Small Area Fair Market Rents, Race, and Neighborhood Opportunity

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Abstract

This article assesses the potential of Small Area Fair Market Rents (SAFMRs) to help Housing Choice Voucher (HCV) recipients, especially Black and Hispanic recipients, secure housing in high-opportunity neighborhoods. Examining large metropolitan areas, it is estimated that increasing the availability of rental housing in high-opportunity neighborhoods may not work well, especially when HCV recipients are Black or Hispanic. Racial segregation and discrimination may still discourage Black and Hispanic voucher holders from moving into high-opportunity neighborhoods when these neighborhoods are predominantly White. Moreover, widespread implementation of SAFMRs could make it more difficult for minority voucher holders to find eligible units because the maximum qualifying rents would be reduced in many neighborhoods with large concentrations of minority voucher holders. For the SAFMR program to succeed, supporting transportation and housing counseling services will be needed in addition to extensive landlord outreach.

Introduction

Although Housing Choice Vouchers (HCV) are used in the vast majority of neighborhoods in the United States—80 percent of all Census tracts with rental housing as of 2017—most voucher holders tend to live in areas with relatively high levels of poverty, and many live in racially segregated neighborhoods (Schwartz, McClure, and Taghavi, 2016). The federal government established Small Area Fair Market Rents (SAFMRs) as a way to reduce the concentration of HCV holders in poor neighborhoods and help them access higher-income neighborhoods with good schools, employment opportunities, low crime, and recreational amenities. SAFMRs are based on the premise that neighborhoods with higher rents offer more opportunity for low-income households than those with lower rents.

The maximum rental subsidy that HCV recipients receive is keyed to the Fair Market Rent (FMR) of their metropolitan area or the county in a non-metropolitan area. The U.S. Department of Housing and Urban Development (HUD) currently defines the FMR as the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in the local housing market.[1] Public Housing Authorities establish a Payment Standard that can range from 90 to 110 percent of the FMR to set the maximum allowable rent that can be covered by the HCV program—tenants may pay rents in excess of this standard provided that they spend no more than 40 percent of their income on rent.

With a single FMR set for an entire metropolitan area, neighborhoods with lower rents are more likely to have substantially more housing that qualifies for the HCV program than would neighborhoods with higher rents. With SAFMRs, each ZIP Code area is assigned its own FMR (HUD provides a table listing SAFMRs for each metropolitan ZIP Code area in the United States and its territories). These SAFMRs are calculated in a manner similar to the calculation of FMRs, except that the unit of analysis is a ZIP Code area rather than a metropolitan area or county. SAFMRs in the more expensive ZIP Code areas of a metropolitan area may be set above the metro-wide FMR, and SAFMRs in the least expensive ZIP Code areas may be set lower. When the SAFMR exceeds the metro-wide FMR, the availability of rental housing eligible for the HCV program would increase, as units with rents above the metro-wide FMR, but at or below the SAFMR would now be accessible. On the other hand, if the SAFMR falls below the metro-wide FMR, units that cost less than the metro-wide FMR but more than the SAFMR would no longer be eligible for the HCV program—unless the owner of these units lowered their rents to the new SAFMR.

SAFMRs were first implemented in the Dallas, TX, metropolitan area in 2011 as part of the settlement of a fair housing lawsuit initiated by the Inclusive Housing Project (*Inclusive Communities Project, Inc. v. HUD, 2009*)[2]. The settlement required all PHAs in the Dallas metropolitan area to institute SAFMRs. In 2012, HUD launched a demonstration program to test the effect of the SAFMR on the HCV program, including its efficacy in helping voucher recipients access higher opportunity neighborhoods. The demonstration involved two PHAs in the Dallas metropolitan area that had already adopted SAFMRs and five additional PHAs (Dastrup et al, 2018; Reina, Acolin, and Bostic, 2018). In 2016, at the end of the Obama Administration, HUD issued a final rule mandating that PHAs in 24 metropolitan areas adopt SAFMRs (HUD, 2016). In 2017 under the Trump Administration, however, HUD decided to delay the implementation of this rule until at least 2020 (Matthew, 2017; NYU Furman Center, 2018). This decision was subsequently suspended by a court order, effectively requiring the implementation of SAFMRs in the 24 metropolitan areas to begin in 2018.

The purpose of this article is to assess the potential of SAFMRs to help HCV recipients, especially Black and Hispanic recipients, secure housing in "opportunity" neighborhoods, neighborhoods with low levels of poverty, high-performing schools, and other desirable characteristics. Our hypothesis is that increasing the availability of rental housing in high-opportunity neighborhoods

[1] Until recently, HUD set the FMR at the 50th percentile in 17 high-cost metropolitan areas; those areas will now use SAFMRs.

[2] Inclusive Communities Project, Inc. v. HUD, 12–11211, 13–10306, (U.S. District Court of Northern District Texas Dallas Division, 2009).

may not be sufficient by itself in increasing the utilization of HCVs in these neighborhoods, especially when HCV recipients are Black or Hispanic. Racial segregation and discrimination may still discourage African-American and Hispanic voucher holders from moving into high-opportunity neighborhoods when these neighborhoods are predominantly White. Moreover, widespread implementation of SAFMRs could make it more difficult for minority voucher holders to find eligible units because the maximum qualifying rents would be reduced in many neighborhoods with large concentrations of minority voucher holders. In this article we estimate how SAFMR would affect the availability of HCV-eligible units in ZIP Codes with varying levels of opportunity and with varying racial and ethnic characteristics.

The article is motivated in part by the outcomes of the SAFMR Demonstration program (Demonstration). Both the final evaluation of the Demonstration (Dastrup et al., 2018) conducted for HUD and an independent study (Reina, Acolin, and Bostic, 2018) found that the implementation of SAFMRs yielded a small but significant effect on the likelihood that HCV recipients would reside in higher-opportunity neighborhoods. The final evaluation of the Demonstration found that 14 percent of HCV recipients in SAFMR PHAs resided in high-opportunity neighborhoods after the introduction of SAFMRs, compared with 9 percent before the SAFMRs; in a control group of PHAs similar to those with SAFMRs, 9 percent of HCV participants resided in higher-opportunity neighborhoods throughout the study period (Dastrup et al., 2018). Three of the seven SAFMR PHAs accounted for most of the increase in higher-opportunity residency; the other four PHAs experienced little change (Dastrup et al., 2018). Reina, Acolin, and Bostic (2018), using a different analytic approach including a somewhat different measure of opportunity, also found that some sites (most notably Dallas) saw significant increases among HCV recipients in high-opportunity ZIP Code areas, while others saw little if any increase. Neither study compared the effect of SAFMR on HCV recipients of different races and ethnicities, or the relationship between opportunity and the racial/ethnic composition of the ZIP Code areas.

This article builds on these studies of the Demonstration by estimating how the implementation of SAFMRs in the nation's largest metropolitan areas would affect the availability of rental housing in ZIP Codes with varying levels of "opportunity" and with varying racial and ethnic profiles. Whereas the Demonstration focused on PHAs in six metropolitan areas (including two in the Dallas area), we cover all metropolitan areas with populations of at least 1 million as of 2017—53 in total. These large metropolitan areas held 57 percent of all vouchers in 2017. The article also builds on NYU Furman Center's estimation of the impact effect of SAFMRs on the number of rental units affordable to voucher holders in the 24 metropolitan areas that the Obama Administration designated for SAFMRs (NYU Furman Center, 2018).

Like the HUD evaluation, we examine the extent to which SAFMR would affect the number of rental units that would be eligible (assuming payment standards are set at the SAFMR) for the HCV program in ZIP Code areas with varying levels of "opportunity." Opportunity, as with the HUD study, is defined in terms of poverty exposure, school performance (test scores), labor force involvement, and environmental health hazards.

Unlike the HUD evaluation, however, we also examine how the implementation of SAFMR would affect the number of voucher-eligible rental units in ZIP Code areas that are dominated

by a particular racial or ethnic group and that are "integrated." Given the persistence of racial segregation in the United States, we argue that the efficacy of the SAFMR program may depend on the race and ethnicity of the voucher holder.

Voucher holders, like most households tend to live either in neighborhoods that are populated mostly by people of their own race or ethnicity, or in integrated neighborhoods (Schwartz, McClure, and Taghavi, 2016). Given the high degree of racial segregation among voucher holders, it is important to understand the relationship between the racial/ethnic composition of ZIP Code areas and the distribution of "opportunity" across areas with different racial or ethnic characteristics. Segregation would be less important if predominantly White, predominantly Black, predominantly Hispanic, and integrated ZIP Code areas shared similar distributions of "opportunity"—that is, if similar proportions of each group were classified as high opportunity or low opportunity. But if ZIP Code areas dominated by certain racial groups are more likely than other ZIP Code areas to rank as high opportunity, then those ZIP Code areas are most likely to benefit from SAFMRs.

The persistence of racial segregation is particularly relevant for the HCV program since 72 percent of all voucher holders in the largest metropolitan areas are either Black (53 percent) or Hispanic (19 percent). Non-Hispanic Whites account for 24 percent of all voucher holders (see exhibit 1). Black and Hispanic voucher holders reside mostly in ZIP Code areas dominated by their own racial/ethnic group or in integrated areas, so it is particularly important to examine how opportunity levels vary across ZIP Code areas with different racial and ethnic compositions.

Exhibit 1

Households with Housing Choice Vouchers 2017 by Race, Ethnicity, Disability, and Age Located in Core-Based Statistical Areas with a Population Larger than 1 Million

	Household Race, Ethnicity, Age, and Disability Status	Households	Percent
Non-Elderly and Nondisabled	White Non-Hispanic	73,710	7
	Black Non-Hispanic	335,541	31
	Other Non-Hispanic	15,453	1
	Hispanic	94,114	9
	Total Non-Elderly Nondisabled	518,818	48
Elderly or Disabled	White Non-Hispanic	184,231	17
	Black Non-Hispanic	238,930	22
	Other Non-Hispanic	30,209	3
	Hispanic	107,629	10
	Total Elderly or Disabled	560,999	52
All Households	White Non-Hispanic	257,941	24
	Black Non-Hispanic	574,471	53
	Other Non-Hispanic	45,662	4
	Hispanic	201,743	19
	Total All Households	1,079,817	100

This article is organized as follows: The Methodology section summarizes the data sources and analytic approach. The Racial/Ethnic Composition section compares the ZIP Code areas in the nation's largest metro areas (with populations of 1 million or more) in terms of their racial/ethnic composition and their level of opportunity as indicated from the index developed for this study. The Change in HCV-Eligible Units by Category section presents estimates of the aggregate change in HCV-eligible rental units that would occur in ZIP Code areas in each opportunity category. This is followed by an examination of the Change in HCV-Eligible Units by Opportunity Level and Racial/Ethnic Category. The Gain and Loss of HCV-Eligible Units in Integrated ZIP Codes section examines the effect of SAFMRs in integrated ZIP Code areas. The article concludes with a summary of findings and a discussion of policy implications.

Methodology

This study focuses on the 53 metropolitan areas with populations of more than 1 million in 2017.

This analysis of the impact of SAFMRs on the availability of HCV-eligible housing in these metro areas is based on the following data sources:

HUD: Location and race and ethnicity of HCV recipients in 2017;
Metro-wide FMRs in 2017 by county;
SAFMRs in 2017;
Poverty exposure, public school performance, labor force engagement, and health hazards in 2017 by census tract. These indicators of neighborhood opportunity are taken from HUD's Affirmatively Further Fair Housing data and mapping tool. The tool provides publicly available data for fair housing analysis (HUD, 2017).

Census (American Community Survey):
Median rents by ZIP Code area in 2017;
Racial and ethnic composition of ZIP Code areas.

The analysis required all data to be tabulated to ZIP Code areas. While some data were available for ZIP Code areas, other data needed to be converted from census tracts. To do so we applied "cross-walks" provided by HUD. To estimate current FMRs at the ZIP Code levels, it was necessary to apply county-level FMRs to census tracts, and then allocate rental units from the tract to the ZIP Code level using another crosswalk provided by HUD.

Categorization of ZIP Code Areas by Race and Ethnicity

Each ZIP Code was classified into one of the following categories:

Non-Hispanic White (75 percent or more of total population)
Non-Hispanic Black (50 percent or more of total population)
Non-Hispanic Other (50 percent or more of total population)
Hispanic (50 percent or more of total population)
Integrated (all other ZIP Code areas).[3]

[3] Because most ZIP Code areas in the nation have a majority White population, we set the threshold for defining predominantly White areas at 75 percent to identify those areas with very-low levels of racial or ethnic integration.

Categorization of ZIP Code Areas by the Level of Opportunity

Following the approach taken in HUD's evaluation of the SAFMR Demonstration program, we constructed a composite index of opportunity based on poverty exposure, school quality, labor force involvement, and health hazards. Z-scores were generated for each ZIP Code area for each variable. The Z-scores were then summed. The approximately 9,000 ZIP Code areas in the large metropolitan areas were then divided into the following quintiles based on their summed Z scores:

Very high opportunity (top quintile)
High opportunity (2nd quintile)
Moderate opportunity (3rd quintile)
Low opportunity (4th quintile)
Very-low opportunity (bottom quintile)

To estimate the impact of SAFMRs in each ZIP Code area, we subtracted the number of HCV-eligible rental units that would be present with the current metro-wide FMR from the number that would exist if SAFMRs were in effect. The results of these calculations were then aggregated for each racial/ethnic category and for each opportunity category. In carrying out these projections we assumed that PHAs set their payment standard for the HCV program at 100 percent of the FMR/SAFMR.

Racial/Ethnic Composition and Opportunity Levels

Nearly one-half of the 8,763 ZIP Code areas in the largest metro areas are predominantly non-Hispanic White. Exhibit 2 shows that these ZIP Code areas, defined as having 75 percent or more of the population as non-Hispanic White, comprise 48 percent of all ZIP Code areas. Predominantly Black ZIP Code areas (50 percent or more non-Hispanic Black) account for 6 percent of the total, and predominantly Hispanic areas (50 percent or more) for 7 percent. ZIP Code areas in which Asian and other racial groups make up 50 percent or more of the population make up 1 percent of the total. Integrated areas, in which Whites constitute less than 75 percent of the population and all other racial or ethnic groups less than 50 percent, are the second most common category, accounting for 38 percent of the total (exhibit 2).

Exhibit 2

ZIP Code Areas in Core-Based Statistical Areas with Population Larger than 1 Million by Dominant Racial and Ethnic Population

		ZIP Code Areas	Percent
Predominant Racial or Ethnic Group in ZIP Code Area	White Non-Hispanic (75 Percent or More)	4,181	48
	Black Non-Hispanic (50 Percent or More)	537	6
	Other Non-Hispanic (50 Percent or More)	86	1
	Hispanic of Any Race (50 Percent or More)	598	7
	Integrated	3,361	38
	Total ZIP Code Areas	8,763	100

Exhibit 3 presents the distribution of HCV recipients of different races and ethnicities across ZIP Code areas with different racial/ethnic compositions. It shows that 33 percent of all White voucher holders live in predominantly White ZIP Code areas, and 55 percent live in integrated ones. More than 80 percent of all Black voucher recipients reside either in predominantly Black ZIP Code areas (34 percent) or in integrated areas (47 percent). The great majority of Hispanic voucher holders live either in predominantly Hispanic (48 percent) or in integrated (40 percent) ZIP Code areas. Very few Black or Hispanic voucher recipients reside in predominantly White ZIP Code areas (6 and 5 percent, respectively), and similarly few White voucher holders reside in predominantly Black or Hispanic areas. These patterns are nearly identical for voucher holders who are elderly or disabled and for voucher holders who are not.

Exhibit 3

Percent of Housing Choice Voucher Households by Race, Ethnicity, Disability, and Age Located in Core-Based Statistical Areas with a Population Larger than 1 Million by Dominant Racial and Ethnic Population in 2017

		Dominant Racial or Ethnic Group in ZIP Code Area (Percent)				Integrated	All Areas
		White Non-Hispanic	Black Non-Hispanic	Other Non-Hispanic	Hispanic		
Race and Household Type	White Non-Hispanic	**33**	3	1	8	**55**	100
	Black Non-Hispanic	6	**34**	0	13	**47**	100
	Other Non-Hispanic	6	6	**14**	19	**55**	100
	Hispanic of Any Race	5	6	**1**	**48**	**40**	100
	Total	12	20	1	19	48	100

Note: The significant numbers are bold.

Exhibit 4 cross-tabulates the ZIP Code areas by opportunity category and dominant racial/ethnic group. It shows that while more than 60 percent of all White areas rank in the top two opportunity categories, the same is true for only 3 percent of all Black and Hispanic ZIP Code areas. Conversely, whereas only 5 percent of all White tracts are in the lowest opportunity category, they are joined by 77 percent of all Black areas and 75 percent of all Hispanic areas. Integrated ZIP Code areas, on the other hand, are more evenly distributed across the opportunity categories, with each category claiming from 12 to 25 percent of all integrated ZIP Code areas.

The near absence of predominantly Black and Hispanic ZIP Code areas in the top two opportunity categories means that if Black or Hispanic voucher recipients wish to live in an opportunity area, they almost always choose between predominantly White or integrated areas. If they reside in a predominantly Black or Hispanic ZIP Code area, these areas will almost always rank in the lowest opportunity categories.

Exhibit 4

Opportunity Level for ZIP Code Areas by Dominant Racial and Ethnic Population in 2017 in Core-Based Statistical Areas with a Population Larger than 1 Million

		Dominant Racial or Ethnic Group in ZIP Code Area (Percent)				Integrated	All Areas
		White Non-Hispanic	Black Non-Hispanic	Other Non-Hispanic	Hispanic		
Combined Opportunity Category of ZIP Code Areas	Very High Opportunity	37	0	26	1	12	22
	High Opportunity	25	3	25	2	19	20
	Moderate Opportunity	20	4	14	5	22	19
	Low Opportunity	12	16	25	17	25	18
	Very Low Opportunity	5	77	11	75	21	21
	Total ZIP Code Areas	100	100	100	100	100	100
	Number of Areas	3,604	509	73	553	3,029	7,768

Change in HCV-Eligible Units by Opportunity Category

True to the expectations of SAFMR's architects, the implementation of SAFMRs across all large metropolitan areas would increase the number of HCV-eligible units in high-opportunity ZIP Code areas. Exhibit 5 shows that more than 250,000 additional rental units would become available in very-high opportunity ZIP Code areas and nearly 220,000 additional units would be gained in high-opportunity areas. On the other hand, SAFMRs would cause the number of HCV-eligible units to decrease in all other ZIP Code areas, especially in very-low opportunity areas, which would see a decrease of nearly 555,000 units. In most low-opportunity areas, the SAFMR would be less than the metropolitan-wide FMR. As a result, units that rent for more than the SAFMR but less than the metro FMR would no longer qualify for the HCV program. On net, implementation of SAFMR in large metropolitan areas would engender a decrease of more than 370,000 HCV-eligible units, as the increase of 1,470,000 units in ZIP Code areas gaining units falls short of the decrease of 1,840,000 units in ZIP Codes losing units.

The correlation between rent levels and opportunity is not perfect. Exhibit 5 shows that while most high opportunity ZIP Code areas would gain HCV-eligible units, some will lose them. Similarly, most but not all low-opportunity areas would lose such units. For example, while 1,248 very-high opportunity ZIP Code areas would gain HCV-eligible units, 315,832 in total, 487 other very-high opportunity areas would lose them (64,221). As a result of these divergent outcomes, very-high opportunity ZIP Code areas would realize an estimated net gain of 251,611 additional HCV-eligible units. At the other extreme, 1,066 very-low opportunity ZIP Code areas are projected to lose a total of 817,280 HCV-eligible units, but this loss will be partially mitigated by a gain of 262,586 units among 626 very-low opportunity ZIP Code areas.

Exhibit 5

ZIP Code Areas Gaining or Losing HCV-Eligible Units by Opportunity Level and Net Change in HCV-Eligible Units

Combined Opportunity Category of ZIP Code Areas	Gaining Units				Losing Units				All ZIP Code Areas	
	Total Zip Code Areas	Total Units Gained	Total Units Below FMR	Percent Gain in Eligible Units	Total Zip Code Areas	Total Units Lost	Total Units Below FMR	Percent Loss in Eligible Units	Net Change in Eligible Units	Percent Net Change in Eligible Units
Very High Opportunity	1,248	315,832	935,981	34%	487	-64,221	402,775	-16%	251,611	19%
High Opportunity	907	397,558	1,317,638	30%	621	-180,073	919,608	-20%	217,485	10%
Moderate Opportunity	741	289,253	1,165,498	25%	721	-311,835	1,358,374	-23%	-22,582	-1%
Low Opportunity	566	204,330	956,235	21%	818	-467,730	2,096,852	-22%	-263,400	-9%
Very Low Opportunity	626	262,586	1,491,319	18%	1,006	-817,280	3,525,741	-23%	-554,694	-11%
Total	4,088	1,469,559	5,866,670	25%	3,653	-1,841,139	8,303,351	-22%	-371,580	-3%

The gains and losses are not trivial in scale. The gains in program eligible units in the very high and high opportunity areas are estimated to be 34 percent and 30 percent gains over the number of units eligible under the FMRs. The losses in program eligible units with the adoption of SAFMRs are estimated to range from 16 to 22 percent.

As noted earlier, we find that implementation of SAFMRs would yield a net decrease in the number of HCV-eligible rental units. The loss of 371,580 program eligible units is about 1.5 percent of the occupied rental stock in these large metropolitan areas and about 2.6 percent of the HCV program eligible rental stock. This finding is consistent with the Final Evaluation of the SAFMR Demonstration, which estimated that SAFMRs caused the number of HCV-eligible units in the seven participating PHAs to decrease by a total of 22,000 (3.4 percent). Most of this decrease occurred at two sites (Dastrup et al., 2018). The NYU Furman Center, however, in its analysis of the potential impact of SAFMRs in the 24 designated metropolitan areas, notes that the Final Rule authorizes PHAs to adopt several strategies to diminish if not eliminate the loss of HCV-eligible rental units. These strategies include the ability to set payment standards at 110 percent of the SAFMR (thereby increasing the number of eligible units), and if that is not sufficient, PHAs may obtain permission from HUD to increase payment standards above 110 percent of SAFMR. The Final Rule also allows PHAs to set payment standards for HCV recipients who remain in place at an amount up to the family's current payment standard at the time SAFMRs were implemented (NYU Furman Center, 2018; Treat, 2018). Finally, it is also possible that some landlords would cut rents in response to reduced payment standards, thereby mitigating the potential loss of HCV-eligible units.

HUD assessed all metropolitan areas for inclusion within the SAFMR rulemaking. Only 24 metropolitan areas met the specified criteria: (1) 2,500 or more vouchers under lease, (2) HCV families are found to be 55 percent more likely to live in high poverty or low-income areas than renters in general, (3) 20 percent of the rental stock in ZIP Code areas had rents such that SAFMRs are more than 110 percent of the metropolitan FMR, and (4) rental vacancy rate was above 4 percent. HUD believes these are areas where voucher holders are much worse off than renters in general and are in markets where SAFMRs are likely to be useful. Fourteen of the 24 selected markets are among the 53 large metropolitan areas with populations of 1 million or more. Exhibit 6 repeats the estimation of rental units gained and lost for the 14 large markets selected by HUD for implementation of the SAFMRs. The results for these 14 metropolitan areas are very similar to the results, detailed in Exhibit 5, among all large markets. The ZIP Code areas that gained units typically realized a 26-percent gain in units. The ZIP Code areas that lost units typically realized a 25-percent loss of units. The result was a net loss in rental units eligible for participation in the HCV program.

Exhibit 6

ZIP Code Areas in the Large Metropolitan Areas Among HUD's Selected SAFMR Markets Gaining or Losing HCV-Eligible Units by Opportunity Level and Net Change in HCV-Eligible Units

Combined Opportunity Category of ZIP Code Areas	Gaining Units				Losing Units				All ZIP Code Areas	
	Total Zip Code Areas	Total Units Gained	Total Units Below FMR	Percent Gain in Eligible Units	Total Zip Code Areas	Total Units Lost	Total Units Below FMR	Percent Loss in Eligible Units	Net Change in Eligible Units	Percent Net Change in Eligible Units
Very High Opportunity	278	77,572	238,561	33%	109	-12,080	70,602	-17%	65,492	21%
High Opportunity	251	100,933	298,429	34%	195	-67,026	278,439	-24%	33,908	6%
Moderate Opportunity	225	79,957	310,591	26%	229	-99,420	386,502	-26%	-19,464	-3%
Low Opportunity	171	54,846	231,027	24%	291	-181,830	680,088	-27%	-126,984	-14%
Very Low Opportunity	162	57,237	347,549	16%	318	-217,643	892,555	-24%	-160,406	-13%
Total	1,087	370,545	1,426,157	26%	1,142	-578,000	2,308,185	-25%	-207,455	-6%

Change in HCV-Eligible Units by Opportunity and Racial/Ethnic Category

As would be expected given the paucity of predominantly Black and Hispanic ZIP Code areas that are classified as high or very-high opportunity, nearly all of the growth in HCV program-eligible units would occur in ZIP Code areas that are either predominantly White or that are integrated. Exhibit 7 shows that of the 252,000 additional HCV-eligible units that would be gained in very-high opportunity ZIP Code areas, 97 percent would be located in predominantly White (53 percent) or integrated (44 percent) areas. Similarly, 94 percent of the additional HCV program-eligible units in high-opportunity ZIP Code areas would also be located in White and integrated areas—although integrated ZIP Code areas would account for most of the increase (87 percent).

Exhibit 7

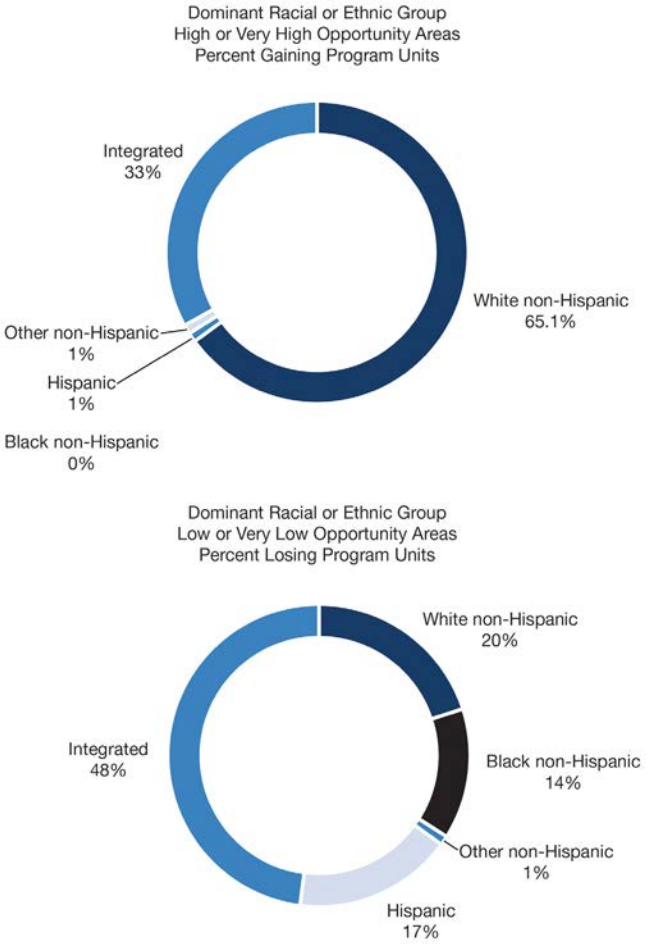
Aggregate Gain or Loss of Rental Units Eligible to Participate in the HCV Program in ZIP Code Areas Within Core-Based Statistical Areas with a Population Larger than 1 Million by Dominant Racial and Ethnic Population and Opportunity Level

		Opportunity Level					
		Very High	High	Moderate	Low	Very Low	Net Gain or Loss
Predominant Racial or Ethnic Group in ZIP Code Area	White Non-Hispanic (75 Percent or More)	133,011	16,279	-45,246	-30,310	-13,639	60,095
	Black Non-Hispanic (50 Percent or More)	73	1,158	-2,206	-18,202	-60,173	-79,349
	Other Non-Hispanic (50 Percent or More)	4,753	2,117	3,950	-1,150	-2,743	6,928
	Hispanic of Any Race (50 Percent or More)	1,840	7,870	2,273	-11,064	-228,566	-227,647
	Integrated	111,933	190,061	18,647	-202,675	-249,573	-131,606
	All ZIP Code Areas	251,611	217,485	-22,582	-263,400	-554,694	-371,580

Whereas exhibit 7 shows that nearly all of the increase in HCV-eligible units in high- and very-high opportunity ZIP Code areas would occur either in White or integrated areas, exhibit 8 arrives at the same finding from a different perspective. Here, high- and very-high-opportunity ZIP Code areas that are projected to see an increase in HCV-eligible units are sorted by their dominant racial/ethnic group, as are the low- and very-low-opportunity areas that are projected to lose eligible units. It shows that 65 percent of the high-opportunity ZIP Code areas projected to gain HCV-eligible units are predominantly White and 33 percent are integrated. Less than 1 percent are predominantly Black, and only 1 percent are Hispanic. Conversely, the exhibit also shows that 31 percent of the low- or very-low-opportunity ZIP Code areas that would lose HCV-eligible units are predominantly Black or Hispanic; predominantly White ZIP Code areas constitute 20 percent of all areas projected to lose units, integrated areas, 48 percent. In sum, while White and integrated ZIP Code areas account for virtually all of the high-and very-high-opportunity ZIP Code areas that would gain HCV-eligible units, low- and very-low-opportunity areas that would lose eligible units are more evenly divided across the racial categories.

Exhibit 8

Racial and Ethnic Composition of ZIP Code Areas Gaining or Losing HCV Program Eligible Units by Opportunity Level



Exhibits 6–8 examine the distribution of ZIP Code areas that would gain and lose HCV-eligible units on an aggregate level for all 53 metropolitan areas with populations of 1 million or more. Exhibit 9 focuses on the change in HCV-eligible units in high- and very-high-opportunity ZIP Code areas within each metropolitan area. It shows that 45 metropolitan areas' high- and very-high-opportunity ZIP Codes would experience an increase in eligible units and 8 would lose units.

In all but 7 of the 45 metropolitan areas with high- or very-high-opportunity ZIP Codes that would gain HCV-eligible units, 95 percent or more of these ZIP Codes are either predominantly White or integrated. In four metropolitan areas (Los Angeles, San Francisco, San Jose, and San Diego), ZIP Code areas that are predominantly populated by Asian or other racial groups account for 6 percent or more of the gain. In two metropolitan areas, Miami and San Antonio, predominantly Hispanic high-opportunity areas account for 28 and 63 percent, respectively, of the total increase in HCV-eligible units.

Exhibit 9

Large CBSAs by Change in Units in High and Very High Opportunity ZIP Code Areas (1 of 3)

		Change in Units in High and Very High Opportunity ZIP Code Areas by Racial/Ethnic Composition									
	Metropolitan Area	White Non-Hispanic ZIP Code Areas	Black Non-Hispanic ZIP Code Areas	Other Non-Hispanic ZIP Code Areas	Hispanic ZIP Code Areas	Integrated ZIP Code Areas	All ZIP Code Areas	Percent in White or Integrated Areas	Percent White or Integrated > 95%	Percent in Other	Percent in Hispanic
1	New York-Newark-Jersey City, NY-NJ-PA MSA	38,698	0	121	1,525	73,173	113,518	99%	1	0%	1%
2	Los Angeles-Long Beach-Anaheim, CA MSA	20,285	0	5,579	219	75,120	101,203	94%	0	6%	0%
3	Dallas-Fort Worth-Arlington, TX MSA	3,580	0	-2,848	0	29,770	30,502	109%	1	-9%	0%
4	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	704	405	0	0	20,979	22,088	98%	1	0%	0%
5	Minneapolis-St. Paul-Bloomington, MN-WI MSA	14,552	0	0	0	3,944	18,496	100%	1	0%	0%
6	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	14,626	0	0	0	2,819	17,445	100%	1	0%	0%
7	Houston-The Woodlands-Sugar Land, TX MSA	339	0	0	0	14,730	15,070	100%	1	0%	0%
8	Miami-Fort Lauderdale-West Palm Beach, FL MSA	1,250	0	0	4,174	9,418	14,842	72%	0	0%	28%
9	Detroit-Warren-Dearborn, MI MSA	7,654	0	0	0	6,158	13,812	100%	1	0%	0%
10	Baltimore-Columbia-Towson, MD MSA	-826	429	0	0	9,878	9,481	95%	1	0%	0%
11	St. Louis, MO-IL MSA	7,667	0	0	0	719	8,385	100%	1	0%	0%
12	Orlando-Kissimmee-Sanford, FL MSA	-67	0	0	5	7,792	7,729	100%	1	0%	0%
13	Cleveland-Elyria, OH MSA	5,797	0	0	0	1,646	7,443	100%	1	0%	0%
14	Indianapolis-Carmel-Anderson, IN MSA	6,937	0	0	0	-461	6,476	100%	1	0%	0%
15	San Francisco-Oakland-Hayward, CA MSA	728	0	1,097	0	4,454	6,279	83%	0	17%	0%
16	San Antonio-New Braunfels, TX MSA	217	0	0	3,785	1,966	5,968	37%	0	0%	63%

Exhibit 9

Large CBSAs by Change in Units in High and Very High Opportunity ZIP Code Areas (2 of 3)

		Change in Units in High and Very High Opportunity ZIP Code Areas by Racial/Ethnic Composition									
	Metropolitan Area	White Non-Hispanic ZIP Code Areas	Black Non-Hispanic ZIP Code Areas	Other Non-Hispanic ZIP Code Areas	Hispanic ZIP Code Areas	Integrated ZIP Code Areas	All ZIP Code Areas	Percent in White or Integrated Areas	Percent White or Integrated > 95%	Percent in Other	Percent in Hispanic
17	Sacramento-Roseville-Arden-Arcade, CA MSA	1,139	0	0	0	4,764	5,903	100%	1	0%	0%
18	Pittsburgh, PA MSA	5,215	0	0	0	0	5,215	100%	1	0%	0%
19	Richmond, VA MSA	1,393	47	0	0	3,644	5,084	99%	1	0%	0%
20	Austin-Round Rock, TX MSA	4,426	0	0	0	560	4,986	100%	1	0%	0%
21	Portland-Vancouver-Hillsboro, OR-WA MSA	2,864	0	0	0	2,108	4,972	100%	1	0%	0%
22	Memphis, TN-MS-AR MSA	382	0	0	0	4,528	4,910	100%	1	0%	0%
23	Nashville-Davidson-Murfreesboro-Franklin, TN MSA	4,901	0	0	0	0	4,901	100%	1	0%	0%
24	Cincinnati, OH-KY-IN MSA	3,739	0	0	0	562	4,300	100%	1	0%	0%
25	Oklahoma City, OK MSA	1,667	0	0	0	2,359	4,026	100%	1	0%	0%
26	Atlanta-Sandy Springs-Roswell, GA MSA	218	0	0	0	3,690	3,908	100%	1	0%	0%
27	Virginia Beach-Norfolk-Newport News, VA-NC MSA	-687	0	0	0	4,566	3,879	100%	1	0%	0%
28	Providence-Warwick, RI-MA MSA	4,478	0	0	0	-892	3,586	100%	1	0%	0%
29	San Diego-Carlsbad, CA MSA	-2,644	0	1,621	0	4,460	3,438	53%	0	47%	0%
30	Buffalo-Cheektowaga-Niagara Falls, NY MSA	2,882	0	0	0	117	3,000	100%	1	0%	0%
31	Louisville/Jefferson County, KY-IN MSA	2,818	0	0	0	0	2,818	100%	1	0%	0%
32	Tampa-St. Petersburg-Clearwater, FL MSA	176	0	0	0	2,437	2,613	100%	1	0%	0%
33	Rochester, NY MSA	1,594	0	0	0	976	2,570	100%	1	0%	0%
34	Salt Lake City, UT MSA	2,366	0	0	0	34	2,400	100%	1	0%	0%

Exhibit 9

Large CBSAs by Change in Units in High and Very High Opportunity ZIP Code Areas (3 of 3)

		Change in Units in High and Very High Opportunity ZIP Code Areas by Racial/Ethnic Composition									
	Metropolitan Area	White Non-Hispanic ZIP Code Areas	Black Non-Hispanic ZIP Code Areas	Other Non-Hispanic ZIP Code Areas	Hispanic ZIP Code Areas	Integrated ZIP Code Areas	All ZIP Code Areas	Percent in White or Integrated Areas	Percent White or Integrated > 95%	Percent in Other	Percent in Hispanic
35	Charlotte-Concord-Gastonia, NC-SC MSA	1,988	0	0	0	71	2,059	100%	1	0%	0%
36	Hartford-West Hartford-East Hartford, CT MSA	-252	389	0	0	1,102	1,239	69%	0	0%	0%
37	Tucson, AZ MSA	-293	0	0	0	1,437	1,144	100%	1	0%	0%
38	Boston-Cambridge-Newton, MA-NH MSA	-3,626	0	0	0	4,620	994	100%	1	0%	0%
39	Birmingham-Hoover, AL MSA	421	0	0	0	391	813	100%	1	0%	0%
40	Raleigh, NC MSA	553	0	0	0	162	715	100%	1	0%	0%
41	Las Vegas-Henderson-Paradise, NV MSA	233	0	0	0	275	508	100%	1	0%	0%
42	San Jose-Sunnyvale-Santa Clara, CA MSA	236	0	1,300	0	-1,052	484	-169%	0	269%	0%
43	Jacksonville, FL MSA	2,655	0	0	0	-2,198	457	100%	1	0%	0%
44	New Orleans-Metairie, LA MSA	361	6	0	0	90	456	99%	1	0%	0%
45	Phoenix-Mesa-Scottsdale, AZ MSA	-1,415	0	0	0	1,594	179	100%	1	0%	0%
46	Milwaukee-Waukesha-West Allis, WI MSA	115	0	0	0	-837	-722	100%	1	0%	0%
47	Grand Rapids-Wyoming, MI MSA	-863	0	0	0	0	-863	100%	1	0%	0%
48	Seattle-Tacoma-Bellevue, WA MSA	-3,629	0	0	0	2,676	-952	100%	1	0%	0%
49	Denver-Aurora-Lakewood, CO MSA	1,196	0	0	0	-2,300	-1,104	100%	1	0%	0%
50	Riverside-San Bernardino-Ontario, CA MSA	-62	0	0	0	-1,256	-1,318	100%	1	0%	0%
51	Columbus, OH MSA	-848	0	0	0	-515	-1,363	100%	1	0%	0%
52	Chicago-Naperville-Elgin, IL-IN-WI MSA	-3,530	-44	0	0	2,057	-1,517	97%	1	0%	0%
53	Kansas City, MO-KS MSA	-1,995	0	0	0	-104	-2,099	100%	1	0%	0%

Gain and Loss of HCV-Eligible Units in Integrated ZIP Code Areas

We have seen that, if SAFMRs were adopted, nearly all of the projected increase in HCV-eligible units found in high- and very-high-opportunity ZIP Code areas would occur either in predominantly White or integrated areas. Integrated ZIP Code areas, however, also account for nearly half of all low- and very-low opportunity areas that would lose units. Indeed, integrated ZIP Code areas would see an overall *loss* of HCV-eligible units while White ZIP Code areas would post a net gain.

A key reason for this difference is that a much higher proportion (46 percent) of integrated ZIP Codes fall in the low- and very-low opportunity categories—which are most likely to lose HCV-eligible units—compared with predominantly White areas (17 percent). Moreover, only 12 percent of all integrated ZIP Code areas fall in the very-high opportunity category, which would gain the most HCV-units. In contrast, more than 37 percent of all White ZIP Code areas are in the very-high opportunity group (see exhibit 4).

The integrated category covers a large and varied assortment of ZIP Code areas. It accounts for 38 percent of the 8,763 ZIP Code areas in large metropolitan areas, second only to predominantly White ZIP Code areas, which account for 48 percent of the total. As noted earlier, integrated ZIP areas are defined as those in which non-Hispanic Whites make up less than 75 percent of the population and all other racial and ethnic groups comprise less than 50 percent.

To shed more light on the impact of SAFMRs on integrated ZIP Code areas, Exhibit 9 partitions them into two categories: Majority White areas where non-Hispanic Whites constitute 50 to 75 percent of the population, and minority White areas where they account for less than 50 percent. About two-thirds (65 percent) of all integrated ZIP Code areas are majority White.

The two subgroups of integrated ZIP Code areas diverge sharply in their representation within the high- and very-high opportunity categories. Whereas 41 percent of all majority White integrated areas are classified as high- or very high-opportunity (compared with 62 percent of all predominantly White areas), the same is true for just 16 percent of all minority White areas. While 17 percent of all majority White integrated areas rank in the very-high-opportunity category, only 4 percent of all minority White areas fall in this category. Conversely, 36 percent of all majority White integrated ZIP Code areas are in the low- and very-low-opportunity categories, as against 64 percent of all minority White areas.

Exhibit 10

Integrated Zip Code Areas by Majority-White and Minority-White by Opportunity Level

	Majority White (50-75%)		Minority White (<50%)		All Integrated	
	ZIP Code Areas	Percent	ZIP Code Areas	Percent	ZIP Code Areas	Percent
Very High Opportunity	340	17%	37	4%	377	12%
High Opportunity	468	24%	122	12%	590	19%
Moderate Opportunity	453	23%	224	21%	677	22%
Low Opportunity	448	23%	313	30%	761	25%
Very Low Opportunity	266	13%	358	34%	624	21%
Total	1,975	100%	1,054	100%	3,029	100%

Partly as a result of these differences, more than one-half (55 percent) of all majority White ZIP Code areas that are projected to gain HCV-eligible units are classified as a high- or very-high-opportunity, compared to 23 percent of all minority White areas (see exhibit 11). Conversely, 23 percent of all majority White ZIP Code areas projected to gain HCV-eligible units are low- or very-low opportunity, compared with 50 percent of all minority White areas. While both majority-White and minority-White ZIP Code areas are projected to see net losses in HCV-eligible units with SAFMRs, the latter account for 96 percent of this loss.

Exhibit 11

Increases and Decreases in HCV Program-Eligible Units in Integrated Zip Code Areas by Majority White and Minority White

	Areas Gaining HCV-Eligible Units				Areas Losing HCV-Eligible Units			
	Majority White	Number of Areas	Minority White	Number of Areas	Majority White	Number of Areas	Minority White	Number of Areas
Very High Opportunity	110,635	283	19,041	32	-16,270	55	-1,472	5
High Opportunity	220,558	302	57,055	88	-75,688	163	-11,864	34
Moderate Opportunity	136,724	232	90,713	141	-148,877	219	-59,912	82
Low Opportunity	60,136	167	80,393	138	-205,957	281	-137,247	175
Very Low Opportunity	22,807	81	60,866	124	-109,136	184	-224,111	234

Conclusions

SAFMRs have the potential to make housing located in high "opportunity" neighborhoods substantially more available to HCV recipients. In metropolitan areas with populations of 1 million or more, nearly one-half million additional units in very-high- and high-opportunity ZIP Code areas would become eligible for the HCV program if SAFMRs were adopted. This potential is unlikely to be realized, however, if governments and nonprofit organizations do not also address the barriers of racial discrimination and segregation.

This article shows that the great majority of ZIP Code areas that fall in the top two "opportunity" quintiles are predominantly White or integrated. Only 3 percent of all predominantly Black ZIP Code areas rank as very high- or high-opportunity (and only one of 509 Black ZIP Codes is in the top opportunity quintile), as do 3 percent of all predominantly Hispanic ZIP Codes. About three-fourths of all predominantly Black and Hispanic ZIP Codes sit in the lowest opportunity quintile.

The concentration of "opportunity" within predominantly White and integrated ZIP Code areas means that if an HCV recipient wishes to live in an opportunity neighborhood, he or she would essentially need to choose between White and integrated areas. At present, about one-half of all HCV recipients in large metropolitan areas reside in integrated ZIP Code areas. Most of the rest live in segregated areas dominated by people of their own race or ethnicity and are highly unlikely to benefit from SAFMRs unless they move out of a segregated neighborhood.

Predominantly White ZIP Code areas stand to benefit the most from SAFMRs. They, along with the much smaller category of other non-Hispanic ZIP Code areas, are the only ones estimated to post net gains in HCV-eligible units. Predominantly White ZIP Code areas are especially well positioned to gain HCV-eligible units in very-high-opportunity areas. Integrated ZIP Code areas also stand to gain many HCV program-eligible units in opportunity areas; indeed, they would gain more units than would predominantly White areas in very-high- and high-opportunity ZIP Code areas combined. Unlike predominantly White ZIP Code areas, however, integrated areas are also likely to see large *decreases* in HCV-eligible units. Much of this decrease is due to the fact that integrated ZIP Code areas encompass many more low- and very-low-opportunity areas than their predominantly White counterparts. For example, while 21 percent of all integrated ZIP Code areas are in the bottom opportunity quintile, the same is true of just 5 percent of all predominantly White ZIP Code areas. Thus, of ZIP Code areas that are projected to gain HCV program-eligible units, 65 percent are predominantly White, the same is true for just 33 percent of integrated ZIP Code areas projected to gain program-eligible units.

We estimate that SAFMRs would result in a net loss of HCV program-eligible units, with most of this loss occurring in low-opportunity ZIP Code areas. It is important to emphasize, however, that this potential loss could be reduced or prevented through the various strategies included in HUD's Final Rule of 2016 for instituting SAFMRs in 24 metropolitan areas (NYU Furman Center, 2018; Treat, 2018). Even if SAFMRs were implemented so as to minimize the loss of HCV-eligible units in low-opportunity and other areas, these measures would do little if anything to address the racial barriers that make it very difficult for many Black and Hispanic HCV recipients to access high-opportunity neighborhoods.

We conclude that while SAFMRs may be necessary to improve the ability of the HCV program to reach high-opportunity neighborhoods, they are not sufficient. In order to realize its potential, more will need to be done to help Black and Hispanic HCV recipients learn about predominantly White and integrated neighborhoods and their housing opportunities. Most likely, PHAs and their nonprofit partners would need to provide transportation assistance and other forms of support to help HCV recipients in segregated low-income communities find housing in opportunity neighborhoods and to provide services to help remain in their new neighborhoods. Housing counseling and case management will need to be enhanced. The Baltimore Housing Mobility Program, established in the late 1990s as part of a court-ordered consent decree from a fair housing lawsuit (*Thompson v. HUD*),[4] demonstrates the value of "emotionally supportive counseling, housing search assistance, and landlord recruitment" in successfully encouraging HCV recipients to relocate to high-opportunity neighborhoods (DeLuca and Rosenblatt, 2017). Greater outreach to landlords will be needed. Expanding the potential supply of HCV program eligible units will mean little if landlords continue to resist participation in the program. This resistance can be overcome through education and incentivizing participation. If the SAFMR program is to realize its potential and if the HCV program is to affirmatively further fair housing, the SAFMR program will require significant improvements.

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