring portions of the QAP which allocate points based on local approval (discussed below). Specifically, under § 49.8(d) (Pre-Application Threshold Criteria and Review) and § 49.9(f)(7) and (8) (Threshold Criteria), extensive local notice is required. Notice must be provided to a variety of local elected officials, as well as numerous other officials (such as the superintendent of the local school district); in addition to the public officials, developers must notify “any neighborhood organizations” of the proposed project. See §§ 49.8(d); 49.9(f)(8)(A). Further, the “Threshold Criteria” also require that the local chief executive officer provide a letter stating either that the zoning is appropriate (or that the applicant is seeking appropriate zoning), or stating that the project fits the locality’s housing plans or needs. See § 49.9(f)(7)(B). Such rigid and broad notice requirements are unwarranted under the statutes governing the QAP. The requirements to provide notice – and to seek essentially letters of permission from local officials to propose a development – place an onerous burden on applicants. Moreover, these notice provisions are likely to trigger extensive scrutiny and increased potential objections (regardless of their merit). Indeed, such provisions appear intentionally designed to limit, restrict and discourage developers from proposing the development of tax credit-subsidized affordable family housing outside areas with disproportionate concentrations of minorities and poverty. Regardless of intent, the effect of such provisions is certainly to limit the number of developers able to successfully propose the development of affordable family housing in areas that would promote integration.

- **Data Collection.** To effectively track the impact of Texas’s LIHTC program, data must be collected about the racial/ethnic demographics of the area around project sites. Indeed, unless the TDHCA collects and assesses such data, it is impossible for it to evaluate the impact of its housing subsidy decisions on housing segregation within the state. Therefore, it is axiomatic that TDHCA must collect such data – and give it weight in making funding decisions – if it is to fulfill its obligation “affirmatively to further” desegregation. TDHCA should require a market study of proposed projects under §

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5 In addition, of course, the QAP does not address situations where a locality improperly refuses to provide the required letters. By implication, and the plain text of the QAP, when the required letters from local officials are withheld for any reason – nefarious or not – the developer will not be considered for tax credit funding.
49.8(c) (Pre-Application Evaluation Process) that includes racial/ethnic demographics of the market area and the census tract in which the project is located, as well as the projected demographics of the proposed project. Notably, the QAP already requires the submission of a comprehensive “Market Analysis,” see § 49.9(f)(14)(B), but omits any requirement that developers collect and submit such demographic data. (Likewise, the “Site Evaluation” portion of the QAP’s description of the “Evaluation Process” omits any requirement that TDHCA gather such demographic data or otherwise evaluate the neighborhood racial and income characteristics of proposed sites. See § 49.9(d)(8).) Beyond collecting and considering such information up front, TDHCA should continue to monitor racial demographics of all developments and their surrounding areas. Specifically, under compliance requirements in § 49.18 and § 60.1 (Compliance Monitoring and Material Non-Compliance), applicants should also have a continuing obligation to report on similar racial composition and demographic data. The effects of the tax credit program on segregation and/or integration in Texas cannot be analyzed unless TDHCA requires the collection of such data – and makes use of it in tax credit allocation decisions.

- **Require Affirmative Marketing.** As a condition of participation in the program, developers should be required to undertake affirmative marketing efforts to encourage tenant applicants in ways that promote integration – specifically, that developers promote their development to groups least likely to apply (e.g., minorities in predominately white communities). This is a particularly important component of using affordable housing to promote integration, since such affirmative marketing steps are often crucial in encouraging minority families to make integrative moves to housing located outside minority areas. Likewise, owners should promote integrative moves by white families to projects located in minority areas. TDHCA should add to its Threshold Requirements an obligation that developers submit an affirmative marketing plan at the time of application.

**Scoring**

Given the highly competitive nature of the LIHTC program, we understand that every scoring factor in the 2005 QAP can be critical to whether an applicant is awarded tax credits by TDHCA. In particular, we are concerned that the points available for local approval are a significant barrier to those seeking to develop housing with greater likelihood of providing integrated housing opportunities.

In addition, we are concerned that there are a limited number of points available to projects representing such opportunities compared to the other types of projects favored by the scoring criteria. We urge TDHCA to re-evaluate the following scoring criteria which limits the points available for multi-family projects in areas outside of minority concentrations. A greatly increased number of points will be needed to encourage developers to submit applications for such housing.

- **Local Approval.** Historically, one of the greatest causes of segregation in federally-subsidized housing has been the ability of local officials to block proposed affordable
housing which might have the effect of desegregating predominantly white areas. Unfortunately, the QAP gives local entities significant influence over the affordable housing projects. Specifically, under § 49.9(g)(2) (Quantifiable Community Participation), statements of support from neighborhood organizations are rewarded very heavily (24 points out of 195 maximum) in comparison to other criteria. While unlawful reasons of opposition are discounted, such a scheme facilitates the failure of developments to be sited in non-minority areas as these areas would more strongly resist these projects. Further, under § 49.9(g)(5) (The Commitment of Development Funding), 18 points are awarded to proposals that include evidence of local governmental financial support. This large number of points available for local support essentially provides local governments, and even neighborhood organizations, with the capacity to exercise de facto veto power over proposed projects. Not only will the scoring criteria undermine the ability of developers to win a tax credit allocation from TDHCA, but the number of points here, combined with the extensive local notice requirements, substantially chill and undermine the incentive for developers to even propose affordable family housing outside of areas with higher percentages of residents who are in poverty and/or minority. Thus, these provisions violate TDHCA's affirmative obligation by improperly undermining developers who would otherwise site projects that promote integration in predominantly white areas (likely to resist such development). To comply with its obligation, TDHCA should greatly reduce the point allocation such that local organizations and elected officials do not wield such unfettered discretion to prevent the development of quality affordable family housing in their jurisdictions.

• **Promote Integrated Locations.** Another means of reducing the concentration of low-income minority families in neighborhoods that are already disproportionately minority and poor is to allocate a substantial number of points for projects in areas outside of concentrations of poverty. (As noted above, if tax credits are allocated on a regional basis, such that credits can be used to provide affordable family housing in low-poverty, predominantly white areas near disproportionately minority and poor communities, such siting decisions will offer real desegregated housing opportunities.) This is the most direct method available for TDHCA to fulfill its obligation affirmatively to further integrated housing – and the most likely to succeed. Under § 49.9(g)(8) (Cost of Development by Square Foot), the QAP provide significant incentives for low-cost developments, benefiting developments in high-poverty areas. A larger incentive, e.g. under § 49.9(g)(13)(D) and (H) (Development Location), must be provided to encourage developments in non-minority areas and that tax credits are awarded with consideration of positive integrative effects. In addition, a substantial portion of the annual LIHTC

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6 These two provisions, representing less than 2% of maximum points available, are the only provisions in the QAP that encourage development in higher income, non-predominately minority areas. But even that 2% of points is submerged in a menu of options that make it unlikely they will be selected given the lack of other criteria supporting such development. In other words, this point allocation does little to promote integrated development because the points are also available for other options.
family rental allocation should be set aside for use in low poverty neighborhoods outside areas of minority concentration.

- **Promote Mixed Income Development.** In areas that are already disproportionately minority and poor, TDHCA has an affirmative obligation to reduce the concentration of low-income minority families in such neighborhoods by promoting the development of mixed-income developments, rather than new concentrations of poverty, in those areas. § 49.9(g)(3) (Income Levels of Tenants) awards up to 22 points to projects serving a high concentration of low-income tenants - projects which are most likely to exacerbate segregative effects of affordable housing. While points are also awarded for 'lower' concentrations of poverty in percentage terms, the development must house those in extreme poverty. To fully satisfy its affirmative obligations, the provision should encourage the development of mixed-income developments in low-income areas by rewarding affordable housing developments that include a reasonable mix of market-rate housing with subsidized units. At the same time, TDHCA should reduce the number of points awarded to projects serving the lowest-income tenants when such projects are sited in areas that already have high percentages in poverty.

- **Promote Family Housing.** Proposals that would provide significant family housing are not rewarded highly, although we understand that the bulk of demand for affordable housing likely comes from minority households with children. Under § 49.9(g)(13) (Development Location), an applicant can only receive 4 points if it met any one of eight criteria. Only two of the criteria, (G) and (H), specifically discuss family housing and the need for 70% of more of the units to have two or more bedrooms. Thus, there is little incentive for multifamily housing to be developed, when it should in fact be a focal point of the QAP. TDHCA should increase the award for family housing projects to 15 or more points.

- **Utilize Public Housing Waiting Lists to Promote Integration.** We believe that TDHCA should require all developers participating in the program to give priority to income-eligible families on public housing waiting lists; currently, under § 49.9(h)(A), it is merely a tie-breaker factor. As such families represent those in greatest need of housing in the state of Texas, it makes sound policy sense to coordinate the LIHTC program with Texas’s housing authority-maintained to best serve these families. Further, TDHCA should be sure to use waiting lists in a manner that will not promote segregation. Specifically, if developers give preference merely to the local waiting list of the housing

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7 Statewide, minority families, compared to non-Hispanic whites, face a disproportionate need for affordable multifamily housing. For example, Comprehensive Housing Affordability Strategy (“CHAS”) data show that 54% of renter households are families (large and small), compared to only 10% of renter households who are elderly (one and two member households). Of such renter families, the need is disproportionately minority; overall, 18% of renter non-elderly family households are African-American, 39% are Hispanic, and 37% are white; the demand becomes even more disproportionately minority when lower-income renter households are considered. (About 45-46% of African-American and Hispanic renter households are at or below 50% of Area Median Income, compared to 28% of white renter households.)
authority in their jurisdiction, the demographics of new tenants will likely mirror that of the local area — with the result of maintaining segregation. Instead, TDHCA should require that new developments use waiting lists from all regional housing authorities to find potential tenants because that will ameliorate segregative effects. This will ensure, for example, that a development in a predominantly white suburban community is offering the same preference to a predominantly-minority waiting list of a neighboring jurisdiction. In conjunction with the affirmative marketing steps set forth above, local housing authorities should also be consulted to work with TDHCA in providing education, support and encourage for families on public housing waiting lists to take advantage of desegregative opportunities created through the LIHTC program.

Thank you for your attention to this critical matter. We believe that these comments propose changes that are feasible and consistent with the larger policy goals of TDHCA. Indeed, our proposals are, as stated above, an effort to harmonize the LIHTC subsidized housing program with TDHCA’s affirmative obligations to promote integration under the Fair Housing Act.

If you have questions regarding our comments, please do not hesitate to contact me directly at (202) 662-8326. We appreciate your consideration of our comments and we look forward to your response.

Sincerely,

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