Social Science Research 51 (2015) 219–232

Contents lists available at ScienceDirect

Social Science Research

journal homepage: www.elsevier.com/locate/ssresearch

Foreclosures and crime: A city-level analysis in Southern California of a dynamic process

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ARTICLE INFO

Article history:
Received 18 March 2014
Revised 23 September 2014
Accepted 29 September 2014
Available online 23 October 2014

Keywords:
Cities
Crime
Foreclosures
Social distance
Social capital
Segregation

ABSTRACT

Although a growing body of research has examined and found a positive relationship between neighborhood crime and home foreclosures, some research suggests this relationship may not hold in all cities. This study uses city-level data to assess the relationship between foreclosures and crime by estimating longitudinal models with lags for monthly foreclosure and crime data in 128 cities from 1996 to 2011 in Southern California. We test whether these effects are stronger in cities with a combination of high economic inequality and high economic segregation; and whether they are stronger in cities with high racial/ethnic heterogeneity and high racial segregation. One month, and cumulative three month, six month, and 12-month lags of foreclosures are found to increase city level crime for all crimes except motor vehicle theft. The effect of foreclosures on these crime types is stronger in cities with simultaneously high levels of inequality but *low* levels of economic segregation. The effect of foreclosures on aggravated assault, robbery, and burglary is stronger in cities with simultaneously high levels of racial heterogeneity and *low* levels of racial segregation. On the other hand, foreclosures had a stronger effect on larceny and motor vehicle theft when they occurred in a city with simultaneously high levels of racial heterogeneity and *high* levels of racial segregation. There is evidence that the foreclosure crisis had large scale impacts on cities, leading to higher crime rates in cities hit harder by foreclosures. Nonetheless, the economic and racial characteristics of the city altered this effect.

1. Introduction

Although the foreclosure crisis that began in 2006 has impacted numerous households directly through the loss of their homes, additional indirect effects likely occur for other residents in neighborhoods impacted by high numbers of foreclosures. Among the possible consequences for such neighborhoods is that a high number of foreclosures might lead to high levels of social disorder and crime. Foreclosed housing units might have a micro-spatial effect in which they increase the amount of crime nearby. However, beyond the effect that foreclosures may have on the local block on which they occur, there are various theoretical reasons to expect that their impact may bleed into the broader spatial area of the neighborhood or even the broader community of the city. Indeed, a growing body of literature focuses on the relationship between the

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http://dx.doi.org/10.1016/j.ssresearch.2014.09.009
0049-089X/

number of foreclosures in a neighborhood and crime rates (Immergluck and Smith, 2006; Katz et al., 2013; Kirk and Hyra, 2012; Teasdale et al., 2011; Williams et al., 2013).

Whereas recent studies have focused on the relationship between foreclosures and crime at the geographic level of neighborhoods, there are various reasons why the impact of foreclosures may be felt at even larger geographic units such as cities. For one thing, the large magnitude of the foreclosure crisis implies that entire cities may experience very high rates of foreclosures. If this is indeed the case, do these cities suffer a rise in the level of crime as a consequence? Furthermore, the larger city context within which neighborhoods are situated likely plays a critical role in determining how the community may respond to various economic and financial hardships (Logan and Molotch, 1987), such as the housing crisis. This implies that certain cities may be better equipped to redress various social problems that may arise.

For example, although foreclosures can set in motion a process of abandonment and decay leading to higher crime rates, it is also possible for cities to engage in activity to ameliorate the impact of foreclosures. Cities have the ability to provide upkeep to vacant units to prevent them from falling into disarray, to provide extra police patrol to neighborhoods suffering from more vacancies, or to send more oversight into such neighborhoods to keep units from falling into blight (Perlman, 2013). This suggests that whereas foreclosures will increase crime rates in some city contexts, they may not in other contexts; indeed previous research suggests that this is the case (Arnio et al., 2012; Baumer et al., 2012).

If cities can help neighborhoods address the problems of foreclosures before they result in more crime, it is natural to ask whether cities with certain social structural characteristics are better able to moderate the foreclosure and crime relationship. Specifically, we ask whether cities with less social distance (Poole, 1927), and hence more potential cohesion, are able to moderate the impact of foreclosures. Indeed, some scholars have posited that social distance can reduce the city's ability to address various problems, one of which may be the impact of foreclosures (Putnam, 1995). Two key measures of social distance that scholars have focused on in recent decades are economic inequality and racial/ethnic heterogeneity. Furthermore, the extent to which racial and economic groups are spatially segregated within cities may reduce the general cohesion in a community and impact its ability to address such problems. A core argument of the ecological model asserts that the characteristics of the city, such as economic inequality and racial segregation independently affect crime (Byrne and Sampson, 1986). We address these questions here by assessing whether cities with higher economic inequality or racial/ethnic heterogeneity, or cities with higher levels of economic or racial segregation, experience higher crime rates as a result of foreclosures.

We explore these questions using monthly data on foreclosures and crime rates in 128 cities in the Southern California region over the 1996–2011 period. Foreclosures are in fact a *process*, and not an event, that may take several months to complete; the lengthy process associated with foreclosure underscores the importance of examining the impact of foreclosure on crime over time. By using monthly data, we can achieve a more precise temporal test of these relationships, allowing us to determine the rapidity with which increasing foreclosure rates might subsequently result in an increase in crime. This is also necessary because simply observing a relationship between foreclosures and crime at a point in time does not address whether rising foreclosure rates translate to higher rates of crime. More precise temporal data is needed for exploring this question. The Southern California region is a particularly useful area to study these relationships given how hard it was impacted by the foreclosure crisis. California ranked 4th in the nation in the number of mortgages seriously delinquent or in foreclosure in 2010, with foreclosure and delinquency rates sharply increasing as early as 2005 (Bocain et al., 2010). Furthermore, Southern California is ideal to study given the relatively large amount of racial/ethnic diversity in the region. We therefore examine whether racial and economic inequality in the city compounds the effects of foreclosures on crime.

2. Literature review

2.1. Foreclosures and crime

Scholars have articulated numerous reasons why we should expect crime rates to rise in areas with increasing foreclosure rates. Whereas a foreclosure takes place within one particular neighborhood, when concentrated across several neighborhoods throughout a community the consequences of foreclosure such as crime, residential mobility, and informal social control, might result in changes in the broader composition of the residents within the city, impacting crime at a much larger level. We next discuss the micro-processes that might lead to these broader community changes.

Disorder theories are frequently used to explain the relationship between foreclosures and crime. During the initial phase after being served a notice of possible foreclosure, the owners may change their behavior by reducing upkeep, which can impact the quality of the unit. This can increase the level of physical disorder in the neighborhood as the unit falls into increasing disrepair. This builds on broken windows theory (Wilson and Kelling, 1982), in which physical disorder in the neighborhood, typically characterized as incivilities or violations of norms regarding public behavior or physical space, serves as a cue for potential offenders that the neighborhood lacks the requisite ability to monitor the environment and provide informal social control (Skogan, 1990). It is theorized that such neighborhoods are more attractive targets to offenders, and hence have more crime. It is also possible in this perspective that fellow residents will perceive such disorder as a similar such cue: the sense that others are not willing to take care of the neighborhood may then reduce a household's willingness to engage in informal social control behavior, further catalyzing neighborhood decline.

If a foreclosure is indeed completed, several consequences are possible. First, even if the unit is immediately re-occupied by new owners, the transition in residents can impact the amount of crime in the neighborhood given that this will increase the general level of residential instability, and social disorganization theory posits that higher levels of residential instability