Balancing increases in affordable housing in resource-rich areas with investments in low-income neighborhoods

HUD’s recent guidance on affirmatively furthering fair housing reminds cities, towns, and counties that they are required by federal law to create a balance between “place-based” and “mobility” strategies in order to overcome patterns of segregation and foster inclusive communities. Place-based strategies include investments in high poverty neighborhoods to improve conditions there, while mobility strategies give low income families a choice to live in resource-rich and racially integrated areas that likely have good schools. [1]

In addition to being required by federal law, there are strong policy reasons why cities often wish to advance these goals. The location of one’s home affects a range of outcomes, including educational achievement, mental and physical health and well-being, and success in the workplace. Growing evidence suggests that, particularly for children, neighborhood quality can affect long-term life chances. [2] At the same time, cities, towns, and counties want to improve the quality of life of all residents, including
those who live in neighborhoods where most residents have low incomes and there are relatively few resources and amenities. There is a limited supply of existing homes and land available in resource-rich neighborhoods to house low-income residents, and many families prefer to remain in their current neighborhoods, even if they lack certain attributes and services. Localities serve these residents by pursuing a place-based or community development approach, in which they invest in the neighborhoods where people already live.

This brief outlines an approach for cities to use in determining how to balance these goals by focusing on developing plans appropriate to each neighborhood.

1. Start by analyzing the characteristics of your neighborhoods and creating strategies tailored to different types of neighborhoods.

Rather than focusing attention entirely on neighborhoods at the extremes—the city’s poorest neighborhoods and its enclaves of extreme wealth—think of the neighborhoods as a continuum, and develop investment plans for each neighborhood that reflect its unique characteristics. Among other questions to ask for each neighborhood: Is there a need for affordable housing in this neighborhood? To what extent is this neighborhood a good place to put additional affordable housing and for whom? What services or resources are needed to expand opportunities for existing residents? What would be needed to make a neighborhood revitalization plan work here?

Resource-rich neighborhoods. These are generally places where additional affordable housing would be desirable to help low-income households and racial and ethnic minorities access valuable resources. The price of acquiring property in these areas is likely very high, but the city may own land or buildings that could be repurposed as affordable housing. If prices of acquiring land are more moderate, are there zoning or other regulatory barriers such as parking requirements and limited “as of right” development types that could be changed to make development of affordable housing more feasible?

Gentrifying neighborhoods. Preserving opportunities for low-income households to live in these areas will likely be a priority, especially for families with children as the schools improve and the neighborhood becomes resource-rich in other ways. That can mean making the creation and preservation of use-restricted affordable housing in those neighborhoods a priority and investing in and adding use restrictions to housing that is now affordable but at risk of rent increases or conversion to another use.

Neighborhoods with high concentrations of poverty and racial minorities. If these
neighborhoods already have large stocks of public and assisted housing and low rents for market-rate housing, further creation of dedicated low-income housing there may not be an effective use of resources. While it is obviously important to address serious health and safety risks, the investment of scarce affordable housing resources in making major capital improvements to existing subsidized properties in these neighborhoods is not always the most effective use of limited funds. Because historical patterns have created so much assisted housing in these neighborhoods, a blanket policy of investing in preserving that housing stock can crowd out other uses of the city’s resources for affordable housing.

Consider instead supporting the quality of a traditional low-income neighborhood’s market affordable housing. That can be done through homeowner repair programs, collaborations with owners of rental housing to bring units up to code, and financing tools for small multifamily properties. Also consider the municipality’s non-housing investment in the neighborhood: are low-performing schools staffed with well-qualified personnel and getting sufficient investments, are public safety resources being deployed strategically, are health services, including wellness services, available to neighborhood residents? Do city policies encourage the growth of retail, including affordable and healthy food, in the neighborhood? Are recreation facilities well maintained and staffed?

Finally, when considering a new investment in transforming a resource-poor neighborhood, consider the issue of scale. The overall level of investment required to address the challenges in distressed neighborhoods is large, and small changes to improve the housing stock will need to be part of a comprehensive community revitalization plan in order to have an impact on neighborhood health and safety issues. Is the likely combination of resources—from the city, other levels of government, philanthropy, anchor institutions such as hospitals and universities—large enough to make a difference? Can the effort include non-housing resources—for example, in school improvement—at sufficient levels? Usually the answer to these questions has been no. Well-intentioned neighborhood revitalization efforts have failed because the size of the neighborhood was too large and the resources were not applied at the appropriate scale.

2. Determine whether the city, town, or county needs to do more to enable low income and minority families to choose resource-rich neighborhoods, and work on the policy changes, collaborations, and infrastructure that will be needed to make that happen.

In many cities, towns, and counties, the existing stock of subsidized housing is
disproportionately located in segregated and low-income neighborhoods. As part of the process of affirmatively furthering fair housing, municipalities are responsible for developing plans for overcoming those patterns.

Today, most new development of affordable housing is supported by the Low Income Housing Tax Credit (LIHTC) program. Where have LIHTC awards typically gone in your locality? Are LIHTC awards being made primarily in high-cost resource-rich neighborhoods or in neighborhoods with high rates of poverty and below-average school quality? If the latter, consider whether changes to city policies – for example, the policies that determine which projects can access city gap financing for proposed LIHTC developments—can help support the greater use of LIHTC in resource-rich neighborhoods. Also look at the state’s Qualified Allocation Plan (QAP), which controls the locations of new tax credit awards. (In a few cities, the city itself is the allocator of tax credits.) Can the QAP be revised to improve the feasibility of developing affordable housing in resource-rich neighborhoods? For example, does the QAP have set-asides or competitive points for resource-rich neighborhoods? If so, do they need to be altered or strengthened to encourage developers to work in the neighborhoods in your city you would like to target for affirmatively furthering fair housing? When the QAP provides competitive advantages to properties located in Qualified Census Tracts, are those advantages limited to places that have an adequately resourced and comprehensive “concerted community revitalization plan,” as implied by the QAP statutory language?

Consider the city’s relationship with developers of affordable housing. Are any current housing development organizations trying to work in places with low racial and poverty concentrations? Are there steps the city could take to encourage them to do so or to build a development infrastructure focused on resource-rich neighborhoods? Are there any natural allies for these efforts—for example, local philanthropies?

When creating incentives for developing or preserving affordable housing in resource-rich neighborhoods (for example, in competitions for housing development funds), reality-check definitions. Do “opportunity” indices measure the right factors for overcoming historic patterns of racial and economic exclusion? For example, access to transportation or to jobs may be important dimensions of neighborhood quality, but if weighted too heavily in opportunity indices they can incentivize housing development in places with high poverty concentrations and poorly performing schools.

Consider the role of tenant-based housing assistance and how the public housing authority (PHA) administers the Housing Choice Voucher program. Are voucher users spread across a range of neighborhoods or concentrated in traditionally low-income and minority neighborhoods? Do PHA policies and practices contribute to that
result—for example, by overpaying for housing in the poorest neighborhoods or not appropriately enforcing housing quality standards? PHAs often provide voucher holders with lists of landlords willing to accept vouchers. Do these lists tend to direct voucher users to the same neighborhoods?

Some PHAs have adopted exception payment standards based on small area fair market rents (SAFMRs) that are intended to make it easier for voucher holders to rent homes in resource-rich areas by allowing higher subsidy payments in those areas. What is the likely result of moving to SAFMRs? In partnership with the PHA, can the city, town, or county provide mobility counseling that helps voucher holders learn more about and access resource-rich neighborhoods, or engage in outreach to landlords to encourage acceptance of vouchers? Should your city—or state—consider legislation prohibiting owners of rental housing from denying tenancy on the basis of source of income (including housing assistance)?

Consider whether regional collaboration makes sense and is feasible. Many regions have amenity- and resource-rich areas outside the city limits, but the political geography of the metropolitan area makes it difficult to create housing policies on a regional basis. Does an infrastructure for regional collaboration exist? This can take many forms: an effective regional planning body, direct city-county relationships, or collaborations between and among PHAs. Cities are understandably reluctant to “donate” their housing development resources to other jurisdictions, but joint planning and information sharing (for example, metropolitan-wide registries of affordable housing) may be more realistic. In theory, Housing Choice Vouchers are portable across jurisdictions through the program’s “portability” feature, but those provisions are complex, and implementation may not always be effective. In addition, suburban jurisdictions may themselves have a range of neighborhoods, and strategic cross-PHA efforts may be needed if the current pattern is for families to use their vouchers to move to the least resource-rich areas of an adjacent jurisdiction.

3. Consider the context of the local housing market.
While the principles outlined above apply to all high-cost areas and areas with high-cost neighborhoods, the balance that cities, towns, and counties strike between place-based and mobility strategies may vary based on local housing market conditions. At the extreme end of the continuum, in a few of the highest-cost cities, housing costs may be rising throughout the city and gentrification so widespread that the city may wish to focus the bulk of available resources on the creation and preservation of affordable housing and be particularly open to developing in improving neighborhoods that may not yet be resource-rich but are on a track to getting there. At the other end of the continuum, municipalities in which a large share of neighborhoods
are persistently poor may wish to focus more heavily on place-based community
development activities and target the development of affordable housing on a much
narrower range of neighborhoods. Most high-cost cities fall in between these two
extremes and will benefit from an approach built up from a close analysis of each
neighborhood’s conditions.

1. For more information on how HUD defines place-based and mobility strategies, see
HUD’s AFFH Rule Guidebook, December 31, 2015.

2. See Chetty, Raj and Nathaniel Hendren. 2016. The Impacts of Neighborhoods on
Cambridge, MA: National Bureau of Economic Research; Chetty, Raj, Nathaniel
Neighborhoods on Children: New Evidence from the Moving to Opportunity
Experiment.” American Economic Review, 106(4): 855-902; and Chetty, Raj,
Nathaniel Hendren, Patrick Kline, and Emmanuel Saez. 2014. Where is the Land of
Opportunity? The Geography of Intergenerational Mobility in the United States.


See also:
Targeted efforts to create and preserve dedicated affordable housing in
resource-rich areas
Targeted efforts to expand the supply of rental housing and lower-cost housing
types in resource-rich areas
Regional collaboration to support the development of affordable housing in
resource-rich areas