Indianapolis Neighborhood Housing Partnership

Economic Mobility & Housing

RESEARCH COMPLETED IN APRIL 2019, IN PARTNERSHIP WITH REINVESTMENT FUND

STATE OF THE RESEARCH

There is a growing body of research examining how housing and neighborhoods influence economic mobility and opportunity. Much of the research is drawn from evaluating the outcomes associated with families who relocated from distressed areas to more opportunity rich communities with the assistance of housing vouchers. Additionally, there is a deep body of research examining the link between homeownership and economic mobility; this research is evolving, given new perspectives emerging after the recession of 2007 to 2009.

BACKGROUND

Intergenerational upward economic mobility — children achieving a higher relative standard of living than their parents — has become increasingly difficult to achieve over the past 50 years. Nowhere are these realities realized more than by individuals and families who live in concentrated poverty, low-quality housing, and/or have high housing cost-burdens; individuals and families in these circumstances are likely to have difficulty making ends meet, much less achieving upward economic mobility. A number of research studies have examined the relationship between homeownership and economic mobility; these studies are complemented by a broader and growing body of research that examines the relationship of neighborhood characteristics on individual and familial outcomes across economic, social and health domains.

SUMMARY OF RESEARCH FINDINGS

A number of studies have detailed the challenges that children from distressed neighborhoods face in achieving the same economic successes as their peers in middle- and upper-income communities. Studies examining the economic benefits of moving out of these communities into areas with less concentrated poverty have shown varying results.

There are many influences on whether an individual or family will achieve upward economic mobility within their lifetimes or their children's lifetimes, and only through relatively recent situations — resulting from the randomized distribution of housing vouchers that enabled families in poverty to move to areas with less poverty — have housing situations and neighborhood effects been able to be isolated within research studies. Recent research has examined the relationship between housing and predictors of economic mobility and have found the following factors to be influential in whether those benefits are realized: the quality of the new neighborhood, the reasons for the family moving, the age of children at the time of the move, and the amount of time spent in the new housing situation.

Beyond the research examining the effects of housing and neighborhoods upon those moving out of concentrated poverty, there is a broad body of research that finds that homeowners generally accumulate more wealth and are more financially secure than renters; this is particularly true for families for whom the home is their primary source of wealth.

As the effects of the housing recession of 2007 to 2009 is examined and documented within new research, the benefits associated with homeownership continue to be identified. At the same time, low- and moderate-income families in many communities have difficulty accessing homeownership. While outcomes for homeowners are generally positive over time, the benefits of homeownership tend to vary across markets.

RECENT STUDIES HAVE FOUND:

- **Place Matters** — The benefits of moving from areas with concentrated poverty to areas with more middle/upper-income households depend, in part, on employment opportunities within the new areas, the age of children when they move, and the length of time the family remains in the new setting. Local housing markets also contribute to whether low- and moderate-income families are able to achieve homeownership.
- **Value Matters** — The ability of low- and moderate-income families to realize the benefits of homeownership as they relate to economic mobility depends, in part, on the value of the home that is affordable to them, their ability to maintain that value through maintaining and improving their home, the ability to access the wealth embodied within their home, and/or pass that wealth on to others.

ECONOMIC MOBILITY — SUMMARY OF KEY STUDIES

Chetty, R., Hendren, N., & Katz, L. F. (2016). The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment. *American Economic Review*, 106(4), 855-902.

STUDY FOCUS	Analysis of economic and educational outcomes for youth in Chicago's Moving to Opportunity (MTO) program, including an analysis of how those outcomes vary by age at time of the move.
METHODOLOGY	Regression analysis of tax records for MTO youth whose family received a voucher enabling them to move from distressed neighborhoods to more affluent ones relative to similar youth who did not move.
SUMMARY OF FINDINGS	Children who move from a distressed neighborhood to a more affluent area are more likely than their peers, as young adults, to live in affluent neighborhoods, have higher earnings, and have attended college. They are also less likely to become single parents. On the whole, these benefits are limited to those who were younger than age 13 at the time of the move; these same moves showed negative outcomes for children who were older than 13 years old at the time their family moved.
IMPLICATIONS FOR PRACTITIONERS	Providing families with young children who currently live in areas with concentrated poverty an opportunity to relocate to more affluent areas may reduce intergenerational poverty, improve academic and economic outcomes, and increase tax revenue over the long-term.

Sampson, R. (2016). Individual and Community Economic Mobility in the Great Recession Era: The Spatial Foundations of Persistent Inequality. *Economic Mobility: Research and Ideas on Strengthening Families, Communities and the Economy*, 261-287.

STUDY FOCUS	Assessment of economic mobility – for individuals and neighborhoods — across the nation, with a targeted review of individual outcomes across neighborhood types in Chicago and Los Angeles.
METHODOLOGY	Analysis of individual economic mobility and neighborhood types combined with an analysis of the dynamism of community economic conditions. The analysis is based on national data and is supplemented with targeted examinations of outcomes associated with targeted efforts in Chicago and Los Angeles.
SUMMARY OF FINDINGS	For the highest and lowest income groups of individuals and neighborhoods, economic conditions are persistent over time despite broader fundamental changes to the national economic picture; there is greater variability in change over time for the middle of the income distribution. While economic mobility for individuals and neighborhoods and individuals are fairly persistent, individual economic mobility is more common than neighborhood change. Racial inequality — for individuals and neighborhoods — substantially limit opportunities for growth among minority populations and geographies.

IMPLICATIONS FOR PRACTITIONERS	The persistence of poverty for individuals and neighborhoods suggests the importance of simultaneously making people and place-based investments. Providing opportunities for individuals to choose their neighborhoods may contribute to individual outcomes; at the same time, making long-term investments in distressed communities that address fundamental challenges of impoverished communities is critical in addressing inequality, improving opportunity and promoting economic mobility.

Goodman, Laurie S., and Christopher Mayer. 2018. "Homeownership and the American Dream." Journal of Economic Perspectives, 32 (1): 31-58.

STUDY FOCUS	A wide-ranging review of homeownership in the US — examining homeownership in the US compared to other with other developed nations, a demographic analysis of homeownership, and an assessment of the financial opportunities and challenges associated with homeownership. This study includes a review of how the recession of 2007 to 2009 influenced dynamics across these three areas.
METHODOLOGY	Using descriptive statistics, the study provides a comparative analysis of homeownership in the US relative to other nations; assesses social, economic, and demographic factors as they relate to homeownership in the US, and examines the financial benefits of homeownership relative to other wealth building strategies.
SUMMARY OF FINDINGS	Despite challenges realized through the recession of 2007 to 2009, homeownership still remains beneficial in terms of wealth building compared with other investment vehicles. Homeowners who own their homes long enough to offset transaction costs and weather short-term market volatility realize financial benefits that renters do not. Homeownership remains the primary means by which low- and moderate-income families accumulate wealth over time. Additionally, homeownership provides additional financial security to individuals in retirement. While the benefits of homeownership generally are vast, individuals may experience varying benefits depending upon many individual and market-based factors.
IMPLICATIONS FOR PRACTITIONERS	For many low- and moderate-income families, homeownership represents a critical opportunity to build wealth and financial security. This research suggests practitioners should seek to eliminate barriers to homeownership for those who seek and would benefit from homeownership while not disproportionately incentivizing homeownership for those for whom it does not make sense.

Rosenbaum, J. E., & DeLuca, S. (2008). What Kinds of Neighborhoods Change Lives-The Chicago Gautreaux Housing Program and Recent Mobility Programs. *Ind. L. Rev.*, 41, 653.

STUDY FOCUS	Review of research examining Chicago's Gautreaux program, which enabled low-income black families to relocate into more affluent, white communities within the city and its suburbs, assessing individual outcomes related to better schools and labor markets.
METHODOLOGY	Comprehensive examination of previous studies examining individual and familial outcomes for those who participated in the Gautreaux program.
SUMMARY OF FINDINGS	Women who moved to more diverse and well-resourced communities achieved higher levels of employment and incomes than those who remained. Participants in the program reported having developed new connections and social capital that improved opportunity. Further, moving to more diverse communities helped to break down racial stereotypes, provided insight into social norms, and developed confidence in one's ability to navigate change, all of which could carry over to achieving individual and familial successes in schools and the labor market. Additionally, boys who moved to the suburbs experienced less delinquency than those who remained in the city (while the opposite was true of females).
IMPLICATIONS FOR PRACTITIONERS	Strategies and investments that help families move from distressed neighborhoods with concentrated poverty to areas with better labor markets and higher quality schools may be critical tools in improving economic mobility and overcoming intergenerational poverty. Specifically, with respect to the Gautreaux program, participants who moved to more resource rich communities saw substantial gains in education, employment, and social capital; these findings were particularly true for children who moved as a result of the program.

ADDITIONAL RECENT RESEARCH

Owens, A. (2017). How Do People-Based Housing Policies Affect People (and Place)? *Housing Policy Debate*, 17(2), 266-281.

Anderson, F., Haltiwanger, J.C., Kutzbach, M.J., Palloni, G.E., Pollakowski, H.O., Weinberg, D.H. (2016). Childhood Housing and Adult Earnings: A Between- Siblings Analysis of Housing Vouchers and Public Housing. *National Bureau of Economic Research*.

Sharkey, P. (2016) Neighborhoods, Cities and Economic Mobility. *The Russel Sage Foundation Journal of the Social Sciences*. 2(2), 159-177.

Ewing, R., Hamidi, S., Grace, J.B., Wei, Y.D. (2016). Does urban sprawl hold down upward mobility? *Landscape and Urban Planning* 148(2016), 80-88.

Rothwell, J.T.; Massey, D.S. (2014). Geographic Effects on Intergenerational Income Mobility. *Economic Geography* 91(1), 83-106.

Massey, D. S., Albright, L., Casciano, R., Derickson, E., & Kinsey, D. N. (2013). *Climbing Mount Laurel: The struggle for affordable housing and social mobility in an American suburb*. Princeton University Press.

Rohe, W., Linblad, M. (2013). Reexamining the Social Benefits of Homeownership after the Housing Crisis. *Joint Center for Housing Studies*.

Herbert, C.E., McCue, D.T., Sanchez-Moyano, R. (2013) Is Homeownership Still and Effective Means of Building Wealth for Low-Income and Minority Households? (Was it Ever?) *Joint Center for Housing Studies*.

Freeman, A., Ratcliffe, J. (2012) Setting the Record Straight on Affordable Homeownership. *Center for Community Capital, UNC*.

Grinstein-Weiss, M., Key, C., Guo, S., Yeo, Y.H., Holub, K. (2011) Homeownership and Wealth Among Low and Moderate Income Households. *Center for Community Capital, UNC*.

Mendenhall, R., DeLuca, S., & Duncan, G. (2006). Neighborhood resources, racial segregation, and economic mobility: Results from the Gautreaux program. *Social Science Research*, 35(4), 892-923.

QUICK FACTS FROM 2016 CENSUS AMERICAN COMMUNITY SURVEY ON THE RELATIONSHIP BETWEEN ECONOMIC WELLBEING AND HOUSING[1]

NOTE: The tables below present variation in homeownership rates, income and wealth accumulation across different age groups and housing tenure. The focus on wealth is based on the observed connection between homeownership and wealth accumulation. As the studies reviewed suggest there are positive gains to be had from moving into opportunity rich communities for renters in terms of educational attainment, employment and income. However, homeownership remains the primary wealth accumulation vehicle for the vast majority of Americans, as seen in the tables below.

		Age of Householder					
Year	**Homeownership Rate**	**< 35**	**35–44**	**45–54**	**55–64**	**65–74**	**75+**
2010	65.4%	35.5%	61.9%	71.7%	77.9%	81.1%	75.7%
2012	63.9%	32.6%	58.6%	69.9%	76.5%	80.7%	76.3%
2014	63.1%	32.0%	56.9%	68.4%	75.2%	79.7%	76.1%
2016	63.1%	32.2%	56.4%	68.1%	74.7%	79.4%	75.9%
2017	63.9%	33.6%	57.5%	68.5%	74.8%	79.7%	76.5%
PERCENT CHANGE *(2010-2017)*	**-2.3%**	**-5.4%**	**-7.1%**	**-4.5%**	**-3.9%**	**-1.7%**	**1.1%**

		Household Income as % of Median Level ($55,322 in 2016)			
Year	**Homeownership Rate**	**Below 50% Median**	**50-100% Median**	**100-150% Median**	**Over 150% Median**
2010	65.4%	42.2%	60.3%	72.5%	85.3%
2012	63.9%	41.2%	59.2%	71.1%	83.5%
2014	63.1%	40.9%	58.0%	69.3%	82.5%
2016	63.1%	41.2%	56.5%	68.0%	81.3%
PERCENT CHANGE *(2010-2016)*	**-3.5%**	**-2.4%**	**-6.3%**	**-6.2%**	**-4.7%**

[1] Homeownership and Income data come American Community Survey and Reinvestment Fund computations of ACS 1-Year PUMS samples - https://www.census.gov/programs-surveys/acs/news/data-releases/2017/release.html; Wealth data come from the Federal Reserve Survey of Consumer Finances - https://www.federalreserve.gov/econres/scfindex.htm

	Median Family Income (2016 Dollars, 1,000s)			Median Net Worth (2016 Dollars, 1,000s)		
Year	**All Families**	**Owners**	**Renters**	**All Families**	**Owners**	**Renters**
2001	$54.10	$70.60	$33.40	$117.30	$233.80	$6.50
2004	$55.00	$70.20	$31.30	$118.40	$234.90	$5.10
2007	$54.80	$71.50	$32.20	$139.70	$271.90	$5.90
2010	$50.60	$65.80	$28.80	$85.40	$192.80	$5.60
2013	$48.10	$65.30	$28.70	$83.70	$201.50	$5.50
2016	$52.70	$71.20	$31.60	$97.30	$231.40	$5.00
PERCENT CHANGE *(2001-2016)*	**-2.6%**	**0.8%**	**-5.4%**	**-17.1%**	**-1.0%**	**-23.1%**
PERCENT CHANGE *(2013-2016)*	**9.6%**	**9.0%**	**10.1%**	**16.2%**	**14.8%**	**-9.1%**

	% of Families Having Stock Ownership, Direct or Indirect			Ratio of Debt Payments to Family Income		
Year	**All Families**	**Owners**	**Renters**	**All Families**	**Owners**	**Renters**
2001	53.0%	63.2%	31.5%	12.9	13.9	7.4
2004	50.3%	61.0%	26.5%	14.4	15.7	7.2
2007	53.2%	64.6%	28.1%	14.6	15.6	7.9
2010	49.9%	61.3%	26.3%	14.7	16.1	7.0
2013	48.8%	60.0%	28.0%	12.0	13.1	6.6
2016	51.9%	64.6%	29.6%	10.8	11.7	6.7
PERCENT CHANGE *(2001-2016)*	**-2.1%**	**2.2%**	**-6.0%**	**-16.3%**	**-15.8%**	**-9.5%**
PERCENT CHANGE *(2013-2016)*	**6.4%**	**7.7%**	**5.7%**	**-10.0%**	**-10.7%**	**1.5%**

	Median Family Income by Age of Head of Household (2016 Dollars, 1,000s)					
Year	**< 35**	**35-44**	**45-54**	**55-64**	**65-74**	**75 +**
2001	$45.30	$69.70	$73.90	$61.30	$37.60	$30.30
2004	$41.80	$63.60	$77.70	$69.20	$42.40	$30.10
2007	$43.30	$65.50	$74.30	$63.20	$45.10	$26.40
2010	$38.80	$59.50	$67.40	$60.90	$47.20	$32.20
2013	$36.40	$62.80	$62.80	$56.80	$47.40	$29.40
2016	$40.50	$65.80	$69.50	$61.00	$50.10	$40.00
PERCENT CHANGE *(2001-2016)*	**-10.6%**	**-5.6%**	**-6.0%**	**-0.5%**	**33.2%**	**32.0%**
PERCENT CHANGE *(2013-2016)*	**11.3%**	**4.8%**	**10.7%**	**7.4%**	**5.7%**	**36.1%**

	Median Net Worth by Percentile of Income (2016 Dollars, 1,000s)					
Year	**< 35%**	**35-44%**	**45-54%**	**55-64%**	**65-74%**	**75% or more**
2001	$15.90	$105.10	$182.40	$251.20	$240.90	$210.40
2004	$18.00	$88.30	$184.70	$320.60	$241.80	$207.40
2007	$13.70	$102.20	$214.10	$294.30	$277.30	$247.30
2010	$10.30	$46.60	$130.30	$198.30	$228.40	$239.60
2013	$10.70	$48.20	$108.60	$171.10	$239.30	$200.80
2016	$11.00	$59.80	$124.20	$187.30	$223.40	$264.80
PERCENT CHANGE *(2001-2016)*	**-30.8%**	**-43.1%**	**-31.9%**	**-25.4%**	**-7.3%**	**25.9%**
PERCENT CHANGE *(2013-2016)*	**2.8%**	**24.1%**	**14.4%**	**9.5%**	**-6.6%**	**31.9%**