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Deconcentrating the poor via public housing policy: What really matters?

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ABSTRACT

This paper explores the role of costs of moving in Housing Choice Voucher (HCV) households' residential location choices and performs a policy simulation predicting the impact of geographically targeted rental subsidies and housing search and counseling services on voucher holders' locational choices. We choose households that received housing vouchers from 2008 to 2010 in the twin cities of Champaign-Urbana in Illinois and track their residential locations using restricted-use administrative data. We adopt the Mixed Logit (ML) approach to model voucher holders' locational choices accounting for heterogeneous preferences over costs of moving factors and dwelling and neighborhood attributes. Our main findings show that the HCV households are responsive to costs of moving indicating that there is a strong disincentive for the moves. The ML model results reveal a high level of statistical significance of heterogeneity in preferences among the HCV households providing empirical evidence to support previous literature that recipients would face different levels of costs of moving based on their socio-economic characteristics. The estimates also suggest that geographically targeted rental subsidies exert a larger relocation effect, moving 22.87% of high-poverty residents into low- and mid-poverty neighborhoods, when they are combined with a local housing authority's housing search counseling and supportive services.

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1. Introduction

Low-income minorities' spatial concentration constitutes a highly visible phenomenon in the United States, and many scholars, politicians, and public administrators have examined its causes and consequences over the past several decades. Kain [28] asserts that the suburbanization of low-skilled jobs, combined with involuntary racial and ethnic segregation of the poor in the inner city, could create an excessive supply of low-skilled workers relative to available jobs in the inner city, thereby worsening their labor market outcome. Cutler and Glaeser [10] show that Blacks living in highly segregated metropolitan areas have substantially worse economic (idleness and earnings) and social outcomes (schooling and single parenthood) than those living in integrated areas. Case

and Katz [6] also find that residence in dilapidated neighborhoods in which peers are involved in risky behaviors would increase youth's likelihood of similar behaviors.

In an effort to alleviate these negative consequences, the U.S. Department of Housing and Urban Development (HUD) has implemented various demonstration programs aimed at deconcentrating the poor in addition to its traditional objectives which assist low-income households in securing safe, decent, and affordable housing. Especially, the Section 8 Housing Choice Voucher (HCV) program has received national attention for achieving deconcentration of poverty due to its unique feature – allowing recipients the opportunity to rent privately owned housing in any neighborhood within the jurisdiction of the local housing authority – which gives far more flexibility about where to live than other types of public housing programs. Moreover, in recent years, HUD has promoted the deconcentration of poor people through adjustments in some housing program requirements. For example, in the Moving to Opportunity (MTO) Program HUD has modified the HCV program rules to support deconcentration moves

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by imposing mobility requirements upon the use of housing vouchers. Additionally, in the Small Area Fair Market Rents Demonstration participating authorities implement a recalculation of the Fair Market Rent (FMRs) in smaller geographic areas to adjust local market-rate rents and to enlarge voucher holders' locational options in high-cost neighborhoods.

However, previous studies present mixed results for voucher holders' locational outcomes. Previous social science literature suggests that the HCV program is effective in moving a large share of voucher holders out of the most distressed neighborhoods compared to public housing residents and low-income households without housing vouchers [12,22,29,39]. However, the HCV households tend to make short-distance moves and re-cluster in economically declining neighborhoods [18,31,41,42]. Some studies also assert that the HCV program by itself does not ensure access to low-poverty neighborhoods [32,33,52].

A series of descriptive studies, with regard to these ambiguous results, address the burden of relocation costs as a main barrier preventing recipients geographical mobility – difficulties in searching for a housing unit of adequate quality at the right price and a landlord who is willing to participate in the program [12,15,30] and disutility from unwilling disruption of social ties built in the origin neighborhood [4,3,8]. Additionally, Popkin and Cunningham [42] show that recipients would experience different levels of relocation costs based on their personal problems (disability, illness, lack of communication skills, substance abuse, criminal backgrounds) and financial constraints (transportation, security deposits) as well as potential discrimination against race, income, and household composition. On the other hand, there have been efforts to assist recipients' residential mobility by reducing search costs, for example, Johnson [26,27] introduces a scientific location decision support system that finds a best location based on the collection of individual preferences on housing and neighborhoods.

In this study, we explore the role of costs of moving in HCV households' residential location choices and identify mobility-disadvantaged groups that have relatively higher costs of moving by comparing different levels of relocation disutility based on recipients' socio-economic characteristics. Also, based on the locational choice model and our estimates, we perform a policy simulation predicting how geographically targeted rental subsidies and housing search and counseling services would affect voucher holders' locational choices. We choose households that received housing vouchers from 2008 to 2010 in the twin cities of Champaign-Urbana in Illinois and track their residential locations using restricted-use administrative data (HUD-50058 Family Report Records) received from the Housing Authority of Champaign County (HACC). We adopt the Mixed Logit (ML) approach to model recipients' locational decisions accounting for heterogeneous preferences over costs of moving factors and various dimensions of dwelling and neighborhood attributes.

Our main findings suggest that the HCV households are responsive to costs of moving factors indicating that there is a strong disincentive for internal relocation costs for reluctance to leave familiar surroundings (social ties), and search costs for housing in potential destination neighborhoods. Also, the results from the ML model reveal a high-level of statistical significance of heterogeneity in preferences among the HCV households providing empirical evidence to support previous descriptive literature that recipients would face different levels of costs of moving based on their socio-economic characteristics.

The simulation results show that geographically targeted rental subsidies providing financial incentives – an increase of \$120 in monthly non-housing consumption – to voucher holders who choose to live in low- and mid-poverty neighborhoods are

associated with 6.4% of high-poverty residents moving into the targeted neighborhoods.¹ Additionally, we use distance between the origin and destination neighborhoods to capture search costs of moving including housing, transportation, schools, and other daily-use facilities in a destination neighborhood. Specifically, Schwartz [47] asserts that the costs of obtaining information increase with distance, hence as the relative distance to a location decrease, the probability that the location will be chosen increases. Our estimates suggest that reducing housing search costs – a decrease of 2.8 km in distance from high-poverty neighborhood (origin) to low- and mid-poverty neighborhoods (destination) – predict to move 12.5% of high-poverty residents into low- and mid-poverty neighborhoods. Moreover, combining these two policies result in a prediction of moving 22.87% of high-poverty residents out of their current neighborhoods which can, in turn, decrease unemployment rates by 6.67%, increase mean household income by 2.10%, and decrease the proportion of the Black population in neighborhoods by 7.26%.

The remainder of the study proceeds as follow: Section 2 discusses general background information about the HCV program in Champaign County, program eligibility, and family obligations. Section 3 details locational factors and empirical model, and Section 4 describes data and sampling design. Section 5 details regression results, and Section 6 discusses a policy simulation, implication of the results, and limitation of the study. Section 7 closes with concluding comments.

2. Housing Choice Voucher program, eligibility, and family obligations

Since the mid-1970s, the U.S. Department of Housing and Urban Development (HUD) has operated the HCV program in conjunction with over 3000 local public housing authorities (PHAs). This represents the nation's largest housing subsidy program serving more than 2.2 million low-income households. Because of HUD's national scale of regulatory intervention and governance, and large funding contribution, an extensive research literature exists concerning the effectiveness of the HCV program in assisting vulnerable people and reducing spatial poverty concentration as well as improving economic self-sufficiency [19,25,29,53]. However, most research efforts have concentrated on understanding the effects of public provision of subsidized housing opportunities in large metropolitan areas, especially in large cities, under the urban antipoverty political agenda, and very little research exists exploring recipients' locational patterns and local housing authorities' innovative strategies enhancing spatial relocation into lower poverty neighborhoods across small-to medium-sized urban areas.

The HACC serves the County of Champaign in Illinois which is a largely rural county with twin cities of Champaign and Urbana. Fig. 1 shows HACC's service areas. According to HUD's 2014 Picture of Subsidized Households data, the HACC belongs to the fifth category (out of 9 categories) in the size of public provision administering between 1000 and 2999 subsidized units that comprise about 11% of PHAs in this category across 48 contiguous states. Since regional heterogeneity would affect recipients' locational preferences over dwelling and neighborhood characteristics and access to community-based services, the locational behaviors of voucher holders served in a small city can differ from those in a large city. Furthermore, variation in budget constraints depending on the size of the agency may limit the feasible set of policy

¹ The study area is classified into three regions by poverty rates – low-poverty region (under 10% poverty rates), mid-poverty region (between 10% and 30% poverty rates), and high-poverty region (over 30% poverty rates).

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