Patterns of Housing Voucher Use Revisited: Segregation and Section 8 Using Updated Data and More Precise Comparison Groups, 2013

Molly W. Metzger, PhD - Washington University in St. Louis
Danilo Pelletiere, PhD - U.S. Dept. of Housing and Urban Dev.
Federal Reserve System
Community Development Research Conference
April 2015

*The views expressed here are those of the authors and do not represent the official positions or policies of the Office of Policy Development and Research or the U.S. Department of Housing and Urban Development.
Segregation Matters

- Racial and economic segregation limit human development for **individuals** and **in aggregate**

- Segregation has been driven by public policy
  - Explicitly racist policies
  - “Stealth urban policies” (Dreier et al., 2014)

- Policy remedies to segregation should include both **investment and mobility strategies** (Crowley & Pelletiere, 2012)
Housing Choice Vouchers (Section 8)

- **HUD-funded** affordable housing program
- **Targets** extremely low income ("ELI")
  - Since 1998, 75% of vouchers for ELI households
  - ~$15,000 annual income
- Households pay **30% of income** toward rent, program pays remainder
- Utilizes the **private rental market**
Where is Section 8 Used?

**General dispersion**

**School quality**
- Horn, Ellen, & Schwartz (2014)

**Walkability to community amenities**
- Talen & Koschinsky (2014)

**Safety**
- Lens et al. (2011)

**Racial and economic segregation**
- Metzger (2014)
Methods: Segregation Indices

Dissimilarity
A measure of overlap between two groups

Concentration (Herfindahl Index):
A measure of spread across different types of neighborhoods

1. Racial
2. Economic
3. Racial
4. Economic
Methods: Data Sources

VOUCHER HOUSEHOLDS
– Special tabulation of Picture of Subsidized Households, 2013

COMPARISON GROUPS
(1) Households earning <$15,000 annually
   – ACS 2007-11
(2) Extremely low-income (“ELI”) renters
   – CHAS 2007-11
(3) Cost-burdened ELI renters
   – CHAS 2007-11
Figure 1. Mean Segregation Index Scores for Vouchers and Comparisons (Metzger & Pelletiere, 2015)

- **Economic Conc.**
- **Economic Dissim.**
- **Racial Conc.**
- **Racial Dissim.**

* = p < 0.01 difference from vouchers
NS = Not significantly different than vouchers
Figure 1. Mean Segregation Index Scores for Vouchers and Comparisons (Metzger & Pelletiere, 2015)

* = \( p < 0.01 \) difference from vouchers
NS = Not significantly different than vouchers
Figure 2. Mean Segregation Index Scores for Racial/Ethnic Minority Renters (Metzger & Pelletiere, 2015)

* = $p < .01$ difference from vouchers

NS = Not significantly different than vouchers
Differences by SOI

• Voucher households appear less segregated in metro areas with source of income (“SOI”) fair housing protections.

• But only relative to <$15k comparison group:
  – economic concentration, $p = .64$
  – economic dissimilarity, $p = .11$
  – racial concentration, $p = .13$
  – racial dissimilarity, $p = .13$
**Figure 3. MSAs with Most and Least Segregated Housing Choice Vouchers**  
(Metzger & Pelletiere, 2015)

<table>
<thead>
<tr>
<th>Comparison Group</th>
<th>Economic Conc.</th>
<th>Economic Dissimilarity</th>
<th>Racial Conc.</th>
<th>Racial Dissimilarity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3</td>
<td>1 2 3</td>
<td>1 2 3</td>
<td>1 2 3</td>
</tr>
</tbody>
</table>

**Most Segregated HCVs**
- Atlanta, GA
- Birmingham, AL
- Nashville, TN
- New Orleans, LA
- Austin, TX

**Least Segregated HCVs**
- Phoenix, AZ
- Baltimore, MD
- Las Vegas, NV

1 = Compared to <$15k  
2 = Compared to cost-burdened ELI renters  
3 = Compared to minority ELI renters  
**Purple** = Top 5 most segregated (out of 50 MSAs)  
**Green** = Bottom 5 most segregated (out of 50 MSAs)
Summary of Results

• **Results vary** by segregation index and comparison group

• Section 8 voucher receipt is more strongly associated with **economic integration** than with racial integration.

• Limited evidence that **source of income** protections work.

• Tremendous **variation** across metros.
Policy Considerations: Federal

• **Incentivize** housing authorities to support “opportunity moves”

• Allow for HAs to provide **extended time** for housing searches

• Set **small-area fair market rates**

• Simplify **portability** across housing authorities

• Finalize the **AFFH “new rule”**

(Sard & Rice, CBPP, 2014)
Policy Considerations: Local & State

• **Mobility counseling**
• Eliminate discriminatory **occupancy permits**
  – St. Louis example
• **Source of income** fair housing protections
• **Tax incentives**
  – For Section 8 landlords
  – Points for LIHTC proposals in opportunity areas