Gentrification: A Federal Perspective

Research Symposium on Gentrification and Neighborhood Change

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Gentrification: A Federal Perspective

Outline

- Connecting key national trends:
  - Current ‘Gentrification’ trends
  - The Rental Affordability Crisis
  - Supply/Supply Responsiveness

- HUD Perspective/Policy Responses:
  - Increase supply of (affordable) rental housing
  - Preserve existing affordable housing
  - Encouraging state and local use of a broad range of tools
Gentrification Trends: Share of Low Income City Tracts in US Seeing Large *Relative* Gain in Income

Source: NYU Furman Center
Gentrification Trends: Share of Low Income City Tracts in US Seeing Large Relative Gain in % White

Source: NYU Furman Center
Gentrification Trends: Share of Low Income City Tracts in US Seeing Large *Relative* Gains in Rents

Source: NYU Furman Center
Gentrification: Key Trends

• Some of our biggest concerns about gentrification – potential displacement and increased rent burdens – are due to rent increases.

• Recent work (Ding, Hwang and Divringi, 2015): While overall mobility of vulnerable households is not higher in gentrifying neighborhoods, mobility to lower-income neighborhoods is,

• And such moves are more likely from gentrifying areas with greater increases in housing costs.

• What drives these recent patterns?
  • Increased demand for centralized neighborhoods.
    • Younger, higher educated, white.
  • Overall affordability crisis and supply responsiveness.
Prevalence of Housing Cost Burdens by Severity and Housing Tenure, 1978-2013

- All households with costs >50% of income
- All households with costs >30% of income

Source: AHS
Rental Affordability Crisis

Prevalence of Housing Cost Burdens by Severity and Housing Tenure, 1978-2013

- All households with costs >50% of income
- All households with costs >30% of income
- Renters with costs >50% of income
- Renters with costs >30% of income

Source: AHS
Rental Affordability: Cost Burdens by Income

Prevalence of Severe and Moderate Housing Cost Burdens Among Renters by Relative Income, 2003 and 2013

- Very Low Income (0-50%):
  - 2003: 39% Moderate, 30% Severe
  - 2013: 49% Moderate, 27% Severe

- Low Income (50-80%):
  - 2003: 25% Moderate, 4% Severe
  - 2013: 36% Moderate, 6% Severe

- Moderate Income (80-120%):
  - 2003: 8% Moderate, 1% Severe
  - 2013: 14% Moderate, 2% Severe

Source: AHS
Supply of Housing and Gentrification

Source: Glaeser and Gyorko
Gentrification Trends: 3 key points

• The interconnection between the larger rental affordability crisis and gentrification.
  • Broad affordability crisis itself may contribute to gentrification.
  • Lack of affordability and inadequate supply response may drive large rent increases.

• Both point to a necessary increase in supply, and supply responsiveness.
  • Beyond gentrifying and nearby areas, but in particular, there.
  • Resident views and political realities.

• Neighborhoods within their broader housing markets, interconnection between places.
  • Need to take a broader view when considering policy.
  • Need to pair policies for increase supply with other policies/ protections.
HUD Perspective/Policy Responses

- Increase overall supply of rental housing, including affordable housing.
  - MF insurance premium decrease for green, mixed income and low income housing

- Preserve affordable housing.
  - RAD
  - Project Based Rental Assistance transfer authority

- Localities need to employ a range of tools, proactively and broadly.
  - Local Policy Grants (FY2016 and 2017)
  - AFFH
  - Prosperity Playbook
HUD Perspective/Policy Responses

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Increase Supply

- **Example**: MF insurance premium decrease for green, mixed income and low income housing.

- Starting April 1st, the FHA cut multifamily mortgage insurance rates to stimulate the production and rehab of affordable, mixed-income, and energy-efficient housing. Lowering insurance costs for housing where:
  - At least 90% of the units are under Sec. 8 contracts or covered by LIHTC affordability requirements, or
  - Mixed-income properties, which have units set aside based on affordability through LIHTC, Sec. 8, inclusionary zoning, or other local requirements.
  - HUD estimates this will spur the rehabilitation of an additional 12,000 units per year.
Preserving Affordable Housing

Example: Rental Assistance Demonstration (RAD)

• Developments move from public housing financing to long-term financing (i.e., project-based Section 8 contract), that by law, must be renewed.

  • Permits leveraging public and private debt/equity in order to reinvest in the public housing stock.
    • To date, more than $2B of private funding has been invested in about 30,000 units.

  • Costs to residents – and HUD, remain the same; residents maintain the same basic rights.

  • PHAs must maintain an ownership interest.

• Connection to gentrification

  • Anchoring long-term affordability of centrally located public housing stock.
Encouraging Local Action

Example: Affirmatively Furthering Fair Housing (AFFH)

• Key components relevant here:
  
  • Jurisdictions receiving HUD funding must complete an Assessment of Fair Housing (AFH), identifying fair housing issues
  
  • Using a standardized assessment tool and associated data and maps (i.e., assessing patterns of segregation and access to neighborhood opportunity).
  
  • Grantees set forth priority goals for addressing those issues, and
  
  • Incorporate analysis into their follow on planning processes – Con Plan or PHA plans for our public housing authorities—which includes strategies and steps to be taken.
  
• Additional features:
  
  • Meaningful community engagement.
  
  • HUD encouraging regional/joint submissions.
Encouraging Local Action

Example: Affirmatively Furthering Fair Housing (AFFH) Cont’d

• Linking to Gentrification
  
  • Much AFFH discussion focuses on two strategies:
    • increasing access to higher opportunity areas, AND
    • investing in existing minority communities.
    • We need to pursue both, and both have their challenges.

  • Gentrifying neighborhoods present a third, highly impactful, strategy.
    • Frequently already contain minority households and are attracting investments.
    • Employing strategies to secure longer term diversity.
    • AFFH as an ‘enabling environment’.
Parting Thoughts

• Making diverse communities work, and work for all
  • Realities on the ground.
  • Trust, history - and processes that can reframe both.
  • Meaningful integration will require more than housing.