

Impact

A regulatory impact analysis must accompany every economically significant federal rule or regulation. The Office of Policy Development and Research performs this analysis for all U.S. Department of Housing and Urban Development rules. An impact analysis is a forecast of the annual benefits and costs accruing to all parties, including the taxpayers, from a given regulation. Modeling these benefits and costs involves use of past research findings, application of economic principles, empirical investigation, and professional judgment.

The Proposed Affirmatively Furthering Fair Housing Regulatory Impact Analysis

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Summary of Analysis

The Fair Housing Act prohibits discrimination and directs the U.S. Department of Housing and Urban Development (HUD) to promote steps to overcome historic patterns of segregation, fair housing choice, and inclusive communities. The proposed Affirmatively Furthering Fair Housing (AFFH) rule would help address the legacy of segregation and locational choice factors influenced by race, color, religion, sex, familial status, national origin, disability, and other protected classes, that typically do not rise to the level of discriminatory actions that violate other sections of the Fair Housing Act.

AFFH proposes a planning process to give HUD program participants more effective means to affirmatively further the purpose of the Fair Housing Act. AFFH requires steps to foster more inclusive communities and access to community assets for all people protected by the Fair Housing Act. HUD would provide states, local governments, public housing agencies (PHAs), and communities with local and regional data on patterns of (1) integration; (2) racially and ethnically concentrated

areas of poverty; (3) access to education, employment, low-poverty neighborhoods, transportation, environmental health, and so on; and (4) disproportionate housing needs of protected classes. From these data, grantees would assess the current state of fair housing in their community, identify the primary determinants of the issues revealed in the data, set forth priorities to address these issues, and document these activities in an Assessment of Fair Housing (AFH) report. The rule also proposes new HUD procedures to evaluate grantees' fulfillment of their obligation to affirmatively further fair housing.

The proposed rule may increase some program participants' compliance costs but reduce others as HUD assumes data provision duties. Implementing the proposed rule would require HUD staff to review and approve the AFH reports and assist program participants.

The proposed rule has several key benefits. First, it clarifies fair housing goals, which will help focus program participants' attention and decisionmaking. Second, HUD's provision of key data to identify fair housing issues, understand their drivers, and establish priorities will reduce the cost to local governments, increase analytical rigor, and encourage broad-based engagement. Third, the proposed rule creates more explicit linkages between this process and subsequent planning activities, thereby increasing program participants' attention to fair housing issues as they plan and allocate resources. Fourth, the proposed rule does not prescribe, obligate, or enforce local government pursuit of specific fair housing policies. Taken together, these benefits can improve fair housing outcomes and the welfare of the protected classes.

The rule covers program participants subject to a diversity of local preferences and economic and social contexts. Therefore, significant uncertainty is associated with quantifying the outcomes of the proposed process to identify (1) barriers to fair housing, (2) program participants' decisions on which barriers to address, (3) the types of policies to address those barriers, and (3) those policies' effects on protected classes. The precise outcomes of the proposed AFFH planning process are uncertain, but the rule will enable each jurisdiction to plan meaningfully.

Need for the Rule

A Government Accountability Office analysis of 30 Analyses of Impediments (AIs) highlighted the most common impediments to fair housing choice: zoning and site selection, inadequate public services in low- and moderate-income areas, less favorable mortgage terms from private lenders, and lack of access to information about fair housing rights and responsibilities (GAO, 2010). The existence of these barriers is costly, and the proposed rule would improve the current planning process to overcome them.

Barriers That Prevent Mobility

Market and regulatory barriers hamper families in segregated neighborhoods, racially concentrated areas of poverty, and locations that limit access to community assets from trying to move to locations where these issues are less acute. Potential barriers in target areas to protected classes' entry include a lack of affordable housing, inability to use existing housing subsidies, a lack of awareness about housing options, and a lack of supports such as childcare.

In some instances, government policies and practices have not aggressively promoted integration, eliminating racially concentrated poverty, and reducing disparities in access to community assets. One historical example is the race-based restriction on Federal Housing Administration activities in the 1940s. A second and more contemporary example is evidence that HUD-assisted housing is often concentrated in segregated, high-poverty areas.

Housing discrimination is not the primary focus of this rule, but it could limit housing choice and perpetuate the existence of segregation, racially concentrated poverty, and disparities in access to community assets. Restricted choice during the search process leads minorities to achieve less than the optimal housing outcome,¹ likely causing them to pay more for similar quality housing.² The premium could manifest in the rent, purchase price, or mortgage loan terms.³ The indirect implication of that premium is that a member of a protected class will not have equal access to the same locations as others. Thus, any public policy that responds to discrimination and its historical legacy could create significant social benefits in housing consumption and the choice of neighborhood.

The academic literature identifies additional costs to restricted housing choice, including reduced employment, education, and homeownership opportunities and reduced benefits from living in a safer and healthier environment. For example, Card and Rothstein (2007) studied educational outcomes and, controlling for student background, found that residential segregation during high school is associated with lower African-American test scores relative to Whites. Other evidence suggests that fair housing policy improves an entire metropolitan area's economic welfare. Cutler and Glaeser (1997) analyzed the metropolitanwide impacts of segregation and found that a 1-standard-deviation decrease in segregation explains one-third of the African-American-to-White difference in measured outcomes (schooling, earnings, and single parenthood).⁴ The authors concluded that housing policy that reduces spatial segregation could be as effective as education, labor, or social policies in achieving equal outcomes.⁵ We know that segregation exists, is often involuntary, and has malicious impacts that local policy can help ameliorate.

Barriers That Prevent a Broader Appeal

Barriers that inhibit community improvements are as costly as barriers that prevent people from settling in their preferred community. More families are drawn to neighborhoods with particular

¹ The most recent (2012) Housing Discrimination Study, based on 8,200 paired tests, found that housing discrimination exists but has decreased significantly in most forms since the first study, in 1977. Hanson and Hawley (2011), using matched-pair audits of discrimination in the U.S. rental market, found that discrimination against African Americans increases as neighborhoods reach a "tipping point" (from 5 to 20 percent minority share).

² Myers (2004) found a positive and statistically significant relationship between race and the value of owner-occupied housing. The finding is powerful because the researcher carefully controlled for structure and neighborhood characteristics. The same study, however, did not find that minorities pay a premium in the rental market, which Myers attributed to either the absence of discrimination in the rental market or the use of rental subsidies.

³ Woodward (2008) provided evidence that African Americans pay \$415 more and Hispanics pay \$365 more (after accounting for borrowers' differences, such as credit score and loan amount) for their mortgage loans than Whites do.

⁴ The authors' theoretical analysis was ambiguous concerning the net impact of segregation. The statistical analysis is statistically rigorous and controls for endogeneity of location choice by individual households. Durlauf (2004) pointed out, however, that underlying discrimination may be the root cause of both spatial segregation and worse outcomes.

⁵ Ananat (2011) controlled for omitted variable bias and confirmed Cutler and Glaeser's result: segregation is correlated with more African-American poverty and less White poverty.

assets, and the lack of these assets can limit the number of families who will consider living in a particular place. These assets include good schools, safe streets, access to good jobs, a good health infrastructure, available services such as childcare, parks and open space, diverse and healthy food choices, and a range of transportation options (including accommodations for disabilities). In each case, the absence or reduction of the asset hinders effective transformation of segregated neighborhoods.

As an alternative, increasing a neighborhood's appeal to families with different income and ethnic profiles can encourage a more diversified population and reduce isolation, thus advancing fair housing goals. A key challenge in transforming neighborhoods and promoting integrated communities is preserving their affordability and highlighting their appeal without radically changing their character. Transformation, particularly of lower income neighborhoods, can induce gentrification, which can help advance fair housing goals and integration, but it can also change the ethnic mix to the extent that the minorities who originally populated the neighborhood are no longer present. Such tipping is not a desired outcome of fair housing, because displacement can negate any progress.

Potential To Improve Existing Process

The traditional means of fair housing planning are not as effective as they could be. In the past, HUD did not require review of grantees' assessments, failed to specify or provide grantees relevant information, and did not clearly link grantees' assessments to community planning efforts, such as the consolidated plan and the PHA Plan. Recipients of HUD grants would benefit from tools to understand patterns of segregation, disparities in access to community assets, and protected classes' disproportionate housing needs to help them better develop strategies and actions to address these fair housing concerns.

GAO (2010: 32) affirmed the need to revise the current planning process to "better ensure that grantees' AIs serve as an effective tool for grantees to identify and address impediments to fair housing." The report recommended establishing rigorous standards for submission, checking, and verification of AIs, and it recommended measuring grantees' progress in addressing fair housing impediments.

Economic Impact of the Rule: Execution of the Process

The rule's impacts on program participants are associated with executing the envisioned planning process. HUD does not expect compliance cost to change much as a result of the rule. Some elements of the rule would increase compliance costs, and others would decrease them.

Costs to Program Participants

The new regulation envisions a process incorporated into the Consolidated Plan and the PHA planning process, building on what is already familiar to HUD's program participants, thus reducing burden and integrating disparate processes. HUD anticipates only marginal impact of this rule on document preparation time. States, local governments, and PHAs are already required to prepare written AFFH plans, undertake activities to overcome barriers to fair housing choice, and maintain records of the activities and their impact. The principal differences in the proposed rule are (1) program participants

would submit the plan to HUD for review and feedback, (2) the contents of the plan would be more precisely defined, (3) HUD would provide data for further analysis, and (4) a community participation process would be more precisely defined. States, local governments, and PHAs would not have to establish wholly new procedures, and because HUD will provide uniform data and clear expectations about AFFH requirements, the burden of developing the data for, and implementing, AFH as the successor to AI should decrease.

We expect new costs from extending community participation and consultation, for example, but also reduced costs from HUD providing data and the guidance tool. Additional costs may result as program participants become familiar with the proposed web-based data interface. The net change in burden for specific local entities would depend on the extent to which comply with the existing planning process. The local entities diligent in completing rigorous AIs will likely experience a net decrease in administrative burden under the revised process. The demands of the new process may, however, increase the administrative burden for those entities that do not conduct regular and careful AIs.

Examining the current costs of completing an AI provides insight as to the potential scale of cost changes under the proposed rule. An informal HUD survey of its program participants on the costs of performing an AI found that most respondents paid consultants to prepare the AI. The average total expenditure across the identified governments is \$40,000 (in 2011 dollars). The program has approximately 4,200 participants (1,100 entitlement jurisdictions and 3,100 PHAs). An AFH is required once every 5 years. On average, 840 program participants produce an AFH each year (4,200/5). Assuming a 10-percent cost increase, the aggregate annual compliance cost would be approximately \$3.4 million (10 percent x \$40,000 x 840).

Costs to the Federal Government

The regulation would additionally burden HUD staff, who would review and approve the AFH, help program participants identify and analyze drivers of fair housing choice disparity, and help develop strategies to overcome such disparity. Increased upfront review activity would likely comprise much of the additional effort on the part of HUD staff but, HUD believes, be balanced by reduced back-end review, compliance, and enforcement costs. A single case, such as Westchester County, can occupy significant staff time, let alone court resources.⁶ If net effort does increase at the federal level, however, much of it can be viewed as a transfer from the staffs of states, local governments, and PHAs.

Economic Impact of the Rule: Potential Community Benefits

Any changed decisions induced by the broader information set under the AFFH represent the community impact. The goal of the proposed rule is to improve fair housing outcomes and thus the welfare of protected classes through better information, clearer AFH formulation standards, and improved accountability. How a jurisdiction would use the information, what decisions it would reach, and how those decisions would affect the protected classes are difficult to predict,

⁶ For a recent review of the Westchester case, see Applebome (2012).

however. Although the proposed rule is intended to ensure that program participants, when allocating resources and making policy decisions, fully consider the challenges the protected classes face, the proposed rule does not mandate any policy decision or offer incentives to pursue fair housing policy. Given competing priorities and resource constraints, additional information might not change decisions in some instances. The AFFH process is only one factor that determines what actions are pursued and what impacts are ultimately achieved. At every step in this process, the magnitude and types of the proposal's effects are uncertain. The additional information might, however, cause decisionmakers to pursue different policies and actions.

Uncertainty in Jurisdictional Preferences

The effect of the rule on a jurisdiction's policy would depend first on whether the jurisdiction is favorably predisposed to fair housing policy and the character of the local bureaucracy, which raises the question of how such local preferences and structures are established.⁷ Many households' wealth consists largely of the asset value of a home, of which the quality of public services and taxes determine a portion. Because the median voter in many jurisdictions is a homeowner, issues related to house values and property taxes have prominence (Fischel, 2005). Homeowners might respond to new development according to its effect on their tax rates. Similarly, regulatory barriers increase housing prices by reducing housing supply.⁸ Homeowners might be inclined to pursue "fiscal zoning" policies, such as regulations on new construction, that exclude households. Inclusive policies may face resistance from established homeowners; Boustan (2012) found that court-ordered desegregation of public schools led to a 6-percent decline of housing prices relative to neighboring suburbs. If the median voter is a homeowner, and if that homeowner places greater attachment to house values than to fair housing, residents would collectively vote against a government that aggressively pursued desegregation, even if many homeowners believed that desegregation was a just policy.

Public opinion polls indicate that many factors drive resident and, by extension, jurisdictional preferences, including land values, property taxes, and religious, environmental, social justice, libertarian, international, and economic considerations. Such tensions and tradeoffs are not uncommon, and outcomes will vary across communities according to the specific way these considerations interact. Predicting how these factors interact to produce jurisdictional preferences is fraught with uncertainty.

Uncertainty in Prioritization

Whether the information that emerges from the AFFH will change a jurisdiction's priorities is also uncertain. For example, several jurisdictions (for example, Austin, Texas; Berkeley, California; Cambridge, Massachusetts; Minneapolis, Minnesota; and Montgomery County and Takoma Park, Maryland) have aggressively pursued policies to advance civil rights and fair housing objectives. In such places, HUD's information might not be new and the program may have relatively little effect on goal setting or policies pursued.

⁷ The Regulatory Impact Analysis of the proposed rule summarizes Wildasin's (1987) review of the public choice literature.

⁸ For a review of the inflationary impact of regulations on property prices, see Pollakowski and Wachter (1990) and Quigley and Rosenthal (2005).

As an alternative, where the information is new, several possibilities remain. The new information might confirm a widely held belief in a locality, in which case the resultant goals might not differ. The new information could, however, highlight relationships that were previously not well understood. In even this case, the new relationships could be deemed minor relative to previously existing priorities, in which case no change in goals or strategizing would be expected.

The new information might also shed light on an issue that had not previously been emphasized but that the AFH process makes clear is important. This process could highlight additional goals or supplant some goals with new ones that could be of either primary or secondary significance from a strategic perspective.

Uncertainty in Policy Decisions

Even if we knew that the proposed rule would change local priorities, the exact policy choices that jurisdiction will make remain difficult to predict. The current Fair Housing Planning Guide (HUD FHEO, 1996) offers hundreds of pages detailing policies and practices to advance fair housing objectives. Many policy options address each particular concern. Consider integration. One approach might confront the forces that cause segregation, such as housing discrimination, lending discrimination, predatory lending, insurance redlining, weak enforcement of antidiscrimination laws, regulatory barriers, and “NIMBYism.”⁹ Other approaches involve improving access to neighborhoods or public services through housing mobility programs, housing counseling, inclusionary zoning (IZ), siting public and assisted housing, a more equitable distribution of public services, and accessible housing.

The proposed rule would not prescribe or enforce specific local policies but rather allow for a flexible approach appropriate to the need, housing market conditions, and available resources. A jurisdiction’s choice from among the various policy options will depend fundamentally on the local context and the prevailing circumstances when the issues are considered.

Moreover, a policy appropriate for one jurisdiction may be inappropriate for another, depending on the built environment, spatial distribution and characteristics of the population, prevalence of discriminatory practices, and prevailing local economic conditions. Thus, even for jurisdictions that face the same set of fair housing challenges, even assuming agreement on the set of policies to consider, determining the likelihood that a particular policy would be implemented is daunting, if not impossible.

HUD’s past experience with planning exercises demonstrates the inherent uncertainties. In 1990, the National Affordable Housing Act required state and local governments to prepare a Comprehensive Housing Affordability Strategy (CHAS) to receive selected federal housing assistance funds (for example, the Community Development Block Grant and the HOME program). The statute and HUD’s accompanying rule required identifying housing needs, setting priorities and strategies, and 5-year action plans. Hoben and Richardson (1992) found that the available data identified needs that did not always correspond with proposed actions. For example, only 40 percent of the

⁹ *NIMBYism* refers to actions by neighborhood residents to prevent new policies or programs from being sited in that neighborhood. NIMBY stands for “not in my backyard.”

jurisdictions examined found a need to assist first-time homebuyers, but 70 percent selected first-time homebuyers for priority assistance. Thus, one source of uncertainty is that identified needs may not map to adopted priorities.

A jurisdiction's conclusions are also inherently subjective. The primary author, whether a local city planner, an economic consultant, or a fair housing advocate, may interpret the same data differently.

Uncertainty in Welfare Outcomes

A further degree of uncertainty, best illustrated via an example, involves potential impacts of whichever policy a jurisdiction selects. Consider IZ, a policy under which developers of certain types of properties are required to allocate a proportion of their development activity to "affordable" housing, often in return for zoning waivers and other development incentives. Studies of IZ make clear that its impact and effectiveness are uncertain; the policy might not result in new affordable units, particularly in the longer term, depending on market conditions and local circumstances (McFarlane, 2009; Schuetz, Meltzer, and Been, 2007). Adding affordable units does not guarantee that fair housing goals will advance. Indeed, these affordable units will be available to any eligible resident, so families whose presence would not further fair housing goals, such as reducing segregation, could occupy many new affordable IZ units.

The impact ultimately depends on the complex interaction of judgments and decisions by the jurisdiction, other jurisdictions, private and nonprofit actors, and families in protected classes and not. In the preceding example, the jurisdiction could enhance the likelihood that the new IZ units helped advance fair housing goals by also introducing other policies, such as affirmative marketing. These interactions would differ in every jurisdiction, making impact predictions for a single policy choice difficult, especially given the many policies that a jurisdiction could pursue.

Demonstration of Potential Effects

The uncertainty makes predicting the proposed rule's influence on local planning policy; the subsequent change in the spatial distribution of housing, people, and businesses; and the resulting economic effects extremely difficult. These realities suggest considering examples of potential impacts if the information from the proposed process leads jurisdictions to make different decisions and actions than under the current process. Four categories of actions emerge: (1) modifying local regulations and codes, (2) constructing new developments, (3) creating new assets, and (4) moving people.¹⁰

Modifying Local Regulations and Codes

Local regulations and codes can be an important lever for advancing fair housing objectives. In thinking about how the information from the proposed AFH might change local program participants' decisions and actions, consider people with disabilities. In the proposed process, HUD will

¹⁰ The Regulatory Impact Analysis provides examples of how the new information from the proposed process might impact decisions and actions to provide a flavor of the potential mechanisms at play and allow for some assessment of the types of potential impacts.

provide program participants with more systematic information on the geographic distribution of disabled populations. Suppose that a jurisdiction's dissimilarity index for people with disabilities suggests relative segregation, and a review of HUD maps reveals that disabled people are concentrated in a few neighborhoods. This information could increase local decisionmakers' awareness of challenges that disabled populations face. Additional research could indicate that a lack of accessible housing in particular neighborhoods contributes to the observed segregation of disabled populations. Given such information, the jurisdiction might change the building code to maximize accessibility, perhaps by requiring that a fixed percentage of first-floor units adhere to Interstate Commerce Commission/American National Standards Institute guidelines. As an alternative, the jurisdiction could change the zoning code to provide density bonuses for proposed projects in neighborhoods where people with disabilities have limited representation if the project includes more Americans with Disabilities Act-compliant units than some threshold.

Both of these actions would be expected to make more units attractive to people with disabilities, presumably increasing applications from households including people with disabilities. Were these applications successful, more people with disabilities would live in neighborhoods where they were previously underrepresented.

Although the new units would clearly benefit the disabled households that occupied them, the new codes and regulations would have other potential impacts. Such regulations generally impact market outcomes and raise prices (Glaeser and Gyourko, 2002; Pollakowski and Wachter, 1990; Quigley and Raphael, 2005). In the context of the preceding example, people with disabilities might even pay more in the new neighborhoods that are regulated to their benefit. Many observers argue that reducing regulation is the best way to encourage the construction of affordable housing (Glaeser and Gyourko, 2002). On balance, local governments must weigh how regulations impact the cost and quantity of housing supplied when deciding how to modify local regulations and codes. Costs, benefits, and significant transfers are involved. An AFH would identify barriers to access that arise from zoning policy.

Constructing New Developments

Neighborhoods may lack housing affordable to many people in protected classes, or the existing housing might not accommodate the needs of households in protected classes. For example, Hispanic families are on average larger than other American families and so need units with more bedrooms. If the existing housing stock does not include many units with more bedrooms, then Hispanic families have fewer choices of where to live, and some neighborhoods are effectively out of reach. As a consequence, policies and actions associated with building housing are of particular interest where fair housing is concerned.

In considering the role that the new information from the proposed process might play in this context, we turn again to IZ. Many IZ programs are voluntary or allow for significant exemptions, and most offer developer incentives to compensate for the anticipated revenue reduction. A common incentive, the density bonus, enables developers to build beyond the applicable density ceiling.

Under the proposed rule, as program participants assess fair housing and use the HUD data, suppose the education data indicate that the average Hispanic household lives in neighborhoods

served by schools where test scores are significantly lower than at schools serving the neighborhoods where the average White household lives. Suppose that further analysis shows that this disparity is because of a lack of affordable housing in the neighborhoods with better schools. The current process, which gives program participants less guidance through a fair housing assessment, might not uncover this conclusion. In the face of this new information, local policymakers might opt to establish development zones covering neighborhoods in which IZ rules apply to increase the availability of affordable units in the targeted areas.

The mere existence of additional affordable units does advance fair housing goals, because these units will be available to any eligible resident. Continuing with the preceding example, non-Hispanic families could occupy many of the affordable IZ units produced. Other policies, such as affirmative marketing, could mitigate this impact to some extent, but the point remains the same. Identifying the ultimate change in outcomes is difficult because of the many determining factors involved. One potential cost of IZ to a community would be the reduced supply of market-rate housing and corresponding increase in average housing costs. The benefits would consist primarily of transfers to the residents of IZ housing.

Creating New Assets

The quality of public services varies dramatically among residential neighborhoods. Access to neighborhood assets that enhance low-income households' quality of life and opportunities are important elements in the welfare of protected classes. Improved street lighting and access to a dense transportation network are two examples of neighborhood assets provided by a local government. Under the proposed rule, the AFH might suggest that a particular fair housing issue has been driven by the absence of these public goods.

For example, African Americans' lower employment index values might suggest that they lack access to important job centers. Further analysis might suggest that the lack of effective transit is an important determinant of the observed disparities. Policymakers could consider several different approaches. They could work with transit officials to adjust bus routes so more stops were closer to concentrations of African Americans. As an alternative, they could introduce a new express bus rapid transit line linking targeted neighborhoods with job centers throughout the region.

Regarding general economic impacts, increasing local of assets will lead to increasing demand for housing in that area and a resulting increase in housing prices. Thus, to improve the lives of low-income households, many of whom are renters, the rent increase must not erode the benefit from a better quality of life. Otherwise, housing market pressures may displace tenants from their current residences.¹¹ It is important to choose assets for which low-income households will benefit relative to high-income households.¹² Glaeser, Kahn, and Rappaport (2008) showed that low-income

¹¹ Recent empirical literature on gentrification made the opposite conclusion: that low-income and minority residents do not leave gentrifying neighborhoods more than they do nongentrifying neighborhoods. In fact, high school-educated African Americans' probability of remaining increases in gentrifying neighborhoods (Kiviat, 2008).

¹² One measure of the income elasticity of demand for public transportation in the United States is -0.62 (Holmgren, 2007), which suggests an inferior good.

households live in central cities to take advantage of dense transportation networks, so extending rail lines would be a progressive strategy. Baum-Snow and Kahn (2005) found that the primary beneficiaries of expanding railway lines are former bus riders.

The net effect on low-income households can be known only after considering the impact on the housing market. Bowes and Ihlanfeldt (2001) emphasized three real estate effects of siting transit: (1) a direct hedonic effect, (2) the value of increased commerce, and (3) more crime. The researchers found that the direct effect dominates and that increased commerce generally trumps the increased crime effect. The sum and mix of effects vary with neighborhood characteristics such as income and distance to the central business district (CBD). A price decline is estimated in all low-income neighborhoods except those within 1/4 mile of a transit stop but between 7 and 10 miles distant from the CBD. From this very detailed study, siting a railway station appears unlikely to drive low-income households from their homes.

Moving People

A fundamental motivation for mobility policy is to provide access to education, job centers, and social contacts that would improve income opportunities for members of protected classes.¹³ A key economic argument for mobility policy is that, for a household to maximize its welfare, discrimination or regulatory barriers should not constrain its choice.

Scattered-site development, mixed-income development, and mobility policy that combines vouchers with special efforts to redirect households are some ways to desegregate assisted housing. Goetz (2003) described three approaches to mobility policy: (1) require tenants to move to deconcentrated neighborhoods,¹⁴ (2) through mobility counseling, encourage households to choose neighborhoods they would not have otherwise, and (3) actively recruit landlords in areas not traditionally receptive to voucher tenants. Mobility policy is not the sole domain of the federal government, and a PHA can create its own mobility program or partner with a nonprofits, city government, or even another PHA to provide greater options to voucher households.

For example, HUD might provide program participants data that indicate disparities in access to community assets that, on further analysis, appear more acute for public housing residents, many of whom are racial and ethnic minorities. Using this information, program participants could choose to reduce access disparities by providing affordable units in communities throughout the region. A PHA might respond by expanding its services to tenants seeking available voucher units by providing listings of units and emphasizing options in neighborhoods where successful leasing would reduce the observed disparities in access to community assets.

As with the other examples, the ultimate impact of the proposed policy is difficult to assess. Voucher holders have full discretion in the units they pursue, and the PHA's policy in this example may

¹³ Evidence on the impact of neighborhood on a household is of direct relevance to mobility policy, but the diversity of dependent variables studied, econometric methods used, and theoretical approaches unfortunately makes it difficult to draw definitive conclusions except that neighborhood effects exist (Durlauf, 2004).

¹⁴ As Goetz (2003) noted, requiring deconcentration is likely to dampen a household's enthusiasm concerning their new destination.

or may not influence the voucher holder to seek out units in target neighborhoods.¹⁵ By enabling low-income families to move from high- to low-poverty neighborhoods, vouchers potentially reduce segregation and provide protected households the benefits associated with high-income neighborhoods.¹⁶ The housing subsidy and the opportunity cost of forgoing benefits from living in racially or ethnically concentrated areas are additional costs.¹⁷

Conclusion

The AFFH regulation would improve the process for carrying out a statutory mandate, potentially improving the lives of protected classes who face barriers to fair housing choice. The best outcome of the rule would be for each jurisdiction to have the capacity and a well-considered strategy to affirmatively further fair housing. The proposed rule does not prescribe, compel, or enforce concrete actions by local governments, however. The rule instead encourages a more engaged and data-driven approach to assessing the state of fair housing and planning actions.

Our estimates suggest the proposed rule would generate relatively limited additional paperwork and planning costs. Program participants already are required to engage in outreach and collect data, and AFFH would reduce data burdens. Any potential additional outreach costs are expected to be relatively minor, so compliance costs of the proposed rule and the current regime appear comparable.

Regarding community impacts, this analysis highlights the tremendous uncertainty regarding how the new AFH-generated information would translate into different actions by program participants, which suggests little probability that any particular outcome occurs. Moreover, the analysis identifies significant uncertainty about how much specific actions would advance fair housing goals, which is not to discourage pursuit of such policies and actions but to acknowledge policy limits.

Actions taken by program participants as a result of this rule may represent new local approaches to reducing segregation, eliminating racially concentrated areas of poverty, and reducing disparities in access to community assets. HUD believes some of these new approaches would better achieve the goals of fair housing, meaning that communities would be more integrated, fewer people would live in high-poverty, segregated neighborhoods, and access to high-quality education, job opportunities, and other community assets would be more equal.

¹⁵ Cunningham and Sawyer (2005) found that voucher holders enrolled in the mobility program moved to “opportunity neighborhoods” only slightly more often than unenrolled voucher holders.

¹⁶ Two sources provide empirical evidence on the impacts of mobility programs. Rosenbaum (1995), who analyzed data on public housing residents, showed that families in the Chicago suburbs experienced better outcomes than those in the city, particularly children’s educational outcomes. HUD (2011) found that whether an outcome measure improves appears to depend on the outcome measure (mental health improved, for example) and the type of individual.

¹⁷ Johnson, Ladd, and Ludwig (2002) found that the estimated benefits of mobility programs (approximately \$20,000) outweigh actual counseling costs (\$3,000) and the likely inefficiencies of providing in-kind housing subsidies (\$500 per year).

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