

# High-Cost Cities, Gentrification, and Voucher Use

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Research Symposium on Gentrification  
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Federal Reserve Bank of Philadelphia

May 25th, 2016

The work that provided the basis for this publication was supported by funding under a Grant with the U.S. Department of Housing and Urban Development, Office of Policy Development and Research. This research has also been supported by the Annie Casey Foundation. The substance and findings of the work are dedicated to the public. The authors are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

# 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.

# DATA (2)

Characteristics of voucher households, 2013

	mean	SD
Moved to different tract	8.97%	28.58%
Monthly income (in 2014 USD)	\$1,109.96	\$ 754.18
White	30.56%	46.07%
Black	50.26%	50.00%
Hispanic	16.18%	36.92%
Other race	3.03%	18.35%
Female	80.53%	39.60%
Any dependents	50.72%	49.99%
Age	49.3	21.0

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

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**Thank You!**

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