

# Undue Concentration of Housing Choice Voucher Holders

## A Literature Review

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The Housing Choice Voucher (HCV) program is the largest rental assistance program administered by the U.S. Department of Housing and Urban Development (HUD) and local public housing agencies. It is designed to assist qualifying low-income families to afford a “decent, safe, and sanitary housing” in the private housing market<sup>1</sup>. The HCV program, in theory, enables voucher holders to use their vouchers to move anywhere in the private housing market provided that the chosen units meet basic health and safety standards as well as rent requirements. This brief review attempts to investigate two main questions:

- 1) Is there evidence that voucher holders are reconcentrating in other locations?
- 2) What are the “thresholds” or “tipping points” of poverty levels above which neighborhood quality rapidly declines?

There has been a spate of research with varying results studying the location and movement of voucher holders in the United States. Devine et al. (2003) used data from Multifamily Tenant Characteristics System (MTCS) from 2000 to descriptively study the settlement patterns and other characteristics of voucher holders. Concluding that voucher holders were not concentrating geographically, Devine et al (2003) stated that more than half of the families assisted by HCV were living in areas with 20% or lower poverty concentration. However, they highlighted that African-American and Hispanic families were much more likely to move into areas of high poverty concentration than White families. They did not find any significant gains for first-time movers in terms of avoiding poverty concentration. Moreover, Fiens and Patterson (2005) used longitudinal administrative data between 1995 and 2002 to study whether subsequent moves led voucher holders to move into better neighborhoods. Fiens and Patterson (2005) found that initial moves did not produce an improvement in neighborhood characteristics for the participants but additional moves resulted in slight improvements of neighborhood quality. Their analysis also showed that African-Americans were more likely than other groups to make additional moves and experience greater improvements in their environment.

Other analyses of recent HCV program data show contrasting results. Varady and Kleinhans (2008) used hotspot analysis to conduct a census block level study of tenant based voucher holders. Studying eight metropolitan areas namely, New York, Baltimore, Chicago, Cincinnati, Miami, Houston, Los Angeles, and Phoenix, they concluded that there was no evidence of overall decrease in the concentration of voucher holders although variations in the level of

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<sup>1</sup> [portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/hcv/about/fact\\_sheet](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/about/fact_sheet)

concentration existed. Furthermore, HCV recipients were less concentrated in hotspots in Chicago and Phoenix between 2000 and 2005, but their concentration levels increased in the other six metropolitan study areas. Varady and Kleinhaus (2008) stated that the clustering of HCV holders in high-poverty and high-minority neighborhoods will continue unless the distribution of availability of affordable housing changes (but note that they took the existing program rules as a “given”). Complementing the census level block analysis with field observations, Varady et al. (2010) conducted a deeper analysis of voucher holders in Cincinnati, OH. They determined that, generally, HCV holders in Cincinnati were clustering in particular sites “that are poor and/or getting poorer” (p. 59). They were also concentrating in new and “emerging hotspots.” However, a positive aspect of this trend was that a number of these emerging hotspots in Cincinnati were racially diverse middle income neighborhoods, which might increase HCV holder’s access to good schools and better neighborhoods. Similarly, McClure (2008) found that the HCV program was not deconcentrating minority voucher holders when compared to other programs such as Low Income Housing Tax Credit (LIHTC). Furthermore, using the data obtained from public housing agencies, Patterson and Yoo (2012) determined that even though some African-American voucher holders were moving into neighborhoods that had lower poverty rates and higher racial diversity, some of them were clustering in these “emerging” locations. Termed as “reghettoization,” Patterson and Yoo (2012) raised concern that reconcentration of voucher holders may lead to increase in poverty rates in their new neighborhoods which may have a negative impact on neighborhood property values.

The research on HCV recipient’s concentration raises an age-old question about the effects of living in concentrated poverty on families and individuals. Wilson (1987), in his book *The Truly Disadvantaged*, proposed that extreme concentration of poverty in neighborhoods may create “distinctly different social-structural milieu” (Krivo and Peterson 1996). Basing their analysis solely on economic efficiency grounds, Galster et al. (2000) investigated the social gains or losses associated with housing policies which sought to deconcentrate poverty by moving families from high to low poverty neighborhoods. Specifically, Galster et al. (2000) statistically modeled the changes in neighborhoods across various indicators and estimated the critical point after which the neighborhood underwent rapid and visible decline or experienced “threshold-like” effects. They chose to study changes in poverty rate, adult unemployment rate, and female headship rate for families to detect these critical points. They used 1980 to 1990 data from almost all the census tracts in the MSAs and found that changes in poverty rates, occupational status, and rental rates might be important indicators to observe the hypothesized threshold-like effects. In a subsequent analysis, Galster et al. (2008) estimated two empirical models that studied the changes in property values and rental rates caused by changes in neighborhood poverty rates. Property values and rental rates were chosen as they were theorized to capture the disinvestment by property owners and other negative factors, such as property crimes, that are associated with a declining neighborhood. They used two sets of data to conduct their analysis, first, data on homes sales in Cleveland from 1993 to 1997, and second, median values and rents in 100 metropolitan areas from 1990 to 2000. Analysis of both datasets showed no significant

relationship between neighborhood poverty rate and property values at poverty rates below 10%. However, even minimal changes in poverty rates between 10 % and 20 % resulted in dramatic declines in property values and rental rates. In another model, Galster et al (2008) estimated that if there had been no concentration of poverty in the 100 metro areas they studied, the owner-occupied property values would have increased by 13% or \$421 billion and monthly rents would have increased by 4% or \$400 million when everything else is kept constant. Therefore, the social cost of concentrated poverty increased dramatically after the threshold poverty rate was reached.

Other studies that have attempted to find marginal impact of neighborhood poverty on individual outcomes agree that there is threshold-like effects but disagree on the main indicators (Galster 2010). For example, Hipp and Yates (2011) studied the connection between poverty rates and crime. They found that at poverty rates between 20% and 40%, there was an escalating increase in murder rates; however, this effect plateaued beyond the 40% poverty rate. Clark (1992) observed the connection between neighborhood poverty rate and secondary school dropout rate for males. She found that only when the neighborhood poverty rate dropped from 5% to 0%, there was a significant decrease in the secondary school dropout rate for males. In another study that looked at non-linear relationship between poverty rate and crime, Krivo and Peterson (1996) suggested that property crimes accelerated at a higher rate after the neighborhood poverty rates went past 20%. They also argued that there was no significant difference in property crimes between areas with high and extreme poverty rates<sup>2</sup>. Additionally, studying the impact of the share of affluent neighbors, measured as individuals in professional occupations, Crane (1991) found that in neighborhoods with less than 5% affluent neighbors dropout rates for both whites and blacks escalate. For African-Americans not living in large cities, the positive impact on decreasing dropout rates leveled off after the area had more than 20% affluent neighbors.

Researchers also identify questions that need more analysis regarding the issues of clustering of voucher holders and concentrated poverty. These are as follows:

- Galster (2012) state that researchers need to empirically identify the specific causal mechanisms which connect neighborhood environment to the behavioral, health, and other outcomes of adults and children living in that neighborhood. He highlights that identification of these linkages is especially crucial for making policies in health, employment, and housing.
- Future research should also focus on isolating the contextual effects. Researchers agree that the estimated thresholds, the voucher holders' settlement patterns, and the mechanisms connecting neighborhood effects with individual outcomes will be highly

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<sup>2</sup> Krivo and Peterson (1996) classify census tracts with less than 20% poverty rate as low-poverty (less than 20%), high-poverty (20%–39%), and extreme poverty (40% and higher) rates.

context driven. Therefore, the policies to improve the outcomes also need to be tailored to the differing contexts.

- Patterson and Yoo (2012) suggest that new research should explore the impact of counseling on voucher holders' location choices. There is a need for more evidence based research on counseling which can be adopted by local PHAs (Galvez 2010). Some researchers have already begun to study this topic (Varady and Klienhaus 2013).
- The research on neighborhood effects and concentration of voucher holders is largely quantitative in nature. Studies should use both qualitative and quantitative techniques to explore and add dimensions and layers to the arguments (Galster 2010, Varady et al 2010).
- There is evidence of racial disparities in terms of the impact of the HCV program. Galvez (2010) stated that black households seem to be concentrated in fewer and higher poverty neighborhoods, but also seem to benefit most from the program. A deeper analysis focusing on race is needed to clarify the advantages and disadvantages of the HCV program for different racial groups.
- Besides studying the neighborhood themselves, researchers should also study the spillover effects of poverty concentration on surrounding areas (Varady et al 2010).

Galster (2000) in his earlier paper proposes several ways to either prevent or deal with neighborhoods that are within certain thresholds or over it. Policies should be directed at preventing neighborhoods near their thresholds from falling into poverty. These could come in the form of easing mobility for rental assisted families, and promoting inclusionary zoning. His research also suggested that only committed effort and overall investments in areas with high poverty concentration can help these neighborhoods. The HCV program participants should be directed towards lower poverty areas to prevent moderate poverty neighborhoods from sliding beyond their thresholds. Other researchers studying HCV holders recommend that activities such as increasing landlord participation in the HCV program, increasing neighborhood accessibility through transportation policies should also be explored (Miseon 2010). McClure (2010) suggests that the HCV program may need to have restrictions placed on where the voucher holders, at least a certain percentage of them, can move. The destination areas should meet certain criteria such as low and declining poverty, low presence of other subsidized living, low minority population, and low unemployment. Such restrictions would help voucher holders to be directed to neighborhoods of high opportunity and would not concentrate them into certain pockets of high poverty areas.

The literature on concentration of voucher holders suggests that families may be reconcentrating into neighborhoods that may eventually be faced with similar challenges as the neighborhoods they left. If the program is to meet its goal of deconcentrating poverty, HUD will need to consider changing aspects of the program that drive these outcomes.

## Resources

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