Location Affordability and Fair Housing on a Collision Course?

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Erick Guerra, University of Pennsylvania
Jake Wegmann, UT Austin (presenting)

October 16, 2018
CM2 Brownbag
Location Affordability and Fair Housing on a Collision Course?

1. Our argument in brief
2. A whirlwind history of location affordability
3. A (faster still) overview of Fair Housing
4. Our data
5. Results
6. Policy recommendations
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Location Affordability and Fair Housing on a Collision Course?

Making a case for considering location affordability in awarding scarce rental housing subsidies:
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Making a case for considering location affordability in awarding scarce rental housing subsidies:

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“A week’s wages for a month’s rent”
“A week’s wages for a month’s rent” (rent < 25% of income)
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... formalized by HUD in 1969 ...
“A week’s wages for a month’s rent” (rent < 25% of income)

... formalized by HUD in 1969 ...
Then revised to 30% in 1983.
Housing + Transportation Index

2006
H + T Index = \frac{Housing\ Costs + Transportation\ Costs}{Income}\ 2006
$H + T \text{ Index} = \frac{\text{Housing Costs} + \text{Transportation Costs}}{\text{Income}} < 45\%$

2006
Location Affordability Index (LAI)
Location Affordability Index (LAI) adopted by HUD in 2014
Location Affordability Index (LAI) adopted by HUD in 2014

“H”

“T”
Location Affordability Index (LAI)
adopted by HUD in 2014

“H” + “T”

Housing Cost, % of Income
Median-Income Family Household

Transportation Cost, % of Income
Median-Income Family Household
Location Affordability Index (LAI)

“H+T”
An early false start with policy
An early false start with policy

The Location Efficient Mortgage (LEM)
An early false start with policy

The Location Efficient Mortgage (LEM)

Unveiled in 2006 ...
An early false start with policy

The Location Efficient Mortgage (LEM)

Unveiled in 2006 ... but ended in 2008.
Now ready for prime time in affordable rental housing policy

Fireside Apartments, Marin County, Calif.
Now ready for prime time in affordable rental housing policy
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The Fair Housing Movement

The Fair Housing Movement

Aspatial strategy

The Fair Housing Movement

Aspatial strategy

Spatial strategy

The Fair Housing Movement

Aspatial strategy

Spatial strategy

“Open up” majority white suburbs

The Fair Housing Movement

Aspatial strategy

“Aopen up” majority white suburbs

Spatial strategy

Stop persistence or maintenance of racialized enclaves

The Fair Housing Movement

Aspatial strategy

Spatial strategy

"Open up" majority white suburbs

Stop persistence or maintenance of racialized enclaves

"Break up" existing racialized enclaves

The Fair Housing Movement

Aspatial strategy

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“Open up” majority white suburbs

Stop persistence or maintenance of racialized enclaves

“Break up” existing racialized enclaves

“T” and subsidized housing

“The [H+T] index is inappropriate as a tool for siting new low income family housing.

“T” and subsidized housing

“The [H+T] index is inappropriate as a tool for siting new low income family housing. To be fair, CNT has indicated that it intends the index to be consistent with fair housing goals,

“T” and subsidized housing

“The [H+T] index is inappropriate as a tool for siting new low income family housing. To be fair, CNT has indicated that it intends the index to be consistent with fair housing goals, but without a strong fair housing overlay, the index has the

“T” and subsidized housing

“The [H+T] index is inappropriate as a tool for siting new low income family housing. To be fair, CNT has indicated that it intends the index to be consistent with fair housing goals, but without a strong fair housing overlay, the index has the potential to (once again) steer low income

“The [H+T] index is inappropriate as a tool for siting new low income family housing. To be fair, CNT has indicated that it intends the index to be consistent with fair housing goals, but without a strong fair housing overlay, the index has the potential to (once again) steer low income families into more segregated, higher poverty neighborhoods.” (p. 1)

“T” in Philadelphia
Fair Housing on the upswing in 2015
Fair Housing on the upswing in 2015

- Affirmatively Furthering Fair Housing (AFFH) rule formalized by HUD
Fair Housing on the upswing in 2015

- Affirmatively Furthering Fair Housing (AFFH) rule formalized by HUD
- *Disparate impact* legal theory validated by the Supreme Court
Fair Housing on the upswing in 2015

- Affirmatively Furthering Fair Housing (AFFH) rule formalized by HUD

- *Disparate impact* legal theory validated by the Supreme Court *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.*
A drastic shift in Texas’ QAP as a result
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9% LIHTC awards in Texas District 7 (Urban), 2016
A drastic shift in Texas’ QAP as a result

9% LIHTC awards in Texas District 7 (Urban), 2016
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Our research question

Is incorporating location affordability into the siting of new subsidized housing projects likely to steer such developments into predominantly Black and Hispanic neighborhoods?
Three data sets
Three data sets

• H+T Affordability Index dataset (from Center for Neighborhood Technology)
Three data sets

- H+T Affordability Index dataset (from Center for Neighborhood Technology)

\[ n = 66,256 \ (census \ tracts) \]
Three data sets

- H+T Affordability Index dataset (from Center for Neighborhood Technology)
- National Housing Preservation Database: LIHTC units placed in service by year and by census tract
Three data sets

- H+T Affordability Index dataset (from Center for Neighborhood Technology)
- National Housing Preservation Database: LIHTC units placed in service by year and by census tract
- Decennial Census (2000, 2010) and American Community Survey (2012-2016)
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<table>
<thead>
<tr>
<th>Race</th>
<th>Transportation Cost Quintile</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>USA (overall sample)</td>
</tr>
<tr>
<td>Share White</td>
<td>1</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>18%</td>
</tr>
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<td></td>
<td>3</td>
<td>21%</td>
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<td>4</td>
<td>24%</td>
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<tr>
<td></td>
<td>5</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td><strong>Total for Whites</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Share Black</td>
<td>1</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>21%</td>
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<td>4</td>
<td>17%</td>
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<td>5</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td><strong>Total for Blacks</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Share Latino</td>
<td>1</td>
<td>27%</td>
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<tr>
<td></td>
<td>2</td>
<td>23%</td>
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<td>3</td>
<td>21%</td>
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<td>4</td>
<td>16%</td>
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<td>5</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td><strong>Total for Hispanics</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Race</td>
<td>Housing Cost Quintile</td>
<td>Location</td>
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<tr>
<td>-----------------------</td>
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<td>-------------------</td>
</tr>
<tr>
<td><strong>Share non-Hispanic White</strong></td>
<td></td>
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<tr>
<td></td>
<td>1</td>
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<td>5</td>
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<tr>
<td><strong>Share Black</strong></td>
<td></td>
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<td></td>
<td>2</td>
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<td>4</td>
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<tr>
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<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Share Hispanic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>2</td>
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<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Share of LIHTC Units</td>
<td>Transportation Cost Quintile</td>
<td>Region</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>USA (overall sample)</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>USA (overall sample)</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>USA (overall sample)</td>
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<tr>
<td></td>
<td>4</td>
<td>USA (overall sample)</td>
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<tr>
<td></td>
<td>5</td>
<td>USA (overall sample)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Top 25 MSAs</td>
</tr>
</tbody>
</table>
### DV: Transportation Costs (Tract-Level)

<table>
<thead>
<tr>
<th></th>
<th>Base Model</th>
<th>With MSA fixed effect</th>
<th>Top 25 MSAs w/ MSA fixed effect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intercept</strong></td>
<td>Estimate</td>
<td>25.423***</td>
<td>32.592***</td>
</tr>
<tr>
<td></td>
<td>Standard Error</td>
<td>0.034</td>
<td>0.043</td>
</tr>
<tr>
<td><strong>Percent NH Black</strong></td>
<td>Estimate</td>
<td>-5.544***</td>
<td>-4.499***</td>
</tr>
<tr>
<td></td>
<td>Standard Error</td>
<td>0.107</td>
<td>0.067</td>
</tr>
<tr>
<td><strong>Percent Hispanic</strong></td>
<td>Estimate</td>
<td>-5.874***</td>
<td>-4.667***</td>
</tr>
<tr>
<td></td>
<td>Standard Error</td>
<td>0.109</td>
<td>0.082</td>
</tr>
<tr>
<td><strong>Sample Size</strong></td>
<td>66,256</td>
<td>66,256</td>
<td>27,517</td>
</tr>
<tr>
<td><strong>R2</strong></td>
<td>0.070</td>
<td>0.714</td>
<td>0.597</td>
</tr>
</tbody>
</table>

*** p<0.01, ** p<0.05, * p<0.1
## DV: # of LIHTC Units in a Tract

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Intercept</strong></td>
<td>Estimate</td>
<td>13.288***</td>
<td>11.482***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23.316***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Standard Error</td>
<td>0.538</td>
<td>1.201</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.059</td>
</tr>
<tr>
<td><strong>Percent Black</strong></td>
<td>Estimate</td>
<td>87.380***</td>
<td>97.332***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>105.928***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Standard Error</td>
<td>1.683</td>
<td>1.868</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.397</td>
</tr>
<tr>
<td><strong>Percent Hispanic</strong></td>
<td>Estimate</td>
<td>44.845***</td>
<td>60.471***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>61.988***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Standard Error</td>
<td>1.716</td>
<td>2.287</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.665</td>
</tr>
<tr>
<td></td>
<td>Sample Size</td>
<td>66,256</td>
<td>66,256</td>
</tr>
<tr>
<td></td>
<td>R2</td>
<td>0.045</td>
<td>0.065</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.054</td>
<td></td>
</tr>
</tbody>
</table>

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5. Some preliminary results
6. Policy recommendations
• LA criterion maybe OK within a given city or MSA
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• Statewide QAPs tougher (but NYC and Chicago do their own)
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• Statewide QAPs tougher (but NYC and Chicago do their own)
• Within QAPs—make applicants analyze FH implications
- LA criterion maybe OK within a given city or MSA
- Statewide QAPs tougher (but NYC and Chicago do their own)
- Within QAPs—make applicants analyze FH implications
- Do state-level FH analysis before adding LA to QAPs
• LA criterion maybe OK within a given city or MSA
• Statewide QAPs tougher (but NYC and Chicago do their own)
• Within QAPs—make applicants analyze FH implications
• Do state-level FH analysis before adding LA to QAPs
• Require incentives/TDMs for projects in high-opp (and high “T”) areas