High-Cost Cities, Gentrification, and Voucher Use

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RENTS AND LOW-INCOME HOUSEHOLDS

Trends in metropolitan median gross rents
- Nationally, rents increased by 7% between 2001 and 2014.
- In some cities, the increase has been above 20 percent.

Rising rents and low-income households
- Tenant-based subsidy programs may shield low-income households from rising rents.

The Housing Choice Voucher program
- Created in 1974 (previously Section 8)
- Largest federal rental housing program: $19 billion and 2.1 million participants.
- Eligibility: household income below 80 percent of area median income.
- Voucher holders pay 30 percent of income on rent; subsidy pays difference between that and rent, up to allowable payment standard.
RENTS AND LOW-INCOME HOUSEHOLDS

The HCV program in cities with rapidly rising rents

- How voucher holders *MAY* be protected against rising rents:
  - As long as the rent of a unit remains below the voucher payment standard, then a voucher holder living there will continue to pay 30 percent of its income on rent, even as the asking rent for the unit rises.

- How voucher holders *MAY NOT* be protected against rising rents:
  - If local rents rise above voucher payment standards, landlords may find market-rate tenants more attractive than voucher holders.
    - Displacement of voucher holders to lower rent neighborhoods.
    - Higher rent burdens for those who stay.
RESEARCH QUESTIONS

Are larger increases in median rents in the metropolitan area associated with ...

- More frequent *residential moves* among voucher households?
- Higher *rent burdens* for voucher households?
- More *spatial concentration* of voucher households?
- Changes in access to *opportunity neighborhoods* for voucher households?
DATA (1)

HUD administrative data from HCV program
- Years 2006-2014.
- Race, sources of income, rent payments, dependents, building type.
- Geocode addresses to census tracts.
- Sample = 10.9 million.

CBSA rents and demographics
- American Community Survey (1-year estimates) 2006-2014.

Neighborhood conditions
- American Community Survey (5-year estimates) 2005-09 to 2010-14.
### Characteristics of voucher households, 2013

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moved to different tract</td>
<td>8.97%</td>
<td>28.58%</td>
</tr>
<tr>
<td>Monthly income (in 2014 USD)</td>
<td>$1,109.96</td>
<td>$754.18</td>
</tr>
<tr>
<td>White</td>
<td>30.56%</td>
<td>46.07%</td>
</tr>
<tr>
<td>Black</td>
<td>50.26%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>16.18%</td>
<td>36.92%</td>
</tr>
<tr>
<td>Other race</td>
<td>3.03%</td>
<td>18.35%</td>
</tr>
<tr>
<td>Female</td>
<td>80.53%</td>
<td>39.60%</td>
</tr>
<tr>
<td>Any dependents</td>
<td>50.72%</td>
<td>49.99%</td>
</tr>
<tr>
<td>Age</td>
<td>49.3</td>
<td>21.0</td>
</tr>
</tbody>
</table>
EMPIRICAL STRATEGY

Exploit variation in rents and outcomes over time within CBSAs

Mobility outcomes
- Moved to a different tract last year

Rent burden outcomes
- Share paying more than 35% and 40% of income in gross rent.

Concentration outcomes
- Share of tracts where 50% of voucher households live.
- Voucher-Non-Voucher dissimilarity index.

Opportunity outcomes (central and suburban)
- Share living in high-poverty tracts.
- Exposure to poverty.
MOBILITY RESULTS

As rents in the CBSA increase, voucher households are more likely to move to another neighborhood:

- A 10% increase in median rents $\rightarrow$ 1 percentage point increase in the probability of moving.

Heterogeneity across racial groups:

- Compared to white residents, blacks and Hispanics are less likely to move as rents increase.
RENT BURDEN RESULTS

As rents in the CBSA increase, voucher households experience higher rent burdens:

- A 10% increase in median rents → 3.3 percentage point increase in the share of voucher households paying more than 35% in rent.
- A 10% increase in median rents → 2.5 percentage point increase in the share of voucher households paying more than 40% in rent.

We will examine heterogeneity across racial groups.
CONCENTRATION RESULTS

As rents in the CBSA increase, voucher households become more concentrated in space:

- A 10% increase in median rents $\rightarrow$ 0.4 percentage point decrease in the share of tracts that contain half of all voucher households.

- A 10% increase in median rents $\rightarrow$ 1 point increase in the voucher-non-voucher dissimilarity index.
OPPORTUNITY RESULTS

As rents in the CBSA increase, we find a *decrease* in the poverty rate in the tracts where voucher households live:

- A 10% increase in median rents $\rightarrow$ 2 percentage point decrease in the share of voucher households living in high-poverty tracts.
- Effects are driven by changes among voucher holders living in central cities:
  - A 10% increase in median rents $\rightarrow$ 1.4 percentage point decrease in the tract poverty rate for the typical voucher household living in central cities.
- No significant association for voucher households living in suburbs.

Smaller magnitudes when we examine all poor families in the CBSA:

- In central city tracts, a 10% increase in median rents $\rightarrow$ 0.7 percentage point decrease in the tract poverty rate for the typical poor family.
CONCLUSION: MIXED FINDINGS

In metropolitan areas where rents are increasing more rapidly, voucher households ...

- **Move more frequently** to other neighborhoods.
- Experience **higher rent burdens**.
- Become **more spatially concentrated**.
- Live in neighborhoods with **lower poverty rates**.
  - Could be due to a gentrification effect.
  - Higher income households moving into lower-income, central city neighborhoods.

Future work

- Disentangle effects for movers and stayers.
- Look at rent changes in different points of the rent distribution.
- Examine heterogeneity across racial groups for concentration, rent burden, and opportunity models.
Thank You!

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