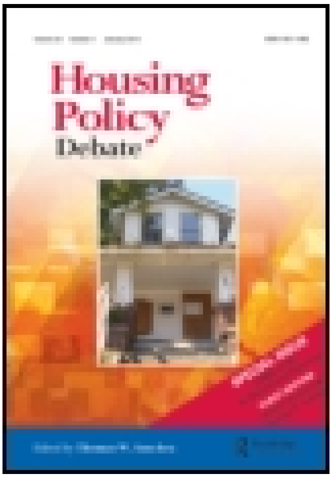

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Housing Programs Fail to Deliver on Neighborhood Quality, Reexamined

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Housing Programs Fail to Deliver on Neighborhood Quality, Reexamined

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This article revisits the relative performance of housing programs in terms of delivering on neighborhood quality. Newman and Schnare examined this issue in 1997, and this article updates their work more than a decade later. Both efforts examine the neighborhood characteristics surrounding assisted rental housing and assess the direction of assisted-housing policy. The analysis is performed by exploring census data at the tract level for the tenant-based Housing Choice Voucher program plus a set of project-based programs, including public housing, the Low-Income Housing Tax Credit program, and other HUD multifamily programs. We conclude that Newman and Schnare remain correct that rental housing assistance does little to improve the quality of the recipients' neighborhoods relative to those of welfare households and can make things worse. However, things have improved. The Housing Choice Voucher and Low-Income Housing Tax Credit programs have grown in importance over the intervening years and have improved their performance by moving more households into low-poverty, less distressed areas. Importantly, these active programs for assisted housing are beginning to find ways to overcome the barriers preventing entry into the suburbs, although more needs to be done.

Keywords: neighborhood; low-income housing; mobility

The federal government has, for a very long time, sought to provide more than just affordable shelter via its various rental assistance programs. The government seeks to provide a suitable living environment and to use that environment as a platform for the poor to break the cycle of poverty and lead productive lives. Newman and Schnare (1997) examined the characteristics of the neighborhoods surrounding the rental housing subsidized by the federal government. Their goal was to determine whether these units delivered on the promise to provide a decent living environment to the households living in that housing. They concluded that assisted rental housing under a variety of programs does little to help improve the quality of the neighborhoods where the recipient households reside, compared with households who receive public assistance. They examined the portfolio of federally assisted rental housing, both publicly owned and privately owned. Their examination assessed attributes of the census tracts where the assisted housing units were located. Specifically, they found that public housing actually places households in worse neighborhoods than those of welfare recipients. However, they also found that the Section 8 certificate and voucher programs reduced the probability that families will live in the most economically and socially distressed areas relative to other poor households.

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Newman and Schnare's (1997) work was based on a mid-1990s portfolio of assisted housing, and 1990 census data. In the intervening years, the federal government increased the scale of its portfolio of assisted housing and strengthened its efforts to provide locational choice as part of that assistance. It is now possible to reexamine the issues of neighborhood quality and to employ data from the 2000 census and the 2009 American Community Survey. Newman and Schnare's database included proprietary data on state assisted housing and on units helped by the Rural Housing Service. These two programs are not included in this update. The analysis here assesses the portfolio of federally assisted housing as it existed in 1997, the date of the earlier study, and compares the distribution of this housing against Census 2000 tract measures. This closely approximates the work of Newman and Schnare and establishes a baseline. We then examine the portfolio of assisted housing as it existed in 2010 and compare the distribution of the housing against American Community Survey 2009 tract measures.

This update examines public housing and Housing Choice Vouchers (HCVs), the current name for what was the Section 8 certificate and voucher program. It also examines the portfolio of units in programs supporting privately owned developments. These include the Low-Income Housing Tax Credit (LIHTC) program plus the older U.S. Department of Housing and Urban Development (HUD) multifamily programs of Section 8 New Construction/Substantial Rehabilitation, Section 8 Moderate Rehabilitation, Section 236 interest-reduction subsidy, and a few other older multifamily programs that HUD funded.

Newman and Schnare (1997) sought to enrich the debate on the shifting of scarce housing resources from project-based subsidies to tenant-based subsidies. They also addressed the concern for the quality of the neighborhood in which the recipient household resides, independent of the form of assistance. The research reported here revisits these issues and expands upon them. Specifically, we ask,

- Does the provision of choice in the voucher program result in greater movement to high-opportunity neighborhoods?
- Does the project-based LIHTC program facilitate access to high-opportunity neighborhoods relative to the tenant-based HCV program?

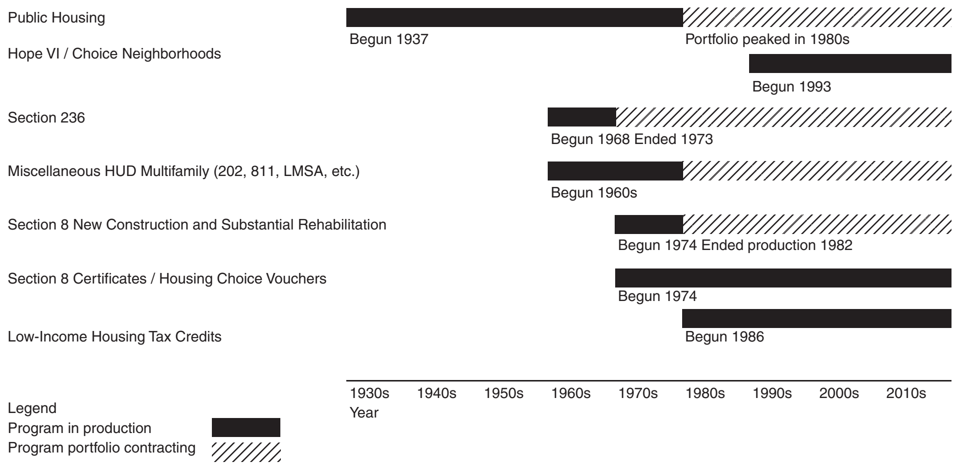
Newman and Schnare (1997) examine neighborhoods as a function of the level of income found, the incidence of poverty, the rate of unemployment, and the level of minority concentration. They examined housing-market conditions as a function of rent levels and percentage of the stock that is assisted. They gave greater focus to the locations of public housing than we do here. It appears to us that the debate over the future of public housing is resolved. Slowly, the stock of public housing and the other older HUD multifamily housing programs is contracting. Newman and Schnare gave little attention to the then very small portfolio of LIHTC developments. In the intervening years, the LIHTC program has grown rapidly. It thus becomes the primary focus of the examination of project-based programs in addition to the tenant-based HCV program.

In our analysis, we examine the same demographic and housing characteristics. The analysis varies slightly in that we examine neighborhoods using census tracts defined by the 2000 Census boundaries.

Federal Programs for Rental Housing

Over time, the federal government has created several different programs designed to address the quality, quantity, and affordability problems of poor renter households. These programs have varied from production programs designed to build or renovate units for

Figure 1. Timeline of the major federal assisted rental housing programs.



Note. HUD = U.S. Department of Housing and Urban Development. LMSA = Loan Management Set-Aside program.

occupancy by the poor to tenant-based programs meant to augment the consumption power of poor renter households who make use of the existing stock of rental housing. These programs have also varied from those with very minimal private-sector participation to those with great dependence upon the private sector to build, finance, and operate the housing with only minimal public-sector roles. Given the durability of housing structures, units built under a production program can last for many years after the program is no longer active. The nation's oldest rental housing program, public housing, continues to provide housing to more than a million households, although there is only a small amount of active production today. Thus, the portfolio of federally assisted housing is composed of units from a variety of programs that were active at different periods of time. Going forward, new additions to this portfolio will come through two major programs: the HCV program for tenant-based assistance and the LIHTC program for production. Neither of these programs is specifically designed to ensure that the assisted household will live in a neighborhood of good quality. See Figure 1 for a timeline of these programs' contributions to the portfolio.

Public Housing

Public housing was the first federal program designed to provide housing assistance to the poor. The program began with the Housing Act of 1937, and it continues today. Public housing typically serves the poorest of the poor; all tenants must have a low income (less than 80% of the area median family income), and most have an extremely low income (less than 30% of the area median family income; Quercia & Galster, 1997). The tenant pays 30% of monthly adjusted income toward rent, or sometimes a flat rent if it is higher than the 30% of income. The federal government pays (1) the debt on original construction costs, (2) operating subsidies, and (3) capital improvements on properties as they age. Public housing is owned and operated by public housing authorities (PHAs), which are branches of local, not federal, government. The PHAs select the sites for the housing projects, often in the poorest and most racially isolated neighborhoods, fostering racial and income segregation (Goering, Kamely, & Richardson, 1997). There are approximately 1.1

million public housing units, owned and managed by some 3,300 PHAs (HUD, 2014c). There are currently very few additions being made to the stock of public housing and a significant number of demolitions. Some of the demolitions are simply a policy decision made by the governing PHA. An example of this approach is found in the planned demolition of all public housing in Atlanta, Georgia (Oakley, Ruel, & Reid, 2013). Other demolitions are part of the slow removal of poor-quality public housing coupled with extensive replacement with new, often mixed-income, units, such as in Chicago, Illinois (Popkin, 2013). With some public housing developments, the demolition and redevelopment are part of the HOPE VI program, which was launched in 1993.

The future of public housing changed with the adoption of the HOPE VI program, which sought to restructure the most troubled public housing projects and replace them with mixed-income developments supported by programs that would benefit not only the development itself but also the larger neighborhood surrounding it (HUD, 2014a). The Obama Administration has transformed the HOPE VI program into the Choice Neighborhoods initiative, which seeks the development of private and federally assisted properties alongside public housing and, in so doing, to transform a troubled neighborhood into a desirable one.

> This means that the disinvested private or assisted housing that frustrated cities and housing authorities and fostered crime and blight can now be included in comprehensive neighborhood revitalization efforts. . . . Choice Neighborhoods also builds in two new tools to help local partnerships address critical elements of neighborhood transformation—ensuring high quality educational opportunities for children, and building on, and improving, the community assets central to the sustainability of the neighborhood. (Donovan, 2010, paras. 3 & 21)

HUD Multifamily Programs

In the 1960s, the federal government shifted away from the notion of public ownership of housing for the poor and toward ownership by private organizations, whether for-profit or nonprofit. Following this idea, the federal government created a variety of programs to serve various populations. About 500,000 units remain from that era. Prominent among these initiatives was the Section 236 program. It was begun in 1968 and terminated in 1973. The program offered insured loans to developers. The loans typically charged only 1% interest. In exchange for the financial subsidy, the developer set aside units for households with low incomes. Often the households received additional assistance through the Rental Assistance Payment program, permitting the households to pay no more than 30% of income toward housing costs. The Section 236 program was created to boost the nation’s housing supply by joining Federal Housing Administration mortgage insurance with a direct mortgage interest subsidy. This combination of subsidies and a 40-year mortgage term resulted in lower rents than would have been possible with conventionally financed projects. With this program, the developer selected the site for the development and was obligated to gain all necessary local approvals to build the development (U.S. Government Accountability Office, 1978).

Other programs from that era are the Section 202 Supportive Housing for the Elderly program and the Section 811 program for the disabled. Both programs provide interest-free capital advances, which are effectively grants, to private nonprofit sponsors to finance the development of housing for the targeted population. The nonprofit sponsors tend to be faith-based organizations, often serving low-income neighborhoods. The capital does not have to be repaid as long as the project serves very low-income persons for a period of 40 years. Project-based rental assistance is provided to these projects to cover operating costs, with tenants paying 30% of their income toward these costs (HUD, 2014e).

Also within HUD's multifamily programs is the Loan Management Set-Aside program. This is a catch-all program designed to hold and process projects in financial trouble. The goal of the program is to provide assistance to existing HUD-insured or HUD-held projects with immediate or potentially serious financial difficulties. HUD enters into subsidy contracts directly with the owners of these projects. By attaching Section 8 assistance to these projects, defaults under the Federal Housing Administration insurance program can be minimized, and therefore outlays can be reduced. The Loan Management Set-Aside program is no longer active except for renewal of subsidy contracts on existing units when contracts expire (HUD, 2014d).

Section 8

The Section 8 program was part of the landmark Housing and Community Development Program of 1974, which ended the federal urban renewal program and created the new Section 8 programs. The project-based Section 8 program attached certificates to units for long periods of time: 30 or 40 years. Formally, this program was known as the Section 8 New Construction and Substantial Rehabilitation program. The program was very active during the Carter Administration. It was designed to expand the stock of housing and was very much a part of the countercyclical initiatives used by the federal government to boost the sluggish economy. The guaranteed rent from the certificates made it possible for developers to leverage loans, often from state housing finance agencies. The certificate made it possible for the eligible low-income tenants to pay 30% of income toward rent, with the government paying the remainder of the rent. To receive the certificate, the developer agreed to maintain low-income occupancy in the developments, usually for at least 20 years. The rents are governed by HUD's fair market rent system. The system sets the maximum rent allowed in the program for each metropolitan area or nonmetropolitan county.

Developers competed for these very lucrative project-based Section 8 contracts. Competitions were held by states, usually through each state's housing finance agency, although some contracts were awarded directly to projects by the federal government. Developers picked the locations and arranged for all local approvals. The competition forced each developer to design a meritorious proposal so as to secure the subsidy, but developers had to balance the desire to achieve a winning proposal to serve housing goals against overcoming the local opposition to assisted housing, which could often become prohibitive. The project-based program stopped production in 1982, under the Reagan Administration (HUD, 2014d).

The tenant-based form of the Section 8 program attached certificates to eligible low-income households. This version of the Section 8 program is premised on the notion that the existing private market will provide adequate numbers of good-quality units and that households will use their rental assistance to locate in good-quality neighborhoods (Winnick, 1995). The certificates were allocated to participating PHAs, which maintain waiting lists of eligible households, ordered according to both local and federal preference criteria. The PHAs allocated the certificates to households from the waiting list. The tenant used the certificate to negotiate a lease with a landlord in the private market under the condition that the rent must be reasonable, the unit must be appropriately sized for the household, and the unit must pass a physical inspection. In the certificate program, the unit could not rent for more than the fair market rent. The certificate gave way to HCVs, which granted greater flexibility to the participating household. With the certificate, the tenant paid 30% of income as the tenant's contribution toward the rent and utilities on the unit. With the voucher, the maximum amount of subsidy payable toward the rent is fixed. The tenant pays 30% of income but may pay as much as 40% if the household chooses a higher-cost unit. Even with this flexibility, the majority of all voucher households pay 30% of income toward rent, but approximately one-third pay more (McClure, 2005). The HCV program now assists over 2.3 million households.

LIHTC Program

The LIHTC program was created as part of the Tax Reform Act of 1986. The program filled the void created when the Reagan Administration ended the project-based Section 8 program 4 years earlier. The LIHTC program has become the primary program that adds to the supply of rental housing for low- and moderate-income households. The portfolio of LIHTC properties grew dramatically over the last 2 decades. The program now supports about 2.2 million units, growing by 90,000 to 100,000 units per year (HUD, 2011). It suffered a significant setback with the financial crisis of 2008–2010, but it seems to be regaining its strength.

Through the LIHTC program, the federal government grants tax credits to states on a per capita basis. The states competitively award the tax credits to developers who propose projects. Each state publishes a "qualified allocation plan," which details the criteria for evaluation of the proposed projects. Those proposed projects that score highest according to the plan's criteria receive the tax credits. State housing finance agencies do not always award the amount of tax credits requested by developers; the agencies check to make sure that a project does not receive more credits than are needed to make the project financially feasible. If a development wins tax credits, it must be developed quickly. Once completed, the project will receive tax credits over a 10-year period, but the project must remain in low- or moderate-income occupancy for at least 15 years. The tax credits are sold to investors, with the proceeds from the sale used to pay for some of the project's total development costs. The remainder of the costs are usually paid via a combination of debt and other subsidy programs. The tax credit amounts are generally 9% of the non-land development costs, or 4% if the debt is financed through bonds with interest that is exempt from federal income taxes. The tax credit amounts are boosted by an additional 30% if the development is located in a difficult development area (a location with particularly high development costs relative to incomes) or in a qualified census tract (a census tract with a high incidence of low-income households). The developer selects the site for the development, subject to the usual problems with competitions of this type. The developer must consider the merits of proposing a development in a location that the developer believes will score well according to the qualified allocation plan while dealing with the problems of gaining all the necessary local planning permissions needed to build the property. Developers will generally seek the maximum amount of subsidy permitted by the program so they can reduce, and in some cases eliminate, the need for any additional subsidy or financing. The desire to maximize the amount of LIHTC subsidy attracts developers to sites designated as difficult development areas and qualified census tracts, which are often badly deteriorated neighborhoods (Oakley, 2008).

Shifting Portfolio

The LIHTC and HCV programs have grown to be the largest components of the federal portfolio of assisted households and units. The two programs now serve in excess of 2 million households each. It is commonplace to add up all of the federal housing programs to generate a total, but this process exaggerates the count somewhat because there is some unknown amount of overlap between the two programs in that voucher households may lease units in LIHTC developments (O'Regan & Horn, 2013). The overlap may be 16% or more of all vouchers (Williamson, Smith, & Strambi-Kramer, 2009). See Table 1 for a breakdown of the portfolio of assisted housing programs.

The older project-based programs make up significant shares of the portfolio of assisted housing. These include public housing, Section 8 New Construction and Substantial Rehabilitation, Section 236 Rental Housing Assistance, and other HUD multifamily programs. With only a very few exceptions, these portfolios are contracting over time as aging projects are removed from service.

Figure 2 illustrates the shifting portfolio of federally assisted rental housing over time. This figure does not compare directly with the article by Newman and Schnare (1997). They possessed proprietary data on state-funded assisted housing and on Rural Housing Services housing. The analysis here only includes the HUD-funded programs plus the LIHTC program (which is administered by the U.S. Department of the Treasury but monitored by HUD).

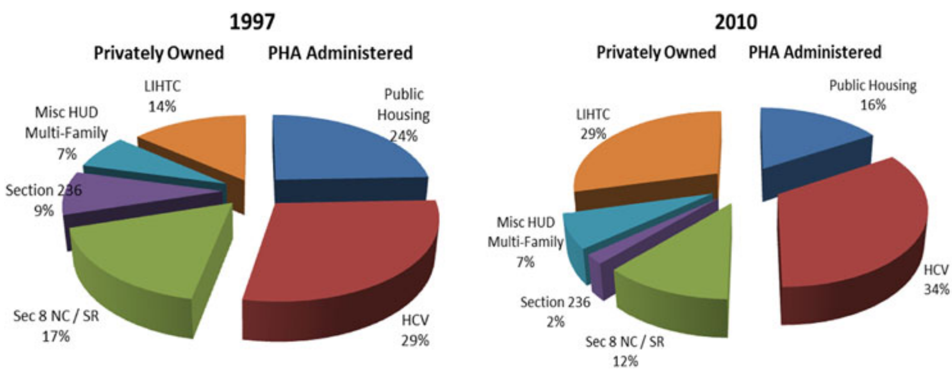
As the figure illustrates, from 1997 to 2010, large increases in the share of the assisted housing are found in the HCV and LIHTC programs. The other programs, including public

Table 1. Assisted housing units by program type.

	Project-based			Tenant-based	Total
	Public ownership	Private ownership			
Year	Public housing	HUD multifamily	Low-Income Housing Tax Credit	Housing Choice Voucher	All programs
2010	1,113,474	1,422,702	1,971,093	2,300,144	6,807,413
1997	1,220,170	1,645,085	699,461	1,433,000	4,997,716
Change	− 106,696	− 222,383	1,271,632	867,144	1,809,697

Note. HUD = U.S. Department of Housing and Urban Development.

Figure 2. Composition of the portfolio of federally assisted rental housing.



Note. HCV = Housing Choice Voucher. HUD = U.S. Department of Housing and Urban Development. LIHTC = Low-Income Housing Tax Credit. NC/SR = New Construction and Substantial Rehabilitation. PHA = public housing authority.

housing, are contracting. Public housing has fallen from 24% to 16% of the assisted rental stock. The HCV and LIHTC programs are each about one-third of the portfolio.

The HCV and LIHTC programs differ in the manner in which the subsidy is eventually delivered to the eligible low-income renter household. They also differ in the income level of the tenant served. The HCV program is a deep-subsidy program in that it serves households with extremely low incomes, less than 30% of area median income (AMI). The typical household in the HCV program has an income of only 22% of the AMI (McClure, 2005). The LIHTC program is a shallow-subsidy program in that it serves households who tend to be the least worst off of the eligible population. LIHTC households are below either 50% or 60% of the AMI. Their income is estimated at about 45% of the AMI (McClure, 2010). However, nearly one-half of the households in the LIHTC program have incomes below 30% of the AMI, including those with rental assistance through the voucher program (O'Regan & Horn, 2013). Thus, federal rental housing policy follows a rule articulated by Downs (1990) that calls for a deep subsidy to assist the poorest in consuming existing housing on the market and a shallow subsidy to assist a less poor population through production of new or fully renovated units. Unfortunately, this rule has not provided guidance on how to design housing programs to locate assisted households only in good-quality neighborhoods.

Assisted Housing and Neighborhood Quality

The goal of locating assisted households in good neighborhoods follows from the assumption that households will be able to improve their lives if they reside in good neighborhoods. Ellen and Turner (2003) review the research examining the linkages between the neighborhood where a household lives, especially a poor household, and the well-being of that household. They conclude that it is very hard to disentangle neighborhood effects from the influences of many other personal and family factors. With that caveat, they conclude that neighborhoods matter but that the influence is finite and limited. It may be less important than the influence of family attributes.

Even with this limited endorsement of neighborhood effects, there remain many dimensions to the concept of what researchers believe constitutes a good neighborhood (Rosenbaum, 1995). Good neighborhoods have been taken to mean those that offer the opportunity for racial and ethnic integration. Racial integration was at the heart of the Gautreaux program. Minority residents of troubled public housing in Chicago were given Section 8 certificates to move to low-poverty, mostly white neighborhoods generally found in the suburbs. Small but measurable gains were found in employment and school performance of the households who participated, compared with a sample of households who did not move to the integrated suburbs (Rubinowitz & Rosenbaum, 2000). However, the sample that moved to the integrated suburbs and the sample that remained in the inner city were not entirely comparable, casting doubt on the positive results found.

An alternative definition of what constitutes a good neighborhood centers on the concentration of poverty: A good neighborhood has a low incidence of poverty (Khadduri, 2001). Following the experience of the Gautreaux program, HUD created the Moving to Opportunity (MTO) program, which used housing vouchers to move poor public housing residents to a good neighborhood. To prevent the analytical problems found with the Gautreaux program, the MTO program carefully randomized samples of households to determine the extent to which the requirement to move to good neighborhoods generated positive outcomes. Poverty deconcentration was the guiding principle of the MTO experiment. Like the Gautreaux program, the MTO program used vouchers to help public housing residents relocate to good neighborhoods. Unlike the Gautreaux program, the MTO program required only that the households move to tracts with low levels of poverty, without racial or ethnic criteria for the identification of a destination neighborhood. Only very few measurable gains were found with the MTO effort. Both physical and mental health benefits were realized as people moved out of high-crime areas and into less stressful neighborhoods, but the employment and education gains found with Gautreaux largely disappeared (Goering & Feins, 2003). Moves of women and children were associated with modest reductions in extreme obesity and diabetes (Ludwig et al., 2011).

The incidence of poverty and minorities is highly correlated with many other measures of neighborhood distress, including employment and educational attainment (Kasarda, 1993). It is possible that the best definition of what constitutes a good neighborhood would encompass all of these factors and more. McClure (2010) examines combining multiple criteria into a single measure of neighborhood distress. He examines incidence of poverty, assisted housing, high school dropouts, unemployment, and minorities. He finds that if all of these factors were integrated into a single measure to identify good neighborhoods where assisted households should locate, there would be too few neighborhoods to be workable for any meaningful application of a nationwide effort requiring that some voucher households move to these high-opportunity neighborhoods as a condition of receipt of the voucher.

The definition of what constitutes a high-opportunity neighborhood for assisted households remains elusive. Despite that problem, there remain a good number of criteria against which the locations of assisted housing can be evaluated. Newman and Schnare (1997) did this in the 1990s, and their work is being replicated and updated here.

How Are Programs Performing on Neighborhood Quality?

Newman and Schnare (1997) found that federal housing programs were not doing a good job of delivering on neighborhood quality. They also found that the older project-based programs were performing less well than the tenant-based Section 8 certificate program. In particular, they found public housing to be performing poorly, with the problem widespread and not attributable to only a small proportion of seriously distressed developments. However, their conclusions were based on the measures used. As an indication of the sensitivity of research results to the indicators of performance used, Lens (2013) uses an alternative measure of quality: proximity to employment opportunities. Newman and Schnare used the standard rate of unemployment and found public housing located in tracts with very high levels of unemployment. Lens constructs a measure of access to jobs in close proximity and finds public housing to be the best-performing among the various federal housing programs.

Freeman (2004) examines the spatial location of the LIHTC units by comparing their locations with other project-based developments. He calculates the proportions of units located in the suburbs and the characteristics of the neighborhoods that they are in. He compares the LIHTC program with public housing, Section 8 New Construction and Substantial Rehabilitation, and the various below-market-interest-rate programs. He finds that LIHTC units are disproportionately located in the suburbs relative to other project-based housing units and suggests that the improved capacity to penetrate the suburbs is due, at least in part, to fewer political constraints placed on these developments. The LIHTC program seems to be more acceptable to suburban communities than were its predecessor project-based programs. Tempering his conclusions, Freeman finds that LIHTC units are located in neighborhoods where the incidence of poverty is higher than that found for the population as a whole. However, those LIHTC units that did locate in the suburbs are found in neighborhoods with higher median incomes and lower levels of poverty than the central-city neighborhoods where other LIHTC units are located. Freeman states, "Taken together, then, the results … tell a consistent story. LIHTC neighborhoods are not as economically disadvantaged as those with traditional federally assisted housing developments" (p. 9).

McClure (2006) also examines this issue and finds LIHTC units to be increasingly entering the suburbs. Over time, the LIHTC program has witnessed the price of tax credits rising, making the program increasingly popular with developers. This popularity has translated into the program spreading into suburban markets. Both the LIHTC and the HCV program place households into neighborhoods with a higher incidence of poverty than would be expected given the incidence of poverty for the population as a whole or for all renter households. But the project-based LIHTC program is meeting, and even exceeding, the performance of the HCV program in offering opportunities to live in low-poverty suburban settings.

Devine, Gray, Rubin, and Taghavi, (2003) look at the HCV program to determine the spatial location of the households participating in that program by examining the 50 largest metropolitan areas in the nation. They find that voucher recipients have located in 83% of all census tracts in those large metropolitan areas. They also find that the typical voucher household experiences neighborhood poverty rates of about 20%, although the typical neighborhood has a poverty rate of 10%. They go on to indicate that nearly 10% of voucher recipients live in neighborhoods with poverty rates above 40%, and approximately 22% in tracts with poverty rates above 30%. They also find that HCV households do not dominate most markets; HCV households typically consume only 6% of the affordable rental housing.

McClure (2008) expands the analysis to look at all HCV households across the nation. He examines the shares of HCV households and the shares of LIHTC units found in low-poverty census tracts. Despite the expectation that the voucher would offer mobility, HCV households are not locating in low-poverty tracts any more than LIHTC units are. Galvez (2010) also examines the locations of HCV households. She finds that, on average, the neighborhood quality for voucher holders is no better than that of similarly poor households or the locations where LIHTC units are placed. She finds that voucher households tend to remain near their preprogram housing. Most HCV households locate in tracts with moderate levels of poverty, but many locate in high-poverty neighborhoods, despite the mobility offered by the voucher form of subsidy.

Race influences the capacity of the various housing programs to deliver on neighborhood quality. Pendall (2000) finds that HCV households are not distributed randomly in all metropolitan areas. Rather, they concentrate in poor-quality neighborhoods. He finds that the degree to which assisted households concentrate hinges on race. When assisted households are mostly black and other residents are mostly white, assisted households are much more likely to live in distressed neighborhoods. Slightly later work by Rohe and Freeman (2001) finds that the location of assisted housing developments continues to be a problem. Despite the best of intentions to help the poor, project-based assisted housing for the poor is all too often located in neighborhoods with low-value homes and with high concentrations of the poor and minorities. Basolo and Nguyen (2005) examine HCV households by race and find that minorities live in more impoverished, overcrowded neighborhoods than do nonminorities. Similarly, Galvez (2011) indicates that voucher holders are more concentrated and live in higher-poverty-rate neighborhoods in metropolitan areas that are more racially segregated and where a larger share of voucher holders are minority households.

Why Are They Not Performing Better? Why Might Things Be Getting Better?

If housing programs have not been doing a good job of delivering on neighborhood quality, why not? Newman and Schnare (1997) suggested that the poor performance of the older project-based programs might be a manifestation of the programs themselves, their vintage and design. These project-based housing programs tended to be located in central cities where the greatest need existed. This remains true for the LIHTC program. It is driven, in part, by nonprofit community-development corporations. These organizations are often place-based entities attached to distressed neighborhoods, and they develop their LIHTC projects in these same distressed neighborhoods.

At some level, project-based housing projects create their own distress. Generally, these programs were not designed to develop mixed-income housing. They were designed to be occupied entirely by low-income households. Thus, wherever such developments were located, they created concentrations of impoverished households. The LIHTC suffers from the same problem. Mixed-income housing is possible with the program, but a large majority of its projects are occupied entirely by low-income households. It has long been understood that communities, especially suburban communities, use regulation as a mechanism to exclude the development of affordable housing (Downs, 1991). That is, project-based developments confront the NIMBY movement.

Freeman (2004) suggests that the local politics are changing for the better; the barriers to affordable housing may not be as high as they were in the past. The literature from political science offers two types of explanations for this increased presence of affordable housing in areas where it was unwelcome in the past. The first suggests that it is the payoff of long-term efforts by housing advocates, and the second suggests that it is the result of successful housing programs driving local politics rather than the other way around.

Sabatier and Jenkins-Smith (1999) argue that policymaking advocacy has become successful because of the committed work of coalitions of researchers, legislators, agency officials, and interest-group leaders. In this case, these coalitions have coordinated their activities in the pursuit of a common goal, the provision of affordable housing throughout all communities. The inclusion of researchers and policy experts in these networks has been crucial to their success. Also important has been the long-term commitment to the goal. The public and private entities pursuing the dispersal of affordable housing have long time horizons of 10 years or more. The authors hold that policymaking, particularly policymaking driven by the "enlightenment function" of research, may simply take time—say, a decade or more—to show results. Indeed, Baer (2008) calls any success in the regional distribution of low-income housing "a marathon, not a 100-meter dash to success" (p. 68). HCVs were first introduced in 1974. The LIHTC program was created in 1986. Sufficient time has passed for both programs to mature and to be integrated into the advocacy efforts of this coalition. Sadly, the LIHTC program was not designed in a manner that makes deconcentration of poverty and movement to high-opportunity, suburban locations a clear goal. LIHTC developments are placed in a wide variety of neighborhoods, including high-opportunity neighborhoods but also neighborhoods offering few advantages to residents (Scally & Koenig, 2012).

Advocacy efforts must confront the counterefforts of the NIMBY movement. The NIMBY movement is the manifestation of the fears of neighborhoods set to receive low-income housing, which include concerns over rising crime rates and lower property values (Duke, 2010). Scally and Koenig (2012) point out an interesting dynamic, which is that NIMBY proponents and housing advocates have similar beliefs. Both believe that concentrating poverty at the neighborhood level is harmful. The fact that opposing sides can point to the same research or the same causal argument for support is problematic and makes for deadlock. The authors suggest that the deadlock can be broken by reframing the affordable-housing issue. Redefining programs as being for the "middle class," which happens to include low-income people, is one strategy (Von Hoffman, 2012). Changing the name of the objective from "low-income" housing to "lifecycle" housing or "workforce" housing leads to a more favorable reaction in surveys (Goetz, 2008). Emphasizing that the housing is for the elderly or for children can also make low-income housing projects more palatable (Scally & Koenig, 2012).

Independent of the affordable-housing advocacy movement, the LIHTC program has gained popularity among developers (McClure, 2006). This may be pushing local politics toward allowing affordable housing rather than opposing it. Von Hoffman (2012) indicates that past housing policies have benefited from the involvement of private industry. For the LIHTC program, private developers are not merely participants but in many ways the drivers of the process. This makes for an overlap between the low-income housing coalition and the traditional "growth machine" of developers, financiers, builders, construction suppliers, real estate agents, and newspapers known for their influence at the local level (Berry, Portney, & Thompson, 1993; Molotch, 1976). A positive aspect of the involvement of affordable-housing developers in the growth machine is that knowledgeable and skillful developers are able to produce successful, well-maintained, and well-managed projects that serve as good examples for the community (Scally, 2013). Nguyen, Basolo, and Tiwari (2013) indicate that developers tend to follow the path of least resistance. Developers may find less resistance when developing low-income housing on greenfield sites in the suburbs because of the lack of organized neighbors in close proximity. The overall success of the growth machine may get the developer of LIHTC projects in the door, but then their competencies come into play for its continued success.

The success of the LIHTC program may be an example of Lowi's (1972) observation that "*policies determine politics*" (p. 299), not vice versa. Lowi divides policies into four areas: regulatory, distributive, constituent, and redistributive. Regulatory policies are those typified by a government making and enforcing rules. Regulations of the poor and powerless or of those deemed unworthy are the easiest policies to pass and to enforce. Distributive policies "confer facilities or privileges unconditionally" (Lowi, 1985, p. 74), as with public works projects like roads or water treatment. Distributive policies are generally easier to approve because costs are evenly distributed across many taxpayers but still benefit particular groups, often those involved with construction. The next policy type includes constituent policies, which create agencies or assign jurisdictions. These do not normally generate much interest or controversy. The last policy type is redistributive, and it is what we have with low-income housing policies (Duke, 2010). Redistributive polices are the Robin Hood policies of society. The "rules discriminate" between "rich versus poor, young and employed versus old and unemployed, savers versus consumers" (Lowi, 1985, p. 93). Redistributive policies are often the most politically controversial because they impact those in power, the wealthy. Generally, cities shy away from redistributive policies because they do not want to become magnets for those seeking aid, and cities much prefer a particular type of redistributive policy so they can promote growth and development in hopes of enhancing property values and property taxes (Baer, 2008; Peterson, 1981). The LIHTC program takes a classic redistributive policy (taking resources from the wealthy and giving them to the poor) and turns it into a distributive policy (we are all getting something, but particularly those in the growth coalition) or at least includes the wealthy (developers) in the redistribution. Perhaps by changing the policy type, the LIHTC has reframed the politics of low-income housing, resulting in less controversy and more success.

HCV households do not confront the same problems, but they do confront challenges to locating in good neighborhoods. They negotiate one on one with a landlord for a unit that already exists in the marketplace. The voucher makes it possible for the household to negotiate for any rental unit with reasonable market rents. These features of the HCV program circumvent the problem of NIMBY attitudes. Yet, HCV households confront problems as they search for housing. When a household receives a voucher, it must find an acceptable unit within 60 days, although extensions may be granted by the PHA (HUD, 2014b). This may be too little time to find a unit for some households in some markets. The fair market rent for a particular market may limit the voucher household's search further by restricting it to a very limited number of units in the desirable neighborhoods. Even if time and units are available, there is little counseling for voucher households on how to search, how to negotiate a lease, or how to arrange for utilities and other services. Turner (1998) offers that supplementing the voucher program with housing counseling and search assistance could improve the effectiveness of the program's mobility initiatives. She holds that HUD should strengthen the incentives offered to PHAs to improve location outcomes.

HCV households also confront some very direct barriers to locating in good neighborhoods. Landlords may simply refuse to accept a tenant with a voucher. Most communities do not compel landlords to accept vouchers. Prohibitions on such grounds for refusing a voucher household are effective. Households in the HCV program locate into less impoverished tracts where landlords cannot refuse a tenant because of the voucher (Galvez, 2011). HCV households may also confront direct discrimination on the basis of race or ethnicity. Section 8 families in the MTO program reported experience with discrimination (Turner, Popkin, & Cunningham, 2000) but little evidence of direct racial hostility (Goering & Feins, 2003).

Measures of Neighborhood Quality and Data Used

Many measures of neighborhood quality are available. We chose to generally replicate the work of Newman and Schnare (1997), to provide a relatively consistent picture of how well federally assisted rental housing has delivered on neighborhood quality over time. Newman and Schnare examined the spatial distribution of assisted housing. They examined the distribution by region of the nation as well as the distribution among central cities, suburbs, and nonmetropolitan areas. We have continued this spatial analysis unchanged. Newman and Schnare also used a set of measures to assess the quality of the tracts where assisted housing was located at the time of their study. They looked at income levels, incidence of poverty, level of unemployment, level of minority concentration, rent levels, and the percentage of the housing stock that is assisted. With only a few necessary adjustments, we used the same measures of neighborhood quality. These are described in Table 2.

Distribution by Income Level

This analysis looks at the median income of the tracts where assisted housing is located. The tracts are divided by income strata as of 2000. Four categories of tracts are used. The lowest category identifies tracts where the median income was below the poverty level, indicating extremely poor tracts. The highest category identifies tracts where the median income was at or above the median income of all tracts, indicating relatively well-off tracts. The categories in between identify tracts with different gradations of median income. The boundary levels of these categories are indexed for inflation from 2000 to 2009 so as to correspond roughly to the same income strata in real terms at the end of the decade.

Closely related to income is the incidence of poverty. The boundaries selected adopt 10% as the lowest level. This level corresponds to both the threshold condition used with the MTO program and the median for all tracts in the nation. The next category is 10–29%. This category includes tracts with above-average levels of poverty, but they are not considered

Table 2. Distribution of measures of tract quality.

	Median household income	Percentage of population below poverty	Percentage of workforce unemployed	Percentage of population minorities	Median gross rent ($)	Percentage of housing assisted
2009						
Median	48,107	11.5	6.6	23.3	781	1.6
Mean	53,806	15.0	7.9	34.4	864	5.6
Standard deviation	26,502	12.7	5.8	30.6	354	13.6
Minimum	2,499	0.0	0.0	0.0	65	0.0
Maximum	250,001	100.0	100.0	100.0	2,001	1,566.7
2000						
Median	39,882	10.0	4.9	18.8	572	0.4
Mean	44,249	13.5	6.5	31.2	632	4.1
Standard deviation	20,760	11.7	6.0	30.4	269	23.4
Minimum	2,499	0.0	0.0	0.0	99	0.0
Maximum	200,001	100.0	100.0	100.0	2,001	4,572.7

high-poverty tracts. The top two boundaries are 30% and 40%. These correspond to what many researchers consider high-poverty levels. Galster (2005) finds that two thresholds exist, one at somewhere around 15% and another at about 30%. He argues that neighborhoods with poverty between 15% and 30% should not be thought of as places to send additional assisted households because each incremental increase in poverty does harm to the receiving neighborhood. He goes on to say that poverty above 40% indicates that the neighborhood has reached an upper limit. Any incremental increase in poverty above this upper threshold does no additional harm because the harm from concentrated poverty has already taken its toll on the neighborhood and no more harm can be done. Finally, he argues that neighborhoods below the lower threshold are good destinations for assisted households. Incremental increases in poverty do no measurable harm to these neighborhoods as long as the concentration of poverty remains below the lower threshold level.

Note that the median level of poverty among census tracts in the nation is only a little over 10%; thus, about half of all tracts nationwide should be ready targets for assisted households. The incidence of poverty remains the key variable used to identify a neighborhood as high-opportunity. Unfortunately, the trends in the incidence of poverty are not encouraging. Things were improving in the 1990s. Jargowsky (2003) finds that the population living in high-poverty neighborhoods declined for all racial groups in the 1990s. The number of high-poverty neighborhoods was down in central cities and rural areas but stable in suburbs. A decade later, these trends reversed themselves. Concentrated poverty rose substantially after 2000 (Jargowsky, 2013; Pendall, Davies, Freiman, & Pitingolo, 2011). The number of people in high-poverty tracts increased, with blacks continuing to be disproportionately found in high-poverty tracts. Despite the increasing poverty over the last decade, about half of all tracts still offer desirable low-poverty settings for locating assisted housing.

Distribution by Level of Unemployment

This analysis looks at the level of unemployment in the tracts where assisted housing is located. Here the tracts are divided into four categories corresponding to the range of typical unemployment found over the decade. The lowest category is less than 4.0%, a low level of unemployment. The next category covers 4.0–6.4% unemployment, which corresponds to the national level of unemployment over the early years of the study period. The third category covers 6.5–11.9%, which corresponds to the very high average level of tract unemployment found in the nation at 7.9% in 2009. The highest category includes tracts with unemployment above 12%, which is extremely high by any historical standard.

Distribution by Level of Minority Concentration, Median Gross Rent, and Percentage of Assisted Housing Stock

The analysis looks at the level of minority concentration of the tracts where assisted housing is located. The literature offers little guidance on this issue. As a consequence, we simply group the census tracts into broad categories: below 10%, 10–29%, 30–39%, and 40% or more.

Similarly, the analysis looks at the level of rents in the tracts where assisted housing is located. The literature offers little guidance on this issue as well. We continue to use categories similar to those used by Newman and Schnare (1997), dividing the tracts into five groups. The categories for measurements from 2000 begin with rents under $300 and range up to rents above $900. The categories for measurements from 2009 have been adjusted upward to correspond to inflation, as measured by the Consumer Price Index, so the rent levels reflect comparable real prices. For example, in Newman and Schnare's article, the first category was units offered at rents below $300. The comparable category in 2010 was rents below $410. The second category was $300 to $500, which becomes $410 to $685 in 2010, and so forth up the scale.

Finally, the analysis looks at the percentage of the housing stock that is assisted in the tracts where assisted housing is located. The literature on this topic is broad, but the bulk of it addresses the impact of assisted housing on the property values of homes in immediate proximity to the assisted housing. This research comes to many and conflicting results, indicating that this issue is far from being resolved. For example, in some contexts, LIHTC developments can be beneficial to neighborhoods (Ellen, Schwartz, Voicu, & Schill, 2007). In other contexts, they can be detrimental to neighborhoods (Lee, Culhane, & Wachter, 1999). Very little published research is designed to find the level of assisted housing that can exist in the stock without becoming a liability to the neighborhood. Galster, Tatian, and Smith (1999) speak to this issue in the context of households using vouchers, and they find that the threshold for impact on surrounding property may be very low. As few as eight units in a microneighborhood can generate problems. Further, the research suggests that the neighborhoods where positive impacts can be realized may be few in number because the positive impacts are experienced only in stronger markets. All of this research, while informative, falls well short of providing any detailed guidance on the percentage of assisted housing in a neighborhood that is beneficial, neutral, or detrimental. With so little guidance, the categories examined range from quite low (less than 2%) to quite high (20% or more). It is worth noting that assisted housing (projects and vouchers) makes up, crudely, about 4% of the nation's stock of housing. Thus, the lowest categories represent tracts with a disproportionately low share of assisted housing, and the top categories represent those with an above-average share.

Counterfactual Measures

In any study of this type, there need to be standards for comparison. It is easy to determine the level of entry of various types of assisted housing units and assisted households into various neighborhoods and categorize those neighborhoods by their various attributes. What is a little more difficult is to establish what the level of entry should be. Newman and Schnare (1997) adopted a pair of standards. The first is a measure of the presence of poor households. For this measure, they used the incidence of households on public assistance. While several similar measures are possible, this one identifies the extent to which the assisted poor enter into a neighborhood, with or without housing assistance. If households receiving housing assistance are entering desirable neighborhoods at rates greater than households on public assistance, then it can be reasonably assumed that the housing assistance is providing the means for poor households to locate there. The second is a measure of the presence of rental units. For this measure, Newman and Schnare used the incidence of all rental units, whether affordable to the poor or not. If households receiving housing assistance are entering desirable neighborhoods at rates greater than shares of rental housing, then it can be reasonably assumed that the housing assistance is providing the means for poor households to locate there. This is especially important in the assessment of the HCV program. The program is designed to augment the income of the assisted household, giving the household the buying power of a richer renter household. If this income supplement is paying off and the program is working well, HCV households should be entering rental markets in shares comparable to the presence of rental housing.

The use of these counterfactual measures helps resolve some of the problems that are inherent in the study period from 2000 to 2010. This period included a significant housing-price bubble, accompanied by a surge in housing construction. The bubble burst, and a price correction was in progress by 2010. The problems of the housing-price bubble were felt more directly in the market for owner-occupied housing. Rental housing markets continue to experience the seemingly contradictory conditions of high vacancy rates as well as rising rents. To the extent that these conditions affect renter households and their ability to locate in good-quality neighborhoods, the impact should be seen in the locational outcomes of the two counterfactual measures, households on public assistance and all rental units. The performance of the various housing programs in placing units in high-quality neighborhoods is assessed against the counterfactual measures, which presumably already reflect the impact of the larger market forces.

Many other measures of the composition of a neighborhood's households and its housing stock are available to assess the performance of federal assisted rental housing programs in delivering on neighborhood quality. These two standards for comparison describe housing-market entry by the poor, whether homeowners or renters, and by all renter households, whether poor or not. We chose to employ the same standards used by Newman and Schnare (1997), to maintain consistency with their article.

Sensitivity of Results to Years Studied

Newman and Schnare (1997) compared an inventory of assisted housing from 1993 to 1996 with census data from 1990. Here, we replicate their analysis with 1997 housing data and 2000 census data. A few minor differences surface between their original work and its replication here. This is natural given the different data sources and time periods. However, the differences in census data years do not change the findings. Virtually the same results are obtained. Thus, the analysis is not sensitive to these changes. The use of Census 2000 data serves this analysis by shortening the time between the inventory of assisted housing and by standardizing the census tracts used. The census data for 2000–2009 all use the census-tract boundaries as defined for the 2000 census, eliminating any problems that would result from tracts changing boundaries.

Data Used

The data for this analysis come from two sources: HUD and the U.S. Census Bureau.

HUD Data

Data describing HUD's assisted housing have been assembled for all programs for the year 1997 to replicate the work of Newman and Schnare (1997), and for the year 2010 to update their study. The assisted-housing data from HUD represent the product of HUD's recent efforts to improve the counts of assisted housing nationwide. HUD has made great progress since the time of Newman and Schnare's article in improving the counts in its inventory of assisted units and households. HUD's Office of Policy Development and Research went to great lengths to improve the process of validating each address (whether of a project or of a voucher household) and determining its geographic location. This means that many more addresses are being found and correctly assigned to a census tract.

Sadly, this does not mean that no problems remain. There are known sources of undercounting. The inventory of units depends upon each administrative agency providing accurate and timely data. This does not always occur. The reporting of LIHTC data depends upon state housing finance agencies reporting their developments to HUD's contractor. Despite efforts to improve these data describing the LIHTC inventory, the HUD administrative data made available for this study appear to successfully locate only 92% of all LIHTC developments. While this is not a complete list of all LIHTC units nationwide, it is the most complete list available. The reporting of HCV data depends upon local PHAs reporting their vouchers to HUD. While nearly all PHAs report in a timely manner, a few do not. As with the LIHTC data, some data are missing, and some could not be geocoded to a census tract. The data made available for this study include 1.92 million vouchers that are under lease, which is 84.6% of the estimated 2.30 million vouchers available. The difference between these two counts is not all missing data. Rather, the difference includes unreported vouchers, reported vouchers for whom the location could not be validated, and vouchers in the process of being assigned to households by PHAs. The other programs of HUD are reported as fully as HUD has data, but there is no known comparison. Every project that HUD has in its multifamily portfolio has been reported and located in a census tract.

There is also a known source of overcounting in the HUD inventory. It is known that a proportion of all HCV households choose to locate in LIHTC developments. This means that some portion of assisted households are subsidized by both programs. In counting federally assisted renter households, summing the count of LIHTC units and the number of HCV households will double-count those households. Williamson et al. (2009) find that about 16% of HCV households in Florida live in LIHTC developments. If this is generalizable to the nation, then about one-third of a million voucher households could be living in LIHTC units.

Census Data

The scope of this study is nationwide, but the unit of analysis is the census tract. Census tracts now cover the entire nation. All of the various measures of neighborhood quality are taken at the census-tract level. To maintain uniformity in these measurements, the tracts used are those defined for Census 2000. This delineation carries through to include the data from the American Community Survey for 2009, which averages 5 years of survey responses for tracts covering the years 2005–2009. Where dollar amounts are reported, as with rents and income, the figures are inflated to 2009.

The census data are used to establish measures for each tract in the nation for 2000 and 2009. The HUD data for 1997 and 2010 were joined with the census data, adding assisted-housing counts for each program for each census tract in the nation.

Delivery on Neighborhood Quality: Spatial Distribution

The research question remains the same as the one posed by Newman and Schnare (1997): Does the current thrust of federal assisted rental housing policy translate into improved delivery on neighborhood quality?

Newman and Schnare (1997) found that the regional distribution of vouchers approximates the distribution of rental units. This remains essentially true. Public housing, given its vintage, is found more in the South and the Northeast, where the older cities with the opportunity to implement this program are located. Newman and Schnare's article did not break out the LIHTC portfolio, perhaps in view of its modest scale and its newness as a program at the time of their study. Now tax-credit units are found disproportionately in the South and are underrepresented in the Northeast. The share of LIHTC units increased in the West, where the population grew most rapidly (see Table 3).

Within metropolitan areas, the distribution of assisted housing is interesting. Newman and Schnare (1997) noted that a strong majority of public housing is located in central cities, consistent with the strong correlation between the presence of public housing and a number of neighborhood-quality indicators. Over 60% of public housing units were located in central cities in 2010, but this was down significantly from the 73% found earlier. To some extent, this drop reflects the demolition of the most distressed public housing units and the dispersal of these units (see Table 4).

The LIHTC program places about 50% of the program's units in central cities. However, a greater proportion of the units are found in the suburbs than was the case with public housing or the other project-based programs. The LIHTC program now locates in excess of one-third of its units in the suburbs. There are only a few points for observation, but a trend is apparent. Public housing placed only 18% of its units in the suburbs in 2010. The later HUD multifamily programs placed a higher 28% in the suburbs. The current LIHTC program has placed 36%. Clearly, assisted housing is managing to find entry into the suburbs.

The tenant-based HCV program provides mobility to its participating households. They can relocate where they want, subject only to the lease terms and the ability to find a unit that will pass inspection and offer rents acceptable to the program. The HCV is making entry into the suburbs on a scale comparable to the project-based LIHTC program. Given the barriers to project-based housing found in the suburbs, and given the mobility provided to the households in the HCV program, it would be expected that the HCV program would outperform the LIHTC program in making entry into the suburbs, migrating away from the distress so often found in central-city neighborhoods. However, the HCV program performs no better than the LIHTC program at entering suburban housing markets.

Despite better performance than public housing, vouchers and LIHTC units are disproportionately found in central cities and remain underrepresented in the suburbs relative to the distribution of the rental stock and households on public assistance.

Delivery on Neighborhood Quality: Measures of Neighborhood Quality

The spatial distribution of assisted housing between central cities and suburbs is instructive but incomplete. It needs to be augmented with an examination of neighborhood

Table 3. Distribution of assisted-housing units by region, 1997–2010.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
		Share of assisted housing in 2010			*American Community Survey 2009*	
Northeast	35.5%	22.4%	13.2%	24.0%	21.8%	19.3%
Midwest	19.6%	21.7%	23.6%	19.8%	24.2%	20.2%
South	36.5%	32.9%	38.3%	33.4%	27.6%	36.1%
West	8.4%	23.0%	24.9%	22.8%	26.4%	24.4%
		Share of assisted housing in 1997			*Census 2000*	
Northeast	36.5%	27.0%	13.1%	27.4%	21.1%	21.0%
Midwest	20.5%	30.5%	29.1%	21.5%	21.0%	20.7%
South	35.5%	29.3%	38.5%	30.1%	31.8%	34.4%
West	7.5%	13.2%	19.3%	21.0%	26.0%	23.9%
		Percentage-point change in share of assisted housing from 1997 to 2010			*Percentage-point change in:* *Public assistance*	*Rental units*
Northeast	−1.0	−4.6	0.1	−3.4	0.7	−1.7
Midwest	−0.9	−8.8	−5.5	−1.7	3.2	−0.5
South	1.0	3.6	−0.2	3.3	−4.2	1.7
West	0.9	9.8	5.6	1.8	0.4	0.5

Table 4. Distribution of assisted-housing units by metropolitan location type.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
		Share of assisted housing in 2010			*American Community Survey 2009*	
Central-city tract	62.1%	58.2%	49.7%	52.2%	42.4%	43.8%
Suburban tract	18.0%	27.7%	35.9%	34.4%	37.6%	40.1%
Nonmetropolitan tract	19.9%	14.0%	14.5%	13.3%	19.9%	16.1%
		Share of assisted housing in 1997			*Census 2000*	
Central-city tract	73.4%	58.0%	49.4%	50.4%	45.5%	45.2%
Suburban tract	14.1%	27.4%	32.4%	30.4%	33.6%	38.9%
Nonmetropolitan tract	12.5%	14.6%	18.2%	19.2%	20.9%	15.9%
		Percentage-point change in share of assisted housing from 1997 to 2010			*Percentage-point change in:*	
					Public assistance	*Rental units*
Central-city tract	−11.3	0.2	0.3	1.8	−3.1	−1.4
Suburban tract	3.9	0.3	3.5	4.0	4.0	1.2
Nonmetropolitan tract	7.4	−0.6	−3.7	−5.9	−1.0	0.2

quality. Newman and Schnare (1997) examined multiple measures of neighborhood quality. Their work is replicated here and updated to show the trends.

Median Household Income

Median household income in 2000 was about $42,000. Median household income in 2009 was about $52,000, a growth of about 24% (see Table 5). The prior study found that public housing was likely to be in low-income neighborhoods at much greater levels than the concentration of either welfare households or rental units as a whole. This continues to be true. About 20% of public housing is found in the poorest neighborhoods, while only 3% of all rental housing and 4% of welfare recipients are found there. At the other end of the income spectrum, the proportion of public housing found in neighborhoods with income above the median is very small. Only about 10% of all public housing is found in these tracts, compared with 28% of welfare recipients and 36% of all rental housing. Privately owned, HUD-assisted multifamily projects are distributed in a very similar manner but with less concentration in the poorest neighborhoods. About 12% of these units are in the poorest tracts, and about 17% are in the tracts with above-median income. This distribution is better than that of public housing but still falls well short of the market distribution of rental units.

Newman and Schnare (1997) found that the certificate and voucher programs were performing better than the public housing program. They stated, “These data suggest that while the certificate and voucher programs appear to be successful in moving recipients out of very low-income areas, they are not as successful in promoting moves to middle- and upper-income neighborhoods” (p. 712).

The performance of the HCV program remains essentially the same. The program is helping households locate away from the poorest neighborhoods, but the participating households have a tendency to locate into the next-higher income category rather than into middle- or upper-income neighborhoods. In terms of the median income of the neighborhood, the LIHTC and HCV programs both perform similarly. They are both better at locating greater shares of units into higher-income tracts than the older project-based programs. However, neither exceeds the proportion of the stock of rental housing found in these tracts, or even the proportion of households on public assistance.

Concentration of Poverty

Deconcentration of poverty has become a focal point in the provision of assisted housing. HUD has endorsed the goal such that the performance of PHAs in guiding HCV households to low-poverty neighborhoods is used as a measure of their performance in the Section 8 Management Assessment Program (HUD, 2012). Given this context, an important performance indicator for the various housing-assistance programs is the degree to which they locate households out of high-poverty neighborhoods and into low-poverty neighborhoods.

There are multiple moving parts to the measurement of this issue. Some of the movement out of poverty concentration may be the restructuring of the assisted-housing portfolios and the movement of voucher households over time. Some of the movement may be the changes in concentration of poverty itself. Note that in 2000, 5% of all rental housing was located in tracts with very high poverty, in excess of 40% (see Table 6). By 2009, this figure had slightly increased, to 7%. At the other end of the poverty distribution, there was a small reduction in the percentage of rental housing in tracts with less than 10%

Table 5. Distribution of units by category of tract median income.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
	Share of assisted housing in 2010				*American Community Survey 2009*	
Tract median income, 2009						
Less than $17,000	18.6%	12.3%	5.9%	3.1%	3.5%	2.5%
$17,000–$33,999	47.4%	38.0%	35.4%	34.8%	30.6%	24.0%
$34,000–$50,999	23.8%	33.1%	35.3%	38.1%	38.0%	37.9%
$51,000 or more	10.3%	16.6%	23.4%	24.1%	27.8%	35.6%
	Share of assisted housing in 1997				*Census 2000*	
Tract median income, 2000						
Less than $14,000	26.0%	7.7%	4.9%	2.0%	3.5%	2.1%
$14,000–$27,999	47.2%	37.1%	32.3%	34.9%	33.1%	21.9%
$28,000–$41,999	20.5%	36.7%	39.2%	43.4%	40.7%	41.2%
$42,000 or more	6.3%	18.5%	23.6%	19.6%	22.8%	34.9%
	Percentage-point change in share of assisted housing from 1997 to 2010				*Percentage-point change in:*	
					Public assistance	*Rental units*
Tract median income						
Lowest category	−7.4	4.6	1.0	1.1	0.0	0.4
Second category	0.2	0.9	3.1	−0.1	−2.5	2.1
Third category	3.3	−3.6	−3.9	−5.3	−2.7	−3.3
Highest category	4.0	−1.9	−0.2	4.5	5.0	0.7

Table 6. Distribution of units by category of tract poverty rate.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
	Share of assisted housing in 2010				*American Community Survey 2009*	
Tract poverty rate, 2009						
Less than 10%	9.6%	15.6%	22.6%	22.1%	26.5%	34.2%
10–29%	42.3%	52.4%	50.9%	55.8%	52.4%	51.1%
30–39%	15.8%	13.2%	12.3%	12.3%	10.8%	8.0%
40% or more	32.3%	18.7%	14.2%	9.9%	10.4%	6.8%
	Share of assisted housing in 1997				*Census 2000*	
Tract poverty rate, 2000						
Less than 10%	6.0%	21.7%	27.3%	21.5%	24.6%	38.6%
10–29%	38.4%	51.6%	49.8%	59.3%	52.8%	48.5%
30–39%	19.0%	14.1%	12.8%	12.6%	12.7%	7.7%
40% or more	36.6%	12.5%	10.0%	6.7%	9.9%	5.2%
	Percentage-point change in share of assisted housing from 1997 to 2010				*Percentage-point change in:*	
					Public assistance	*Rental units*
Tract poverty rate						
Less than 10%	3.6	−6.1	−4.7	0.6	1.9	−4.4
10–29%	3.9	0.8	1.1	−3.5	−0.4	2.6
30–39%	−3.2	−0.9	−0.5	−0.3	−1.9	0.3
40% or more	−4.3	6.2	4.2	3.2	0.5	1.6

poverty. These low-poverty tracts contained 39% of all rental housing in 2000, but the share fell to 34% in 2009. This reduction in rental housing in low-poverty tracts means that HCV households have fewer opportunities in these neighborhoods.

The older project-based stock is fixed in location, with only marginal adjustments in the stock of public housing over time. Public housing was and remains heavily concentrated in high-poverty areas. Its presence in high-poverty areas is disproportionate to both the stock of rental housing and the presence of welfare recipients. The HUD multifamily programs are less concentrated than public housing, but they perform less well than either the LIHTC or the HCV program.

The HCV program provides mobility, and mobility would be expected to provide the opportunity for households to move to more desirable neighborhoods. However, the HCV program is not performing as well as might be expected. HCV households are found in high-poverty areas in greater proportion than are rental units, and the situation is getting worse over time. HCV households are found in the low-poverty areas in lower proportion than are rental units, and this situation is stable, neither improving nor worsening.

The LIHTC program is performing both better and worse than the tenant-based HCV program. We would expect the LIHTC program, as a project-based program, to encounter resistance to movement into low-poverty areas. By 2000, the program had placed 27% of its units in low-poverty areas. This fell short of the incidence of rental housing but outpaced the HCV program. The share of the LIHTC portfolio in low-poverty areas dropped somewhat over the following decade, to 23%, while the HCV program was effectively stable. The LIHTC program and the HCV program reached parity in 2010.

It would be expected that the LIHTC program's popularity with community-development organizations that operate in and advocate for blighted neighborhoods would lead to its use as a tool for the redevelopment of depressed, inner-city neighborhoods where poverty is concentrated. The LIHTC program is somewhat more concentrated in high-poverty neighborhoods than the rental stock or the presence of the HCV program in both 2000 and 2008, with the incidence of both assistance programs becoming greater.

Unemployment Rate

Poverty concentration is just one among multiple measures of a neighborhood's level of opportunity. If housing assistance is to be a platform for the poor to climb out of poverty, then it should, in the ideal, provide access to gainful employment. Table 7 examines the locations of assisted housing in terms of unemployment.

Public housing continues to be concentrated in areas with very high unemployment. More than half of the portfolio is located in neighborhoods with unemployment above 12% in 2009. The performance is not as bad for the HUD multifamily programs; about one-third of that stock is located in high-unemployment tracts. Both forms of project-based assisted housing are far more concentrated than is the stock of rental housing.

Both the LIHTC and the HCV program performed better than public housing. Both locate smaller shares of units in high-unemployment tracts than does the public housing program. Both underperform the market by placing more units in high-unemployment tracts and fewer units in low-unemployment tracts than does the stock of rental housing. A further disappointment is found in the trend over time: Both performed less well in 2009 than in 2000.

Table 7. Distribution of units by category of tract unemployment rate.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
		Share of assisted housing in 2010			*American Community Survey 2009*	
Tract unemployment rate, 2009						
Less than 4.0%	9.0%	12.3%	12.8%	11.9%	12.3%	18.5%
4.0–6.5%	9.8%	14.8%	18.0%	16.3%	18.0%	23.6%
6.6–11.9%	28.3%	35.8%	36.9%	39.4%	38.5%	38.5%
12.0% or more	52.9%	37.1%	32.3%	32.4%	31.2%	19.4%
		Share of assisted housing in 1997			*Census 2000*	
Tract unemployment rate, 2000						
Less than 4.0%	6.6%	19.4%	23.7%	16.1%	17.9%	30.2%
4.0–6.5%	12.9%	24.8%	25.7%	26.0%	24.0%	28.7%
6.6–11.9%	27.7%	29.7%	28.3%	35.9%	32.3%	27.2%
12.0% or more	52.8%	26.1%	22.2%	22.0%	25.9%	13.9%
		Percentage-point change in share of assisted housing from 1997 to 2010			*Percentage-point change in: Public assistance*	*Rental units*
Tract unemployment rate						
Less than 4.0%	2.4	−7.1	−10.9	−4.2	−5.6	−11.7
4.0–6.5%	−3.1	−10.0	−7.7	−9.7	−6.0	−5.1
6.6–11.9%	0.6	6.1	8.6	3.5	6.2	11.3
12.0% or more	0.1	11.0	10.1	10.4	5.3	5.5

Percentage of the Population That Is Minority

The federal housing programs have taken very few steps to foster greater racial integration. The government's fair-housing effort relies largely upon the legal process that responds to discrimination, rather than affirmatively seeking integration. A number of court-ordered actions were taken to remedy racial segregation (Roisman & Botein, 1993). The Gautreaux program actively sought racial integration, but it was a quasi-experiment brought about by a court settlement in a single city. It has not been replicated on a larger scale. The Gautreaux program led to the larger MTO program, which pointedly avoided the use of racial concentration as a factor in guiding the location choice of participating households (Orr et al., 2003). If there is little to no active effort to facilitate racial integration, then the capacity of the federal rental assistance programs to further this goal is, at best, passive.

Public housing and the older project-based programs contribute to the spatial concentration of minorities. These units are heavily concentrated in tracts with 40% or more minorities, and these concentrations exceed the presence of rental units or welfare recipients. This was true both in 2000 and in 2009 (see Table 8). These older programs do little to promote racial integration. The LIHTC and HCV programs are less concentrated than the public housing program, but they are not outperforming the market. They are locating households into tracts with low minority concentrations less well than the market or even the presence of households on public assistance. The trend is negative. Over time, both the HCV and the LIHTC program are locating smaller shares of units in neighborhoods with low minority concentrations and larger shares in neighborhoods with high minority concentrations. This pattern is unlikely to facilitate racial and ethnic integration. We know little of the racial composition of the households served by the LIHTC program, but we do know the racial composition of the HCV households. The population in the HCV program is disproportionately comprised of minority households, and if this population is concentrating in neighborhoods that already have large concentrations of minorities, the problems worsen.

Rent Levels

Newman and Schnare (1997) found that public housing and the other HUD multifamily housing were concentrated in the tracts with the lowest rents. About three-quarters of all public housing and about half of HUD multifamily housing are in tracts with median gross rent in the lower categories. With largely stable portfolios, these units remain concentrated in lower-rent markets (see Table 9).

The two active programs, HCV and LIHTC, both trended away from this concentration. In 1997, 44% of LIHTC units were in lower-rent tracts. By 2010, this share had fallen to about 41%. The HCV program fell from 41% to 34%. By comparison, the lower-rent tracts contain about 32% of all rental units. The shifting spatial distribution of these programs means that they were moving into tracts with rents in the middle and upper ranges. However, about 22% of the households on public assistance are able to reside in the higher-cost tracts, which is higher than the 19% of LIHTC units but below the 25% of HCV households. Thus, the poor are able to make marginally greater entry into high-rent tracts than is either rental assistance program.

The movement of assisted housing to higher-rent tracts suggests that the two most active programs are trending away from low-rent areas. However, the trends have only reduced, not eliminated, the concentration found in the lower-rent tracts a decade ago. The LIHTC units and HCV households are distributed closer to the distribution of all rental units but still have not closed the gap.

Table 8. Distribution of units by category of tract percentage of population minority.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
	Share of assisted housing in 2010				*American Community Survey 2009*	
Tract minority rate, 2009						
Less than 10%	10.7%	12.4%	11.6%	12.3%	19.7%	16.9%
10–29%	17.4%	19.7%	21.3%	19.8%	24.0%	28.9%
30–39%	13.1%	16.1%	16.9%	15.8%	14.8%	18.8%
40% or more	58.8%	51.8%	50.1%	52.1%	41.5%	35.5%
	Share of assisted housing in 1997				*Census 2000*	
Tract minority rate, 2000						
Less than 10%	8.4%	18.6%	19.2%	19.8%	20.3%	21.5%
10–29%	13.0%	23.2%	24.6%	21.1%	21.1%	29.7%
30–39%	11.1%	14.8%	15.6%	14.6%	13.5%	17.0%
40% or more	67.5%	43.5%	40.7%	44.5%	45.2%	31.8%
	Percentage-point change in share of assisted housing from 1997 to 2010				*Percentage-point change in:*	
					Public assistance	*Rental units*
Tract minority rate						
Less than 10%	2.3	−6.2	−7.6	−7.5	−0.6	−4.6
10–29%	4.4	−3.5	−3.3	−1.3	2.9	−0.8
30–39%	2.0	1.3	1.3	1.2	1.3	1.8
40% or more	−8.7	8.3	9.4	7.6	−3.7	3.7

Table 9. Distribution of units by category of tract median gross rent.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
		Share of assisted housing in 2010			*American Community Survey 2009*	
Tract median gross rent, 2009						
Less than $410	18.8%	9.6%	3.6%	1.9%	3.6%	2.1%
$410–$685	53.1%	44.0%	37.1%	32.0%	37.1%	30.3%
$686–$960	20.2%	30.2%	40.5%	41.0%	37.2%	37.9%
$961–$1,230	5.4%	10.7%	13.2%	17.4%	14.6%	18.2%
$1,230 or more	2.5%	5.6%	5.5%	7.7%	7.5%	11.6%
		Share of assisted housing in 1997			*Census 2000*	
Tract median gross rent, 2000						
Less than $300	29.7%	7.4%	4.6%	2.2%	4.9%	2.3%
$300–$499	47.6%	47.9%	39.1%	39.6%	39.0%	29.2%
$500–$699	17.4%	33.1%	42.5%	39.5%	38.3%	39.2%
$700–$899	3.9%	8.1%	10.7%	14.3%	12.8%	19.5%
$900 or more	1.3%	3.4%	3.1%	4.4%	5.1%	9.7%
		Percentage-point change in share of assisted housing from 1997 to 2010			*Percentage-point change in:* *Public assistance*	*Rental units*
Tract median gross rent						
Lowest category	−10.9	2.2	−1.0	−0.3	−1.3	−0.2
Second category	5.5	−3.9	−2.0	−7.6	−1.9	1.1
Third category	2.8	−2.9	−2.0	1.5	−1.1	−1.3
Fourth category	1.5	2.6	2.5	3.1	1.8	−1.3
Highest category	1.2	2.2	2.4	3.3	2.4	1.9

Percentage of Housing Stock Assisted

Newman and Schnare (1997) recognized that concentrations of assisted housing can be a source of problems for a neighborhood. At the time of their study, two-thirds of all public housing units were located in tracts with 20% or more of the stock assisted. This figure fell to 52% by 2009. The HUD multifamily programs are not as heavily concentrated, but over 40% of their units are in tracts with 20% or more assisted housing. In this dimension, the LIHTC and HCV programs diverge. The LIHTC program behaves, as would be expected, like other project-based programs. When an LIHTC project is added to a neighborhood, it immediately becomes a significant share of the total rental stock in the neighborhood. In contrast, HCV households operate as individuals, entering neighborhoods one at a time and entering many more neighborhoods. This results in the LIHTC program being located in neighborhoods with higher concentrations of assisted housing, while the HCV program is less problematic. All of the project-based programs, including the LIHTC program, have over 80% of their units in tracts where the assisted units are 6% or more of the total stock. The HCV program locates a much smaller 61% of its units in tracts with 6% or more assisted.

The LIHTC and HCV programs showed some slippage over the decade studied. Both programs saw comparable movement away from the tracts with low levels of assisted housing, and increasing presence in tracts with high concentrations (see Table 10).

Conclusions

In the late 1990s, Newman and Schnare (1997) evaluated the relative performance of rental housing assistance programs in terms of neighborhood quality. They concluded that project-based assistance programs do little to improve the quality of recipients' neighborhoods relative to households on welfare. The voucher program appeared to reduce the probability that participating households will live in the most economically and socially distressed areas. In particular, Newman and Schnare concluded that public housing is disproportionately located in distressed neighborhoods and questioned the wisdom of future investments in public housing because so much of the stock is in nonviable neighborhoods.

Using recent data, we find that the federal government has made measurable progress in its efforts to improve the quality of the neighborhoods in which assisted households reside. It has done this by pursuing a two-pronged approach to assisted rental housing, with both a production approach and a voucher approach. In both cases, the programs rely upon privately owned housing. HCV households lease existing units in the private market, and the LIHTC program subsidizes developers to produce privately owned units for occupancy by low- or moderate-income households. The federal government is moving away from any reliance upon publicly owned housing. It is attempting to restructure the portfolio of public housing through redevelopment of the most distressed projects as mixed-income developments. This restructuring process is permitting the stock of public housing to slowly contract over time.

With the change in emphasis away from public housing and toward the use of privately held housing, the research question remains the same: Does federal assisted rental housing policy translate into improved delivery on neighborhood quality? We find that vouchers and LIHTC units are disproportionately found in central cities and are underrepresented in the suburbs relative to the stock of rental housing. LIHTC units are distributed with a slightly smaller share in the central cities and a slightly greater share in the suburbs, compared with vouchers. The greater presence of tax-credit units in the suburbs corresponds to earlier research suggesting that LIHTC units are locating in less disadvantaged neighborhoods relative to other project-based developments (Freeman,

Table 10. Distribution of units by category of tract percentage of housing stock assisted.

	Public housing	U.S. Department of Housing and Urban Development multifamily housing	Low-Income Housing Tax Credit	Housing Choice Voucher	Households on public assistance	All rental units
		Share of assisted housing in 2010			*American Community Survey 2009*	
Tract assisted housing, 2009						
Less than 2%	2.7%	4.9%	5.0%	15.4%	33.6%	39.3%
2–3%	4.5%	5.2%	7.0%	13.0%	13.5%	13.9%
4–5%	5.5%	7.1%	7.7%	10.9%	9.9%	9.9%
6–20%	35.0%	40.0%	43.6%	42.2%	30.1%	27.5%
21% or more	52.3%	42.8%	36.7%	18.5%	12.9%	9.4%
		Share of assisted housing in 1997			*Census 2000*	
Tract assisted housing, 2000						
Less than 2%	0.5%	1.3%	9.0%	19.5%	49.3%	55.9%
2–3%	1.9%	5.4%	11.3%	16.7%	12.1%	11.5%
4–5%	3.4%	8.2%	11.1%	13.5%	8.0%	7.7%
6–20%	28.8%	47.1%	43.1%	39.1%	21.2%	18.7%
21% or more	65.4%	37.9%	25.4%	11.3%	9.5%	6.2%
		Percentage-point change in share of assisted housing from 1997 to 2010			*Percentage-point change in:*	
					Public assistance	*Rental units*
Tract assisted housing						
Less than 2%	2.2	3.6	−4.0	−4.1	−15.7	−16.6
2–3%	2.6	−0.2	−4.3	−3.7	1.4	2.4
4–5%	2.1	−1.1	−3.4	−2.6	1.9	2.2
6–20%	6.2	−7.1	0.5	3.1	8.9	8.8
21% or more	−13.1	4.9	11.3	7.2	3.4	3.2

2004). The performance of the LIHTC program relative to vouchers corresponds to earlier research indicating that tax-credit units are entering into low-poverty suburbs at a pace equal to or better than the tenant-based HCV program (McClure, 2006).

As Newman and Schnare (1997) indicated, there are multiple dimensions to any assessment of neighborhood quality. In terms of the median income of households in a neighborhood, the LIHTC and HCV programs both perform better than the older project-based programs, locating greater shares of units into upper-income tracts. However, neither the LIHTC program nor the HCV program exceeds the proportion of the rental stock found in these tracts. In terms of poverty in the neighborhood, we find that the HCV program is not living up to expectations. HCV households do not use the mobility provided by the program to enter into low-poverty tracts in the same proportion as the provision of rental housing or even the presence of welfare households. The LIHTC program actually entered low-poverty areas slightly better than the voucher program but did not equal the proportion of welfare households found there. Both programs are making some entry into low-poverty areas, but neither is outperforming the market. In terms of unemployment, minority population, rent levels, and the presence of assisted housing, the pattern continues: The LIHTC and HCV programs performed better than the older programs in locating households in higher-opportunity neighborhoods, but neither program meets the market standard defined by the presence of rental units.

The overall shift from public housing to vouchers and tax credits is resulting in improvements in the quality of the neighborhoods where the housing is located. Unfortunately, much work needs to be done. By nearly all measures, the programs are not meeting expectations. The programs are not locating units in high-opportunity neighborhoods in proportion to the incidence of rental units or of welfare-recipient households. The trends in these measures over time are not uniformly positive. In particular, the programs' location patterns are trending away from, rather than toward, greater racial integration.

Somewhat surprisingly, the voucher approach has not shown itself to be the better program approach with respect to delivering neighborhood quality for its participating households. The project-based LIHTC and the tenant-based HCV approach perform very similarly. The LIHTC program is making entry into high-opportunity neighborhoods, especially in the suburbs. This means that either the barriers to affordable housing are coming down, or the developers are finding ways to overcome the barriers. The comparable success of these dual approaches in delivering rental-housing assistance suggests that both can and will work. Efforts are needed to exploit and improve upon the successes of these programs in delivering neighborhood quality. Future research should focus on how these successes can be expanded beyond demonstration programs and experiments. Instruction is needed on how the federal government's LIHTC and HCV programs can be redesigned to deliver higher neighborhood quality.

Notes on Contributors

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