

# Gentrification: A Federal Perspective

Research Symposium on Gentrification and Neighborhood Change

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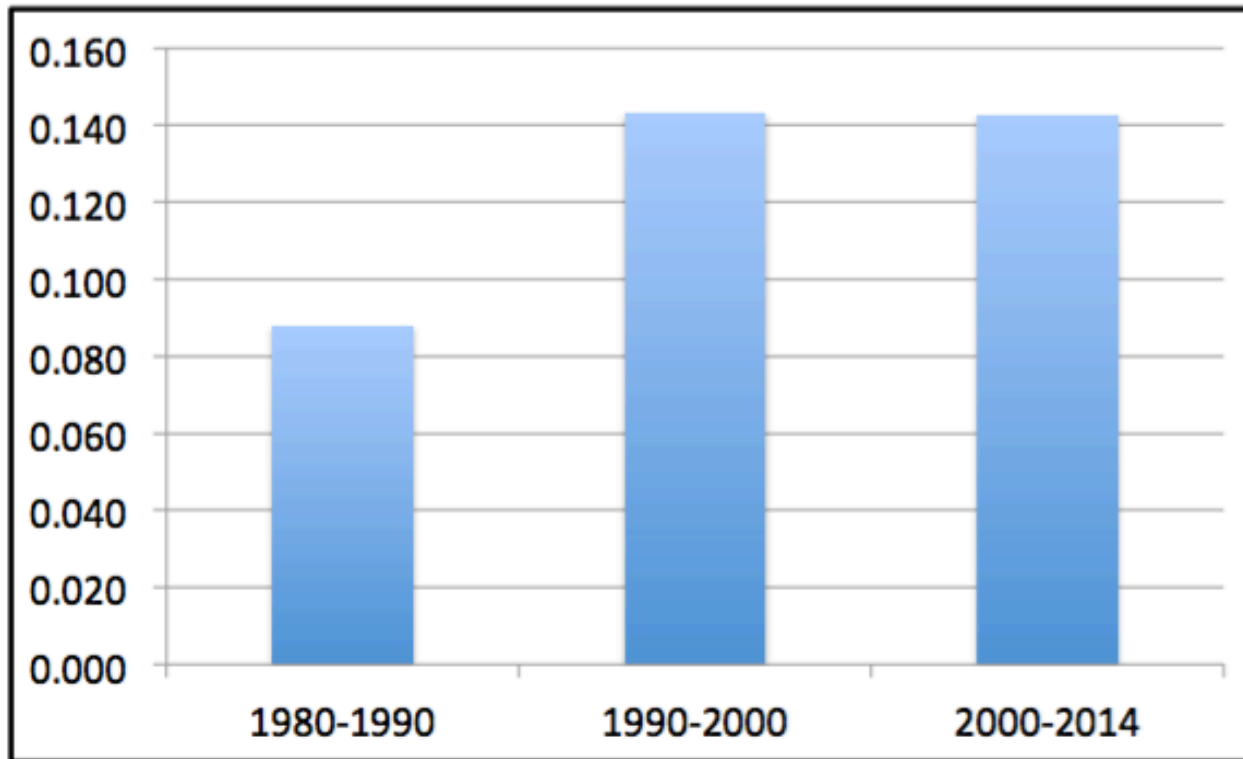
# Gentrification: A Federal Perspective

## 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

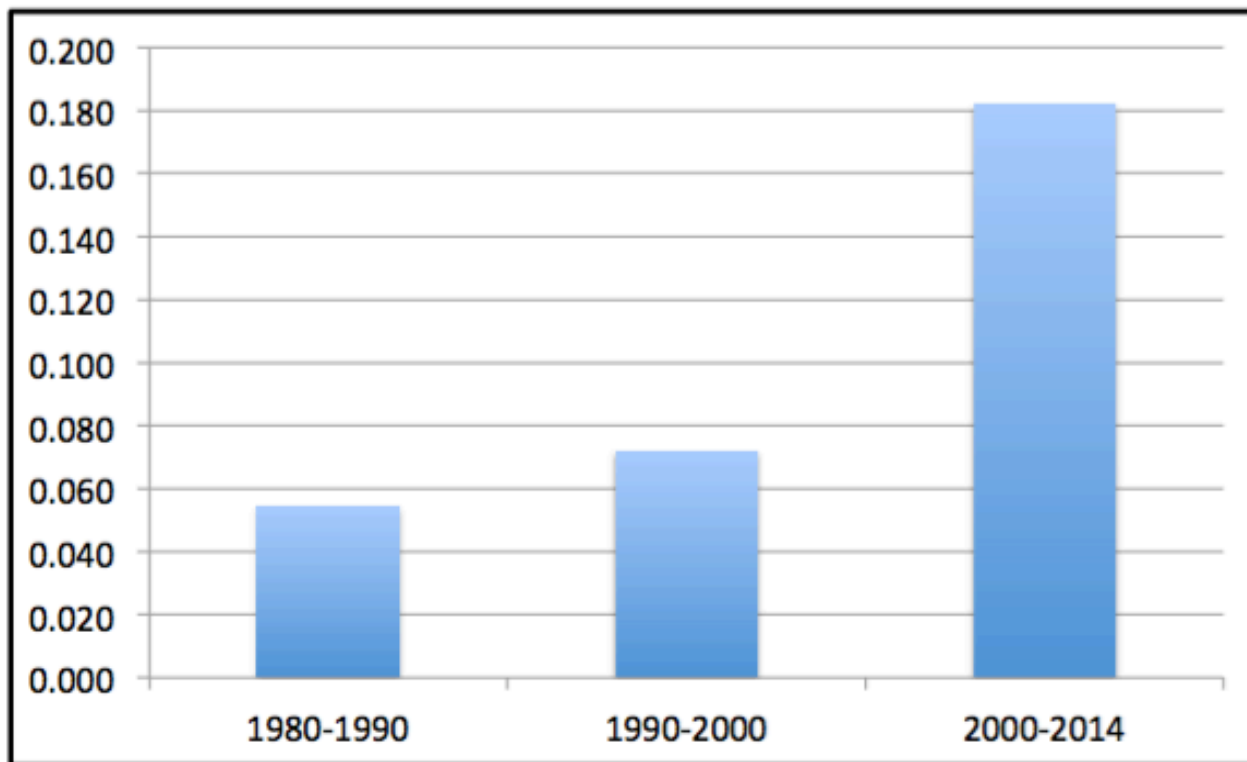


Source: NYU Furman Center



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# Gentrification Trends: Share of Low Income City Tracts in US Seeing Large *Relative* Gain in % White

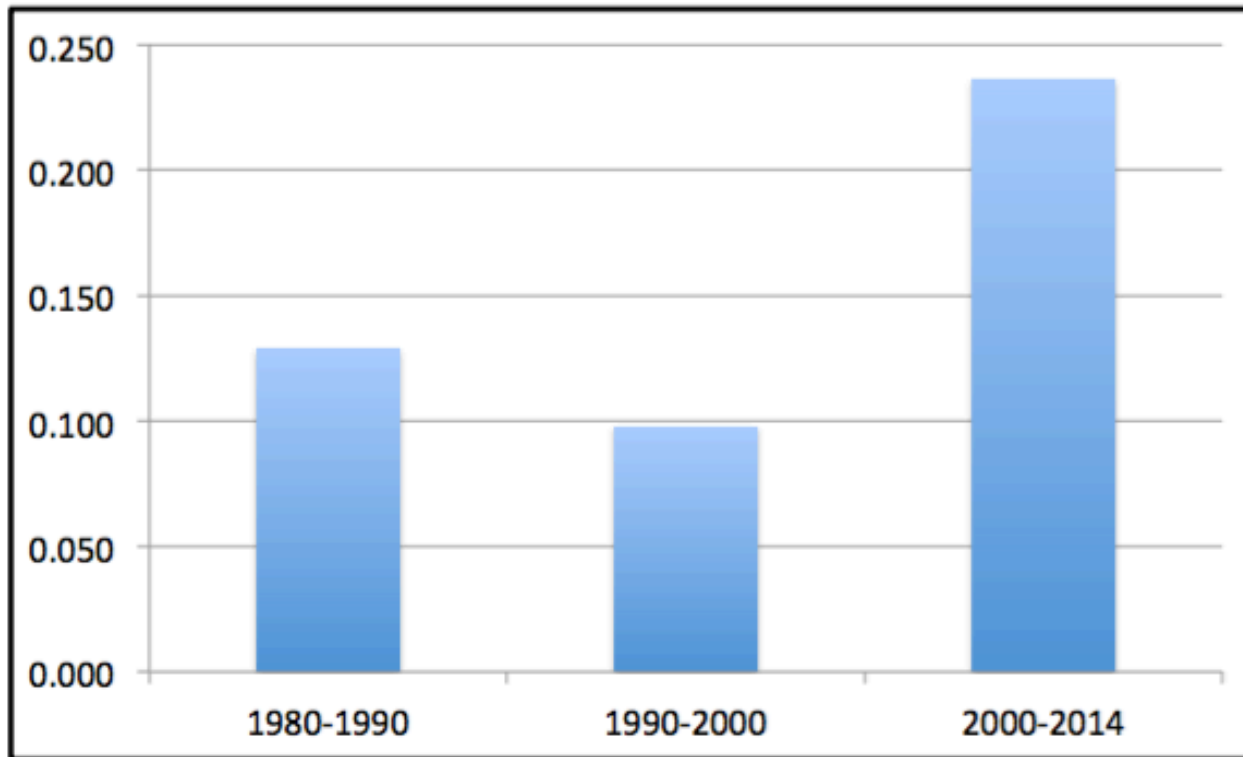


Source: NYU Furman Center



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# Gentrification Trends: Share of Low Income City Tracts in US Seeing Large *Relative* Gains in Rents



Source: NYU Furman Center



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# 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.

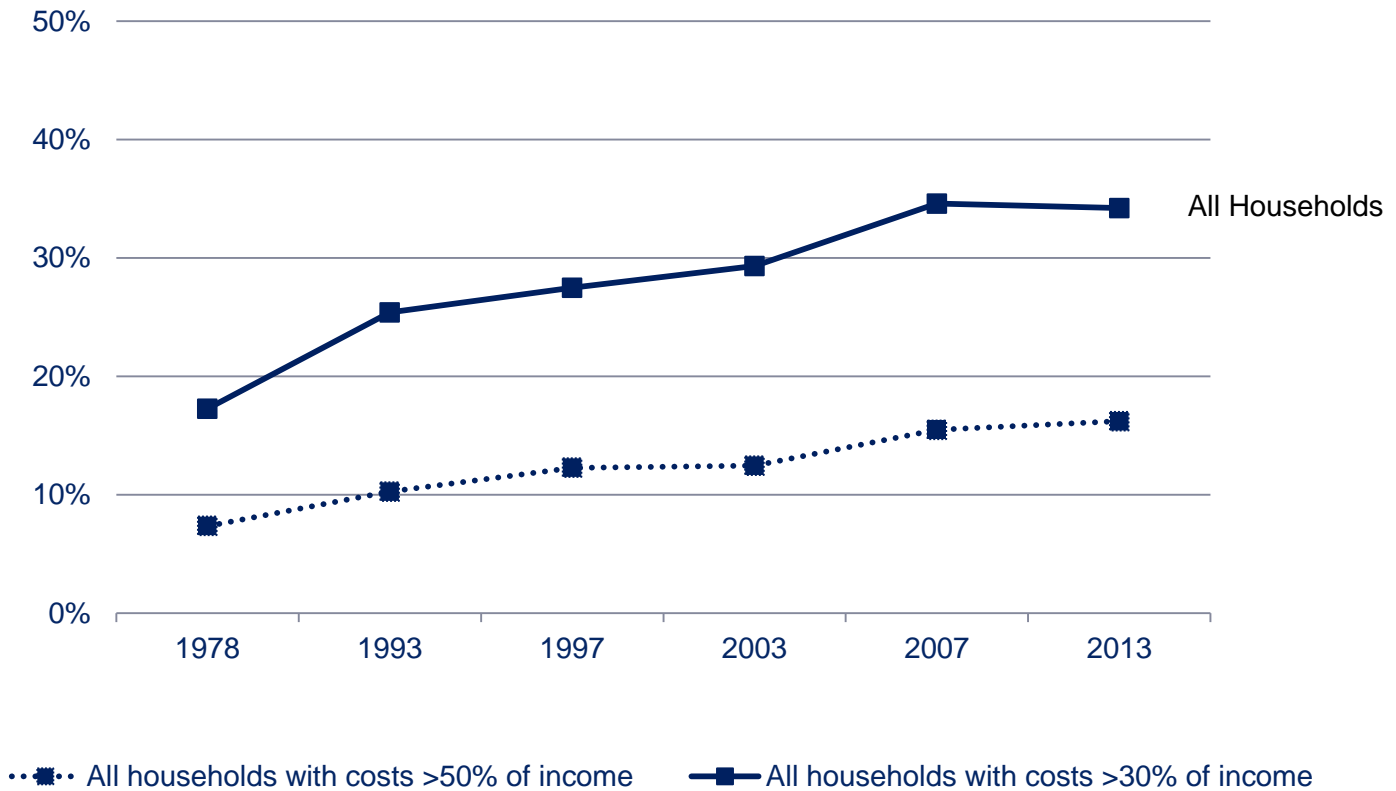


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# Rental Affordability Crisis

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

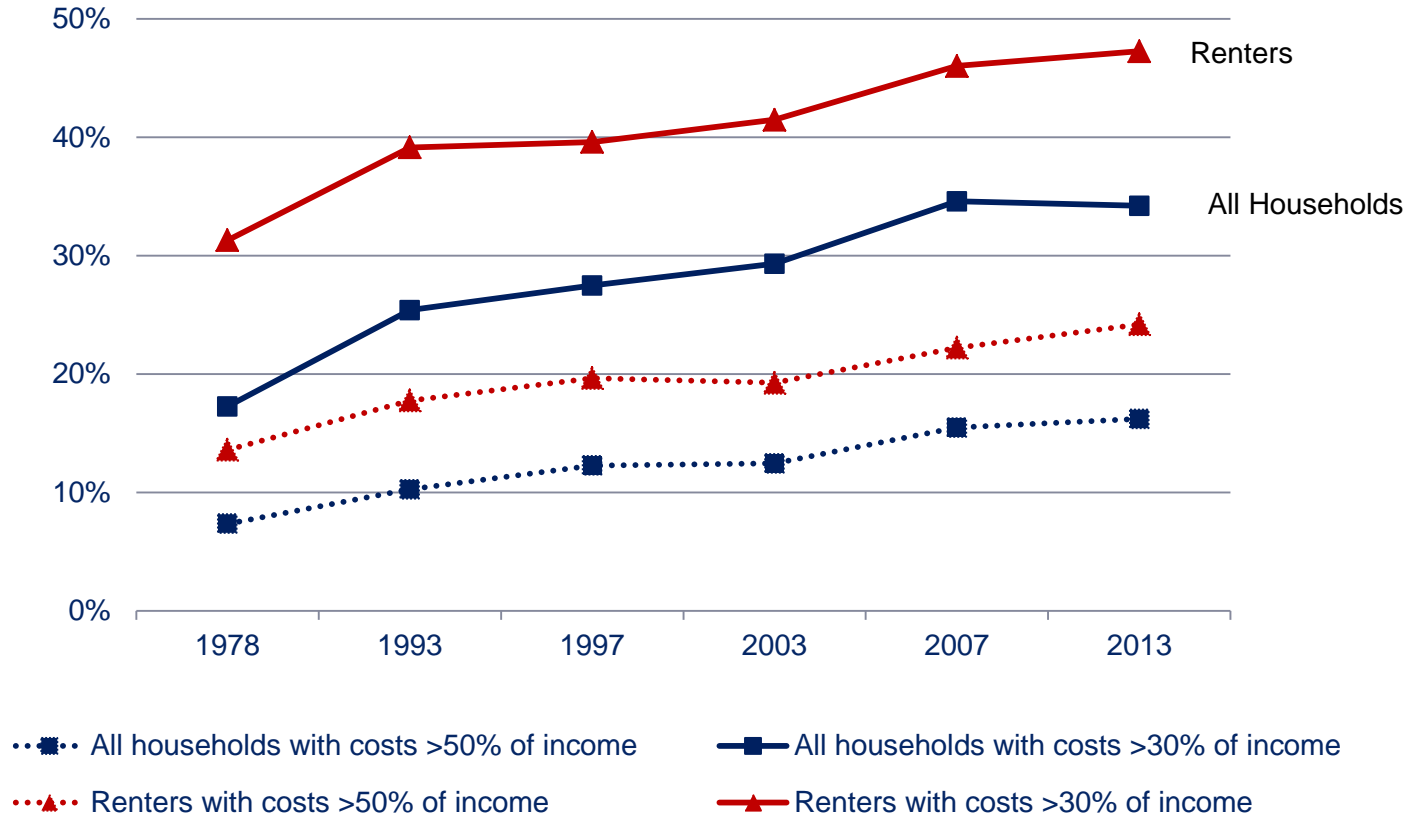


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Source: AHS

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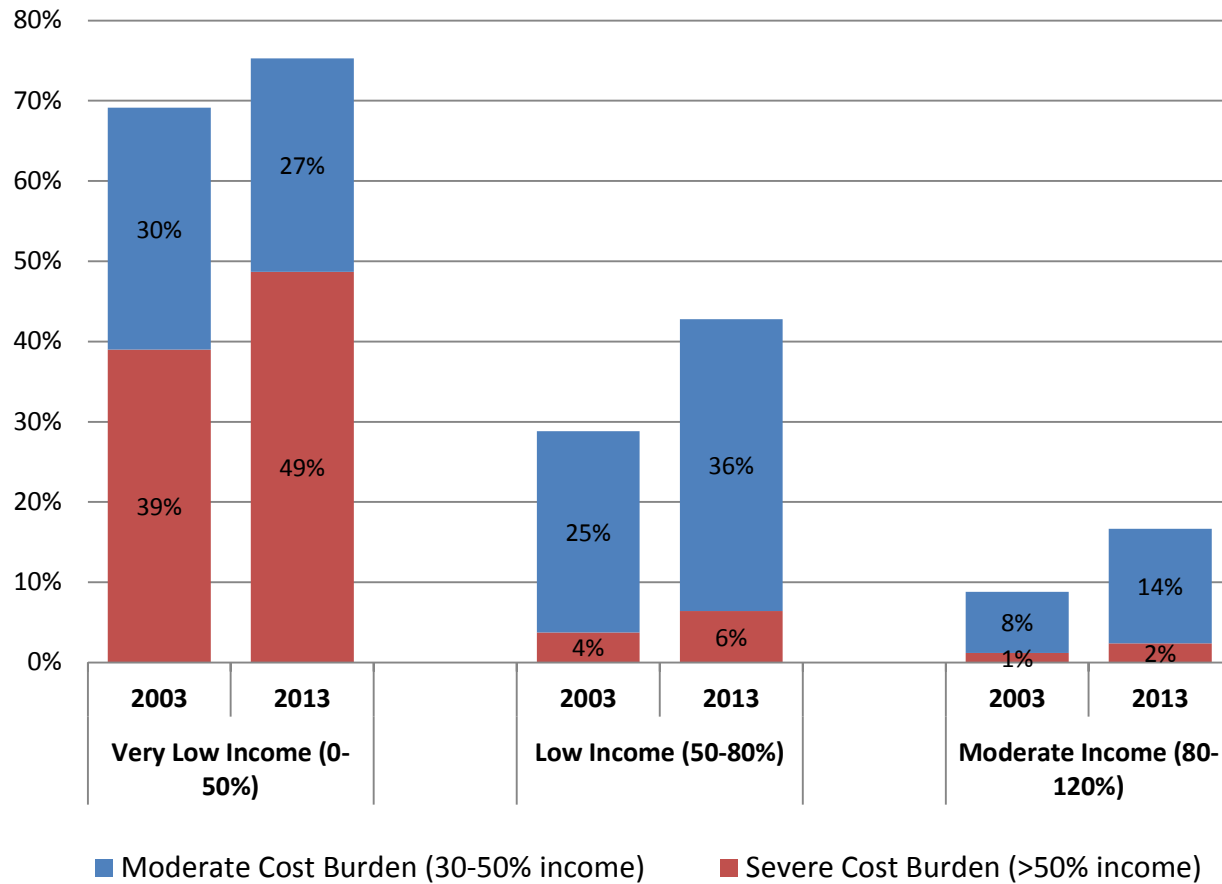


Source: AHS



# Rental Affordability: Cost Burdens by Income

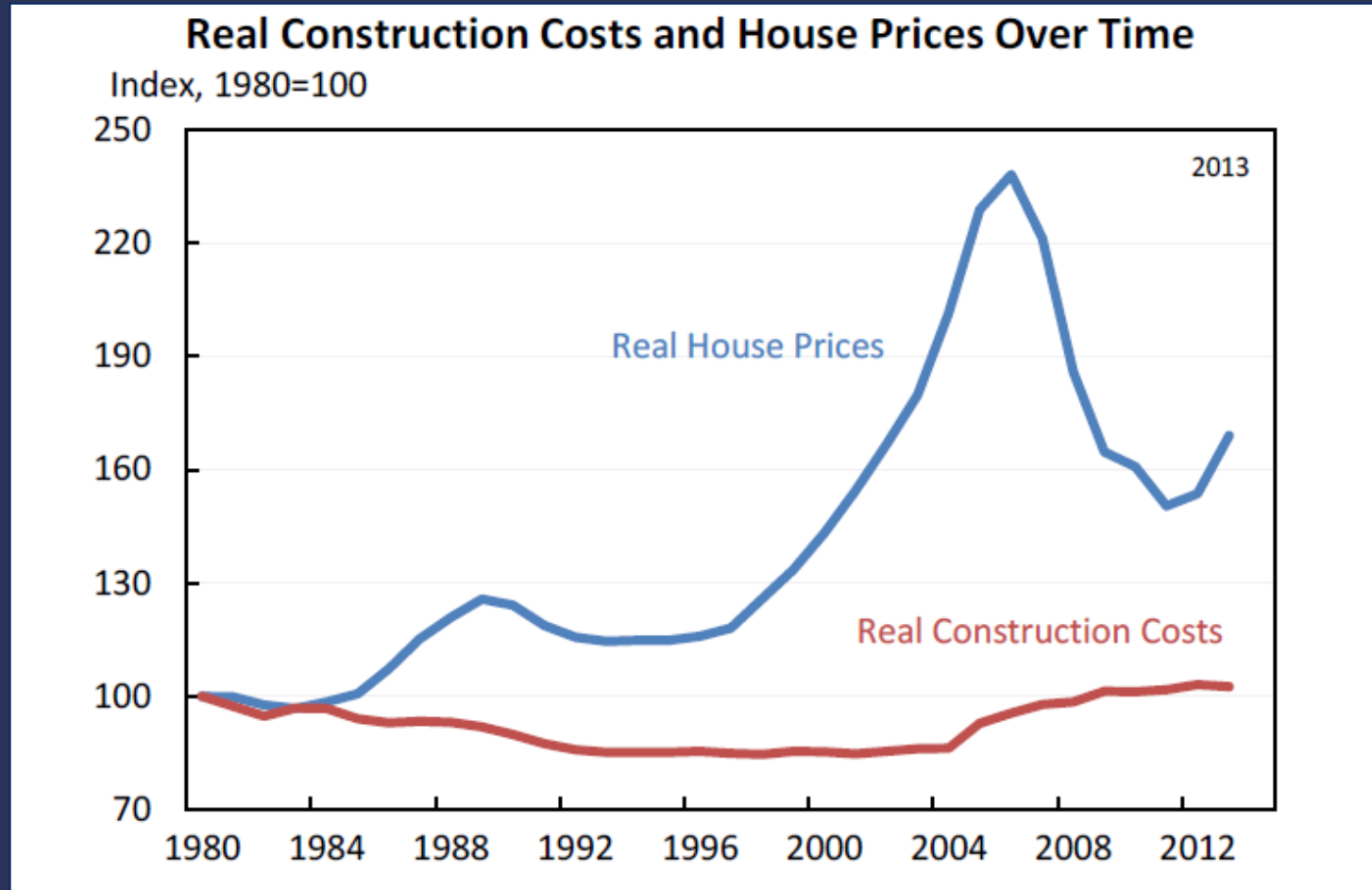
Prevalence of Severe and Moderate Housing Cost Burdens Among Renters by Relative Income, 2003 and 2013



Source: AHS



# Supply of Housing and Gentrification



Source: Glaeser and Gyourko



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# 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.



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# 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



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# Increase Supply

- **Example:** MF insurance premium decrease for green, mixed income and low income housing.
- Starting April 1<sup>st</sup>, 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'.



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# 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.



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