

Background Packet for IMI Strategy Meeting – March 29th, 2019

Meeting at the offices of the Century Foundation
15th Floor, One Whitehall Street, New York City
Breakfast available 8:45 am; lunch will be served

The general goal for the meeting is to have a series of focused, concrete discussions about housing segregation and the potential to develop an ambitious strategy for addressing segregation. In the course of these discussions we hope to develop a clearer understanding of the precise points where we agree or disagree, what are key unknowns that might be addressed by better research, and what we know and don't know about costs and the cost-effectiveness of alternate strategies.

After introductions, the *initial morning discussion* (roughly 9 am to 10:30 am) will focus on *underlying goals*: what are the ultimate and intermediate ends we are pursuing? How do we measure them and assess progress? What are our assumptions about the key causal mechanisms? What are the drivers of skepticism about integration strategies, and how can that skepticism be addressed?

The *middle and principal section* of the meeting (roughly 10:30 am to 3 pm, with a break for lunch) will *examine and critically discuss a series of specific methods for addressing segregation*. Among those of us participating is a great deal of expertise on one or another of these methods, so on many of these topics we should be able to get a clear idea of what is known, strengths and weaknesses of each approach; and where research and experimentation is most needed. The outline of topics (on pages 2-3, below) covers more program ideas than we can probably cover in one sitting, and is not intended to be exclusive,. But since an overall strategy is likely to incorporate a number of different methods, and since many of the individual ideas are complementary, it is useful to be able to at least refer to and touch upon a broad waterfront of possibilities.

The *third leg of the meeting* (roughly from 3 pm to 5 pm) will focus on next steps. There are a number of possible steps that subsets of us have discussed: attempting to draft a national strategy on housing desegregation with which we could approach political candidates; assembling a foundation proposal laying out how a large-scale prototype desegregation policy could actually be implemented in one or a couple of metro areas; developing smaller proposals aimed at research and experimentation on specific initiatives or problems; collaborating with interested non-profits, cities, or other institutions that want to try out new strategies and like the idea of carefully evaluating them. This discussion, following on the heels of the earlier conversations of the day, should reveal our degree of collective consensus on premises and strategies, and suggest possible working groups going forward, substantive gaps in expertise, important others we need to try to interest in our efforts, and our individual interest in this general project.

Questions: On hotel/reimbursement, Mary Tran (tran@law.ucla.edu; 310-825-6255); on Century location/facilities, Mariel Iezzoni (iezzoni@tcf.org, 212-452-7733).

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One-Pagers: the balance of this packet contains short introductions to most of the topics on the morning and mid-day sections of the agenda. These introductions do not aim to draw conclusions as much as to provide some background and questions to help us jump-start our discussions of each topic.

Underlying goals / Foundational Questions

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Housing Desegregation Strategies

Not Requiring Legislative Action

Pages 9 – 20

Requiring Legislative Action

Pages 21 - 26

Opening session: Underlying goals / Foundational questions

- 1) How and why does racial segregation matter?*
- 2) How do we quantitatively measure racial desegregation in housing?*
- 3) What does “good” desegregation look like, qualitatively?
- 4) Sustainability of housing integration*
- 5) What should be the relative focus on African-American, Hispanics, and other ethnicities?*
- 6) What are the key sources of progressive skepticism about racial integration?*

*One-pager included

How and Why Does Housing Segregation Matter?

A growing volume of persuasive research has shown a strong, seemingly causal link between high urban housing segregation and worse outcomes for African-Americans. Most of this research compares outcomes at the metropolitan level; since until 1980 or so virtually all U.S. metro areas had very high segregation levels (i.e., above .88 on the black/white index of dissimilarity), it was not until the 1990s that scholars started noticing that African-American outcomes were improving significantly in areas that had experienced moderate segregation declines, and that outcomes (for low-and-moderate income African Americans in particular) were stagnating or declining in metro areas with continuing high segregation.

The effects are large: a twenty-point decline in block-level dissimilarity (between blacks and Anglos, measured at the metropolitan level) appears to be associated with about a 40-50% decline in the black/white gap, averaged across a range of outcomes such as median income, unemployment rates, high school test scores, mortality rates, and so on. Some of the effects are probably attributable to selective migration (Vigdor), but much or most of the effect seems to be causal (Cutler & Glaeserr, Elizabeth Ananat, Raj Chetty, and others).

There is some evidence (though arguably less conclusive) that high levels of Hispanic segregation have similar harmful effects on outcomes.

What are the causal mechanisms? Some mechanisms seem fairly clear: African-Americans in urban areas with lower housing segregation are less exposed to environmental hazards; have access to better public services; attend more integrated schools; and can more easily access better quality health services. There is still a scarcity of good qualitative and quantitative research on dynamics in the low-segregation metro areas. How does social interaction across racial lines change? Job dissimilarity by race? Police behavior? Filling this knowledge gap seems important in helping to make desegregation efforts target on things beyond just desegregation itself.

Importantly, it appears that many outcomes are not zero-sum across racial lines; minority gains do not correspond one-to-one with majority losses. Lower segregation appears to produce more public investment in public goods; lower crime; and more efficient commuting. Understanding more about “zero-sum” versus “positive sum” patterns is important, too.

It is clear, however, that in the modern United States era (i.e., since 1970), black/white housing desegregation gains momentum once it passes a certain point. No urban area where black/white dissimilarity has fallen below .70 has risen back above that threshold.

There are, of course, many other reasons to pursue housing desegregation: making freedom of choice real, reducing housing discrimination, creating a more cohesive society, and so on. But the apparently large and tangible effects of desegregation on racial inequality are, we suppose, a particularly persuasive inducement to commit resources to its achievement.

How do we quantitatively measure housing desegregation?

A plurality of modern research on U.S. housing segregation relies on the “index of dissimilarity” (or “D”) to measure both absolute levels of segregation across urban areas, and changes in segregation over time. The index measures the degree to which two demographic groups occupy different locations (e.g., census tracts or blocks) within some defined area (e.g., cities or metropolitan areas); it measures the proportion of group A that would need to change locations to achieve an equal distribution with Group B. 1.0 indicates complete separation; 0 indicates complete integration.

D has several weaknesses, discussed below, but a particularly common one appears to be solvable. As a tool for measuring segregation, D works better when location is measured with precision and the number of locations measured is very large relative to the region studied. Many studies have, for example, reported relatively low D levels for small-or-medium sized metro areas when the unit of analysis is the census tract. But these low values are largely artifacts of the use of fairly large tracts in fairly small metro areas; when one uses the much smaller “census block” as the unit of analysis, measured segregation levels are much higher. Importantly, many models of segregation dynamics produce more accurate results when “blocks” rather than “tracts” are the unit of analysis (i.e., the models become more strongly predictive).

One definition of “meaningful housing desegregation” is the reduction of block-level, black-white metropolitan D to below .60. Some merits of this definition are that (a) metro areas that have achieved this level have consistently shown large improvements in relatively African-American outcomes; (b) metro areas that achieve or come close to this area seem to show continuing (but slow) decade-by-decade further declines in D; (c) we can point to major metro areas where such levels have been achieved (which is not true, for example, for lower levels of D, such as .50 or .40.)

“D” has a number of drawbacks; Mark Fossett has recently written an entire book on analytic limitations of D and proposals for various alternatives. One key drawback is that “D” only measures segregation between two groups, whereas most American metro areas now have three or four large ethnic groups that are at least somewhat segregated from one another (the “entropy” index is a common device for measuring multi-group segregation). D is also fairly insensitive to the relative size of the two groups being compared. Thus, the “exposure index” (“E”) measures the average presence of Groups A and B in each location; if a metro area has high exposure of blacks to whites, that means that the “average” black lives in a neighborhood with a substantial white population. Exposure is arguably a better measure of how segregation is actually experienced. It is mathematically related to D (i.e., we can turn D into E if we know the relative size of the two populations analyzed), but two metro areas can have the same “D” levels and very different “E” levels.

For now, “D” is perhaps the best quantitative benchmark for discussing metropolitan segregation goals and strategies, but research into alternatives seems like a sensible priority.

When and where is integration sustainable?

From the 1950s through 1970s, integration often was “the interval between the entry of the first African-American and the departure of the last white.” The issues of tipping and resegregation have received a lot of scholarly attention, and are often assumed to still pose a major threat to integrated neighborhoods. However, there are several reasons to think that integration is a good easier to sustain now than it was a generation ago.

- 1) The objective frequency of resegregation has declined sharply. Ingrid Gould Ellen’s work in the 1990s showed that integrated neighborhoods were substantially more demographically stable in the 1980s than in the 1970s and before. Those trends have continued. [Data example]
- 2) In metro areas where the black-Anglo index of dissimilarity has fallen below .65, resegregation is extremely rare. Some of these areas do have neighborhoods that transition into “predominantly Hispanic” but otherwise the African-American and Anglo presences are quite stable.
- 3) Analysis of migration patterns *into* integrated neighborhoods have shown a steady increase in the proportion of such migrants who are Anglo. Roughly a fifth of all Anglo moves in metropolitan America are now into neighborhoods that can fairly be called “integrated”.
- 4) Multiracial neighborhoods – neighborhoods in which at least three of the four major ethnic groups (African-Americans, Anglos, Hispanics, and Asians) make up a tenth or more of the residents -- have also become dramatically more common over the past thirty years. A variety of research suggests that these neighborhoods are particularly unlikely to “tip” towards a single-race community.
- 5) Perhaps the most likely trigger for resegregation in the 2020s is gentrification. But even here, work by Freeman, Ellen, and others, suggests that rapid racial transition in gentrifying neighborhoods is relatively uncommon.

None of these points constitute a reason to be complacent about resegregation. Considering neighborhood context and local demographic dynamics are clearly important in calibrating integration strategies. But it does seem that integration outcome are more stable and robust than has been true in the past.

What should be the relative focus of our efforts on African American, Hispanic, American Indian, or Asian segregation?

African-American urban housing segregation is unique in its pervasive intensity, in the overtness of social action used to bring it about and sustain it, and probably in its damaging effects. These are each reasons to give it priority in remedial strategies. On the other hand, the case for focusing exclusively on African-American segregation is not so strong. Hispanic/Anglo segregation, for example, is now as high (on the index of dissimilarity) or higher (on the exposure index) than black segregation in a number of metro areas, and has been linked to a number of serious problems.

One approach to the “focus” question is to set a threshold of segregation intensity and focus on any group in any metro area that is above that threshold. Some comparative numbers are helpful. Using small area “D” measures, segregation levels among European immigrant groups were often around .75 in the early 20th century; through gradual assimilation, these levels have now generally fallen to between .10 and .35 across various metro areas. These levels seem to be benign in their effects and largely driven by self-selection. Asian-Americans present in large numbers before 1950 (i.e., Chinese-Americans and Japanese-Americans) often experienced high levels of D, but these levels tended to fall quite broadly in the 1960s and 1970s. Since 1980, declines have been much smaller, which is plausibly linked to the dramatic increases in Asian immigration since the 1970s. Historically, recent immigrants of all ethnicities have tended to cluster in so-called “port-of-entry” neighborhoods, with spatial assimilation commencing a decade or two later. (In the past generation, however, Hispanic and Asian immigrants have often migrated to metro areas and even rural areas far from traditional ports of entry.) It seems plausible, even likely, that “D” levels for Asian-Americans (collectively within a metro area) will continue to broadly fall, though most Asian-American populations still have a block-level D with whites that is above .50. It is important to note that some Asian ethnicities, notably Cambodian-Americans, have high rates of poverty and segregation levels comparable to those of African-Americans.

Hispanic segregation similarly appeared to fall from historically substantial levels during the 1960s and 1970s, but has stagnated since then, quite possibly for reasons similarly linked to migration, although many observers fear that Hispanic segregation has become more entrenched and harmful. As of the 2010s, the proportion of Hispanics who are recent immigrants is falling in most metro areas, so if “port of entry” segregation is in fact the key fuel keeping Hispanic segregation levels high, we should start to observe steady declines soon.

If we view .70 as a threshold separating “intense” or “high” segregation from “moderately high” segregation, then among sixty major American metro areas, this threshold was surpassed by African-Americans in 26 of the 60 areas, compared to 2 of the 60 for Asian-Americans and 0 of 60 for Hispanics. If we view .65 as the critical threshold, then 42 of 60 African-American metro areas were above it, compared with 8 of 60 Hispanic and 7 of 60 Asian-American areas.

Skepticism about integration

American civil rights groups broadly supported and pursued the goal of housing integration through much of the mid-20th century. Since the 1980s, however, there has been far more skepticism about the importance of integration (over and beyond what results from the reduction of discrimination) as a goal. Below are some commonly-cited sources of skepticism, and responses that strong supporters of housing integration offer in response.

- 1) The enormous legal and political investment made in pursuing school desegregation produced more disappointment than triumph; school integration was often unsustainable once court supervision ended. (But: a focus on housing integration is different, because housing integration in recent decades is usually stable, has been sustained for many years in entire metropolitan areas, and, incidentally, consistently produces comparable levels of school desegregation and greater entry of whites into public school systems.)
- 2) Prioritizing “housing integration” implicitly identifies minority populations as “problems” to be solved. (But: the past generation of research on the effects of segregation tends to show that integration, quite apart from its social implications, is an efficient way of deconcentrating poverty, achieving better distributions of public services, and making local politics more progressive and less divisive.)
- 3) Housing desegregation reduces the political influence of African-Americans. (But: the number of African-American office holders continues to steadily increase, including in Congress – even as segregation very gradually declines. A majority of African-Americans now serving in both houses of Congress represent majority non-black districts.)
- 4) A focus on housing desegregation distracts from and undermines efforts to build more vibrant communities in predominantly minority areas. (This seems to many of us a real concern. Addressing it requires several responses: (a) desegregation efforts should not focus simply on integrating white communities, but integrating all communities and fostering migration into all mono-racial communities (this is important in part in preventing minority housing markets from stagnating or declining); (b) fears of displacement-through-gentrification, which could be exacerbated by (a), should be proactively addressed through the preservation and stabilization of low-and-moderate income housing in areas experiencing gentrification; (c) independent initiatives aimed at central-city disinvestment, such as the community banking proposal discussed above, should be part of overall strategies.

Housing Desegregation Strategies, Part I: Initiatives not requiring legislative action

1) Mobility Counseling (providing free housing counseling to homeseekers, with a focus on enlarging the range of places they consider, encouraging pro-integrative moves, and smoothing the path towards integrative moves)

2) Fair housing search engine (a non-profit alternative to “Zillow” or other search engines, that complements and helps generate customers for mobility counseling)

3) Inclusivity ratings (evaluations of local policies aimed at incentivizing good behavior by localities, penalizing bad behavior, helping “pro-integrative” movers to vote with their feet, and taking into account more than just zoning policies in evaluating inclusivity)

4) Housing trusts (In proto-gentrifying neighborhoods, putting affordable housing into non-profit trusts to insulate it from rent escalation; to make this more scalable, the housing can be resold to the market with deed restrictions that maintain affordability)

5) Large-scale affordable housing development using existing tax incentives (a combination of existing IRS regulations, and property tax exemptions for non-profits, create a theoretically unlimited window for the propagation of economically diverse housing, not dependent on very finite subsidies such as the Low-Income Housing Tax Credit)

6) Mobility Grants (providing targeted housing allowances or mortgage subsidies to homeseekers making “pro-integrative” moves)

7) Disparate impact litigation (suing local governments pursuing particularly exclusionary policies)

8) Community development banking (fostering for-profit-but-philanthropic banks in underbanked communities to increase access to conventional financial services, develop expertise in local housing markets, and undercut the “subprime” market)

9). Neighborhood mobilization and institution-building (a variety of initiatives aimed both at increasing community voice, and in making on-the-ground integration more real and meaningful)

10) More muscular AFH planning in gentrifying areas and metropolitan-wide (three interrelated goals: get local fair housing officials focused on comprehensive “integration planning”; get diverse voices institutionalized into this process; and build metropolitan-wide vision and cooperation)

11) School/housing interface (translating housing integration into genuine school integration, and maximizing positive feedbacks across these two realms)

(One-pagers are included below on each of these topics)

Mobility Centers

Maria Krysan and Kyle Crowder argue in their book, *Cycle of Segregation*, that high levels of housing segregation are self-perpetuating in no small part because segregation itself heavily shapes the information networks and mental maps that determine intra-metropolitan moves. Movers learn about prospective neighborhoods through social interactions; if these interactions are largely intra-racial, then so will be the neighborhoods considered. Even when movers are actively considering a move to a more integrated neighborhood, it is costly for them to obtain information and contacts to become knowledgeable and comfortable about an unfamiliar neighborhood, so the moves often won't happen.

The Oak Park Housing Counseling Center has played a key role in fostering integration in and around Oak Park (an area about five miles west of Chicago's downtown). The Center provides free assistance to families considering a move to (or within) the Oak Park area. It makes sure that clients consider "pro-integrative" moves, not only by identifying prospective housing opportunities, but by providing extensive information on local conditions and "introducing" homeseekers to neighborhoods. A back-of-the-envelope calculation suggests that this counseling costs perhaps \$1300 per successful placement, less in a scaled-up version. (Costs are typically a good deal higher than this in placing, for example, Section 8 voucher holders.)

Part of what the OPRHC does is work with landlords—especially mom and pop landlords. They give them advice about how to prep their units for marketing and how to price their units, etc. etc. This is seen as a valuable resource and has the added benefit of helping maintain high quality rentals. Note that the focus is on integration in *all* directions, not just black-to-white.

Can such centers be scaled up to serve a metropolitan area? For a metro area of, say, three million people, we suggest it would be reasonable to suppose that eight to ten centers, each with a staff of 12-15 people, could "cover" the region. These centers would, of course, need to cooperate closely and share information. Presumably, "pro-integrative" means fostering moves of all racial groups to areas where they are underrepresented. A key mechanism for obtaining clients might be a non-profit "housing search engine" operated in tandem with the centers (see below). It also seems plausible that one could develop a network of landlords interested in working with such a service (indeed, experience suggests many landlords might be willing to pay a fee to participate). Many landlords now pay brokers the equivalent of a month's rent to find and screen tenants for their property. If our centers can provide this service for free, many landlords (and possibly homesellers) should be interested.

Key questions/concerns:

- 1) How hostile would the real estate industry be to this initiative? Would it matter?
- 2) What kind of screening would the Counseling Center engage in?
- 3) How complex are the Center's algorithms – does it seek to prevent tipping/gentrification? How does it balance "evangelizing" versus "informing"?
- 4) Are there other examples of "model" centers, aside from Oak Park? Can we develop a detailed understanding of the operational data and experiences of these pioneers (tap experience of PRAAC, One America)?

Fair Housing Search Engine

Homesearchers increasingly use internet sites – e.g., Zillow -- to identify housing opportunities. A valuable counterpart to the “Mobility Counseling Centers” in this packet would be an internet site, focused on a single metropolitan area and designed to encourage users of the site to consider neighborhoods that might otherwise be left out of their search. Relative to a conventional site, this “fair housing search engine” could have several comparative advantages:

- 1) Community focus. Most internet sale/rental sites are atomistic, focusing primarily upon individual housing units. Our alternative site could focus on neighborhoods, highlighting neighborhood institutions that foster community life, and local contacts that can help homesearchers learn about the neighborhood and can help acclimate new arrivals.
- 2) Tie-in to counseling centers. Our site could explain to users the (free) services provided by the mobility counseling centers. The site would thus play an important role in generating clients for the centers, which could reciprocally help attract attention and interest to the website.
- 3) Helping to expand “imagined destinations” of homesearchers. Typical home/apartment sites focus on helping users zero in on a specific area of interest. Our site could invite visitors to answer a few questions about work, commuting time, other desired neighborhood characteristics, and then provide suggested communities to consider, thus enlarging the geographic “vision” of prospective movers.
- 4) To the extent the site was funded through public or foundation subsidies, it could avoid the annoying ads and other features that come with typical for-profit sites.

Such a site could also be a valuable complement to other non-profit and public housing services in the metropolitan area. It could be, for example, a clearinghouse of information on housing developed with tax credits; landlords willing/interested in welcoming voucher holders; homesearchers learning about various types of housing assistance, and so on.

We have not done enough research to have even a moderately accurate estimate of costs. But there are likely some efforts like this going on around the country, which could provide promising models. For example, there was an attempt to create something like this several years ago in Chicago. It was called movesmart.org. For a variety of reasons, it did not ultimately succeed, and we are in the process of learning more about it.

Issues/concerns:

- 1) Does the site run the risk of stigmatizing neighborhoods with poor metrics (e.g., on school achievement, crime data)?
- 2) How does the site gather information on sale/rental availability?
- 3) How does the site initially build a userbase?

Inclusivity Ratings

As we all know, local jurisdictions engage in a wide variety of strategies and tactics – many involving zoning and permitting – to foster economic and sometimes racial exclusivity. While there is empirical debate about how effective these strategies are and how much they contribute to overall racial segregation, there is consensus among those in the field that existing restrictions are excessive and pressure should be brought to bear upon local governments to become more inclusive. A possible tool in this effort is the development of “inclusivity ratings” that “grade” local areas on the degree to which local policies foster exclusion or inclusion.

Suppose, for example, that we are pursuing a multi-pronged effort to foster racial integration in a metropolitan area of three or four million residents. A logical part of that effort is to foster broad consensus among government and civic leaders on the value of more inclusionary policies. Just the process of developing and explaining a rating system could help to articulate the characteristics and workings of exclusionary and inclusionary policies. And assigning “grades” to particular areas could help to identify “outliers” in the spectrum of local practices. It’s plausible that these grades could be helpful in multiple ways:

- 1) Bringing political pressure upon “bad” outlier jurisdictions and kudos to “good” outlier jurisdictions
- 2) Making “bad” jurisdictions less appealing (and “good” jurisdictions more appealing) to millennials who will take into account such “reputational” issues in deciding where to live or buy;
- 3) Helping to identify target jurisdictions for disparate impact litigation;
- 4) Conducting objective research on the practical effect of exclusionary or inclusionary strategies on economic and racial diversity.
- 5) Feeding these efforts into the AFFH process at both the local and HUD level.

Existing fair housing assessment work, and “fair share” regulations that exist in California and other states, provide a number of alternate guides for what practices one should examine in constructing such an evaluation, and how to get the information to do it. Several academics have also undertaken studies that, in effect, develop measures similar to these ratings, which they then use to test hypotheses. [A recent initiative to create “Racial Equity” scores (add more) is another promising example and perhaps partner.]

Issues/concerns:

- 1) Can we reach consensus on the exact process of assigning such grades?
- 2) To be effective, such ratings should be comprehensive across a metro area. How difficult is that to do? (It seems likely that, even under pessimistic assumptions, this is not a high-cost initiative, and one with which local allies could valuably help.)`
- 3) Would such a rating system alienate potential allies?
- 4) Who is already doing this or things like this? (Consider the “equity offices” in cities like Portland and Seattle, CityLab, other sources.)

Housing Trusts

Gentrification – or more modest levels of neighborhood revitalization – has the potential to increase the fiscal health of cities, the commercial vitality of communities, and increased racial and economic diversity of neighborhoods. But it also brings the threat of displacement and the disappearance of affordable housing. The main way to counter this is to preserve large pools of affordable housing in gentrifying neighborhoods – but many strategies to achieve this goal have very high per-unit costs. Housing trusts – in the form envisioned here -- are appealing because they are a potential vehicle for preserving affordability on a large scale at modest cost.

Note that the term “housing trust” is often used to describe local funds that aim to provide an ongoing source of support for low-and-moderate income housing. Here we are referring to a more targeted type of initiative. A “pass-through” housing trust identifies a neighborhood that is “entering” the process of gentrification, and purchases blocks of low-and-moderate-rent housing. The trust does not engage in substantial rehabilitation; rather, it resells the housing to a conventional landlord, but with a deed modified to restrict the degree to which the rent of the housing can rise. For the buyer, this means that the property has a limited rate of appreciation, but is otherwise suitable as a long-term, income generating rental property. The trust thus creates a sort of miniature-scale rent control, but one that avoids the usual downsides of rent control because it neither deters new construction or rehabilitation nearby, nor provides the owner with an incentive to drive out the tenants. The cost to the trust of “preserving” this housing are modest, because it is not making substantial per-unit investments in rehabilitation, and the deed restrictions will not substantially reduce the building’s attractiveness for buyers seeking mainly a stable source of rental income. Moreover, since the trust can use its capital over and over again, an individual trust does not have to be heavily capitalized to preserve a large number of units.

The biggest “trick” to making a this sort of housing trust work, we surmise, is successfully predicting where gentrification is going to occur before it has proceeded so far that speculators have already driven up the cost of rental buildings. Do private developers have existing models so sophisticated that they cannot be “beaten” by even savvy academics and philanthropic trust managers? That is a key unknown, but there should be plenty of available data on the evolution of costs and prices in neighborhoods that have gentrified over the past fifteen years to test these ideas and estimate “what would have happened” with the presence of sophisticated, capitalized housing trusts.

Other questions, concerns:

- 1) A logical complement to this sort of “housing trust” initiative is a coordinated effort by local governments to prioritize the preservation and location of subsidized housing in gentrifying neighborhoods. What are some key issues in doing so?
- 2) Are existing local housing trusts a plausible source of funding for the more targeted “pass-through” trust envisioned here?

Large-scale affordable housing development

The low-income housing tax-credit (LIHTC) has been for decades the primary vehicle nationwide for generating new affordable housing. It is a successful program, and states have become increasingly sophisticated in using state-wide competition for the credits to shape the housing in ways that foster other social objectives. Sometimes, but often not, these objectives include fostering racial and/or economic integration. The biggest downside of LIHTC, however, is that it is a limited pot of funding, capable of producing no more than [a few tens of thousands] of units nationwide each year. Moreover, many LIHTC developments require other sorts of subsidies to achieve viability. The complex layering of subsidies in much LIHTC housing means that the administrative and holding costs alone of LIHTC housing are often quite high, and the net *subsidy* per unit produced, when aggregated, often comes to over \$250,000 per unit produced.

There are alternatives, however, that are not very effectively exploited by the social housing movement. Non-profit housing developers can issue bonds to reduce their cost of borrowing if they are creating housing that meets certain affordability standards. And some (but not all) jurisdictions allow non-profit housing corporations to avoid local property taxes. This combination of subsidies is enough to make viable the large-scale development of modest-cost-but-high-quality housing that is, almost by necessity, economically integrated. Since, in principle, the key subsidies needed for this housing are unlimited, this is a path for social housing that can be scaled up to a high level. Carried out in conjunction with other mobility programs, this could be an effective mechanism for achieving racial integration in volume.

Moreover, the economic feasibility of this route to affordable housing implies that, with modest subsidies, local integration initiatives could shape this housing development to complement other goals, such as combining housing with community services, or developing new affordable housing in gentrifying neighborhoods.

Key questions / concerns:

- 1) How does one build effective management structures that operate efficiently and control costs well enough to make the enterprise scalable?
- 2) How generally are local and state governments willing to provide property tax exemptions for non-profit housing development?
- 3) How does one maximize the “integrative effect” of such developments?

Mobility grants

The idea of “mobility grants” is simple: subsidize the pro-integrative moves of households. Such grants have been tried with success, on a limited scale, in metropolitan areas such as Cleveland and Indianapolis, and through both public and private entities.

The “grants” can take different forms for renters and owners. For renters, the grant could be a housing allowance lasting for several years, that would pay renter households an allowance based on prevailing rents and the household income, provided the household rented a “complying” unit (e.g., a unit of good quality located in a neighborhood where the renter is a racial “pioneer”). For owners, the allowance could be an interest subsidy that significantly lowers, for the first several years after a move, the borrowing cost of the owner-household’s mortgage loan.

Although the empirical data is thin, there is some evidence that even relatively modest subsidies (as small as a few thousand dollars) could stimulate a significant number of pro-integrative moves, particularly if such a program were undertaken in conjunction with mobility counseling and other integration strategies. Aside from the amount of subsidy involved, however, there are other important logistical and legal questions:

- 1) Is the focus of such a program on “pioneering” and “opening” areas that are currently monoracial? Or is the focus on encouraging all moves that decrease segregation? A theory behind the former approach is that moves by pioneers will make it less costly for others of the same race to make similar moves, thus starting a cycle of integration that does not require fewer and fewer subsidies. This approach also can allay predictable fears that the mobility grants will in fact fuel tipping, either white-to-black tipping in the suburbs or poor-to-affluent tipping in the inner city.
- 2) Should such grants focus on economic mobility or upon racial integration? As a vehicle for economic mobility, the grants would be very similar to many existing programs, such as Section 8 vouchers targeted at “opportunity” neighborhoods. Race-conscious grants would have some distinct strengths: (a) since they would be aimed at persons across the economic spectrum, the subsidies involved would be smaller, and thus many more grants could be made per million dollars of subsidy; (b) for the same reason, they would avoid the conflation of race and class that is often a concern (or pretext) for opposition to such programs; and (c) they would be more focused upon, and therefore more efficient in achieving, the underlying goal of racial integration. However-
- 3) Race-conscious mobility grants pose distinct legal and political challenges. These might be muted in a program where the criteria are in some sense race-neutral: that is, all persons could be eligible for grants so long as they make racially pioneering moves.

Disparate Impact Litigation

The Supreme Court's 2015 decision in Inclusive Communities establishes the validity of "disparate impact" causes of action under the Fair Housing Act. This tool has been successfully used to challenge exclusionary zoning practices, and probably has much more potential than has yet been utilized. There remain, however, important conceptual obstacles to its broad use. Chief among these is that economic classes are not a "protected group" under federal fair housing law (see the "Economic Fair Housing Act" proposal, below). A municipal zoning ordinance that, for example, excludes multi-family housing can be shown to have a disparate impact upon African-Americans and Hispanics, but the *size* of the disparate impact is much smaller upon racial groups than upon "economic" groups (e.g., households with incomes under \$40,000). Moreover, the municipality can make plausible arguments about the substantive community interests it advances through its zoning limitations.

What might make disparate impact litigation an important part of a desegregation strategy? Here are a few suggestions for discussion:

- 1) More comprehensive and comparative measures of exclusion/inclusion. The Inclusive Communities decision itself illustrates the difficulty judges often have in wrestling with the concept of disparate impact. It could help if (a) we had more systematic and comprehensive measures and (b) computed these for all of the jurisdictions in a given metropolitan area. This would both facilitate the targeting of the most extreme cases, and enable litigants to demonstrate how a given jurisdiction's zoning and practices compare to metropolitan norms. In other words, litigation focused on "outliers" could lead to decisions that set presumptive boundaries on exclusionary practices.
- 2) If metropolitan-level integration strategies exist, that offer a range of constructive ways ("carrots") that local governments can cooperate and be involved, then the threat of disparate impact litigation might be a valuable stick to deploy against local governments that decline to participate.

Community development banks

A central problem revealed by the financial crisis of 2007-2009 and its aftermath was the disproportionate suffering of communities of color, particularly in highly segregated metropolitan areas. Although this had many roots (including, apparently, segregation itself), a key source was the “underbanking” of many central city neighborhoods. Many segregated neighborhoods (both African-American and Hispanic) have relatively few full-service banks. Correspondingly, many minority households do not have checking accounts, savings accounts, or an ongoing “relationship” with a bank. Currency exchanges and other second-tier “bank substitutes” flourish in many segregated neighborhoods; their services are not only more expensive, but they deter residents from developing mainstream indicia of financial independence and “creditworthiness.” Not coincidentally, segregated communities were and are more susceptible to marginal loan operators, subprime lending, and so on.

One solution to this circular problem is to form and introduce a new generation of “community development banks” into segregated communities. The notion here is of institutions that are profit-making (and thus to a significant degree self-sustaining, once capitalized) but which have a public mission and are structured so that public purposes are fundamentally guiding its basic suite of services. This can be accomplished by ownership structure. Relative to their assets, most banks have relatively small capitalizations; thus, foundation or public contributions of, say, \$5 million can provide majority control over a bank with \$75 million in assets. To the extent that specific continuing services of the bank require some sort of subsidy, continuing (but targeted) expenditures might be needed.

Such a bank could provide wider and fairer financial services than are available in the community it serves. Community outreach and subsidized costs could help many households develop checking and savings accounts. Homebuyers could more readily obtain “prime” mortgage or consumer loans, and (where necessary) counseling to improve their credit profiles. Such strategies would probably have a positive effect on the health of single-family and commercial districts in segregated neighborhoods.

They could also have an important role to play in the “gentrification as sustainable integration” strategies discussed on other one-pagers. This flows from two basic characteristics of the institutions: they have deeper on-the-ground knowledge about affected communities than conventional institutions are likely to have, and they are, by design, “on the side” of existing residents and interested in making development work for them (indeed, it would make sense for each of these institutions to have ongoing community councils providing input and guidance). The “on-the-ground” aspect of these banks gives them better knowledge of local trends in real estate and development; they are likely to do a good job of helping to identify neighborhoods on the cusp of gentrification. They could provide valuable guidance (and financing) to independent “housing trust” operations. And they could steer new “revitalization” projects in ways that reflect the interests and the goals of existing community residents.

Key issue: There has already been significant experimentation with community development banks in various incarnations; some of these experiments have very good records; some do not. What has been learned from these about how to achieve the type of institutions described here, and how to make them viable and even flourishing?

Neighborhood mobilization and institution-building

Intrinsic in the idea of fostering housing integration are the ideas of increasing civic engagement and social capital. Integration is fundamentally the concept that healthy communities are more than the sum of their individuals, and that social interconnections are a key ingredient of both individual opportunity and civic identity.

These ideas and values are tied to all the other pro-integration initiatives described here. They are often seen as particularly important (perhaps because they often seem most starkly absent) in the context of gentrification. How does one preserve old community strengths and character, and build genuinely integrated communities, in the face of gentrification?

Urban activists have a half-century and more of experience in developing community-based organizations that pursue these general goals as well as a host of more specific types of advocacy. What have we learned from these experiences about best practices?

Supporters of integration are often concerned that neighborhood “voice” tends to be too conservative, in the sense of fearing change and fearing outsiders, leading to a default of continuing segregation. This phenomenon can occur in neighborhoods of any race. How do we positively reconcile neighborhood “voice” with metropolitan integration?

A Muscular AFH Process

The new AFFH regulations advanced by the Obama Administration had a rapid and significant effect on a number of cities. As Justin Steil has documented, many jurisdictions involved in the early post-2015 rounds of fair housing assessment modified their processes to really begin something that could (usually for the first time) be regarded as “fair housing planning.” These efforts have been more or less stalled by decrees issued in the HUD of Carson and Trump (although court challenges are underway). It seems very likely, however, that if a Democrat wins the presidency in 2020, fair housing planning will be recussitated. The question here is how might the existing reforms and city planning activities be improved to better complement the various pro-integration strategies and findings we are discussing?

For discussion purposes, let us suggest three worthwhile steps:

- 1) More comprehensive thinking about integration. The initial round of new AFH planning was innovative in that it was much more consciously considering “integration” as a key fair housing goal. This is significant because so many past public housing programs have either deliberately or inadvertently fostered segregation or at least ignored easy opportunities to improve integrative outcomes in publicly-assisted housing. The next step in this evolution is to incorporate the private housing market: how can local policies foster housing integration generally? What would it take to achieve specified levels of desegregation over ten or fifteen years? How can diverse practices, policies and markets be aligned in advancing these goals?
- 2) Meaningful community participation. Successful AFH planning requires two-way communication between the diverse communities in cities and planners. In this context, “communication” means more than forums or meetings, but thoughtful efforts to understand community concerns, think creatively about them, and articulate the goals of local policy (including the rationale for and benefits of metropolitan desegregation). What are effective means of accomplishing such communication?
- 3) Metropolitan scale. Meaningful, sustainable integration must ultimately occur at the metropolitan scale. It follows that effective AFH planning must think in metropolitan terms as well, even when coordination among all local governments in a metropolitan area is more aspirational than real. As other one-pagers illustrate, nearly all of the “non-legislative” initiatives we describe can readily operate across municipal boundaries. To the extent AFH planning partners with or supports such initiatives, it will in effect be operating on a metropolitan scale.

Housing/School Integration Interface

From the 1950s through the 1970s, a great deal of America's civil rights effort was focused on school desegregation and dismantling de jure systems of segregation. This effort achieved many remarkable things, but meaningful integration was ephemeral in many school systems, including in most of the country's largest cities. There were many reasons for this: (a) the Supreme Court's decision in Milliken to bar metropolitan-level school remedies; (b) white migration to private school systems or out of central cities to avoid what were seen as overly-intrusive remedies (such as busing) or declining schools; (c) the large increases in Hispanic populations in much of urban America, which added another dimension to segregation and often meant that Anglos would constitute a small proportion of the school-age population in many urban districts.

However, there are a sizeable number of metropolitan areas where – measured at the school level across the entire metropolitan area – black/white dissimilarity levels are moderate rather than extreme. These are, pretty consistently, those areas where housing segregation has declined. Indeed, school-level segregation tends to track very closely changes in block-level housing segregation. As far as we can tell, declines in housing segregation drive declines in school segregation much more often than the reverse. (A notable exception is Louisville, which implemented metro-level school desegregation policies in the 1970s.)

Important questions for our discussion of integration strategies include:

- 1) To what extent is integration-through-gentrification an exception to the general pattern of school integration accompanying housing integration? Do middle-class migrants to inner-city neighborhoods generally stay out of the public school system? If so, what policies can change or weaken this pattern? Could a "gentrification tax" (see below), for example, be used to invest in local schools? Should it? Is this a problem where a "virtuous cycle" is set in motion if the middle-class presence in these schools reaches a "critical mass"?
- 2) How can school integration best be realized? In many schools that are nominally integrated, there is in fact only modest racial interaction. This partly reflects tracking (which can have academic benefits but can also be a sort of mechanical steering based largely on class), and self-segregation among students. Do we know enough to do better?

Housing Desegregation Strategies, Part II: Initiatives Requiring Legislative Action

1) Gentrification Tax / Integration districts (instituting higher property taxes on appreciating properties in gentrifying areas, or otherwise creating special fees or subsidies in gentrifying areas, aimed both at financing measures that preserve racial/economic integration in gentrifying areas, and in investing in neighborhood institutions and schools)*

2) Banning source-of-income discrimination (to reduce barriers to housing voucher holders and other recipients of assisted housing to move to high-opportunity areas)*

3) Economic Fair Housing Act (new legislative initiatives to more severely restrict the ability of local jurisdictions to maintain exclusionary zoning)*

4) Inclusive zoning and/or low-income mandates in new construction (a variety of proposals that require new development to include significant set-asides for low-and-moderate income housing)

5) Large-scale public investment in distressed communities (in some ways a reboot of traditional community revitalization strategies, but better-funded and informed by experience)

6) Improving government data on housing mobility and housing discrimination (adding modules to the Current Population Survey on housing search patterns, and engaging in full-application testing using actual homeseekers)*

7) Initiatives advanced by Senator Warren (Warren's "American Housing and Economic Mobility Act" is probably the most ambitious and detailed of the candidate initiatives touching on housing segregation, so merits focused discussion by us)*

*One-pagers included below on these topics

Gentrification Tax

A long-standing tool in the urban policy kit is tax-increment financing, in which a local government levies a tax on the *increase* in a property's value over some expected baseline. Tax-increment financing has been used, for example, as a way of paying for improvements in commercial districts; if the improvements work, and businesses in the district grow, then the tax provides a way of financing the improvements, and thus creating a virtuous cycle.

Something analogous could be applied to gentrifying neighborhoods. In this context, a tax could have several benefits: (a) financing for improvements in neighborhood amenities (and, if local law permits, neighborhood schools); (b) financing to pay for housing trusts and other vehicles to preserve low-and-moderate income housing (see --, above); (c) financing for investments in "high-quality" integration (see --, above); and (d) a way of braking the pace of gentrification. On this last point – a common policy goal in discussions of gentrification is finding ways to make gentrification dispersed; economic and racial integration are advanced if gentrification occurs at moderate levels in many neighborhoods, rather than high levels in a few. If the tax is levied in those neighborhoods experiencing the largest volume of gentrification, then it could, in principle, both brake the pace in changing neighborhoods and encourage more migration to slower-changing, adjacent areas.

How would such a tax work? First, define a trigger for such a tax – a means of distinguishing "gentrifying" neighborhoods from others, such as identifying areas where the median household income, as measured by the ACS at the census tract level, has risen more than 10% faster than the metropolitan median over the past decade. Conceivably, there might be "tiers" of the tax, with high rates applying to neighborhoods with faster appreciation. Second, decide whether how narrowly or broadly the tax should apply in the neighborhood – for example, should it only apply to housing units with an appraised value above \$200,000? Should there be some "standard deduction" of value below which the tax does not apply? A narrower tax probably does a better job of capturing "gentrifiers" while not increasing costs on low-and-moderate income households; but a broader tax will almost certainly generate more revenue.

Operating question: ACS data, while much more up-to-date than decennial data, still has a lag time; the most current census tract data (we think) covers a five-year period from 2013 through 2017. Is there any data measure that's more current and still accurate?

Targeting source-of-income discrimination

Existing rental subsidy programs that can, in principle, further housing integration often fail in part because many landlords refuse to rent to “Section 8” tenants or voucher holders. These refusals are most common in relatively affluent or predominantly white neighborhoods. Some landlords avoid such tenants because they dislike the paperwork and inspections they must participate in as part of these programs; others fear undertaking a rental financed in part through subsidies that are likely to eventually expire. For other landlords, rejecting Section 8 tenants (or others receiving governments assistance) is a policy intended to disproportionately exclude African-Americans or other “undesirable” tenants.

Some integration programs – notably, Chicago’s Gautreaux program – circumvented this problem by devoting resources both to the cultivation of host landlords and the rigorous screening of participating tenants; the program managers thus developed reputations for finding reliable tenants and making good placements. One could add to the “mobility counseling” program described earlier a component focused on helping to place Section 8 tenants, and using strategies similar to those successful in the Gautreaux program. Note, too, that the “housing allowance” approach we suggest in the “mobility grants” program would probably encounter less landlord resistance, since the subsidy is less visible to the landlord and the paperwork requirements are usually more minimal, too.

Nonetheless, an additional way of dealing with these issues is a legislative ban on “source-of-income” discrimination. Such bans have been adopted by a few ciites and states without much controversy, and implemented with much apparent difficulty. Lance Freeman has found that such bans have demonstrable effects: voucher holders are able to use their subsidies more easily, and minority voucher holders experience higher exposure to whites. Since a logical part of any integration strategy is trying to reduce or eliminate any “segregative” tendencies of existing housing assistance programs, a source-of-income ban seems like a no-brainer.

Most fair housing advocates agree that an important category to add to existing protected classes is one based on “source of income.” A key group assisted by such protection are holders of housing vouchers or other assisted-housing certificates. Many of the recipients of Regardless of what new types of mobility an “integration in initiative” might engender, it

An Economic Fair Housing Act

Richard Kahlenberg observes in his Century Foundation [report](#), An Economic Fair Housing Act, that after the Supreme Court struck down racial zoning laws in 1917, jurisdictions rapidly adopted economically exclusionary zoning policies that ban apartment buildings and other multifamily units, in order to achieve much the same result. Today, exclusionary zoning is pervasive in the United States and has been found to exacerbate both economic and racial segregation. Jonathan Rothwell and Douglas Massey have found that “a change in permitted zoning from the most restrictive to the least would close 50 percent of the observed gap between the most unequal metropolitan area and the least, in terms of neighborhood inequality.” According to research by Raj Chetty and colleagues, reductions in segregation could promote social mobility.

The concept of an Economic Fair Housing Act is straightforward: to make it illegal for local governments to employ exclusionary zoning policies that discriminate based on income. No specific legislation doing this has yet been introduced, but similar efforts are afoot. For example, in 2018 Senator Cory Booker introduced [federal legislation](#)—the Housing, Opportunity, Mobility and Equity (HOME) Act—to curtail exclusionary zoning. Under Booker’s proposal, states, cities and counties receiving funding under the \$3.3 billion federal Community Development Block Grant program for public infrastructure and housing would be required to develop strategies to reduce barriers to housing development and increase the supply of housing. Plans could include authorizing more high density and multifamily zoning and relaxing lot size restrictions. The goal is for affordable housing units to comprise not less than 20 percent of new housing stock.

Similar legislation to reduce exclusionary zoning, particularly near mass transit hubs, has been introduced and [debated](#) in California. Spurred by [affordability concerns](#) (even more than concerns about segregation) Massachusetts and Seattle have also considered proposals to curtail exclusionary zoning. And in Minneapolis, the city recently [adopted](#) a proposal to end single family zoning restrictions entirely.

Questions/issues:

1) Some critics have argued that Rothwell and Massey’s work, which relies heavily on “correlation as causation” arguments, substantially overstates the actual segregative effect of exclusionary zoning. How might this work be more rigorously evaluated within particular metropolitan areas?

2) What brought about the political conditions for Minneapolis’ reform? What are the political ingredients for progress on this issue?

Improving knowledge about mobility and discrimination

For more than forty years, the basic mechanism for assessing fair housing conditions has been the paired-application test. HUD and the Urban Institute have conducted major national studies based on these tests in 1977, 1989, 2000, and 2010. These tests have been done with care and ever-more sophistication, but there is a good argument that they are yielding diminishing returns in our knowledge of both the nature of contemporary housing discrimination, and the way that discrimination feeds into other mechanisms that sustain segregation (such as the housing search behaviors we have discussed earlier). Two alternative or additional strategies have promise of greatly aiding fair housing and integration efforts:

- 1) Including a “housing module” in the CPS. The Current Population Survey undertakes some seventy thousand household surveys each month; it is one of two key ways that the federal government measures American demographic patterns (the American Community Survey is the other) and is the source of monthly unemployment data and a wealth of information about the sources and effects of unemployment. It would not be difficult or terribly expensive to add a “module” to some iterations of the CPS that asked respondents about their housing search behavior and experiences. This would yield information on several important phenomena for which current data is very limited: (a) how the housing search behavior of household varies by race, metropolitan segregation, and other demographic characteristics; (b) when searches actually produce offers of housing from landlords or sellers (thus providing insight into the on-the-ground incidence of discrimination); (c) when households accept offers of housing and decide to move. Initiatives like the “mobility counseling” discussed above would benefit greatly from this type of data.
- 2) Conducting “full-application testing”. Nearly all current fair housing testing explores only initial phases of contact between homeseekers and homesellers; it does not generally assess how the process of applying for and being approved for housing plays out. Many in the fair housing community fear that most current discrimination is missed, because housing providers who wish to discriminate conceal their motives in showing homes, but engage in a variety of “back-end” methods that often make housing unavailable. Full-application testing – ideally utilizing actual homeseekers (who would of course have authentic backgrounds to check) – would thus yield deeper and valuable insights into actual discriminatory practices, and thus enable more robust enforcement strategies.

Senator Warren's Housing Initiative

The American Housing and Economic Mobility Act includes a wide array of provisions that aim to reduce inequality through various interventions in housing and financial markets. Its most expensive provisions (by far) aim to increase the supply (and thus the affordability) of housing. But it also does many other things: ban source-of-income discrimination, strengthen incentives in the Community Reinvestment Act for banks to provide loans in low-and-moderate income communities, provide relief for owners with underwater mortgages, and so on.

Title II of the bill aims to remedy historic legacies of racial discrimination and disinvestment, primarily by providing down-payment assistance to would-be homeowners living in communities that are low-income and were either designated as high-risk areas by the New Deal's HOLC agency, or were historically targets of racial zoning. Eligible participants need to satisfy a variety of (race-neutral) criteria aimed at focusing aid on persons with genuine economic need.

As it stands, this provision does not appear aimed at fostering racial integration. However, a logical tie-in to this sort of initiative would be mobility counseling. Persons eligible for the program would quite likely be interested in learning more about what housing markets the aid enables them to move into, and a mobility program could provide other types of assistance useful to first-time homebuyers.

The text of the proposed legislation can be found at:
<https://www.warren.senate.gov/imo/media/doc/2018.9.24%20Housing%20Bill%20Text.pdf>