



Where Do We Belong? Fixing America's Broken Housing System

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Housing in America

- Nearly ten years after the foreclosure crisis, we have a new housing crisis, and one that is global in scope.
- It is not a crisis that can be fixed through technocratic solutions or piece-meal policies alone.
- The fights over integration v. affordability and mobility v. in-place are false dichotomies that have not served us well, and perhaps masked a brewing crisis.

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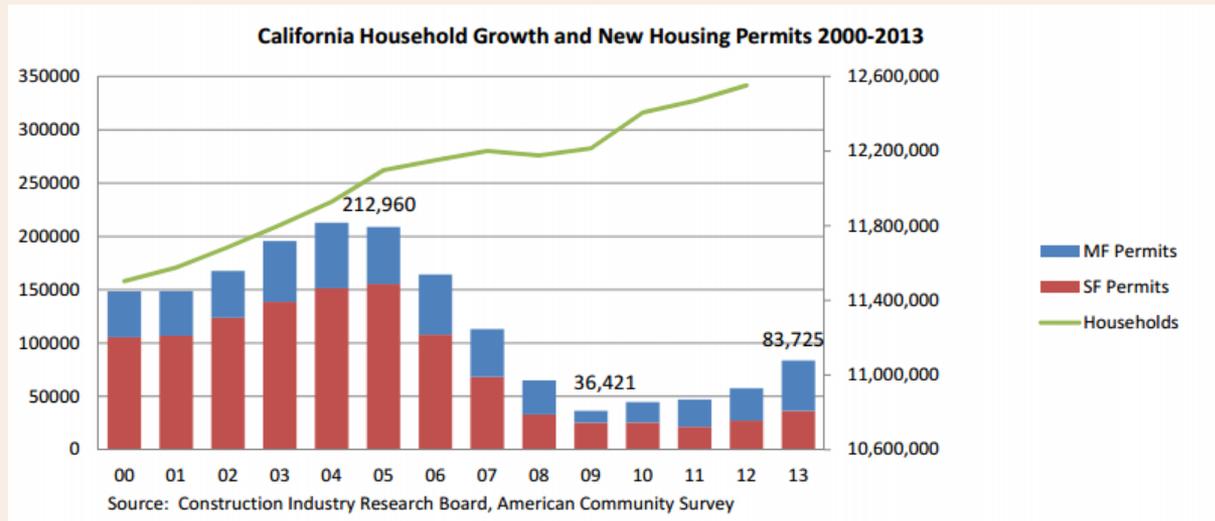
he symptoms of housing crisis are everywhere in evidence today. Households are being squeezed by the cost of living. Homelessness is on the rise. Evictions and foreclosures are commonplace.

Segregation and poverty, along with displacement and unaffordability, have become the hallmarks of today's cities. Urban and suburban neighborhoods are being transformed by speculative development, shaped by decisions made in boardrooms half a world away. Small towns and older industrial cities are struggling to survive.

From an article by David Madden & Peter Marcuse

Housing Markets

- In 2011, 42.3 million households (37 percent) paid more than 30 percent of pre-tax income for housing, while 20.6 million households paid more than half.
- The most recent increases in cost burdened households were almost entirely among severely burdened renters, whose numbers soared by 2.5 million from 2007 to 2011, pushing the share to 27.6 percent.

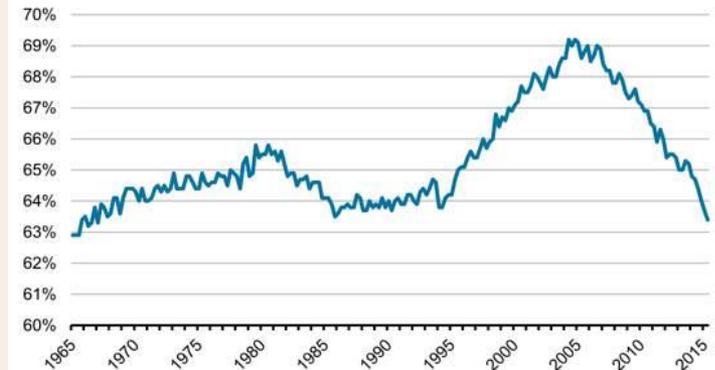


Housing Markets

- Since the New Deal and WWII, federal, state and local government have played a tremendously important role in subsidizing the expansion of housing as a good.
- The housing finance system of the past century was designed to create jobs and a nation of homeowners. It is clearly failing us now. There are a series of mismatches, including production and household formation.
- At the heart of our crisis is a profound change in housing production and finance.

In Decline

Homeownership rate, not seasonally adjusted



Source: Commerce Department | WSJ.com

Housing Costs as Share of Income: 1980–2010



Global financial systems operate outside the scope of US regulations and they are increasingly complex...

**Pre Depression:
The Two Party Housing Market**



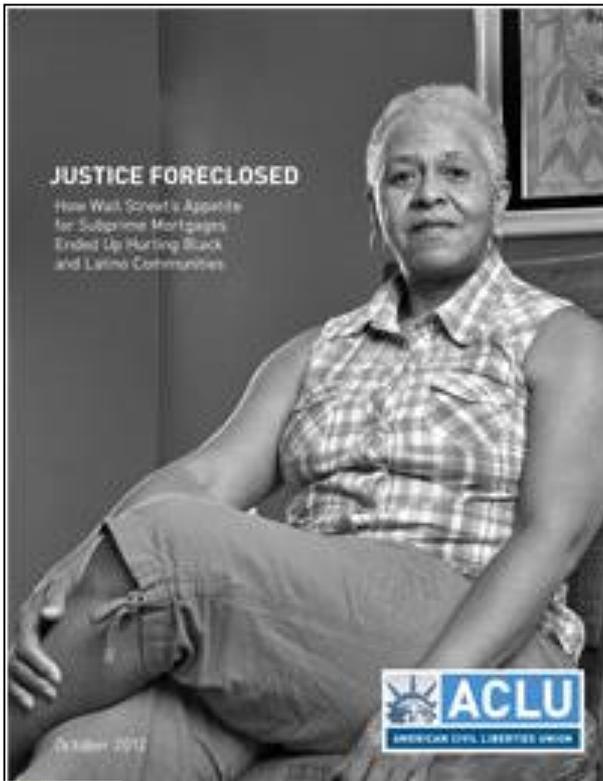
**The Post Depression FHA Era:
The Three Party Mortgage Market**





Challenging the Secondary market

Adkins et. al. v. Morgan Stanley (2012)



- Filed by ACLU because of discriminatory practices in the secondary housing market
- Addresses the uneven racial consequences of making discriminatory lending profitable
- New case, *Bank of America Corp. v. City of Miami*, will touch on similar issues...

aclu.org/big-profits-broken-dreams



Segregation in America

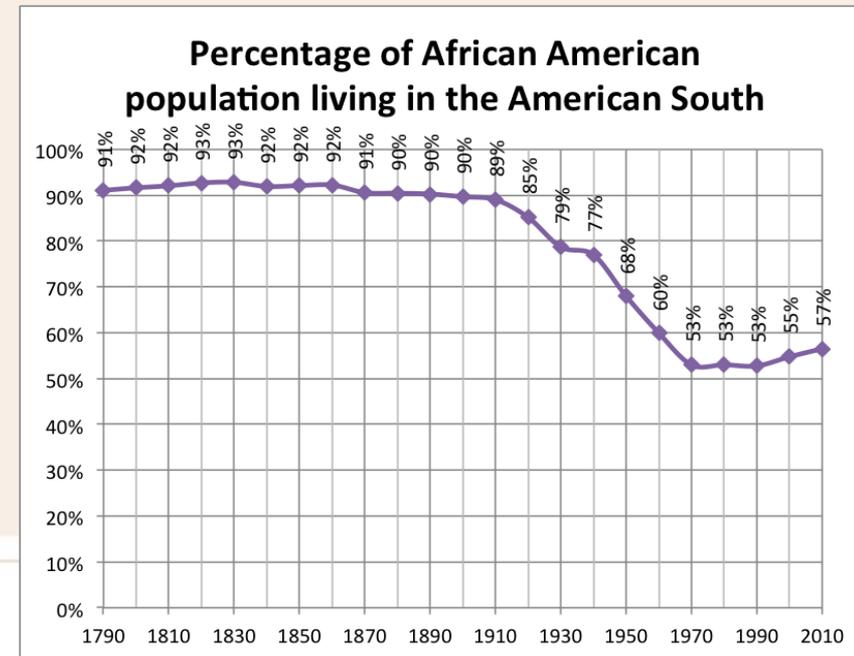
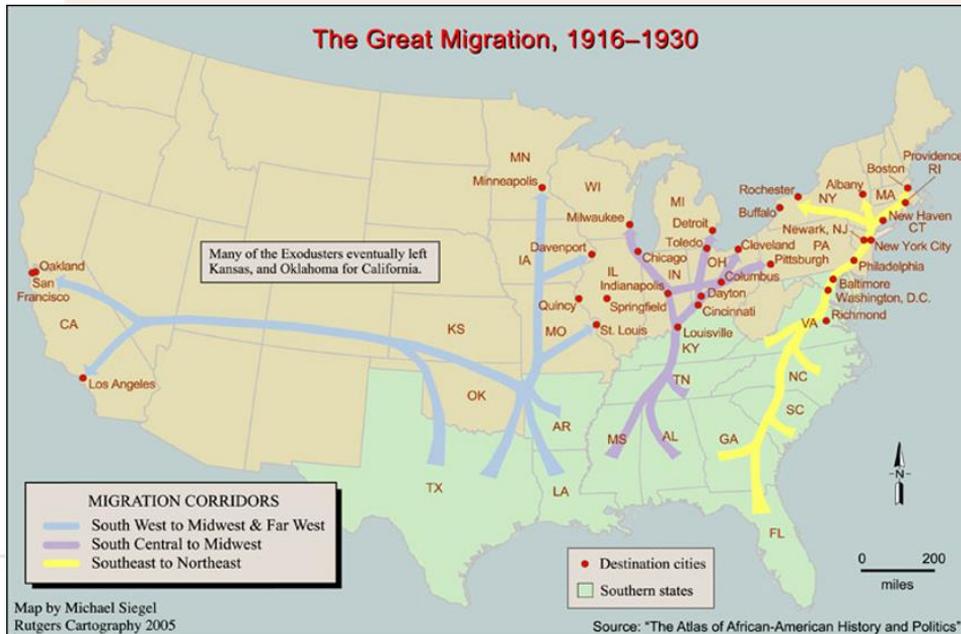


- Racial segregation in the United States is persistent and pervasive.
 - The dissimilarity index indicates the percentage of a subgroup that would have to move to achieve integration.
 - A score of 100 indicates that every neighborhood has residents of only one particular group (“complete segregation”), whereas a score of zero indicates proportional representation of each group throughout the metropolitan region (“complete integration”).
- *Segregation*: Our current measure of segregation, 59.0, is considered a very high level of segregation. That means that more than half of African Americans (or whites) would have to move residence to achieve a fully integrated society.
- *Concentration*: Recent data shows that 30 percent of African-Americans live in Census Block Groups that are 75 percent African-American or more.
 - 75 percent of African-Americans in the country live in only 16 percent of the Census Block Groups in the United States

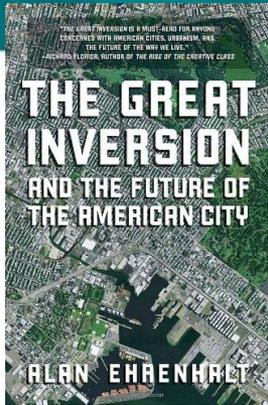
The Great Migration



- Between 1910 and 1970, six million African-Americans moved out of the rural Southern United States to the urban Northeast, Midwest, and West, pulled by new industry and the war effort.



The “New” Great Migration



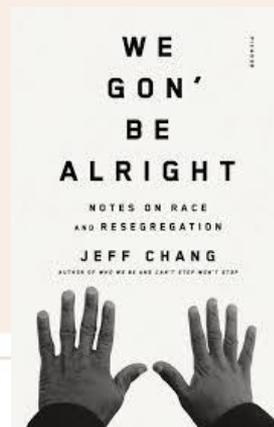
In the 21st century, we are seeing a new “great migration,” the exodus of African-Americans from urban cores to suburbs and regional peripheries, which some call “the great inversion.”

- Perhaps the most powerful demographic trend between 2005-2015 has been the movement of African-Americans out of central cities into suburbs, often many miles distant from downtown.

The “New” Great Migration



- Between 2000 and 2010, Oakland, CA lost 33,000 African-Americans, 25% of it’s black population.
 - Similarly, Richmond, CA lost 22% of it’s African-American population.
- In contrast, declining inner-ring suburbs have seen tremendous population growth. Between 1970 and 2010, Ferguson, MO went from 1% to 70% black.



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The “New” Great Migration



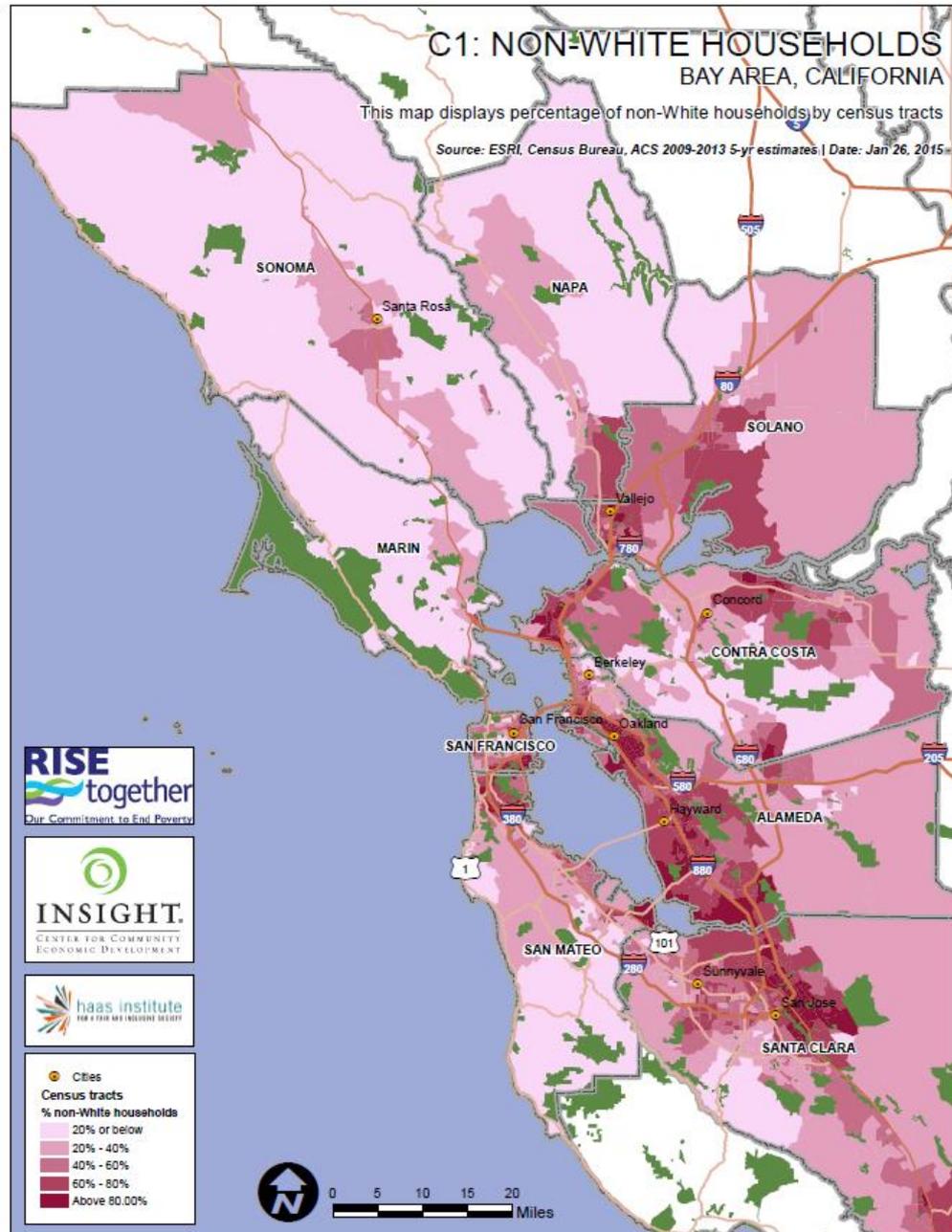
- The outward migration of the affluent has come to an end, and for years now, the return to the city by young professionals, millennials, and high skilled workers has been called gentrification and displacement. But this misunderstands – and underestimates - what is happening.
- The demographic inversion is rearranging living patterns and opportunity structures across high growth and even middle class cities.
- In this way, gentrification and concentrated poverty are flip sides of the same coin: isolating people of color from opportunity.
 - Concentrated poverty isolates low-income people of color from opportunity at the core of the region, while isolates them from new opportunities created at the core of the region.



C1: NON-WHITE HOUSEHOLDS BAY AREA, CALIFORNIA

This map displays percentage of non-White households by census tracts

Source: ESRI, Census Bureau, ACS 2009-2013 5-yr estimates | Date: Jan 26, 2015



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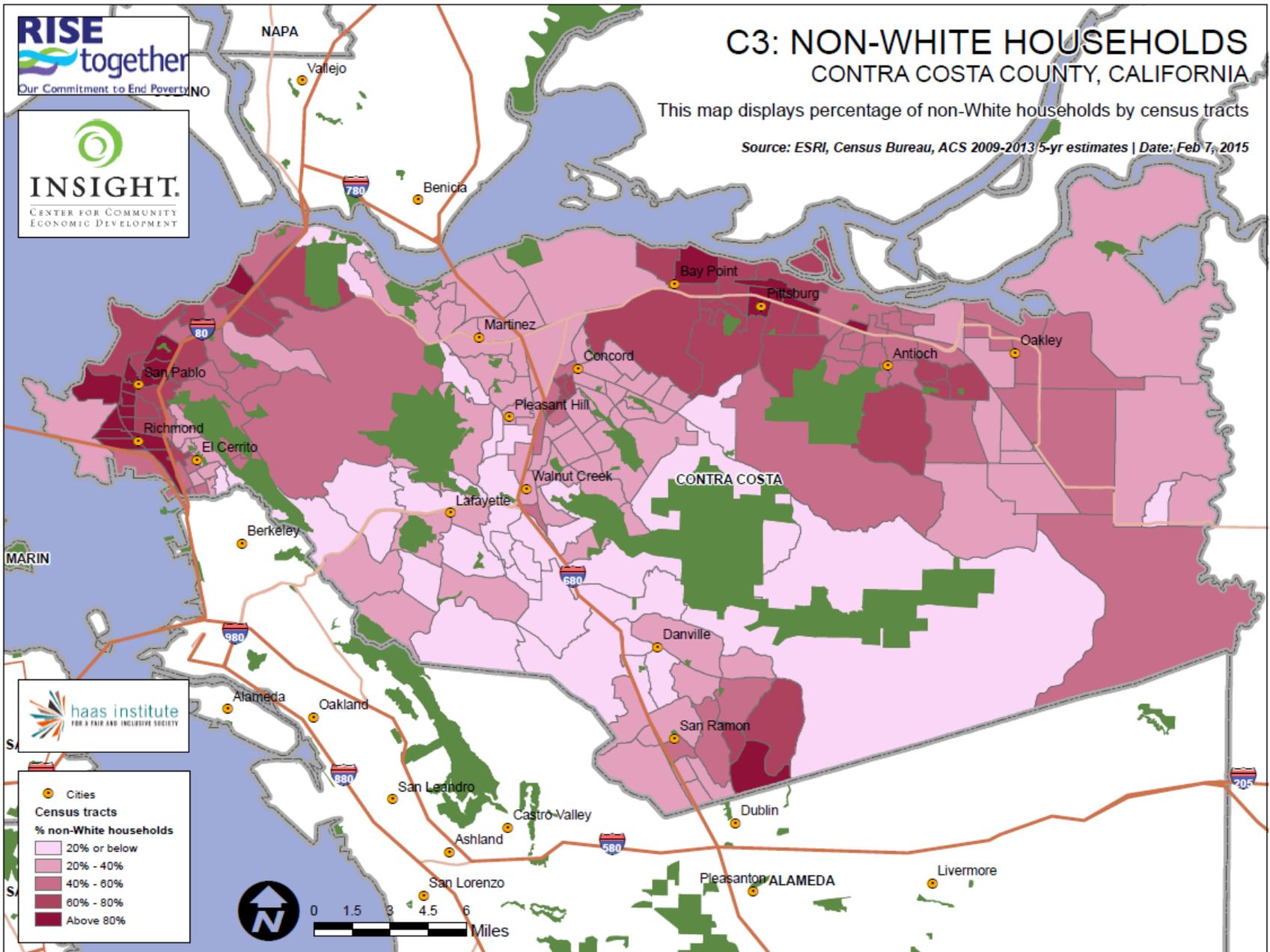
Legend:
● Cities
Census tracts
% non-White households



C3: NON-WHITE HOUSEHOLDS CONTRA COSTA COUNTY, CALIFORNIA

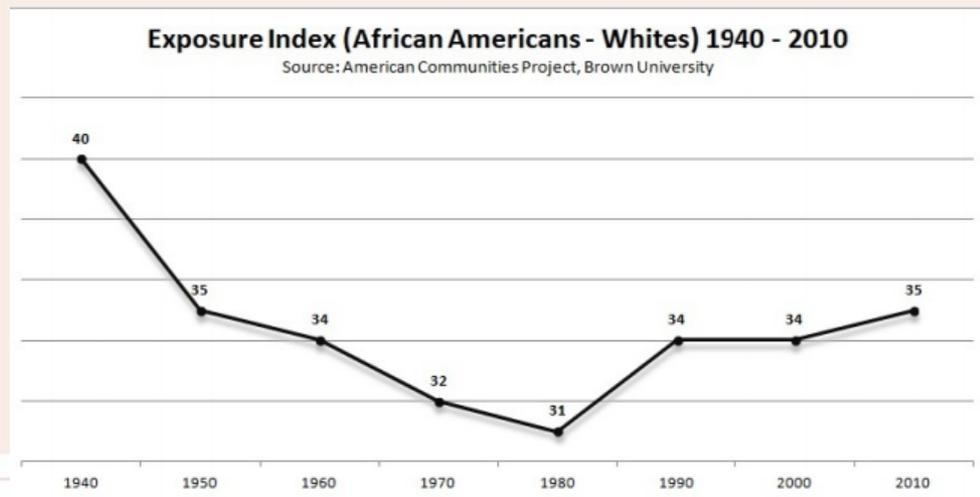
This map displays percentage of non-White households by census tracts

Source: ESRI, Census Bureau, ACS 2009-2013 5-yr estimates | Date: Feb 7, 2015



Different Worlds: Exposure Index

- As 2010, the average white resident of a metropolitan area resides in a neighborhood that is 75.4% white, 7.9% Black, 10.5% Hispanic, and 5.1% Asian
- In contrast, a typical African-American resident lives in a neighborhood that is 34.8% white, 45.2% Black, 14.8% Hispanic, and 4.3% Asian
- The “exposure” of the average African-American to the majority white population is “35,” the same as 1950, and worse than 1940.



Place-Based Strategies



- Place-based strategies are initiatives that serve to enhance the economic and therefore social performance of areas within their jurisdiction.
- Place-based policies target “underperforming” areas, such as high poverty urban neighborhoods, with additional resources designed to improve conditions in those areas by investing in economic development, infrastructure, services and facilities.

Place-Based Strategies, cont.



- Corporations are provided with incentives in the form of tax-breaks if they choose to invest in “underperforming” areas.
- Examples of Place-Based Strategies: Enterprise Zones, HOPE VI, Promise Neighborhoods, Tennessee Valley Authority
- Critics of place-based strategies note that the areas that rely on them are often subject to gentrification. Making these strategies useless to the communities that they were intended for

Mobility-Based Strategies



- Mobility strategies offer people a chance to move out of neighborhoods and environments that they would otherwise be unable to escape.
 - They focus on people rather than places
- Mobility Strategies originated in the Supreme Court case, *Hills v. Gautreaux*
 - The Supreme Court upheld a judgement against the CHA, finding that they discriminated against public housing residents on the basis of race

Mobility-Based Strategies, cont.



- Based on decades of data, the *Gautreaux* remedy was shown to have very positive effects on their intended recipients.
- As was, most recently, the long-term effects of the MTO demonstration.

The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment*

Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz
Harvard University and NBER

August 2015

Abstract

The Moving to Opportunity (MTO) experiment offered randomly selected families living in high-poverty housing projects housing vouchers to move to lower-poverty neighborhoods. We present new evidence on the impacts of MTO on children's long-term outcomes using administrative data from tax returns. We find that moving to a lower-poverty neighborhood significantly improves college attendance rates and earnings for children who were young (below age 13) when their families moved. These children also live in better neighborhoods themselves as adults and are less likely to become single parents. The treatment effects are substantial: children whose families take up an experimental voucher to move to a lower-poverty area when they are less than 13 years old have an annual income that is \$3,477 (31%) higher on average relative to a mean of \$11,270 in the control group in their mid-twenties. In contrast, the same moves have, if anything, negative long-term impacts on children who are more than 13 years old when their families move, perhaps because of the disruption effects of moving to a very different environment. The gains from moving fall with the age when children move, consistent with recent evidence that the duration of exposure to a better environment during childhood is a key determinant of an individual's long-term outcomes. The findings imply that offering vouchers to move to lower-poverty neighborhoods to families with young children who are living in high-poverty housing projects may reduce the intergenerational persistence of poverty and ultimately generate positive returns for taxpayers.

Opportunity-Based Housing (OBH)



- . It always been about opportunity not just people
- If we focus on bringing people to opportunity, that will sometimes suggest the need for a mobility strategy, and sometimes call for a place-based strategy
- OBH is the creation or preservation of affordable housing must be deliberately and intelligently connected on a regional scale to high-performing schools, sustaining employment, necessary transportation infrastructures, childcare, and institutions that facilitate civic and political activity.
- This means both pursuing housing policies that create the potential for low-income people to live near existing opportunity and pursuing policies that tie opportunity creation in other areas to existing and potential affordable housing

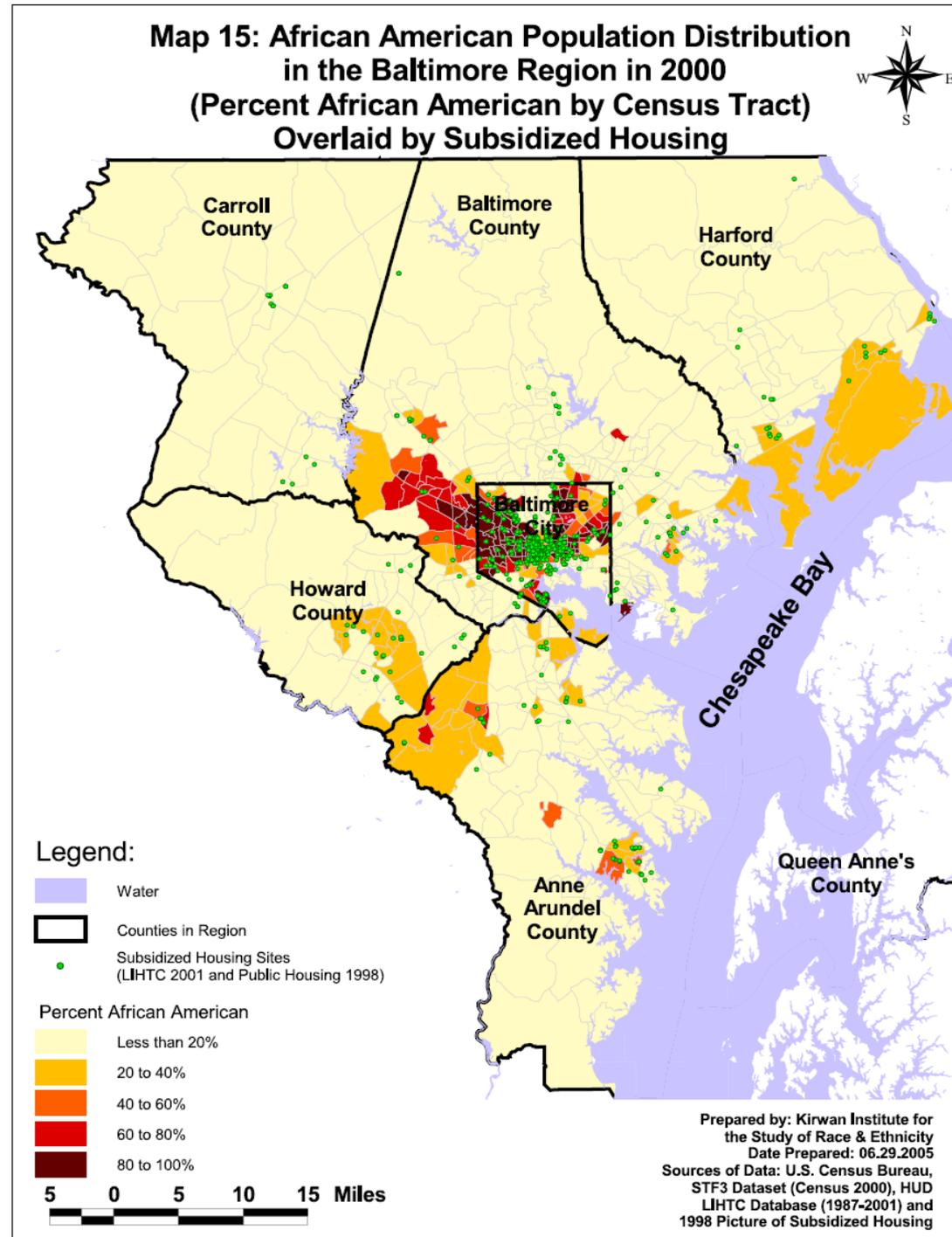
THOMPSON V. HUD?

- Litigation brought on behalf of class of 14,000 African-American residents of public housing in response to history of racial segregation of public housing and concentration in poor, distressed neighborhoods in Baltimore
 - Plaintiffs include Maryland ACLU and NAACP Legal Defense Fund
 - Originally defendants included the local public housing authority and the US Department of Housing & Urban Development
- Began in 1995...judge issued liability ruling in 2005
- Remedial trial held in 2006



SEGREGATION, SUBSIDIZED HOUSING IN THE BALTIMORE REGION

- Subsidized housing opportunities in Baltimore are generally clustered in the region's predominately African American neighborhoods
- These areas are low opportunity areas

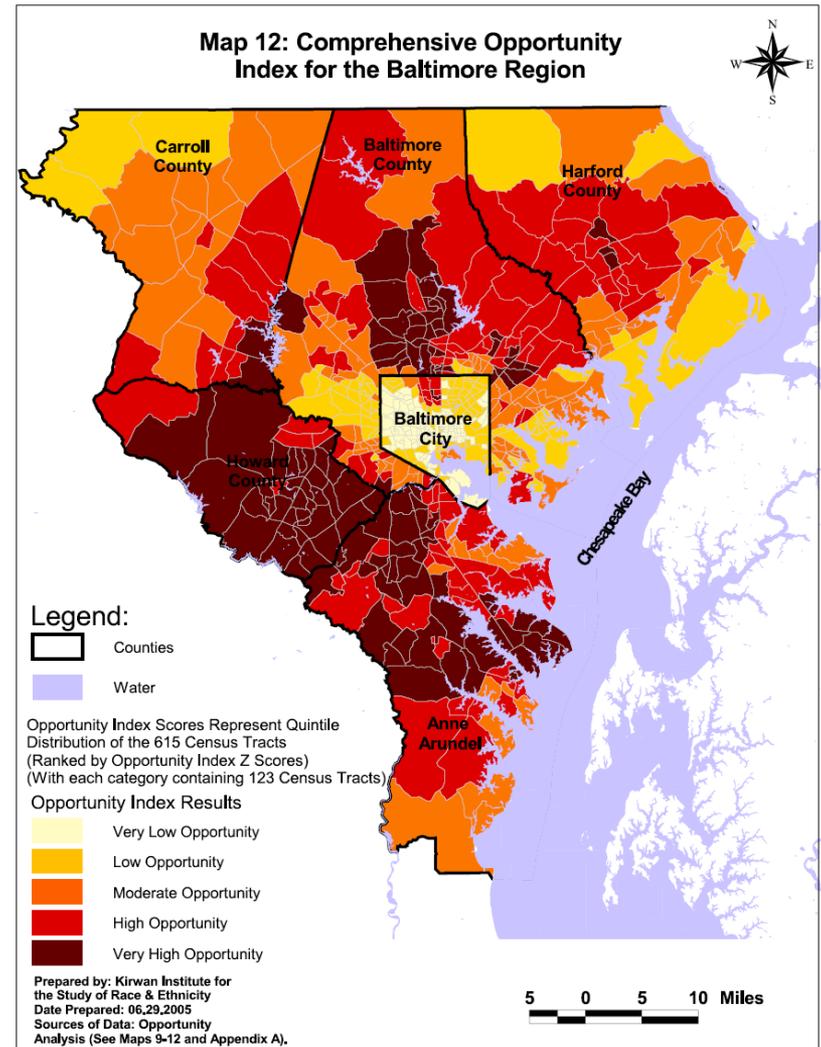


EXPERT REPORT REMEDIAL PROPOSAL

- The remedy must provide desegregative housing units in areas of high opportunity
 - The proposal conducted an “opportunity mapping” analysis in the region to locate high opportunity census tracts
- The remedy must be regional in scope
- The remedy must be race conscious
- The remedial program should be a structured choice model and voluntary for P.H. residents
- The remedy must be goal driven, not process driven
- HUD must consider both vouchers and housing production to meet the remedy’s goals

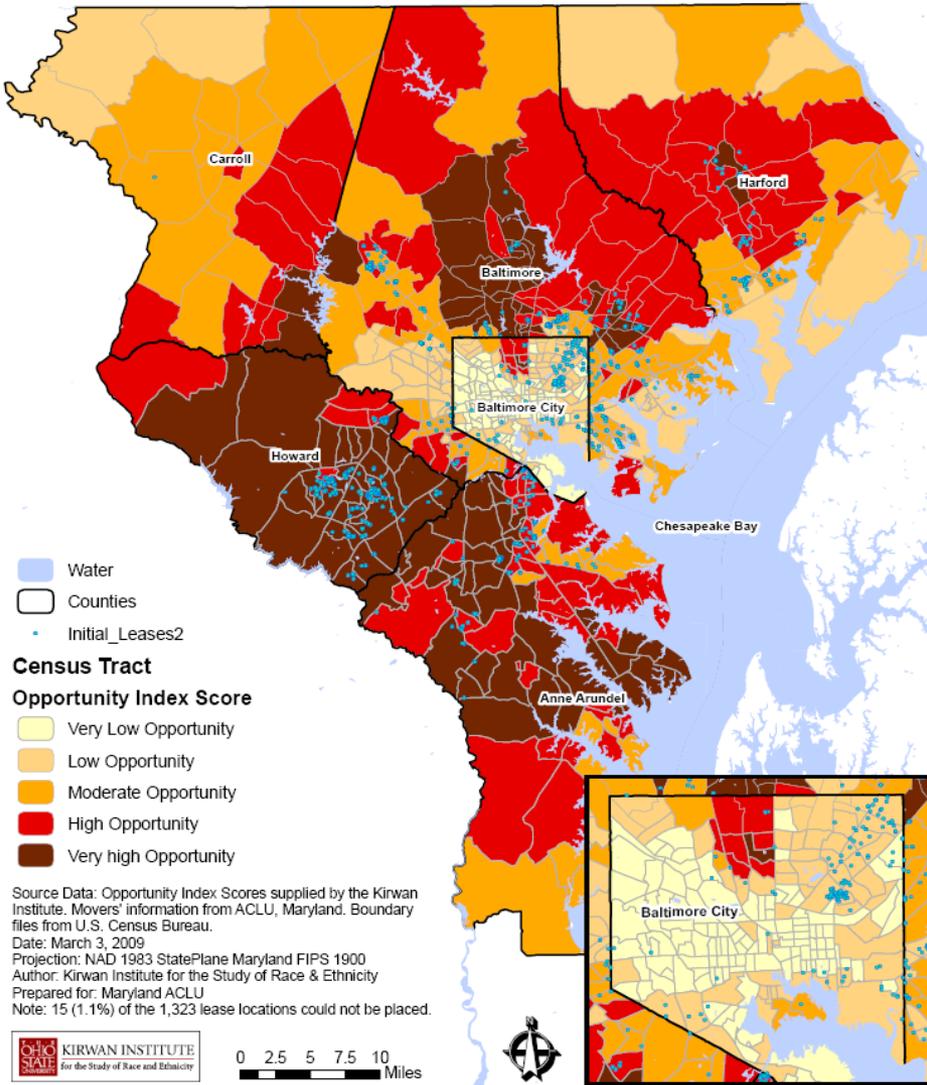
OPPORTUNITY ANALYSIS

- Use of 14 indicators of neighborhood opportunity to designate high and low opportunity neighborhoods in the Baltimore region
- Indicators of Opportunity (General)
 - Neighborhood Quality/Health
 - Poverty, Crime, Vacancy, Property Values, Population Trends
 - Economic Opportunity
 - Proximity to Jobs and Job Changes, Public Transit
 - Educational Opportunity
 - School Poverty, School Test Scores, Teacher Qualifications

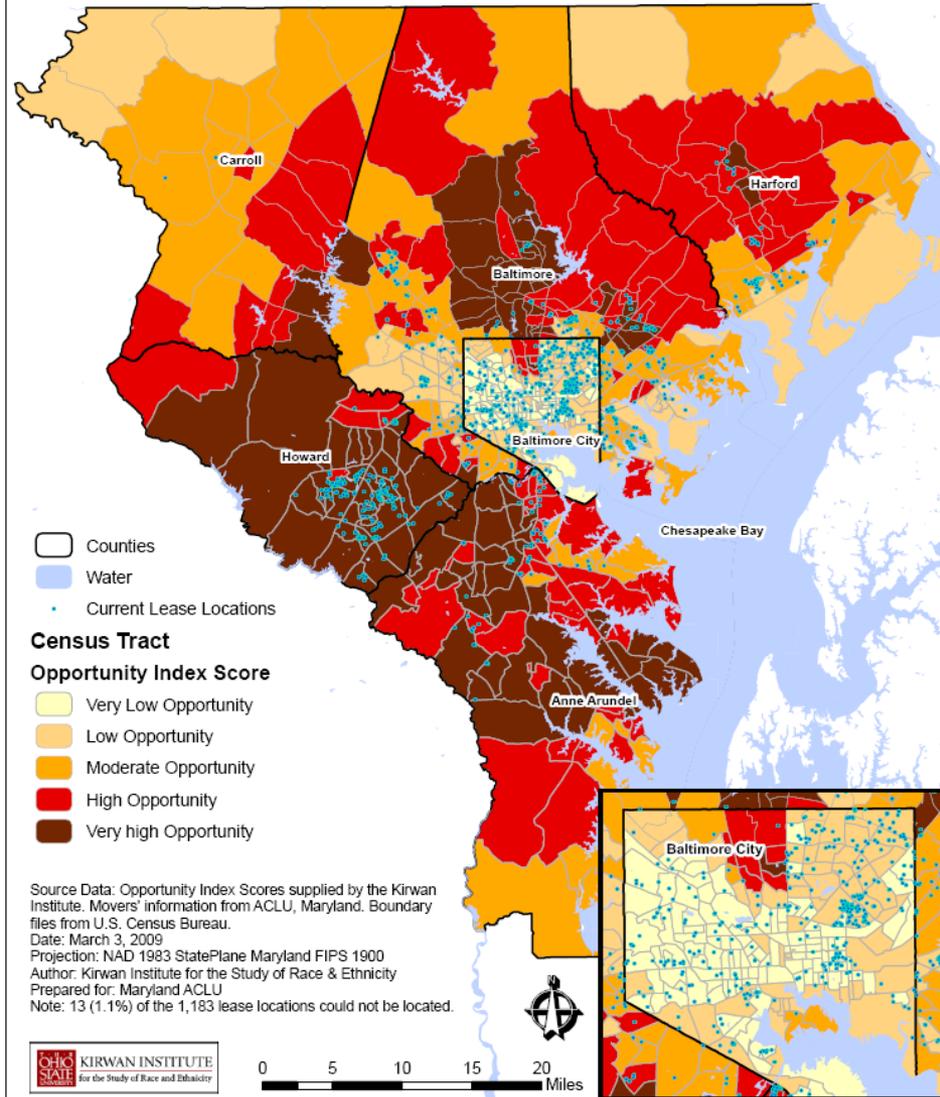


Initial Moves and Secondary Moves by Thompson Consent Decree Program Participants

Initial Lease Locations of Thompson Movers and Neighborhood Opportunity Index Score



Current Lease Locations of Thompson Movers and Neighborhood Opportunity Index Score



ICP v. Texas



Inclusive Communities Project (ICP), a Dallas non-profit, sued the Texas Dept. of Housing in 2008 under the FHA, for administering the LIHTC program to subsidize affordable housing more frequently in predominantly non-white low opportunity neighborhoods.

LIHTC is the nation's most important housing program, with hundreds of millions of federal funds flowing through it, and is locally and state administered.

The question before the Court was whether “disparate impact” claims were cognizable under the FHA.



Question Presented to the Supreme Court: *Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, Inc.*



The opinion of the Court, delivered by Justice Kennedy, directly cited the *Brief of Housing Scholars* in illustrating the role of public policy in fostering and maintaining segregated residential patterns.

While the Court acknowledged, “Much progress remains to be made in our continuing struggle against racial isolation,” the majority opinion - and today's decision - affirmed, “the Fair Housing Act’s continuing role in moving the Nation toward a more integrated society.”

Disparate impact claims may yet help dismantle exclusionary structures that maintain both segregation and prevent the construction of affordable housing in high opportunity areas.

Attacking the Exclusionary Controls



- What is driving segregation? Why are our metropolitan regions so segregated by race, class and opportunity?
- A big driver is exclusionary land use controls and zoning policy.
 - These controls include lot size requirements, zoning controls that limit occupancy, and much more.
 - Economist Edward Glaeser calls these policies a regulatory tax, not just because they distort the market, but because they also redistribute resources. *They force people to move away from the most productive areas and job growth centers in the interests of the affluent.*

How did municipalities promote segregation after 1968?

- Exclusionary zoning ordinances & land use decisions.
- Courts affirmed these practices in a series of decisions in the 1970s:
 - Belle Terre – court affirmed zoning power
 - Warth v. Seldin – affirmed power to zone single, detached family homes
 - Arlington Heights – affirmed right to exclude on the basis of SES with land-use by refusal to grant developer a variance
 - Milliken – affirmed sanctity of jurisdictional borders
 - San Antonio v. Rodriguez – affirmed local control of education and finances

- The Fair Housing Act serves to
 1. Desegregate Housing in America; and
 2. Prevent Housing Barriers for members of protected classes
- Disparate Impact Claims have become more prevalent in America due to the rising amount of policies that are displacing and discriminating against minorities on the basis of their protected status.

Disparate Impact



- By concentrating on discriminatory effect, Disparate Impact claims are able to enable policies on a larger swath of areas.
- Furthermore, by continuing the discussion of housing discrimination through a disparate impact lens, there are more opportunities for institutional change.

Market Driven

- We need structure the market to produce opportunity based housing

Fair Share



- The most aggressive inclusionary zoning law is New Jersey's Fair Share law.
- Arising out of *Mount Laurel* lawsuit, the Fair Share laws requires every municipality to have it's "fair share" of affordable housing.
- In 2008, the state closed the loophole that allowed wealthy districts to pay poor districts for their share, known as Regional Contribution Agreements.
- UNC Dean Jack Boger once proposed a National Fair Share law to end segregation

Questions?

