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Furman Center presentations at the Association of Public Policy Analysis and Management (APPAM) 2010 Annual Research Conference:

Residential moves and redevelopment: where do pioneering households move?

Author(s): Kathy O'Regan (New York University); Ingrid Ellen (New York University); Keren Horn (New York University)
Panel Name: Residential Mobility and Trajectories of Neighborhood Change
Date and Time: 11/05/2010 – 10:15 AM
Abstract: Neighborhood change research suggests that higher income homeowners moving into lower income neighborhoods are key drivers of economic change, yet we know little about the conditions under which such moves are made. Our research aims to shed light on this important question. Specifically, which neighborhood and city characteristics appear to attract such pioneering moves? Are these moves more likely, for instance, in neighborhoods with historic housing stocks, less subsidized housing, or more stable demographics? Are such moves more likely in metropolitan areas with particularly hot housing markets or in cities with low levels of crime? And have the patterns of these moves changed over time? While much has been written about the residential choices that contribute to the downward filtering of housing, very little quantitative work exists on the household movements that drive the reverse process. Understanding these conditions is critical for local policymakers who wish to promote neighborhood development. To address these questions we use the internal files of the American Housing Survey (AHS), which follows a nationally representative sample of housing units (and the households who live in them) from 1985 through 2007. Because the survey is a panel, we can observe the characteristics of both the households moving into the housing units and those moving out. These internal files also identify the census tract in which each housing unit is located and thus allow us to link each unit to tract data on housing and demographic conditions included in the Neighborhood Change Database (NCDB), tract data on subsidized housing, along with crime statistics for cities and their suburbs. For a limited number of cities we are supplementing these data with local administrative data on crime and school outcomes. Exploiting our unit-level data, we define pioneering moves as those in which a homeowner moves into a relatively lower income neighborhood, replacing a household whose income is below their own. We examine where such moves occur during three time periods 1989-1993, 1999-2003 and 2005-2007. Specifically, we estimate the probability that a housing unit will receive a pioneering household as a function of unit, neighborhood and metropolitan characteristics. We then extend our analysis to a limited set of cities for which we have access to neighborhood-level administrative data on two critical components of neighborhood quality – safety and school quality. These models are estimated for intervals between 1991 and 2004 based on availability of city data.

Impact of Foreclosures on Neighborhood Crime

Author(s): Claudia Sharygin (New York University); Ingrid Ellen (New York University); Johanna Lacoe (New York University)
Panel Name: Housing and Other Place-Based Policies that Affect Crime
Date and Time: 11/05/2010 - 1:00 PM
Abstract: As foreclosures continue to mount across the country, policymakers are concerned about the negative impacts of these foreclosed homes on their surrounding neighborhoods. There is a particular concern that foreclosures – and the abandonment they often precipitate – may lead to crime. Vacant foreclosed buildings may invite vandalism, looting, drug activity, and a host of other crimes associated with decreased monitoring by residents. Even when foreclosures don't result in long-term vacancy, reduced property maintenance by foreclosed owners may serve as a

visual signal of increasing disorder in the neighborhood, and increased rates of residential turnover precipitated by foreclosure may also undermine social control of criminal activity. Despite these potential linkages, there is little work exploring the causal effect of foreclosures on crime. Previous studies on the topic (for example, Immergluck and Smith, 2006; Goodstein and Lee, 2009) have used cross-sectional data on crime and foreclosures aggregated to large geographic areas. Although these studies use an instrumental variables strategy to address the simultaneity of crime and foreclosure rates, it is questionable whether their chosen instrumental variables – housing values and macroeconomic conditions – affect the incidence of foreclosure but not the incidence of crime. Moreover, aggregating crime rates to the census tract or county level may conceal more localized impacts. Our analysis improves on this work by employing longitudinal, point-specific data on foreclosures and crime. Using this unique, geo-coded dataset, which includes the date and location of every foreclosure notice in New York City since 2000 and the exact time and location of every reported crime in New York City between 2004 and 2008, we estimate the impact of foreclosures on a city blockface on criminal activity on that blockface. To identify the causal relationship between foreclosures and crime, we compare changes in crime on blockfaces that experience spikes in foreclosures to changes in crime on other nearby blockfaces, which are still in the same neighborhood. Our model will include blockface fixed effects and time-varying neighborhood fixed effects to allow a within-neighborhood comparison. We can also determine whether foreclosures generate new crimes or attract existing crimes from the surrounding area. In addition, we have information on the ultimate disposition of the foreclosure notice, and thus can distinguish between the immediate effects of foreclosed property owners' disinvestment, the short-term effects of property vacancy, and the long-run effects of neighborhood turnover on crime. Our analysis will provide much-needed information to guide an appropriate policy response to the foreclosure crisis.

The Effect of Housing Instability on Children's Educational Outcomes: Evidence from New York City

Author(s): Amy Schwartz (NYU/Wagner); Ingrid Ellen (NYU/Wagner); Leanna Stiefel (NYU/Wagner); Vicki Been (NYU/Wagner)
Panel Name: The Effects of Housing Instability on Education Access and Outcomes
Date and Time: 11/04/2010 - 3:30 PM
Abstract: During the past few years, many families across the country have been forced to move, either as a result of foreclosure, loss of affordable housing, or expiration of affordability restrictions in subsidized housing. But while at least some of these moves – the foreclosure-related moves – have received considerable publicity, there has been little investigation, into how these unplanned moves have affected children. In this paper, we examine the effects of housing instability on children's educational outcomes in one large urban school district (New York City). We consider several shocks to housing stability, including foreclosures and the expiration of various kinds of affordability restrictions (e.g., opt-outs of subsidy programs and the sale of rent stabilized buildings) on children's education outcomes. We explore whether the children living in foreclosed properties and properties exiting subsidy programs experience heightened residential and school mobility. We also study the nature of their moves (e.g., when they move and whether they move to better or worse schools). Finally, we examine whether the educational performance of children living in foreclosed and expiring subsidy properties (as measured by attendance and test scores) suffers as a result. To address these questions, we analyze longitudinal student-level data from 2003 through 2007 for all children attending public schools in New York City. We identify students living in at-risk properties by linking their residential addresses to comprehensive, parcel-level data on foreclosure notices and exits and purchases of subsidized housing. Because we can follow students over time, we can compare changes in the mobility patterns of students living in at risk properties with those of students in other properties. Are students in at risk properties more likely to switch schools and are their moves more likely to be of the type that often hinder academic progress -- such as mid-year moves, moves at non-standard articulation points, and moves to schools with lower test scores? Finally, we will also use longitudinal student data to compare attendance and test score improvements among students living in at risk properties with those of other students. Endogeneity concerns are minimized by the fact that more than half of the households living in foreclosed properties in New York City are renters, and thus changes in their financial situation do not precipitate the foreclosures.

Roundtable: There's No Place Like Home: Understanding the Whirlwind of Housing Statistics

Moderator: Ingrid Gould Ellen (NYU)
Panelists:
Raphael Bostic (Department of Housing and Urban Development)
David Johnson (Census Bureau)
Sandra Newman (Johns Hopkins University)
Richard Green (University of Southern California)
Joseph Tracy (Federal Reserve Bank of New York)
Time: 11/05/2010 - 9:30AM
Description: The state of housing and housing finance markets is an important determinant of the health of the national economy. Current, accurate, useful housing statistics are essential to well-informed decision-making. Both the Federal Government and the private sector product a multitude of housing-related data, including general information about housing market demand and supply, information on how single-family and multi-family housing is built (including improvements), the funding and financing of construction, purchase, and refinance transactions, and how housing is used. This roundtable builds on two recent efforts. The Philadelphia Federal Reserve Bank conference on "Understanding the Housing and Mortgage Markets: What Data Do We Have? What Data Do We Need?" and the newly organized Interagency Housing Statistics Task Force (at HUD), which is a consortium of federal agencies that provide or use housing-related data. The purpose of the task force is to enhance the quality, scope, and utility of housing-related data for the Federal government. The task force will work to enable increased coordination among agencies to enable better use of these data, with particular focus on improving the sharing of data and intelligence regarding datasets, collaborating to broaden the scope and use of available housing-related data, and expanding the number of available housing-related data items.

The impact of government investments in affordable housing on neighborhood crime: Evidence from New York City

Author(s): Michael Lens (New York University)
Panel Name: Housing and Other Place-Based Policies that Affect Crime
Date and Time: 11/05/2010 - 1:00 PM
Abstract: Beginning in the late 1980s, New York City has undertaken the largest city-financed housing production program in US history. The program has two goals – expanding the stock of affordable housing and revitalizing neighborhoods. Conventional wisdom on government housing production contends that it often attracts low-income residents and leads to neighborhood decline. The classic examples are large public housing developments, which are assumed to contribute to neighborhood blight and crime. However, large changes have occurred in subsidized housing policy, and public investments in affordable housing now deviate significantly from the traditional public housing model. In New York and across the country, policy mechanisms such as the low income housing tax credit and scattered-site public housing emphasize smaller, geographically diffuse properties. These changes could have significant ramifications for neighborhood crime, if these new policies are less likely to have negative impacts on neighborhoods than traditional public housing. In fact, the only two existing studies on non-traditional public housing and crime – Goetz et al (1996) and Galster et al (2003) – find tentative evidence that these investments lead to lower crime in the surrounding neighborhood. The present study adds to the literature by examining the effects of a dual strategy to revitalize neighborhoods and expand affordable housing for multiple income strata. Using the example of New York City, I estimate a set of regression models to isolate the impact of housing investments on neighborhood crime. I take advantage of a unique set of address-level data on over 26,000 units rehabilitated or created and over 2.5 million crimes committed between 2004 and 2008 and identify the spatial and temporal relationships between housing construction and surrounding crime rates. Regression models estimate the change in a block group's crime rate from year to year as a function of rehabilitation and creation projects completed in that block group from year to year. Neighborhood conditions at the start of the data period are controlled for, in addition to time and neighborhood fixed effects, in order to

control for unobserved characteristics and trends occurring in the neighborhood. Alternate specifications estimate these models spatially at the census tract and 1000 foot rings surrounding the subsidized property, and use quarterly variation to better identify the temporal relationship between housing creation and rehabilitation and neighborhood crime. Additionally, I disaggregate these effects by the type of housing (i.e. new construction v. rehabilitation, private v. city-owned, renter v. owner-oriented).

What happens to seriously delinquent mortgage borrowers and their homes?

Author(s): Sewin Chan (New York University),Vicki Been (New York University), Andrew Haughwout (Federal Reserve Bank of New York)
Panel Name: Determinants of Sustainable Homeownership
Date and Time: 11/06/2010 – 8:45 AM
Abstract: The recent wave of delinquencies and foreclosures, and the financial crisis that it engendered, have drawn considerable attention to the different reasons why households end up in foreclosure. In earlier work, we assembled a uniquely rich dataset to examine the determinants of non-prime mortgage default in New York City. We found that the mortgage holder's neighborhood has a powerful impact on the likelihood of default. In particular, those living in predominantly black neighborhoods are substantially more likely to default, as are those in neighborhoods with high foreclosure rates, even after conditioning on detailed individual, loan and property characteristics, including the borrower's own race. These findings lead us to further expand the depth of our dataset to include post-default information and to examine what happens to mortgage borrowers and their homes once they are in default. Some borrowers are able to recover on their own, or obtain loan modifications or forgiveness. Others sell and repay the loan (possibly in a short-sale) before foreclosure is completed. Among borrowers who are foreclosed, the property may sell at auction for more or less than the outstanding loan, or the property may return to the lender. Current research sheds little light on the relative frequency of these outcomes or what factors influence them. In this paper, we focus on measuring the relative importance of borrower, loan, property and neighborhood characteristics in predicting these possibilities. We also investigate the process by which the properties cycle in and out of foreclosure, as we find an incredible persistence in foreclosure activity. For example, over 40 percent of NYC homes that sold at a foreclosure auction from 2004 to 2006 had received a new legal foreclosure notice by 2009. We examine the factors that predict this repeated foreclosure experience. For policymakers, predicting which foreclosure outcomes are likely among particular types of borrowers and neighborhoods has important consequences. For example, if some types of borrowers are less likely to take advantage of loan modification programs, the government and the financial industry could adjust their terms to increase participation. Further, identifying the factors that lead to more favorable outcomes will help policymakers better direct government efforts such as neighborhood stabilization to areas most likely to be helped by interventions. More generally, understanding the differences in outcomes among types of borrowers, loans, properties and neighborhoods will be useful to regulators as they implement long term regulatory solutions to the mortgage crises.

Land Use Regulation and Land Values: Evidence from New York City

Author(s): Michael Gedal (New York University)
Panel Name: Regulation and Housing Markets
Date and Time: 11/06/2010 - 10:30 AM
Abstract: How do building restrictions affect land values and housing prices? This paper relies on an innovative database to explore this question empirically in considerably more depth than has been possible, given existing data limitations. Importantly, I rely on information from so-called teardown sales to recover land values for more than 4,000 parcels in New York City (see Ellen, Gedal and Been 2009). Following the influential study by Glaeser and Gyourko (2003), I interpret the gap between the intensive and extensive measures of land values as an indication of the strength of the so-called regulatory tax. These authors argue that in competitive equilibrium the per-acre price of land at the margin (intensive value) is expected to be roughly equal to the per-acre average price of land (extensive value). Glaeser and Gyourko offer the following hypothesis: stricter building restrictions should be associated with a larger regulatory tax, all else equal. Examining a sample of metropolitan areas, they find strong evidence in favor of the hypothesis.

This study provides a direct test of the Glaeser and Gyourko hypothesis. It exploits variation in the strictness of building restrictions across properties and neighborhoods within New York City to identify the impact of the regulatory tax. I model the relationship between the magnitude of the regulatory tax and two measures of the strictness of zoning regulations, including various property- and neighborhood-level controls. The first measure of zoning strictness is the maximum allowed floor-to-area ratio (FAR); the second is historic district designation. I construct a measure of the regulatory tax by combining estimates of extensive land values (from teardown sales) and intensive land prices (by running hedonic estimates of property sales prices, with the coefficient on the land area providing this estimate). This study expands on previous analyses in three important ways. First, unlike Glaeser and Gyourko, who consider only the average strength of regulation within a jurisdiction, this study allows for variation in the strength of regulatory tax over space within a jurisdiction. Second, it incorporates rich data on important two factors omitted by Glaeser and Gyourko: neighborhood amenities (school test scores, crime rates, public transit access) and distance to the central business district. Third, this study is able to decompose the effects of different types of zoning rules.

Homeowner Investments: Are they shaped by perceptions of neighborhood risk?

Author(s): Keren Horn (New York University)
Panel Name: Neighborhood Choice, Mobility, and Investment among Homeowners
Date and Time: 11/06/2010 - 10:30 AM
Abstract: This paper explores how perceptions of neighborhood quality and risk shape the investment decisions of homeowners. Using the confidential, geo-coded version of the American Housing Survey, this paper links household perceptions of neighborhood quality to actual measures of neighborhood quality and estimates how these factors influence a household's decision to invest in their home. This paper will be the first to include measures of neighborhood level house price appreciation, crime rates, school quality and racial composition in modeling the investment decision of a homeowner. Based on estimates from the 2003 AHS, American households spent approximately $250 billion dollars on home improvements over the course of two years, (Leventis, 2007) compared to $5.6 billion annual investment from CDBG and HOME. This large contribution from homeowners means that the future condition of our housing stock rests on the decisions made by owner-occupiers. Indirectly the future of America's neighborhoods is also dependent on upkeep by homeowners. When a household decides whether or not to invest in improving their home, they must predict how much of their costs they will be able to recover when they sell their unit. Increased perceptions of neighborhood risk could discourage home improvement if a household believes they will not be able to recoup their financial investment when they sell the house. The household must also predict how much consumption value they will gain from the investment, which will depend on their expected length of stay. Perceptions of neighborhood risk could decrease the likelihood a household will stay in their unit, leading to lower consumption benefits from a renovation. Galster (1987) finds that households which are one unit more pessimistic on a neighborhood expectations scale are expected to spend $542 less annually on upkeep than those who are one unit less pessimistic. This represents 75% of the annual expenditure made on improvements by the average household in 1987. I estimate the maintenance decision as a reaction function to the level of neighborhood quality and risk, the householder's socioeconomic characteristics, the dwelling unit value, and the socioeconomic characteristics of the household's neighbors. First I estimate which factors influence the probability a household will invest in their home, and then I look at the factors associated with the dollar value of the investment. This paper will provide a rich understanding of how perceptions of neighborhood quality and risk factor into a homeowner's decision to invest in their property.

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