FURMAN CENTER FOR REAL ESTATE & URBAN POLICY
NEW YORK UNIVERSITY SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE
139 MacDougal Street, 2nd Floor, New York, NY 10012 · Tel: (212) 998 6713 · Fax: (212) 995 4341 · www.furmancenter.org

Furman Center Researchers at 2011 APPAM Conference Panels

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Topics in Urban and Suburban Politics and Policy

Date: 11/3/2011
Time: 12:00pm-1:30pm
Paper: Explaining the Motivations Behind Land Use Regulation: New York City's Rezonings of Almost One Quarter of its Land
Author(s): **Vicki Been, Josiah Madar, Simon McDonnell**

Abstract: Since New York City adopted the country's first zoning code nearly 100 years ago, economic, cultural and technological changes have profoundly altered American cities. In response, New York City has completely re-written its zoning code once and has amended it countless times. Other cities also have rewritten or amended their codes frequently in the years since their codes were initially adopted. Despite the importance of zoning changes in our cities, we have a very limited understanding of what factors drive local officials' decisions to change zoning. Most zoning changes are proposed by landowners seeking permission to develop their property at a higher density or with a use other than the use permitted, so the role of public decision makers is largely reactive. Much less frequently, neighborhoods or community or environmental activists come together to apply for a zoning change. Whatever the origin of the zoning change, most municipalities have too few changes in a given period to allow empirical study of their decision-making process (even in the unlikely event that they keep and make available the data necessary for such a study). As a result, the existing literature investigating the determinants of zoning policy is thin and tends just to compare the zoning policies in place in different jurisdictions to one another at one point in time. In this article we take advantage of a period of unusually high rezoning activity in New York City to investigate the determinants of zoning changes in a mature urban area. Since 2002, the city's Department of City Planning (DCP) has successfully initiated more than 100 neighborhood-sized zoning changes throughout the city. Using several data sources, we develop a lot-level data set of more than 300,000 lots that were considered for rezonings as part of this program. We then categorize the lots according to how they were rezoned, and compare them across a wide array of characteristics.

Housing and Crime

Date: 11/3/2011
Time: 1:45pm-3:15pm
Paper(s): American Murder Mystery Revisited: Do Housing Vouchers Cause Crime?
Authors(s): **Ingrid Gould Ellen, Michael C. Lens, and Katherine O'Regan**

Abstract: In recent years, the U.S. Department of Housing and Urban Development (HUD) has greatly increased the size of the Housing Choice Voucher program. In 1980, the traditional public housing program was almost twice the size of the HCV program; by 2008, the voucher program was almost twice the size of public housing program. There were 2.2 million vouchers nationwide in 2008, compared to 1.2 million public housing units. Although the academic and policy communities have welcomed this shift, community opposition to vouchers can be fierce (Galster et al. 1999). Local groups often express concern that voucher recipients will both reduce property values and heighten crime. Hanna Rosin gave voice to the latter worries in her widely-read article about crime in Memphis, "American Murder Mystery," published in the Atlantic Monthly in August 2008. Despite the publicity, however, there is virtually no research that systematically examines the link between the presence of voucher holders in a neighborhood and crime. Our paper aims to do just this, using longitudinal, neighborhood-level crime and voucher utilization data in 10 large U.S. cities. We use census tracts to represent neighborhoods. The heart of the report is a set of regression models of census tract-level crime that test whether additional voucher holders lead to elevated rates of crime, controlling for the presence of other subsidized housing, census tract fixed effects—which capture unobserved, pre-existing differences between neighborhoods that house large numbers of voucher households and those that do not—and demographic characteristics of census tracts that change over time. In some models, we also control for crime in the neighborhood in the prior year and for trends in crime in the city or broader sub-city area in which the neighborhoods are located. Finally, we also test for the possibility that voucher holders tend to settle in higher crime areas. In brief, we find little evidence that an increase in the number of voucher holders in a tract leads to more crime. We do find that crime in a year tends to be higher in census tracts with more voucher households that year, but that positive relationship disappears after we control for last year's crime rate or crime trends in the broader sub-city area. There is strong evidence for the reverse causal story, however. That is, the number of voucher holders in a neighborhood tends to increase in tracts with rising crime, suggesting that voucher holders are more likely to move into neighborhoods when crime rates are increasing. This paper is highly relevant to both planning practice and research. There is growing controversy about how voucher holders affect communities (Varady et al, 2010). Local residents often worry about having voucher holders as neighbors, and landlords resist housing them. Yet there is little research examining their impacts. This paper fills this gap, and should arm planners with new and rigorous information showing that the presence of voucher holders does not elevate crime levels.

Subsidized Housing Production and Neighborhood Crime

Author(s): Michael C. Lens

Abstract: The enormous upheavals in the housing arrangements of many American families over the last decade exposed millions of children to housing instability. Yet policymakers know surprising little about how such instability affects children, and therefore are hampered in their ability to craft responses. Past research focused on moves precipitated largely by changes in family circumstances (both positive and negative) and has been limited by concerns that the impacts attributed to moves could not be separated from the impacts of unobserved characteristics of the families that move and of the neighborhoods to which they move. Using longitudinal data linking foreclosures and other kinds of housing upheavals to individual public school student records in four major markets suffering from unusual housing instability—New York City, and the counties of San Diego and Fresno in California and Pinellas County in Florida —we test whether and how housing instability negatively affects students' educational outcomes. Because current housing instability often is attributable to changes and volatility in mortgage and housing markets rather than to changes in a family's own characteristics, we can use a variety of empirical strategies to separate the effects of housing instability from the effects of unobserved family characteristics. We exploit arguably exogenous variation in the likelihood that a given mortgage will be a candidate for default in order to compare the educational outcomes of students who have experienced housing instability to those of otherwise similar students who have not experienced such instability, before and after the instability. In addition, we study the effects of landlord foreclosures on the educational outcomes of renters. We employ several different strategies to better understand the mechanisms by which housing instability affects children's educational outcomes.

Residential Mobility and School Outcomes

Date: 11/3/2011
Time: 3:30pm-5:00pm
Panel Discussant: Johanna LaCoe
Paper: The Effect of Housing Instability on Children's Educational Outcomes
Author(s): Vicki Been, Ingrid Gould Ellen, David Figlio, Ashlyn Nelson, Stephen Ross, Amy Ellen Schwartz, Leanna Stiefel

Abstract: The enormous upheavals in the housing arrangements of many American families over the last decade exposed millions of children to housing instability. Yet policymakers know surprising little about how such instability affects children, and therefore are hampered in their ability to craft responses. Past research focused on moves precipitated largely by changes in family circumstances (both positive and negative) and has been limited by concerns that the impacts attributed to moves could not be separated from the impacts of unobserved characteristics of the families that move and of the neighborhoods to which they move. Using longitudinal data linking foreclosures and other kinds of housing upheavals to individual public school student records in four major markets suffering from unusual housing instability—New York City, and the counties of San Diego and Fresno in California and Pinellas County in Florida —we test whether and how housing instability negatively affects students' educational outcomes. Because current housing instability often is attributable to changes and volatility in mortgage and housing markets rather than to changes in a family's own characteristics, we can use a variety of empirical strategies to separate the effects of housing instability from the effects of unobserved family characteristics. We exploit arguably exogenous variation in the likelihood that a given mortgage will be a candidate for default in order to compare the educational outcomes of students who have experienced housing instability to those of otherwise similar students who have not experienced such instability, before and after the instability. In addition, we study the effects of landlord foreclosures on the educational outcomes of renters. We employ several different strategies to better understand the mechanisms by which housing instability affects children's educational outcomes.

Urban Change and Property Values

Date: 11/3/2011
Time: 12:00pm-1:30pm
Paper: Drawing the Line between Growth and Preservation: City-Initiated Rezonings and Public Decision-Making in New York City
Author: Vicki Been, Josiah Madar, Simon McDonnell
Abstract: Since 2002, New York City's Department of City Planning (DCP) has successfully initiated more than 100 neighborhood-sized rezoning actions covering more than 20% of the city's land area. These changes, locally unprecedented in number and scope, have the potential to fundamentally transform the nature of development in affected neighborhoods. DCP publicly describes policy goals for each rezoning proposal, such as promoting transit-accessible residential or commercial development or preventing development that is "out of context" from a neighborhood's existing building pattern. Additionally, many of these rezonings were enacted after the city unveiled in 2005 its official long term sustainable growth plan, PlaNYC 2030. The plan articulates several strategies and goals related to improving residents' quality of life and reducing the city's environmental impact, while also accommodating significant anticipated population increase over the next two decades. While these explicit policy-based explanations for the particular rezonings the city has chosen to enact sound like rational, public-interested justifications, political models and public choice theory suggest that other forces, including the relative strengths of different constituencies may play an additional, or predominant, role in these public decisions. In this study, we will test those political theories by building upon earlier work that developed a methodology to measure the impact of zoning changes on residential development capacity in New York City. We divide all lots that were rezoned into three groups based on the impact the regulatory change had on their legal capacity for residential development: "upzoned" lots, for which legal capacity increased, "downzoned" lots, for which it decreased, and "contextual-only rezoned" lots, for which legal residential capacity was largely unchanged (though other changes governing allowable development were made). Using regression analysis and a detailed database of lot and neighborhood characteristics, we develop models to estimate the likelihood that an individual lot that is subject to a rezoning will be affected in each of the three possible ways. The models encompass each individual lot's development and regulatory status, the socio-economic characteristics, built form, and certain infrastructure constraints of the neighborhood the lot is located in, and levels of political campaign contributions and voting patterns. Our timeframe is from 2003 to 2009. Because of the large sample size and the breadth of lot-level and neighborhood level data we have assembled, this study will add valuable empirical evidence to the mostly theoretical literature about the factors that influence rezoning decisions. Land use decisions such as rezonings have been described variously as controlled by the "homevoter" block (Fischel, 2001), the "growth machine" (Molotch, 1976), "influential landowners" (Hilber and Robert-Nicoud 2009), and more colorfully, by "whose ox is being fattened or gored by the granting or denial of the rezoning request" (Snyder v. Board of County Commissioners (Fla. Dist. Ct. App. 1991)). This study will use the rich data set of New York City's recent extensive rezonings to better understand the political economy of land use regulations.

Date: 11/4/2011
Time: 9:30am-11:00am
Paper: The Impact of Historic Designation on Residential Property Values in New York City
Author(s): Vicki Been, Ingrid Gould Ellen, Edward Glaeser, and Brian J. McCabe

Abstract: Since the designation of Brooklyn Heights as New York City's first landmarked neighborhood, the Landmarks Preservation Commission has designated over one hundred historic neighborhoods in the city. Proponents of historic preservation often argue that preservation policies raise property values, but limited empirical work confirms these claims. Identifying the effect of preservation policies separate from the price premium associated with the historic character of properties is methodologically challenging. In this paper, we exploit the variation in the timing of historic district designations in New York City to identify the effect of preservation policies on property values. We combine an extensive dataset of residential property transactions during a thirty-five year period (1974-2009) with data from the Landmarks Preservation Commission on the timing and location of the city's historic districts. The paper estimates a difference-in-difference specification of a hedonic regression model to identify the impact of historic preservation policies on the sales price of residential property. We find support for the hypothesis that preservation raises property values within historic districts, but we do not find evidence of spillover effects for adjacent properties located immediately outside of the district.

The Fallout from the Economic Downturn and Housing Crash

Date: 11/4/2011
Time: 9:30am-11:00am
Paper: Housing wealth changes and college choice
Author: Samuel Dastrup

Abstract: This paper examines the effect of changes in home values on whether and to what type of institutions high school graduates matriculate. Using a unique dataset of administrative data from the San Diego Unified School District matched to post-secondary enrollment data from the National Student Clearinghouse, I empirically model observed college enrollment using students' academic histories and demographics. Changes in housing wealth based on neighborhood-level price indexes calculated from market data are added to the model. Because I am able to control in detail for individual academic histories and demographics, the estimated impact of housing wealth changes to enrollments is the reduced form response of college enrollment to market-driven changes in home equity. With data for graduating classes from 2002 to 2009, I estimate effects during both the housing boom and bust. I also examine how the estimates vary by student achievement, race, and neighborhood characteristics. Because many households hold much of their wealth in their home, the consequences of the past decade's housing market disruption extend beyond financial markets to the many household decisions and policy initiatives that interact with household wealth. Changes in educational investments due to housing price movements represent potential long term economic and social impacts of real estate cycles. Prior research (Lovenheim and Reynolds, 2010) has used survey data and MSA level house price appreciation to find that house price appreciation shifts enrollment towards flagship public institutions and away from community colleges. This paper adds to this research by using academic records where observed coursework indicates post-secondary enrollment intentions, by incorporating neighborhood-level housing price indexes to better assess changes in family home equity, and by examining a period of dramatic housing price declines in addition to a period of appreciation. I conclude by discussing the implications of the results for housing policies that could insulate education decisions from housing price fluctuations and education policies which encourage human capital investment when households face financial constraints.

The Economic Consequences of House Price Declines for Older Households

Author(s): Jaclene Begley and Sewin Chan

Abstract: Accumulation in home equity has traditionally been the predominant non-pension vehicle for saving in the US. Housing wealth is particularly important for older households as they are more likely to be homeowners, and to have substantial home equity. A variety of loans collateralized by home equity have made housing both a direct source of consumption in retirement, and a source of precautionary saving for emergencies such as unexpected medical expenditures. But the recent housing market crash has damaged this asset substantially, with average home prices falling by one third since 2006. This paper examines the extent of housing wealth losses for older households and explores how their retirement, saving, consumption, and other measures of well-being have changed in response to these losses. We use data from the Health and Retirement Study, a representative longitudinal survey of people aged 50 and above. To measure local housing market conditions, we match these geocoded data to zip code level home price indices, and to a variety of census tract level neighborhood characteristics. Using housing value measures based on contemporaneous self-report, as well as the original purchase price adjusted by the local price index, we describe changes in housing wealth since 2006, both nominally and as a share of total assets, and we contrast these changes to earlier periods of rising house prices. Among older homeowners with mortgages, we describe housing equity losses, negative equity, and mortgage-related distress such as foreclosure or increased payments. We identify the characteristics of households that have experienced large housing wealth losses and mortgage distress, and we examine a series of economic choices and consequences: First, we estimate whether housing losses affect the probability of complete or partial retirement. We also explore changes in subjective expectations regarding the future timing of retirement and expected retirement wealth. Those suffering large shocks may choose to delay their retirement in order to rebuild lost saving. If their retirement plans had involved moving to another location, loss aversion or lock-in from an underwater mortgage might also lead to delayed retirement.

Housing Market Dynamics and Program Design

Date: 11/4/2011
Time: 1:00pm-2:30pm
Paper: Who lives in Low Income Housing Tax Credit Housing? Analysis of LIHTC Tenant Data
Author(s): Keren Horn, Katherine O'Regan

Abstract: The Low Income Housing Tax Credit (LIHTC) program is currently the largest place-based subsidized housing program in the country. Unlike other housing programs (administered by HUD), the LIHTC program is administered by the Internal Revenue Service (IRS), which does not collect data on the LIHTC tenants. As such, we know almost nothing about who resides in LIHTC developments – we have no information about tenant incomes, race, family structure, rents paid, or how any of these factors vary by neighborhood location or type of developer (i.e., nonprofit or new construction). This has greatly hampered assessment of the program and its merits relative to other affordable housing approaches, such as vouchers. For example, fair housing advocates have recently brought law suits in several states, concerned that locating LIHTC developments in poor and minority communities furthers segregation. Absent data on who resides in these developments, this argument assumes these developments contain an even a greater share minority than the neighborhood. In recent work that relies on tenant data from three states, Horn and O'Regan (2011) show that in fact, this is frequently not true and that the racial composition of tenants can reverse the expected effect of developments on neighborhood racial composition. In response to the dearth of knowledge, Congress has now mandated that state housing agencies (who oversee compliance with federal tax credit requirements) provide tenant data to HUD, starting in 2011. Such data may not be publicly available for several years. In the interim, a large number of these state agencies have voluntarily provided their data (cleansed of identifying information) to our project. To date, we have received data from 21 states, covering more than 1 million tax credit units, well over half of all LIHTC units nationally. These data provide a unique opportunity to explore a wide range of pressing questions about the LIHTC program and housing policy. This paper will provide the first large scale assessment of the characteristics of LIHTC tenants, and how these characteristics vary with neighborhood location and type of development.

Loan Modifications and Foreclosure Prevention

Date: 11/5/2011
Time: 3:30pm-5:00pm
Panel Chair: Mark Willis
Paper: Determinants of the Outcomes of Loan Modifications
Author(s): Vicki Been, Mary Weselcouch, Ioan Voicu, Andrew Tschirhart

Abstract: Loan modifications give borrowers in default the opportunity to reduce their interest rate, extend the term of their loan, reduce their principal balance, or add missed payments to the principal. If a loan modification successfully allows a borrower to stay current on his or her loan, the modification may help the borrower avoid the disruption and social and psychological costs of moving, allow the borrower to avoid the financial costs of foreclosure, and save the borrower's credit record. Such modifications help the neighborhood as well, by avoiding vacancies and high rates of turnover and the crime and other negative impacts that vacancies cause, thus preventing reductions in neighboring property values, and promoting stability and the social cohesion it produces. Lenders may benefit from modifications by avoiding the costs associated with foreclosure, such as reduced property values (through market price depreciation and vacancy costs) and legal and administrative costs. Policymakers are putting considerable emphasis on the desirability of modifications to help borrowers avoid losing their homes through foreclosures. However, little is known about the success of these mortgage modifications. Do modifications allow borrowers to become and remain current on their loans or are they merely delaying a foreclosure? What kinds of modifications are most likely to be successful? This paper combines data the Furman Center for Real Estate and Urban Policy has built on borrower, neighborhood, and property characteristics for loans originated in New York City with the OCC's Mortgage Metrics dataset to examine the factors that determine the outcomes of modified loans. Our empirical strategy employs logit models in a hazard framework to explain how loan, borrower, property, servicer and neighborhood characteristics along with differences in the types of modifications, help predict which modifications will succeed over the long term. This research will allow lenders and policy-makers to assess the cost effectiveness of modification programs and target modification programs for distressed mortgage borrowers more effectively.

The Future of the Housing Finance System Roundtable

Date: 11/5/2011
Time: 12:00pm-1:30pm
Roundtable Moderator: Mark Willis
Participants:
Ellen Seidman, Former Director, Office of Thrift Supervision, ellensseidman@gmail.com
Joseph Tracy, Federal Reserve Bank of New York, Joseph.Tracy@ny.frb.org
Lawrence White, New York University, lwhite@stern.nyu.edu
Sarah Wartell, Center for American Progress, swartell@americanprogress.org
Raphael Boston, US Department of Housing and Urban Development

Description: In the wake of the housing crisis, the future of the U.S. system of housing finance, and the role that the government will play in that system is very much in doubt. Most notably, the Obama Administration recently proposed unwinding of Fannie Mae and Freddie Mac and outlined three options for the role of government in backing mortgages in the future. All three proposals envision a continued role for the Federal Housing Administration in backing mortgages below a specified cap. But the proposals differ in the extent to which government would support mortgages for higher-valued properties. Moreover, the proposals are not clear in defining what share of the market the Federal Housing Administration should comprise. These five expert panelists, who bring different backgrounds and ideological perspectives, would debate the strengths and weaknesses of proposed alternatives.

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