FURMAN CENTER
FOR REAL ESTATE & URBAN POLICY
NEW YORK UNIVERSITY
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE

Furman Center Researchers Present at 2012 APPAM Conference

Association for Public Policy Analysis and Management Annual Conference
November 8-10, Baltimore, MD

Papers Presented:

The Market for Transferable Development Rights in New York City
Date: November 9, 2012
Authors: Vicki Been, John Infranca, Josiah Madar, NYU Furman Center
Description: During New York City's recent real estate boom, many construction projects depended on the transfer of unused development rights from lots with existing buildings that were smaller than the applicable zoning allowed. Because most of these transfers were made pursuant to an as-of-right administrative process, there is no centralized tracking of the transfers. In order to better understand where and how development rights have been used in New York City, the Furman Center has built a database to systematically track recent development right transfers. We are using this database to analyze the way the market for transferable development rights currently works, and have an article in progress about how TDRs have affected development in the city. With support from The Revson Foundation and Deutsche Bank Americas Foundation, we are developing a simulation that will be presented at our December 13th policy breakfast. We are also drafting a white paper proposing a relaxation of the rules regarding the transfer of development rights to facilitate the development of affordable housing, and are vetting the proposal with a variety of development experts and community organizations.

What's Really Happening to the Reo Stock? An Analysis of Three Cities
Date: November 10, 2012
Authors: Josiah Madar, Ingrid Ellen, Mary Weselcouch, NYU Furman Center
Description: As a result of the foreclosure crisis, millions of homes (known as "REO" properties) have been acquired by foreclosing lenders and, through HUD, Fannie Mae, and Freddie Mac, the federal government. Policymakers worry that accumulations of these properties can depress neighborhood housing values by swamping the market with available inventory, providing appraisals with distressed "comparable" sales, and, if the properties are not properly managed, falling into disrepair. The Furman Center has analyzed deeds data from New York City, Fulton County, Georgia, and Miami-Dade County, Florida to identify properties that became REO between 2002 and 2011. This unique data set will allow us to answer several questions about the REO properties in each market, including how the size of the REO stock has changed, which neighborhoods suffer from the highest concentrations of REOs, how many REO properties are purchased by investors, how many of these properties end up back in foreclosure, and how do our three sample cities vary across these dimensions. Our answers to these questions will provide valuable insight to policymakers crafting federal and local responses to the destabilizing effects the foreclosure crisis has had on many neighborhoods across the country.

Do Homeowners Mark to Market? Self-Reported and Market-Based Home Value Estimates During the Housing Cycle
Date: November 9, 2012
Authors: Samuel Dastrup, Abt Associates; Sewin Chan, New York University; Ingrid Ellen, NYU Wagner and Furman Center; Claudia Sharygin, Urban Institute
Description: It has been widely reported that the value of homes in the United States fell by almost one-third between the middle of 2006 and the middle of 2009, and estimates suggest that the value of homeowners' equity in their homes fell by over 50% from 2006 to 2009. Faced with such massive reductions in wealth, households may spend less, invest less in human capital, or adjust their labor supply decisions. They may also be more likely to walk away from their mortgages, as they find themselves owing more than their house is worth. However, behavioral responses to housing wealth changes and negative equity positions, including strategic default, are more likely to be triggered by a homeowner's individual perception of the change in the value of his or her property than by any externally estimated change in its market price. If homeowners overstate the value of their homes in declining markets, then we should observe less dramatic shifts in behavior than expected. This paper examines homeowners' assessment of their home values and draws out implications for expected changes in behavior. Specifically, we examine homeowners' self-reported values in two national, longitudinal surveys: the American Housing Survey and the Health and Retirement Study. We follow households from before the recent housing price run-ups through recent price declines. We use geocoded versions of these datasets, which identify the neighborhood in which each household resides, allowing us to compare zip-code-level, transactions-based estimates of housing prices to those derived from homeowners' self-reported values.

Household Debt Dynamics: How Do Struggling Homeowners Manage Credit?
Date: November 9, 2012
Authors: Sewin Chan, New York University; Andrew Haughwout, Federal Reserve Bank of New York; Andrew Hayashi, NYU Furman Center; Wilbert van der Klaauw, Federal Reserve Bank of New York
Description: Using detailed individual-level data on borrowing behavior taken from credit records, we explore three related questions. First, we describe how the usage of non-mortgage debt, specifically credit cards, automobile loans, and home equity lines of credit, varies with primary mortgage loan-to-value ratio and with local housing price appreciation. Second, we explore how this usage varies by delinquency on the primary mortgage. Third, we describe repayment patterns for these same loans. Throughout, we pay particular attention to the evolution of home equity and contrast borrowers' behavior before and after negative equity occurs.

High stakes in the classroom, high stakes on the street: The effects of community violence on students' standardized test performance
Date: November 8, 2012
Authors: Patrick Sharkey, New York University; Amy Schwartz, New York University; Ingrid Ellen, NYU Furman Center; Johanna Lacoe, University of Southern California
Description: In partnership with NYU's Institute for Education and Social Policy, the Furman Center is studying how violent crimes that occur on a child's home block affect his or her academic achievement. Using five years of point-specific crime data and individual-level demographic, achievement, and residential address data for roughly 1.1 million students in 1,400 New York City public schools, we will estimate the impacts of exposure to violent crimes and study whether and how urban schools vary in their ability to moderate these impacts. We will explore whether variation in the impact of local violence is explained by specific organizational or institutional features of the school setting (school size, peer composition, support staff, extracurricular offerings, and location). The centerpiece of the research is a set of econometric models that are designed to identify causal estimates of the impact of crime on student outcomes and the moderating effects of schools.

Do Housing Vouchers Break the Link Between Poverty and Poor Schools?
Date: November 8, 2012
Authors: Ingrid Ellen, NYU Furman Center; Keren Horn, New York University; Amy Schwartz, New York University
Description: In this project we explore whether children's academic performance improves after receiving a housing voucher. Through the use of a geo-coded dataset that combines data on individual students with housing assistance over the thirteen year period 1995-2008, we test whether housing vouchers improve educational outcomes for low-income children. We adopt a series of strategies to identify the effect of receiving a housing voucher. Our core strategy is to compare the gain in outcomes for children who receive a housing voucher to those children whose families do not yet have a voucher but will receive one later in the study period. We use this difference-in-difference strategy to weed out unobserved differences in students (their families, neighborhoods, etc.). The Department of Housing and Urban Development (HUD) in its FY 2010-2015 Strategic Plan specifically identifies the use of HUD assistance to improve educational outcomes as one of its key strategic goals. Our proposed research will directly assist HUD in evaluating whether they are reaching their strategic goal in New York City.

Neighborhood House Price Declines, Older Adults, and Transfers to Younger Generations
Date: November 9, 2012
Author: Jaclene Begley, NYU Furman Center
Description: The recent Great Recession resulted in severe housing price declines across the country, with average home prices falling by nearly one-third since their peak in 2006. The fallout from the housing crisis may be especially salient for the growing number of older adults in the United States, who are more likely to be homeowners, typically have accumulated more housing equity than younger homeowners, and may also be nearing a time where they will need to draw upon these savings because they are retired or close to retirement and have restricted incomes. (Costa-Font et al, 2010) Thus, they may be both more exposed to the housing market, and more vulnerable financially to impact of the downturn. This financial hit not only has the potential to constrict the options and reduce spending for older homeowners but also may limit the opportunities of future generations as older adults are forced to limit bequests and transfers of wealth. For many younger generations, wealth transfers are an

important determinant of transition to homeownership (Hall and Crowder 2011) and wealth-building. As a result, the next generation may be less able to purchase their own homes, make other critical investments, and to weather financial downturns. This paper will first describe the wealth losses older homeowners experienced, compared to younger homeowners, as a result of the housing downturn. Then, it will examine how bequests and wealth transfers across generations, from older adults to younger adults; have changed as a result of housing market fluctuations, with a specific focus on neighborhood-level variations in housing prices. It will test whether these impacts varied by neighborhood, and whether neighborhoods that were the hardest hit also saw the largest reduction in older homeowners providing support to younger generations.

Roundtable and Discussion Session Participation:

Furman Center Research Fellow Jorge De la Roca was a discussant for the session, "New Evidence on Neighborhood Preferences and Effects"
Date: November 10, 2012

Furman Center Co-Director Vicki Been chairs discussion session, "Consequences of the Housing Market Boom and Bust for Households."
Date: November 9, 2012

Furman Center Co-Director Ingrid Ellen was a speaker for the roundtable, "The Future of Housing Policy and Research: Lessons for the Next President and Congress."
Date: November 8, 2012
Description: The eve of the new Congress and presidential term presents an ideal moment to take stock of federal housing policy and relevant research—and to chart their future. The year 2012 is not simply an election year; it also follows an extraordinary series of developments in housing: the placement of mortgage giants Fannie Mae and Freddie Mac into receivership; a widespread crash in house prices resulting in a $7 trillion loss in home equity; a wave of foreclosures larger than any seen since the Great Depression. On the policy front, we have seen the launch of unprecedented and much-debated foreclosure programs by the Obama Administration, the introduction of large-scale homelessness prevention through the Recovery Act, and the development of the first-ever, multi-agency Federal Strategic Plan to end homelessness. What is more, we have seen a wide array of measures to reform existing federal housing programs, better link them to health and supportive services —all in the face of tighter federal budgets, a sharp increase in joblessness and poverty, and major changes in the Government Performance and Results Act. Some of these developments were reflected in, and also reflected, a renaissance in policy development and research at HUD and the launch of the public/private What Works Collaborative to strengthen the role of research in HUD's policymaking. This reinvestment in research capacity on federal urban policy followed the recommendations of a 2007-08 National Academy of Sciences panel (reported and discussed at APPAM in the fall 2008 research conference). As such, this roundtable will address three main questions: What are the most important housing policy accomplishments and shortcomings of the past four years? What are the prospects for making significant progress on important problems in the new term, with the next Congress? What have we learned about making research more useful for policy, and what key knowledge gaps and issues should we prioritize in the years ahead?

Furman Center Co-Director Ingrid Ellen was a speaker for the roundtable, "Multi-Generational Planning: Integrating Services for Residents of All Ages."
Date: November 10, 2012
Description: Municipalities of all sizes are simultaneously facing a fiscal crisis and a demographic transformation. Although the US population is aging, the number of school-age children in the US is the same as during the height of the baby-boom. Cities and towns need to enhance investments in children – while the aging population will create new demands on local service delivery. Fiscal pressures require new approaches to address the needs of the younger and older population cohorts. New integrated service delivery models may offer some promise. The purpose of this session is

to focus on the need for community planning to more effectively deliver intergenerational services. The participants will discuss the needs for elder and child services in the coming decades (for example, transportation, easily walkable sidewalks and parks, buildings for after-school activities and activities for elders, housing that is intended to be multi-generational), what we know about demand and effective responses to those projected needs, and what we need to learn in order to promote effective innovations at all governmental levels. Examples of questions to be discussed include: Can we use integrated service delivery models to promote more effective services for elders and families with young children? What are the motivators and obstacles to multi-generational planning? What are the implications for physical planning, and changes in transportation, building codes and service delivery? Is there evidence that such municipal design changes promote good health for elders and reduced obesity among children?

Research Fellow Mark Willis moderated the roundtable, "Whither FHA and Housing Finance for Lower Income Households."
Date: November 9, 2012
Description: The Roundtable offers an opportunity to engage a larger audience on what role the Federal Housing Administration should play in the national housing finance system going forward. This is a topic of critical importance to ensure that affordable housing is available at all income levels. Helping to motivate this discussion will be a panel of experts with deep experience and knowledge of the FHA (note: all are available on Friday the 9th). While most, if not all, of the current proposals for reform of the housing finance system contemplate the FHA's continued involvement in both the single-family and multifamily housing markets, they fail to grapple in any detail with three key issues: what part or parts of the housing market should it serve, how should it serve them, and what structural and organizational changes might be appropriate to increase its efficiency and effectiveness (e.g., should it be transformed into a wholly owned government corporation). Supporters of the continuation of the FHA generally acknowledge that it plays an important role in the provision of housing affordable to lower income families and households. They also acknowledge the critical counter-cyclical role the FHA played when mortgage originations that relied solely on the private sector all but disappeared with the onset of the financial crisis and the decline in housing prices (when the private sector withdrew, the FHA scaled up to undergird over half of the purchased-money mortgage market). Others also see support for the continued existence of the FHA as an excuse to free the private sector from any obligation to serve the lower income housing market. For some, this point of view is motivated by a belief that it was too much to expect private sector corporations such as Fannie Mae and Freddie Mac to be able to address simultaneously both a profit making mission and a social one. Similarly motivated by the experience with Fannie and Freddie is a desire to have any subsidies explicitly recognized on the federal budget, unlike the case where there was no explicit backing by the government of Fannie Mae and Freddie Mac and yet, in the end, the taxpayers were left holding the bag. The Roundtable will examine such important details as: Should the caps on the size of mortgages that the FHA can insure be brought back down to pre-crisis levels? Are there additional or alternative ways to limit FHA's market share? How broad a market should the FHA be allowed to serve in order to maintain the solvency of its insurance fund? Would a different type of organizational structure and legislative oversight allow it to be more responsive to the needs and opportunities in the marketplace? Etc.

Visit the APPAM website for more information about the conference.