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Housing and Sustainable Community Development: Enhancing Minority Home Ownership, Volume One

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Introduction: An Overview of Current Research in Housing and Sustainable Community Development

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Introduction

The articles in this volume are from the Housing and Sustainable Community Development Track of the Twenty-Eighth National Meeting of the Conference of Minority Public Administrators (COMPA). They represent COMPA's enhanced role in supporting academics and practitioners interested in housing and sustainable community development. These articles span the subject areas of urban revitalization (Herrington 2000), residential and housing concentration (Foster 2000), financial institution practices (Rhodes and White 2000, Ejigiri 2000), community socioeconomic characteristics (Martin 2000), homeownership (Baulding 2000) and subsidized housing (Johnson 2000). They address new and innovative strategies for community growth and revitalization and the need to communicate practicing research results among public service professionals in related fields: housing, finance, economics, urban planning, information technology and operations research/management science. In this essay we briefly summarize the findings of the essays in this volume, collected in three application areas: banking; homeownership, residential concentration and subsidized housing, and community and regional development.

Banking and Community Development

In "The Role of Banks in Achieving Sustainable Community Development", Shelton Rhodes and Harvey White summarize the role of banks in revitalizing distressed communities in a number of ways: by supporting community development corporations, by establishing development banks designed especially for low-income areas, and by making loans directly to

distressed communities, prompted in part by the Community Reinvestment Act (1977) and the Community Development Bank Act (1994). While there is some evidence that CRA-related pressures on banks may in some cases be more motivated by politics than actual development needs, the consensus appears to be that community lending has resulted in significant increases to low-income and minority borrowers in the last decade. In general, banks are finding it in their business interest to increase business activities in distressed communities. Deep knowledge of communities and their markets, consistent credit standards, links with local organizations and well-trained employees have combined to allow traditional banks to be profitable in areas that years ago might have been redlined. As a result, the perception is growing that mainstream businesses can tap unmet demand in distressed communities and make profits.

In "An Analysis of Lending Practices of 15 Financial Institutions in New Orleans, Louisiana, 1997 – 1998," Damien Ejigiri performs a preliminary analysis of Home Mortgage Disclosure Act (HMDA) data on home mortgage applications and acceptances in the New Orleans Metropolitan Area from 1997 through 1998 to determine if racial discrimination in mortgage acceptances exists. He frames his research by presenting a brief history on Federal housing and mortgage policies from the Home Owners' Loan Act of 1932, the Housing Acts of 1934 and 1949 to the Home Mortgage Disclosure Act itself. The author finds evidence of racially discriminatory intent in the early mortgage laws. The author also surveys the literature on mortgage discrimination, which has spanned almost 40 years, and finds substantial scholarly support for opposite sides in the debate on the impact of race in mortgage lending. What complicates this debate is that the fact that a disparity in mortgage application rates and acceptance rates by region or by race is not by itself evidence of discrimination in mortgage lending. Within this analytical context, the author examines HMDA data for 15 major banks in the New Orleans SMSA for two years. These data are analyzed by assets, application levels by race, approval/denial rates by race and applicant income. Initial results suggest that blacks submit mortgage applications at a disproportionately low rate compared to whites yet are rejected at rates that exceed those of whites. Prof. Ejigiri plans to augment this data set with data from refinancing, home improvement and FHA-VA loans in order to better understand mortgage lending patterns and improve housing opportunities for minorities.

Homeownership, Residential Concentration and Subsidized Housing

Angela Foster's article "Patterns in Racial Residential and Housing Type Concentration across Metropolitan Statistical Areas, 1990" is an ambitious attempt to characterize concentrations of residents by race, and of housing by ownership status, across counties in the U.S. using data from the 1990 Census. The goal of the article is to better understand characteristics of local housing markets and thus to better explain, through economic models, the current disparity in black-to-white homeownership rates. Foster uses three measures of housing and racial concentration. The first is an existing measure of residential segregation, the *residential dissimilarity index* (RDI, also known as the index of dissimilarity), which represents, roughly, the fraction of individuals of one group across a study area (e.g. a county) that would have to relocate between smaller regions (e.g. Census tracts) in order that county-level measures of racial proportions of population match tract-level racial proportions. The author finds trends in RDI levels that correspond with existing literature: older, slow-growing Northern cities tend to have higher values of RDI than younger, faster growing cities in the Sunbelt.

Foster introduces a new measure of housing concentration—the *housing dissimilarity index* (HDI), similar in structure and definition to RDI but focused on disparities in concentrations of owner-occupied and rental housing units. She finds that HDI takes values over a smaller range than RDI and that values of this index do not generally correspond to those of RDI by city. That is, cities that are most segregated racially are not necessarily most segregated by housing type (with New York being a prominent exception). However, values of HDI are consistent with levels of suburbanization since outlying areas are more likely to have owner-occupied units than are inner-city areas.

The article continues by analyzing the interaction between housing concentration and racial concentration by defining two more statistical measures, the indices of racial residential and housing type concentration. The first such measure is the simple product of the RDI and HDI measures for each metropolitan area (RDIxHDI). This measure is of interest because while analysts may have intuition that ownership rates and racial concentration is related, it is not clear

how this relationship is characterized. Foster finds that there is indeed a nontrivial interaction between homeownership rates and racial concentration. However, this new measure is unable to determine the direction of relationship between the two measures. Thus, she defines another measure, called the *joint index of racial residential and housing type dissimilarity* (RHC) in which positive values denote concentrations of rental housing in racially concentrated neighborhoods, and negative values denote concentrations of owner-occupied housing in racially concentrated neighborhoods. Preliminary analysis indicates that where overall racial and housing type concentration is high, black households are concentrated in high rental areas (typical of older, Northern areas), while in those regions enjoying population growth, proportion black and proportion rental vary together. The author illustrates these housing and residential concentration measures for the Commonwealth of Pennsylvania.

Barbara Baulding, director of housing for the Department of Housing at the Urban League of Pittsburgh, Inc., presents a homeownership program for low-income and minority households called Operation Home in "Home Ownership Initiatives of the Urban League of Pittsburgh." This program, in conjunction with Dollar Bank and the Housing Authority of the City of Pittsburgh, is unique in its region and appears to have had positive impacts in increasing homeownership opportunities for families who often have felt that they do not have the resources or information necessary to purchase a home. Operation Home is designed specifically to remedy the large disparity in mortgage lending and homeownership rates between blacks and whites in Pittsburgh, as well as address the special needs of residents of public housing communities who wish to become homeowners. This program combines workshops and individual counseling sessions that address a number of key issues related to home purchase and ongoing ownership: budget and money management, the mortgage application process, home maintenance and repair, and others. The program also includes field trips to talk with realtors and inspect actual homes for sale.

Preliminary data from Operation Home indicates that public housing community household participation has been substantial and that about 6% of participants have purchased their own homes, in the first two years of the program's existence. Nearly 17% of participants have had mortgage applications pre-approved. The Urban League of Pittsburgh is in addition

planning to participate with the National Urban League in a joint effort with Freddie Mac to develop a multimillion dollar home mortgage portfolio to enable sales of mortgage products and mortgage counseling.

In "The Role of Quantitative Planning Techniques in the Redesign of Subsidized Housing Policy," Michael Johnson makes the case that public housing authorities (PHAs) across the country are facing enormous challenges in maintaining or reconfiguring stocks of public housing and in administering portable rental subsidies in an environment of limited financial support from the Federal government, increased pressure to move long-time residents of public housing from public assistance to paying work, and pressure to make their own plans for housing management consistent with city-wide plans development for low-income neighborhoods. Johnson argues that the quantitative analysis and information systems, widely used in the private sector, may be of use to PHAs that are attempting to reinvent themselves in a new policy and economic environment. The planning areas investigated by the author are: relational databases, geographical information systems, management science/operations research and Internet/networking applications. Examples of all of these planning areas are related to a hypothetical program to assist families in public housing choose rental housing in a range of communities using the Section 8 program.

Based on a non-random survey of eight PHAs in large cities, Johnson concludes that there is widespread non-use of currently available technologies and analysis methodologies to assist PHAs in addressing current problems. In particular, very few PHAs use GIS for spatial representation and analysis of data (e.g. locations of rental housing or representations of local housing markets) and no PHAs surveyed use operations research/management science techniques to model and solve difficult operational and planning problems requiring allocation of scarce resources to competing needs. Johnson shows that significant changes in incentives to PHAs would be necessary for them to see widespread adoption of IT and analysis methodologies as in their best interest.

Community and Regional Development

In "Associations Between Home Ownership, Community Development and Low Incidence of Socioeconomic Problems in Poor Neighborhoods: Preliminary Research and Findings," Clarence A. Martin examines a number of low-income communities in Allegheny County, PA to identify those with unexpectedly favorable socioeconomic measures, to determine why these communities have been successful in these areas, and to make recommendations as to the reproducibility to other communities of strategies that have resulted in these favorable measures. This study uses 1990 Census data, interviews with local residents and members of local community organizations and other secondary sources. Martin first cites relevant research to define a number of social science terms used often in the study to identify and characterize these communities: "High Poverty Neighborhood", "Underclass Behavior" and "Quality of Life."

Indices used to classify communities in Allegheny County are: Poverty of Sub-Populations (poverty status, age, income); Underclass Behavior Indicators (family status, employment, education) and Other Quality of Life Indicators (vacant units, percentage of owner-occupied units, median housing value, crime victimization, percent of households paying over 30% of income for housing). The communities chosen, their location and their favorable socioeconomic measures are: Fineview (City of Pittsburgh; low Type I crime victimization), Homewood North (City of Pittsburgh; high rate of owner-occupied housing), Manchester (City of Pittsburgh; high median value of housing) and McKees Rocks (suburban Allegheny County; low percentage of owners paying more than 30% of income for housing).

For each community, Martin presents a brief profile and compares the favorable socioeconomic measure to the current levels for the City of Pittsburgh and Allegheny County overall. He identifies some possible reasons for the positive finding and probes three issues associated with the favorable findings related to key measures: policies and conditions believed to contribute to low incidence, transferability of policies linked to low incidence in the given community to other communities, and feasibility (political, financial and administrative) of transferring identified policies to other communities. Local and Federal redevelopment initiatives, incidence of homeownership and of long-time ownership, presence of social institutions and private agency housing assistance are identified as reasons for the favorable socioeconomic measures identified. In order to transfer these policies or community attributes to

other communities, the author endorses, among other strategies, a high-profile role for community development corporations, participation of local governmental and non-governmental agencies in conjunction with private institutions, mortgage assistance from lending institutions and increased emphasis on community organizing initiatives.

Finally, Martin investigates in detail the role of four policy areas in replicating the positive socioeconomic findings among other communities: the role of community development agencies, the impact of government leadership, neighborhood-focused partnerships and the importance of the social context of "community." He finds positive roles for each of these actors and recommends increased emphasis on these policy areas, in particular the potential role of metropolitan-wide agencies and the key role of social cohesion and continuity through strong local organizations. Recommendations for further research include: increased emphasis on identifying instances and developing models to explain socioeconomic heterogeneity in low-income neighborhoods and inter- as well as intra-city analysis of low-income neighborhoods.

The topic of urban redevelopment and its effects on low-income communities is addressed by Theophilus Herrington, in "Urban Revitalization in Houston: The Problem of Uneven Growth." The author details the role of two low-income communities, the Fourth and Fifth Wards, in the ongoing redevelopment effort of the city of Houston. Houston is a fast-growing, increasingly multicultural city with strong economic links to Mexico and strengths in a number of industrial sectors—petroleum, health care, manufacturing and services. Recently the city of Houston has focused its sights on the central business district, which until quite recently had few residents or local amenities that would attract residents. Through a successful private-public partnership, a number of high-profile developments—hotels, housing conversions, a stadium—have increased the visibility of downtown and made it a destination for an increasing number of families. It is of considerable interest that private businesses have taken the lead in this development, with community development corporations in a supporting role.

Herrington describes the Fourth and Fifth Wards of Houston in terms of location, housing composition, poverty rate and level of political activity. The author makes the case that these older, poorer, predominately black communities have had strikingly different levels of success in leveraging private and public capital for improved housing and local amenities. The strength of

local redevelopment corporations full-time staff and expertise in political negotiations were discerned as major success factors. The more successful of the two local development corporations, the Fifth Ward Redevelopment Corporation, has had significant representation from residents, civic leaders, business owners, religious leaders and educators and has been able to successfully manage \$6.3 million worth of residential construction projects between 1997-98, compared to a much less successful residential development effort worth about \$3.4 million headed by the Fourth Ward's Houston Renaissance, Inc. Herrington concludes that in fast-growing cities that rely on the private sector for initiation (to some extent) and execution (to a greater extent) of development initiatives, it is key for low-income communities eager to participate in redevelopment efforts, to recognize the importance of entrepreneurial thinking and linkages with different sectors of the local and wider community.

Summary

The articles in this volume touch on different aspects of housing and reflect a variety of research interests, application areas and methodological orientations. They represent COMPA's mission to enhance the decision making abilities of public-sector professionals through case studies, descriptive research and quantitative models. Collectively, these articles offer a number of programmatic and policy tools to assess the problems and possibilities associated with building stronger minority communities and in particular for enhancing opportunities for minority home ownership.

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