

Residential Segregation in the United States

And how it results in less opportunities for African Americans

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Background

Although the Fair Housing Act was passed in 1968 with an aim at reducing residential segregation and discrimination in the housing market, residential segregation still persists. Many people believe that residential segregation is due to blacks' desires to live together. However, white avoidance of black neighbors is a much stronger determinant of residential segregation (DeLuca, 2019). The real causes of residential segregation are discrimination in the market, crime-free housing ordinances, and reactive mobility.

Discrimination in the Market



- Roughly 1 in 5 African Americans receive adverse treatment in housing searches (Pager, 2008)
- Discrimination takes the form of less information offered about units and fewer opportunities to view units (Pager, 2008)
- In the case of home buyers, it takes the form of less assistance with financing and steering into less wealthy, minority-filled neighborhoods (Pager, 2008)



Reactive Mobility

- African Americans often experience housing instability due to housing unit deterioration, housing unit policies, family conflict, and neighborhood violence (DeLuca, 2019)
- This results in reactive mobility which causes the processes of housing search, evaluation, and selection to be compressed by the urgent need to get shelter (DeLuca, 2019)
- The compressed process shortens the time window within which reactive moves are made and strains households already struggling to make ends meet (DeLuca, 2019)
- This causes segregation because the expediency of the housing search channels poor minority households into disadvantaged, minority neighborhoods (DeLuca, 2019)

Crime-Free Housing Ordinances

Local laws that either encourage or require private landlords to evict or exclude tenants who have had varying levels of contact with the criminal legal system (Archer, 2019)

This enables residential segregation by importing the existing racial biases and racial disparities of the criminal legal system into the housing market (Archer, 2019)

These ordinances force former criminals out of the housing market and into poor communities of color that are already struggling with affordable housing (Archer, 2019)

Why does residential segregation result in less opportunity?

- Racial residential segregation inhibits home value appreciation in predominately black neighborhoods because white people are less likely to buy in all black neighborhoods which results in lower rates of appreciation (Kahlenberg, 2019)
- Homes are typically the largest financial assets for most Americans, so segregated markets result in the black median net worth to be 8% of white's (Kahlenberg, 2019)
- In highly segregated areas, unemployment was found to be 17.4% and only 10.1% in moderately segregated areas. Earnings were also \$4,000 higher in moderately segregated areas than highly segregated areas (Kahlenberg, 2019)

Solution: Housing vouchers paired with assistance

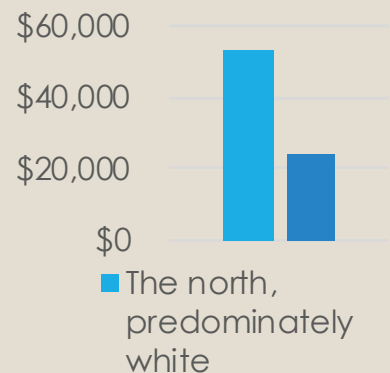
Myths and Misconceptions of Housing Vouchers

- Many people think that housing vouchers do not work to combat residential segregation due to the Moving to Opportunities (MTO) plan implemented in the 1990s.
- The analysis of the program showed that many of the people that moved to high-opportunity neighborhoods eventually moved back to poorer neighborhoods after their leases were up (Rosenblatt, 2012)
- However, the structure of the MTO made these moves extremely likely due to discrimination towards those with the housing vouchers and the lack of assistance for recipients once their initial leases finished (Rosenblatt, 20120)
- Reanalyzing the data based on tax records paints a completely different picture:
 - The children who were younger than 13 at the time of the move were actually likelier to go to college, likelier to live in low-poverty neighborhoods as adults, and had a 31% increase in earnings by their mid-20s (Matthews, 2019)

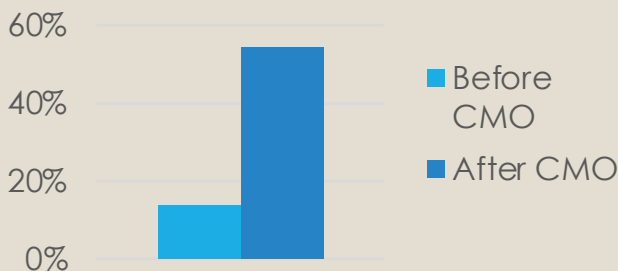
Solution: Seattle – Creating Moves to Opportunity (CMO)

- The lack of movement of minorities to high-opportunity neighborhoods is due to:
 - Lack of funds
 - The complexity of the process to find homes in such neighborhoods (Matthews, 2019)
- CMO gives a random set of people receiving housing vouchers:
 - Customized search assistance
 - Landlord engagements
 - Short-term financial assistance to help them lease in high-opportunity neighborhoods (Matthews, 2019)

Average income in Seattle



Percentage moving to high-opportunity neighborhoods



Results

- Studies showed that the program resulted in a \$3,000 annual increase in income for those who moved to high-opportunity neighborhoods (Matthews, 2019)
- This translates to a total lifetime income gain of \$214,000 (Matthews, 2019)

Conclusion

Due to the success of Seattle's Creating Moves to Opportunity plan and the hidden successes of the Moving to Opportunities plan from the 1990s, more states should add customized search assistance, landlord engagements, and short-term financial assistance to their housing voucher programs to help low-income families lease in high-opportunity neighborhoods. This will reduce residential segregation, and consequently, it will result in increased lifetime earnings, increased home appreciation and therefore net worth, increased college attendance rates, and create a domino effect for leasing in high-opportunity, less segregated neighborhoods that will last generations.

Citations

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