

Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice

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Lawrence Katz, Harvard, J-PAL, and NBER
Christopher Palmer, MIT and NBER

With special thanks to our partners who implemented this experiment:

Seattle Housing Authority, King County Housing Authority,
MDRC, and J-PAL North America

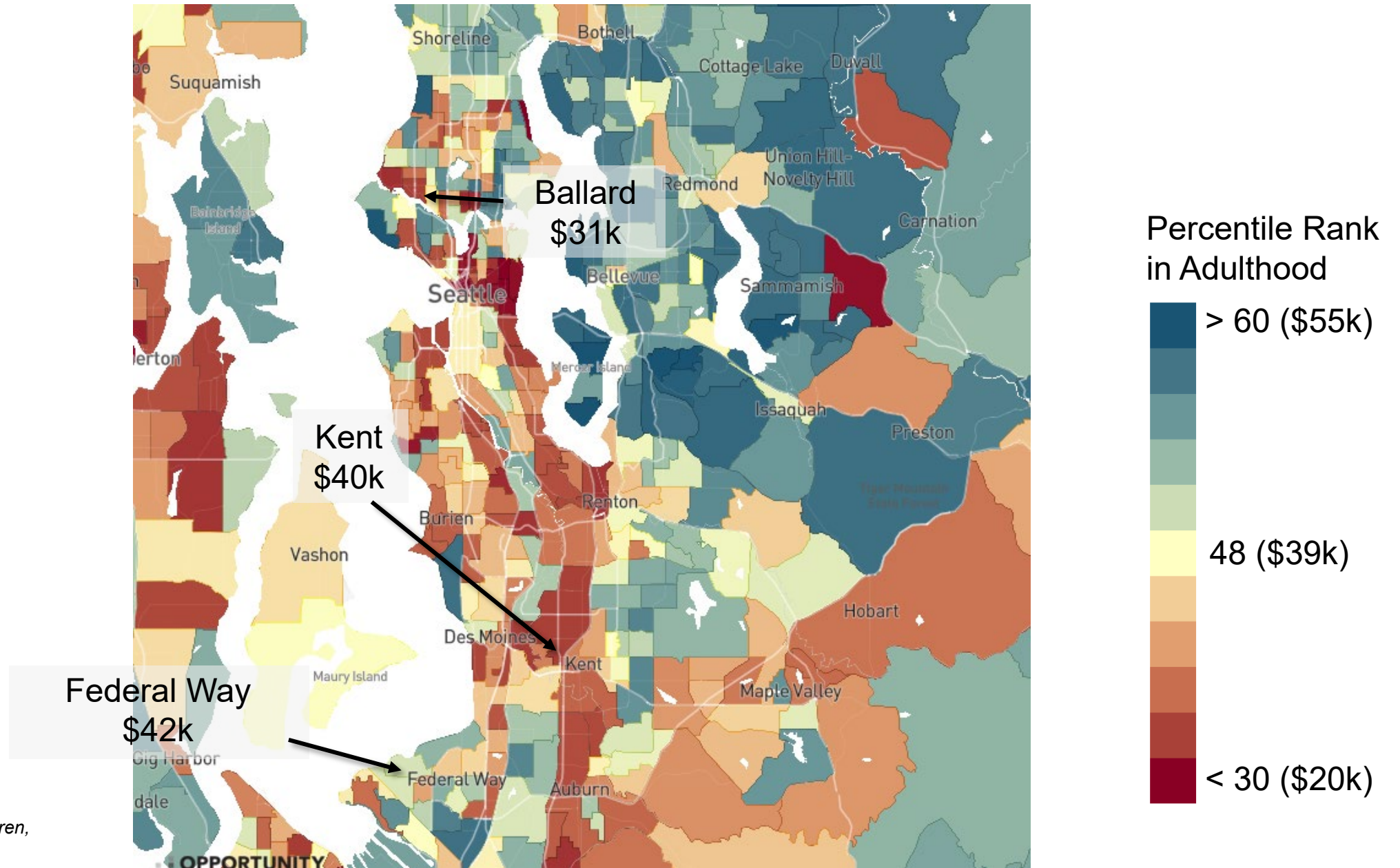
August 2019

Motivation: Four Facts on Neighborhoods and Economic Opportunity

1. Children's prospects for upward income mobility vary substantially across neighborhoods

The Geography of Upward Mobility in Seattle and King County

Average Income at Age 35 for Children with Parents Earning \$27,000 (25th percentile)

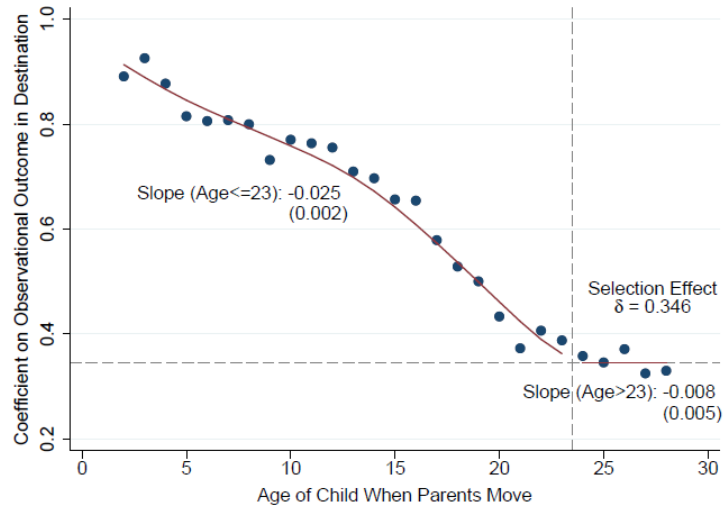


Motivation: Four Facts on Neighborhoods and Economic Opportunity

1. Children's prospects for upward income mobility vary substantially across neighborhoods
2. Moving to better neighborhoods earlier in childhood improves children's outcomes in adulthood significantly

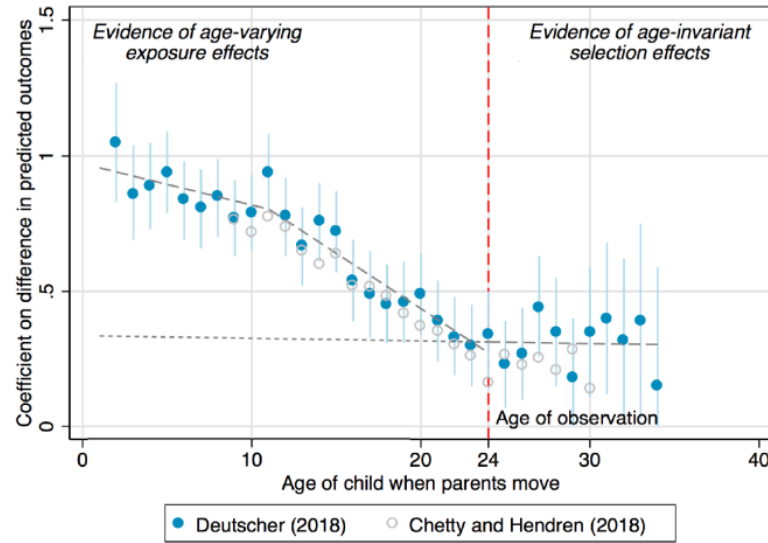
Estimates of Childhood Exposure Effects

United States



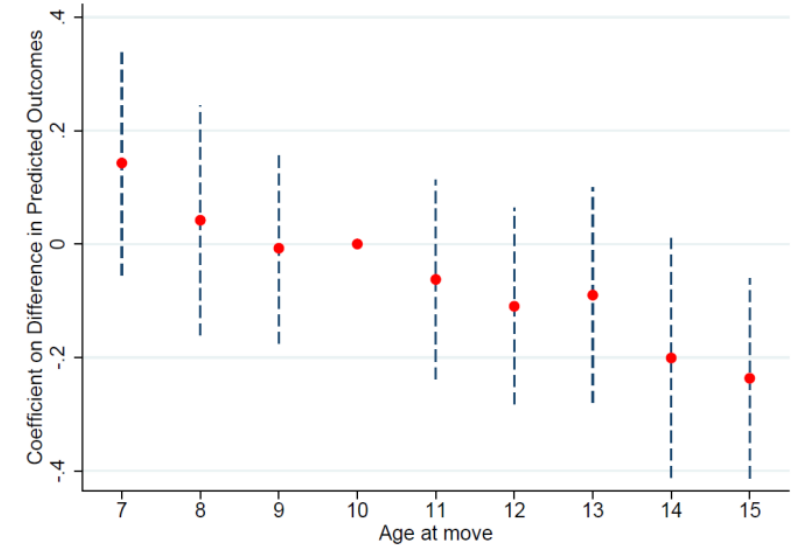
Source: Chetty, Friedman, Hendren, Jones, Porter (2018)

Australia



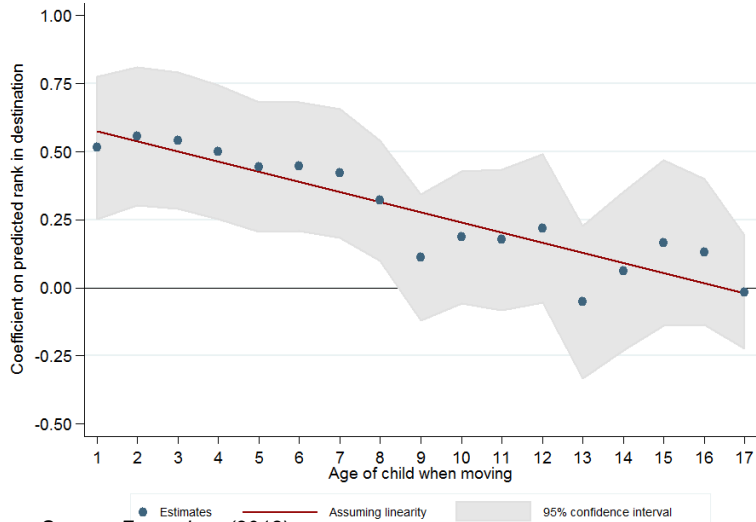
Source: Deutscher (2018)

Montreal, Canada



Source: Laliberté (2018)

Denmark



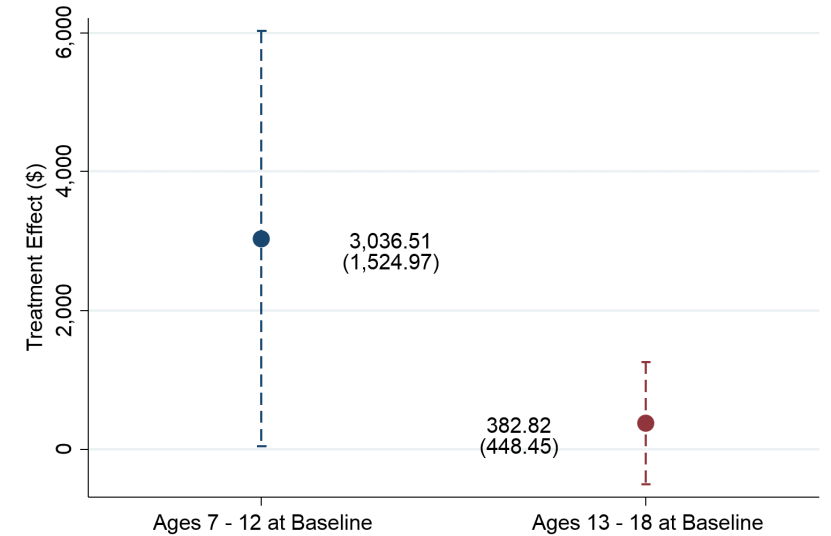
Source: Faurschou (2018)

MTO: Baltimore, Boston, Chicago, LA, NYC



Source: Chetty, Hendren, Katz (AER 2016)

Chicago Public Housing Demolitions

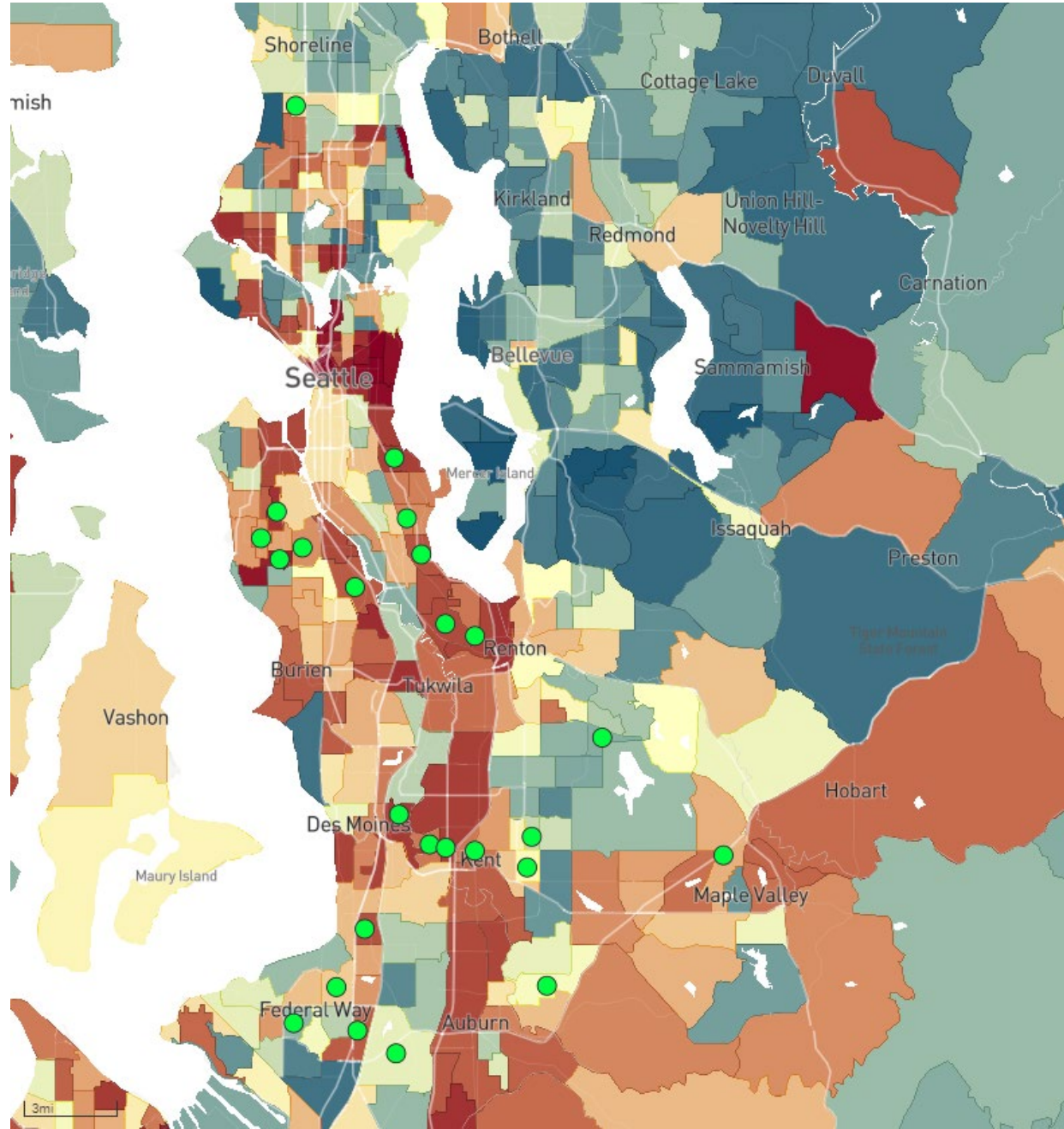


Source: Chyn (AER 2018)

Motivation: Four Facts on Neighborhoods and Economic Opportunity

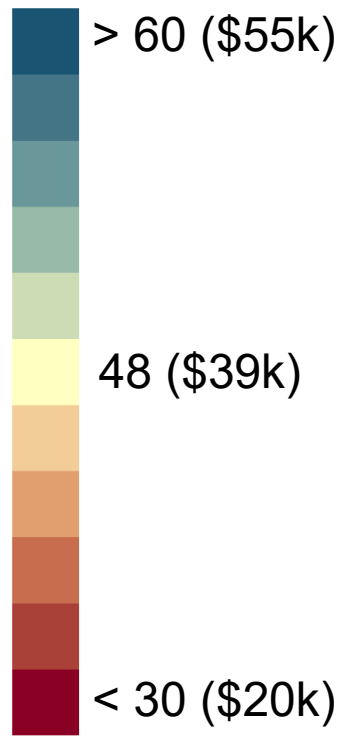
1. Children's prospects for upward income mobility vary substantially across neighborhoods
2. Moving to better neighborhoods earlier in childhood improves children's outcomes in adulthood significantly
3. Low-income families who receive housing vouchers predominantly live in low-opportunity neighborhoods

Most Common Locations of Families with Housing Vouchers 2015-2017



● 25 most common tracts where voucher holders with children lived before the CMTO experiment

Percentile Rank in Adulthood



Motivation: Four Facts on Neighborhoods and Economic Opportunity

1. Children's prospects for upward income mobility vary substantially across neighborhoods
2. Moving to better neighborhoods earlier in childhood improves children's outcomes in adulthood significantly
3. Low-income families who receive housing vouchers currently live predominantly in low-opportunity neighborhoods
4. Differences in rent do not explain why low-income families live in low-opportunity areas

Question: Why Don't Low-Income Families Move to Opportunity?

- Two classes of explanations:
 1. **Preferences:** families may prefer to stay in current neighborhoods because of other amenities (e.g., commute time, proximity to family)
 2. **Barriers:** families may be unable to find housing in high-opportunity areas because of lack of information, search frictions, or landlords' discrimination

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- If barriers are what is driving segregation, can we reduce them through changes in affordable housing policy?

Creating Moves to Opportunity in Seattle and King County

Randomized trial to develop and test policy-scalable strategies to reduce barriers housing choice voucher recipients face in moving to high-opportunity areas in Seattle and King County



Outline

① Program Description and Experimental Design

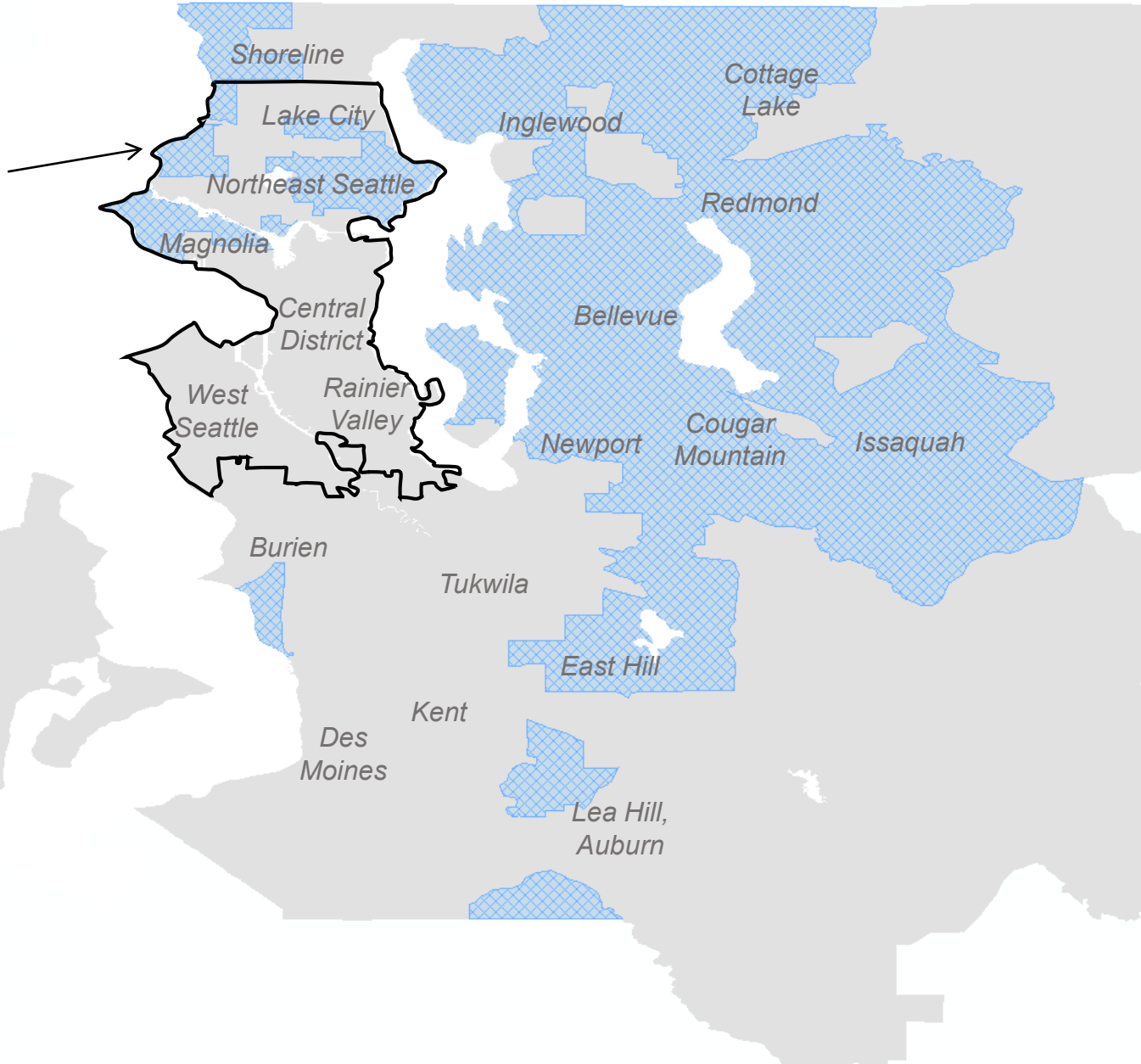
② Treatment Effect Estimates

③ Mechanisms

④ Conclusion

Designation of High-Opportunity Neighborhoods

Seattle
City
Boundary



 High-Opportunity Area

Treatment Interventions

CUSTOMIZED
SEARCH
ASSISTANCE

On average, non-profit staff spend **6.3 hours** with each household

DIRECT
LANDLORD
ENGAGEMENT

52% of rentals in high-opportunity areas made through links via non-profit staff

SHORT-TERM
FINANCIAL
ASSISTANCE

Average financial assistance of **\$1,100** for security deposits, application fees, etc.

*Families **not** required to move to high-opportunity areas, unlike MTO experiment*

Total Average Service Cost: \$2,600 per family issued
(2.2% of average voucher payments over 7 years)

Creating Moves to Opportunity Program Costs

	Average Cost
<i>A. Total Costs</i>	
Cost of CMTO services per family issued	\$2,573
Cost of CMTO services per family leased	\$2,926
Cost of CMTO services per opportunity move	\$4,712
Cost of CMTO services per family issued / 7-year HAP costs per family	2.2%
<i>B. Costs by Service Category</i>	
Cost of CMTO financial assistance per issuance	\$1,070
Cost of CMTO program services per issuance	\$1,500
Cost of PHA CMTO administration per issuance	\$392
Cost savings of PHA services paid by CMTO	(\$389)
<i>C. Housing Assistance Payment (HAP) Costs</i>	
Incremental HAP cost per lease per year	\$2,804
Incremental HAP / average HAP costs per family	17.0%

Creating Moves to Opportunity Experiment

- Sample frame: families with at least one child below age 15 who were issued vouchers in either Seattle or King County between April 2018 to April 2019 after being on the HCV general waitlist
- 421 eligible families in the experiment, split randomly into control (standard services, $n = 133$) and treatment ($n = 141$)
 - Here we use data on 274 families issued vouchers up to December 31, 2018, followed through June 24, 2019

Outline

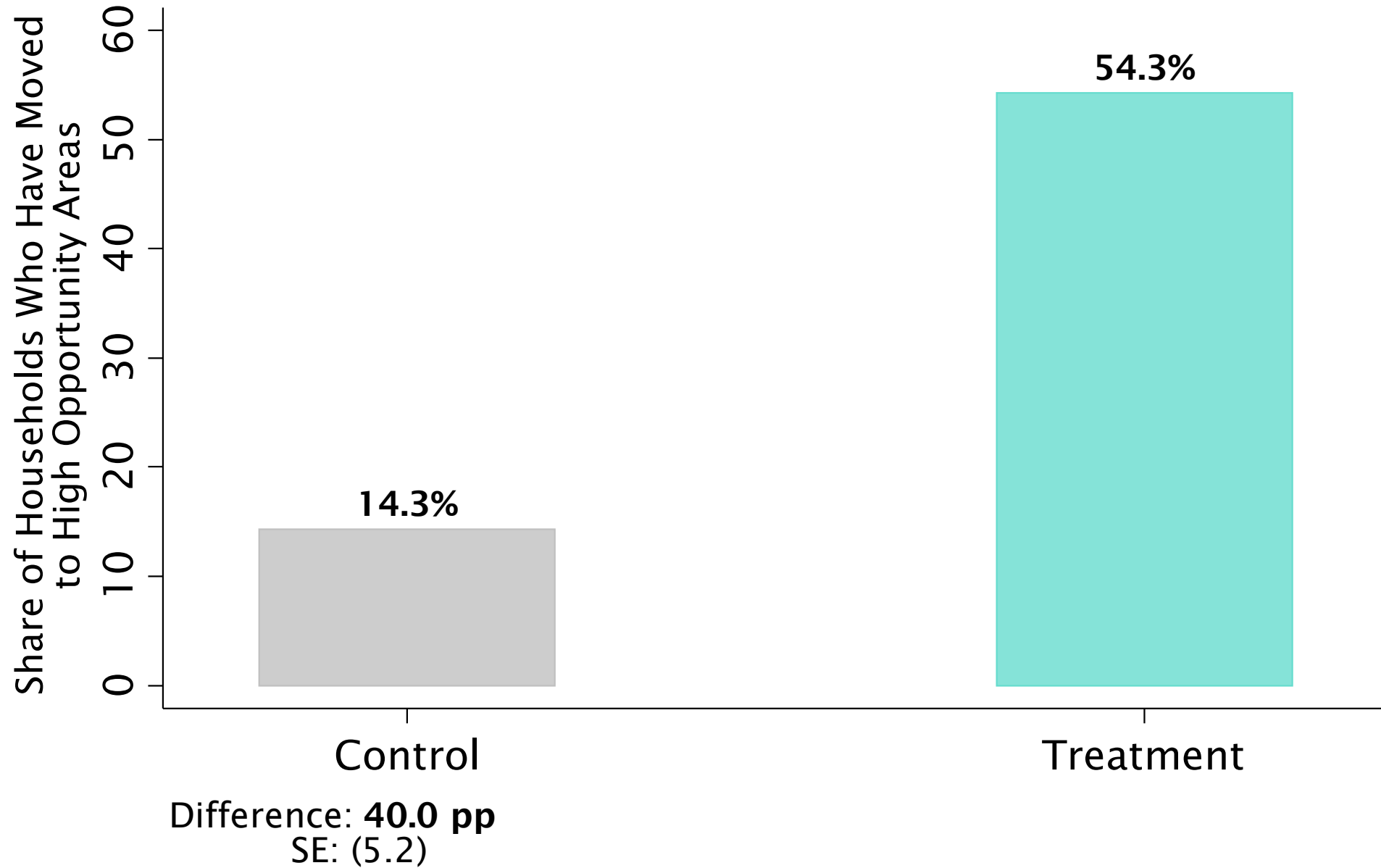
① Program Description and Experimental Design

② Treatment Effect Estimates

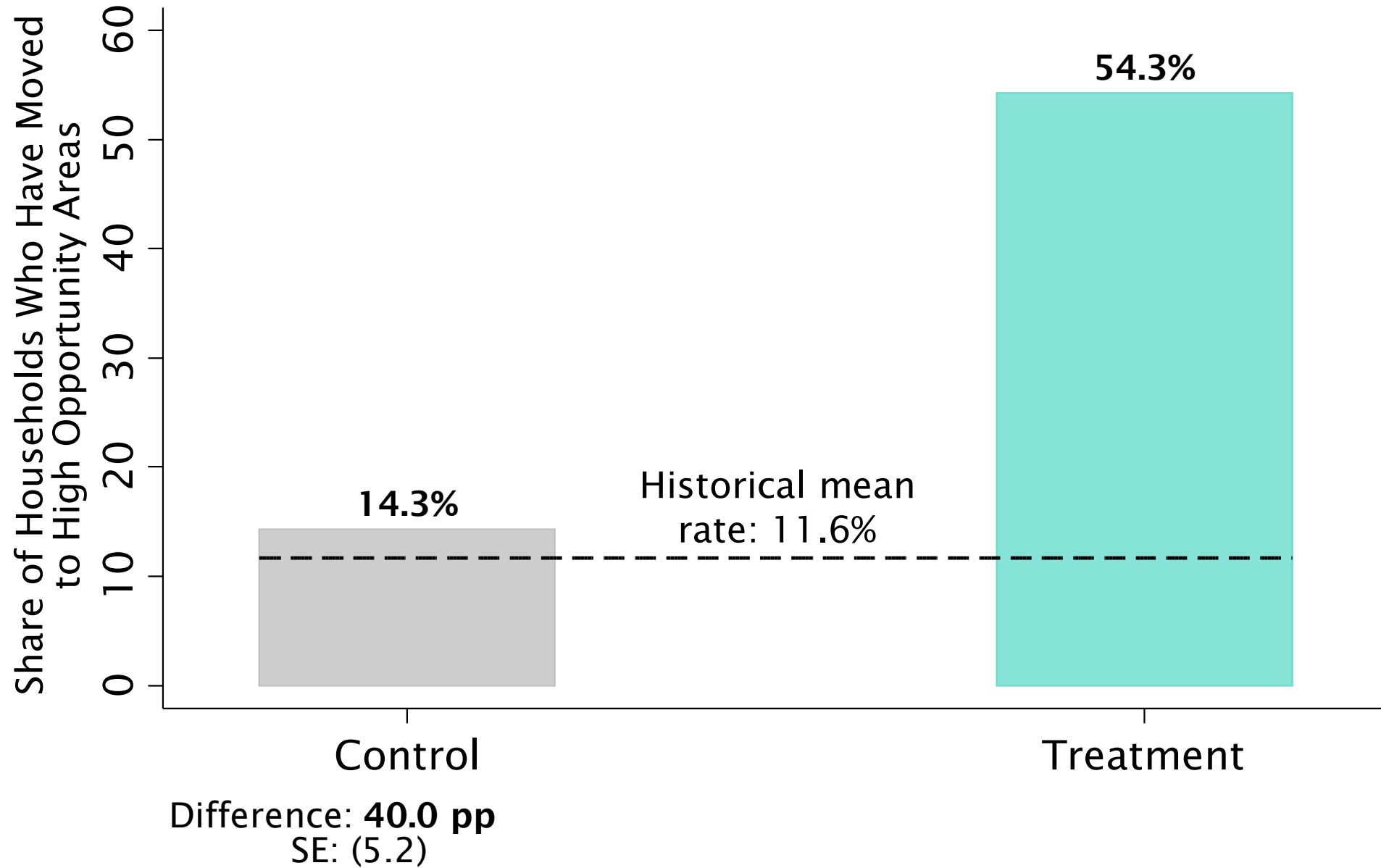
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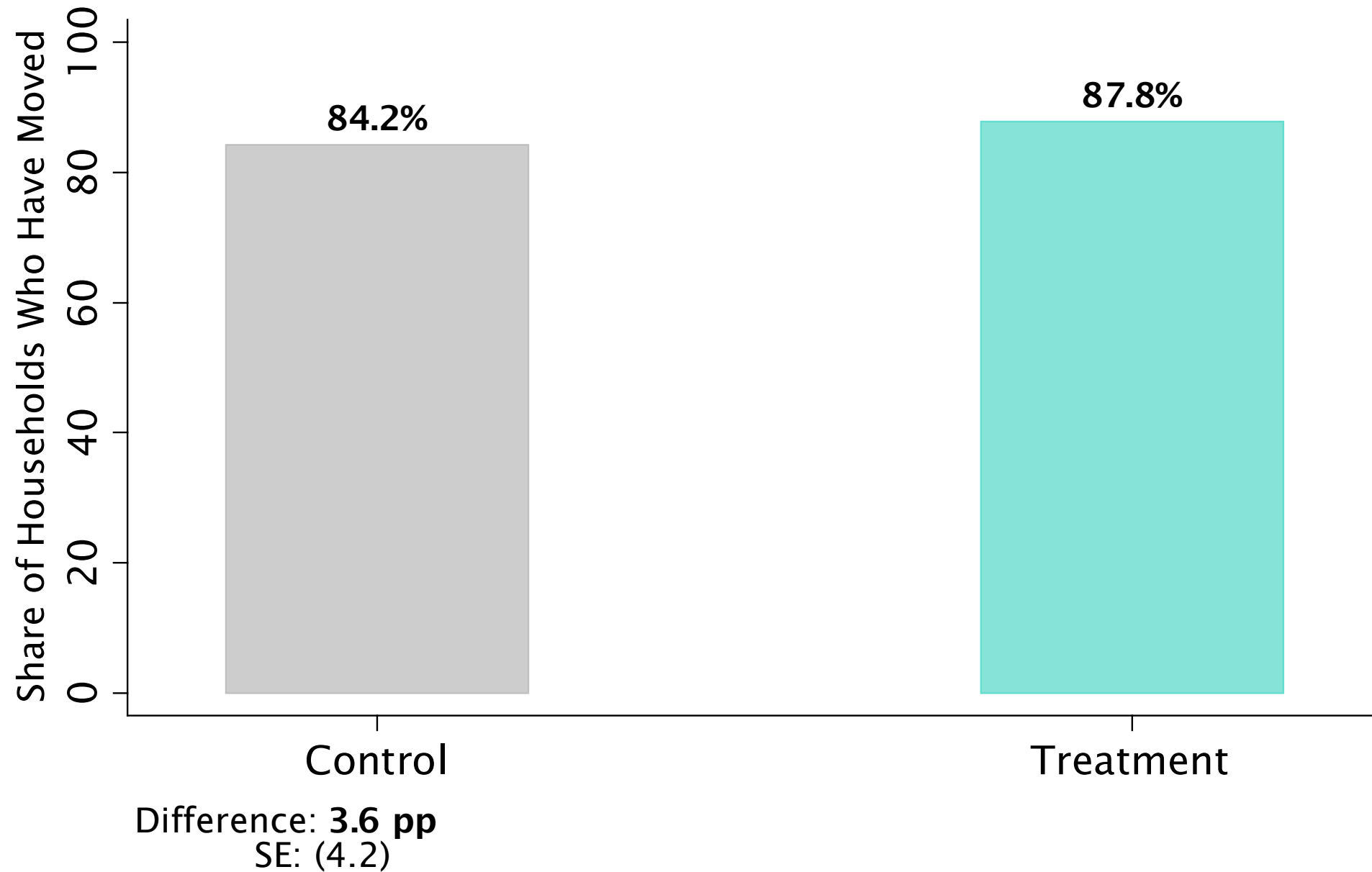
Fraction Who Leased Units in High Opportunity Areas



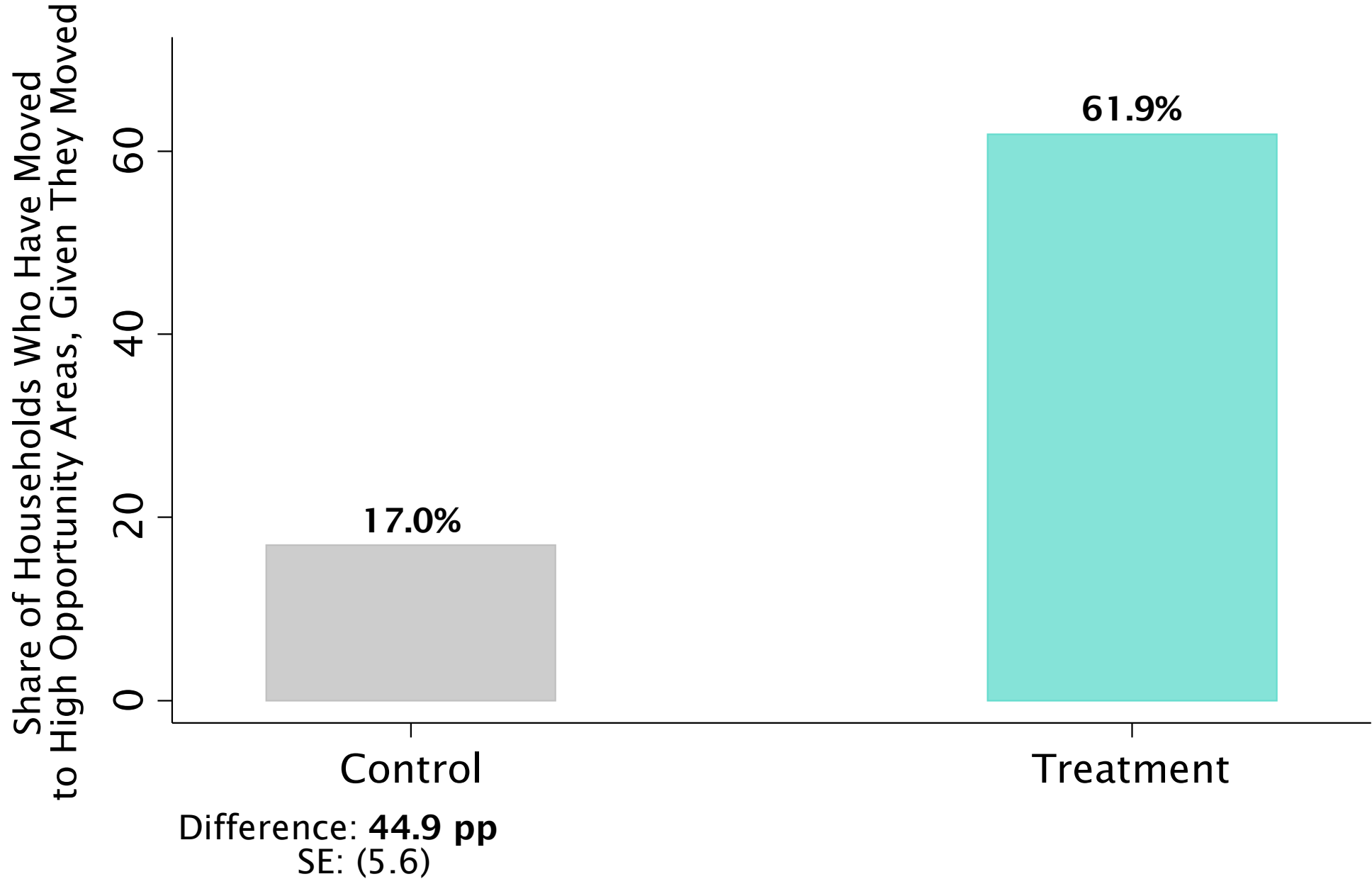
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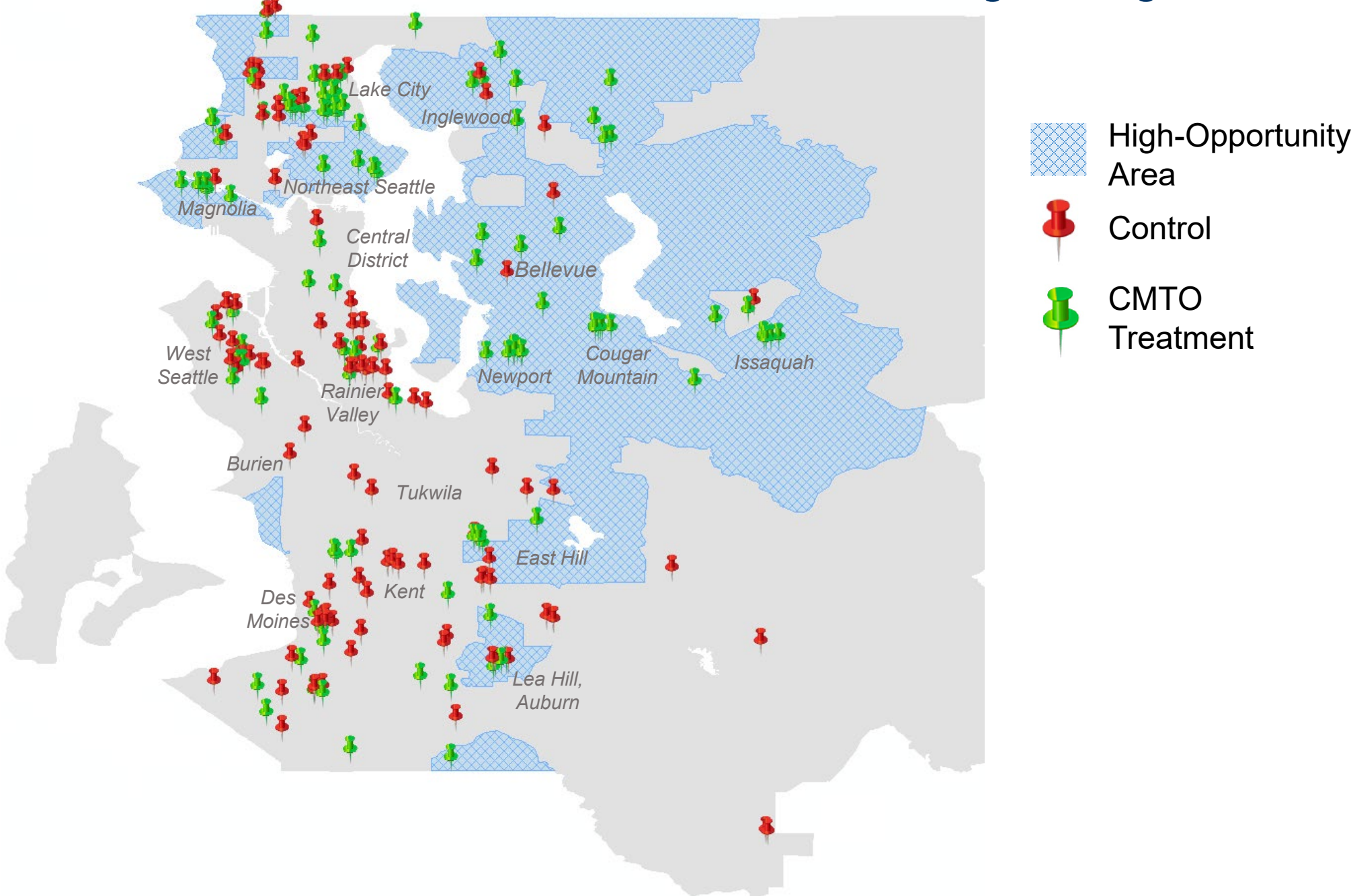
Fraction Who Has Leased Any Unit within Six Months of Voucher Issuance



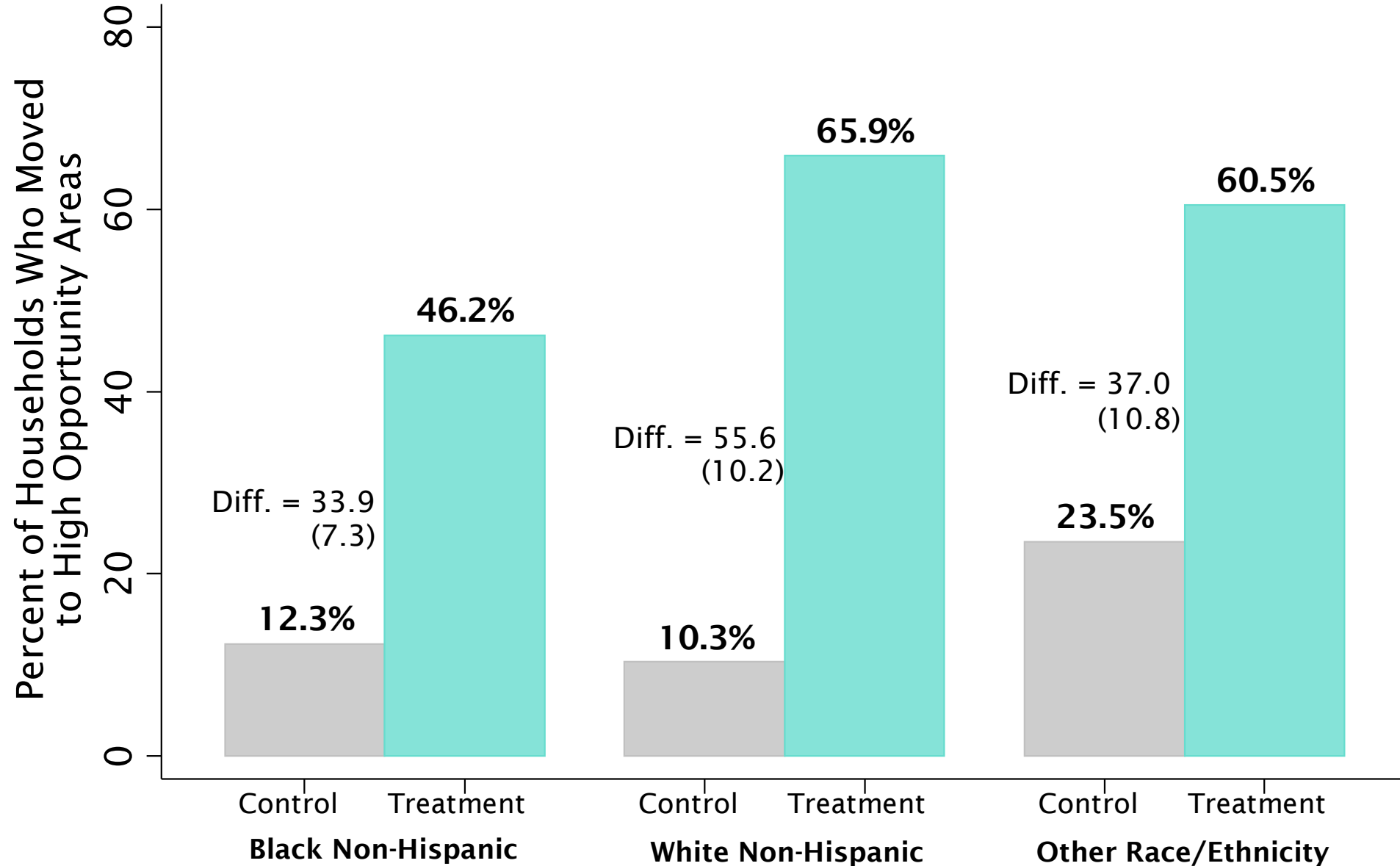
Fraction Who Leased Units in High Opportunity Areas, Given They Moved



Destination Locations for Families that Leased Units Using Housing Vouchers



Treatment Effects By Race

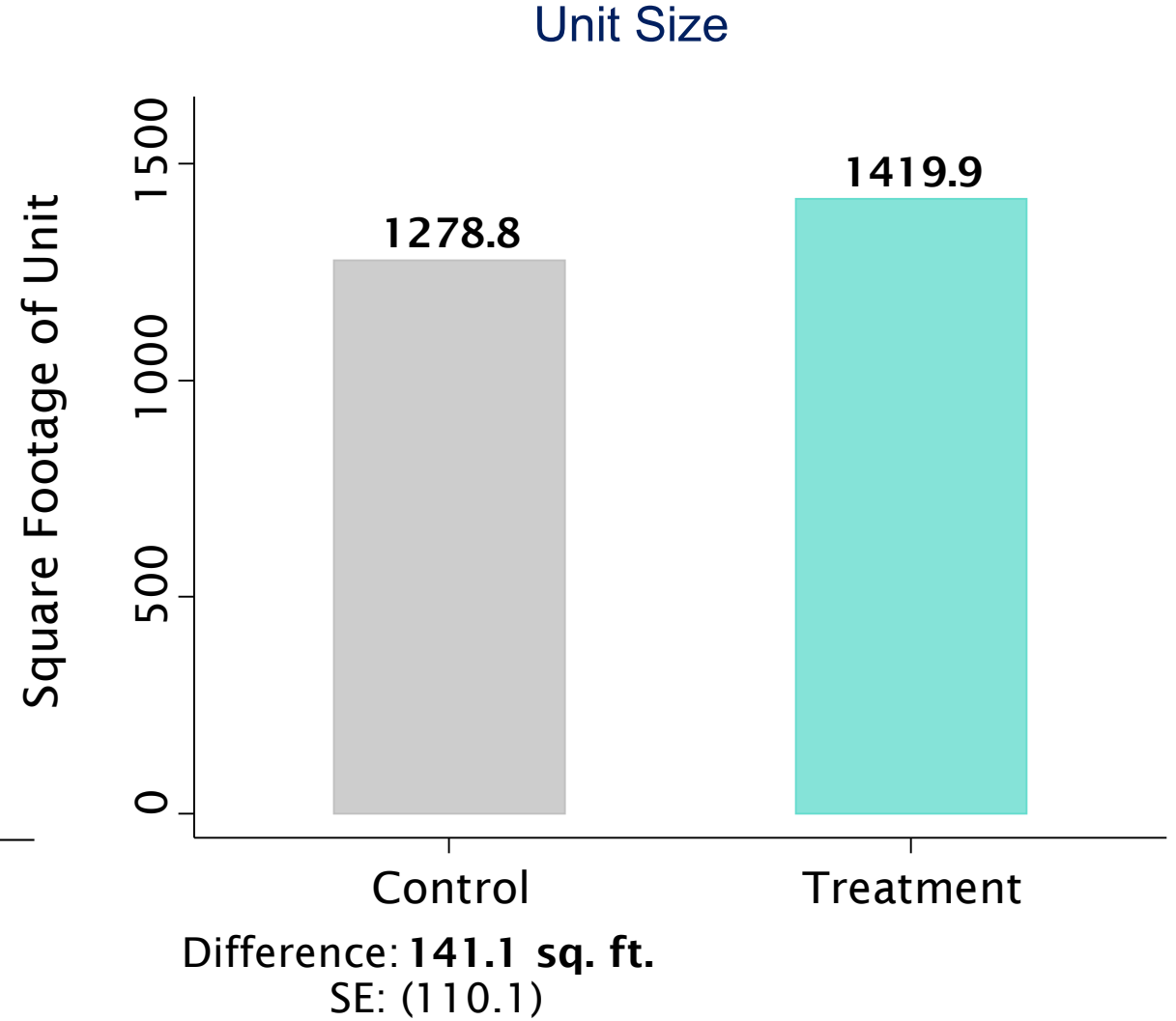
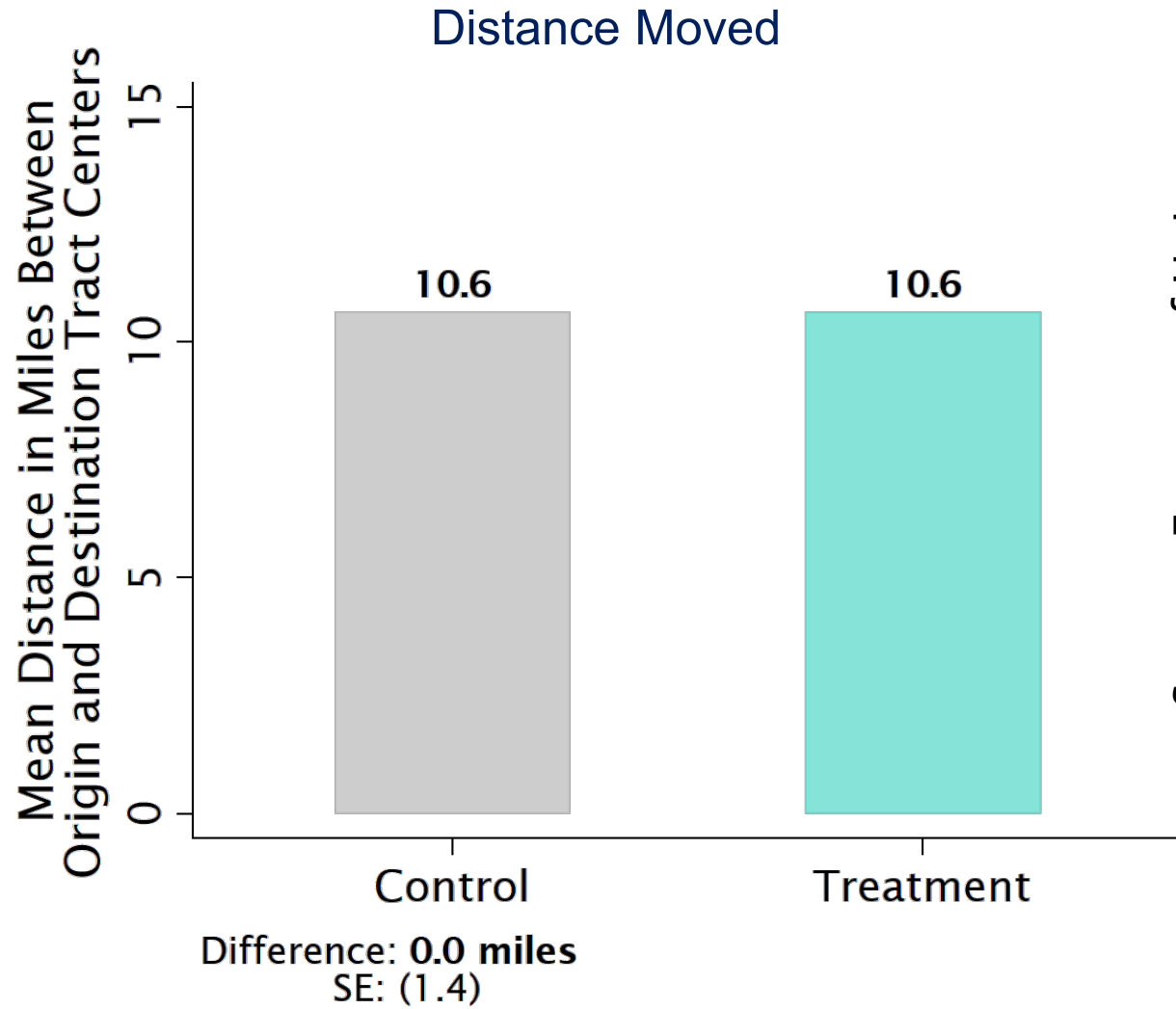


Tradeoffs in Unit Characteristics

- Are families making sacrifices on other dimensions to move to high-opportunity areas?

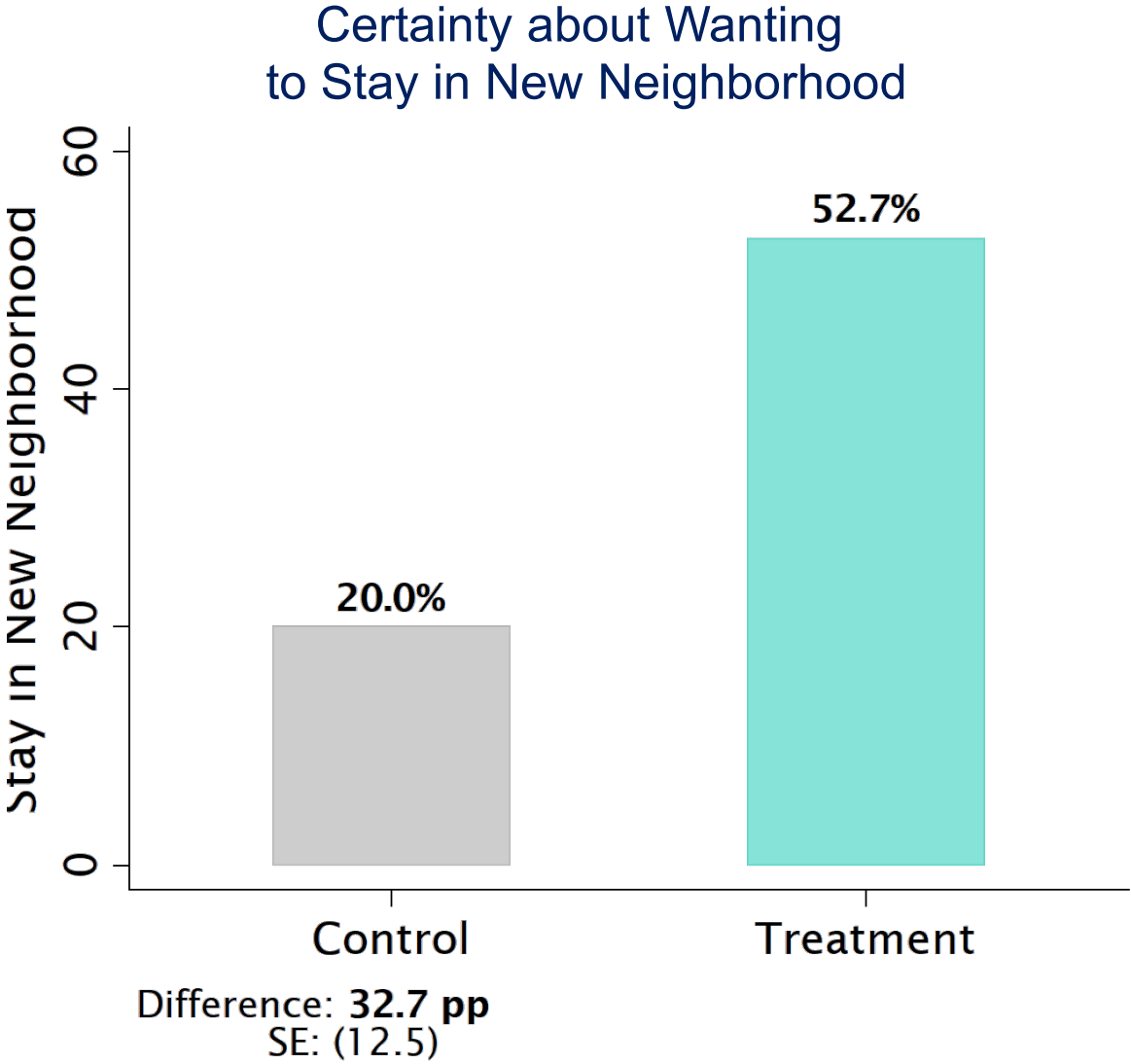
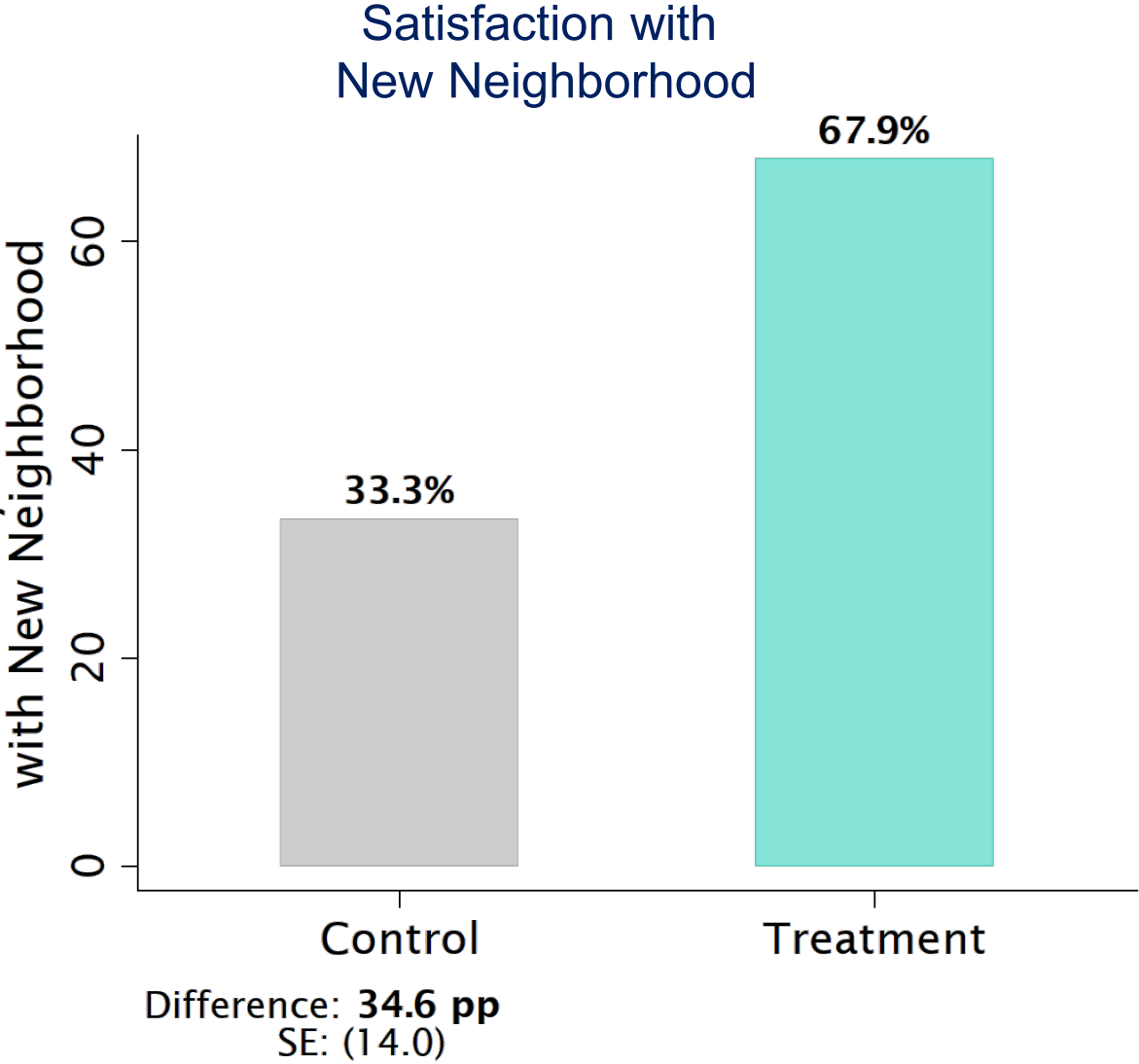
Tradeoffs in Neighborhood and Unit Quality

Treatment Effects on Distance Moved and Unit Size



Satisfaction with New Neighborhoods

Based on Surveys Six Months Post-Move



Implications for Models of Neighborhood Choice

- Experimental results suggest that barriers play a central role in neighborhood choice
 - Frictionless model would require that 45% of people happen to have (net) willingness to pay for low-opportunity areas between \$0 and \$2,600 (cost of treatment)
- These barriers could potentially be captured in a standard model of housing search (e.g., Wheaton 1990; Kennan and Walker 2011) with sufficiently large search costs
 - Important to unpack what these costs are to understand how to reduce them

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Mechanisms: Evidence from Alternative Policies

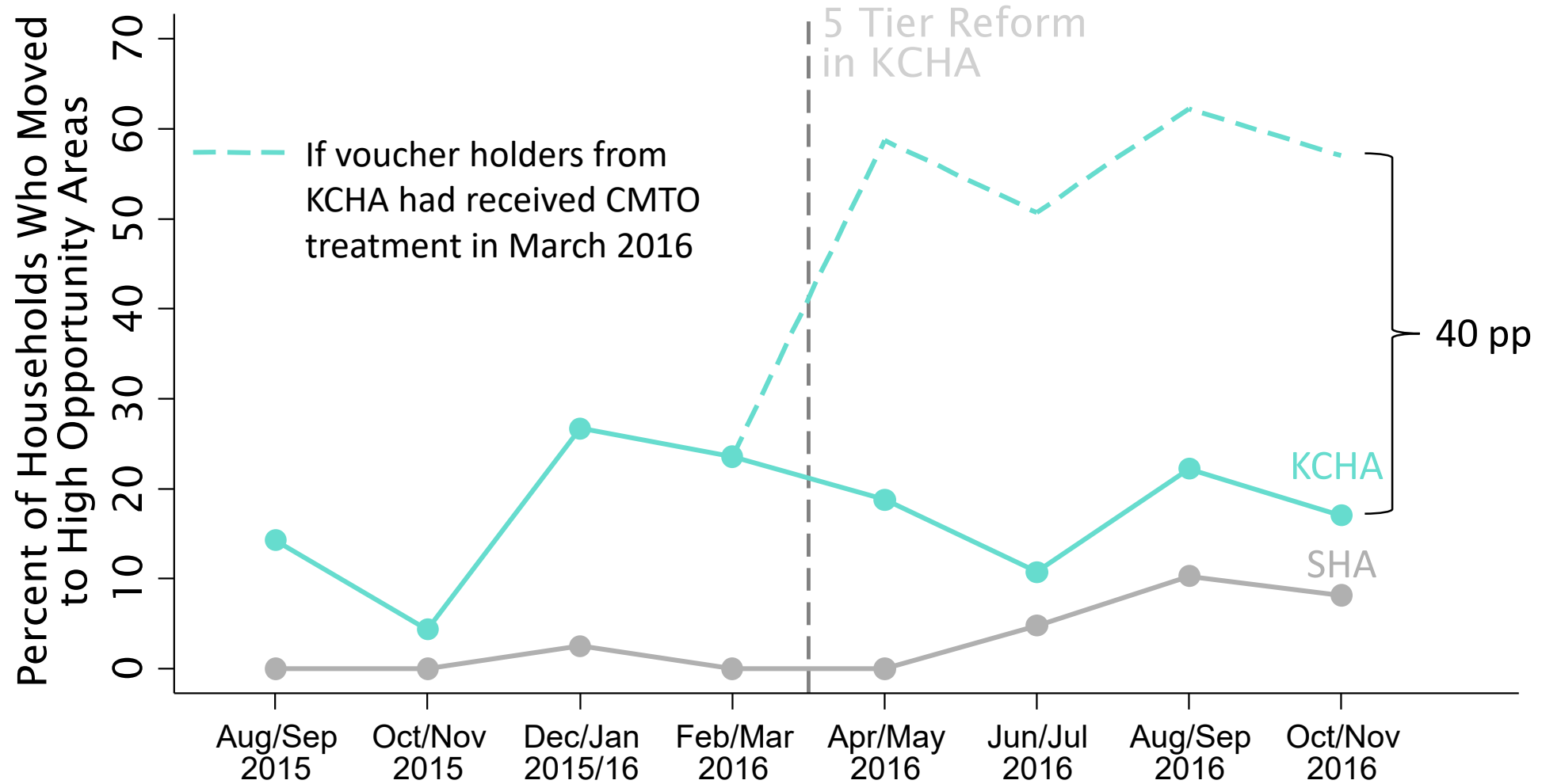
1. Standardized information provision

- Schwartz et al. (2017) and Bergman et al. (2019): RCTs providing information and lighter-touch counseling → order-of-magnitude smaller impacts

2. Financial incentives: Small Area Fair Market Rents

- Offer larger voucher payments in higher rent areas [Collinson and Ganong 2018]
- Offer larger voucher payments in higher opportunity neighborhoods

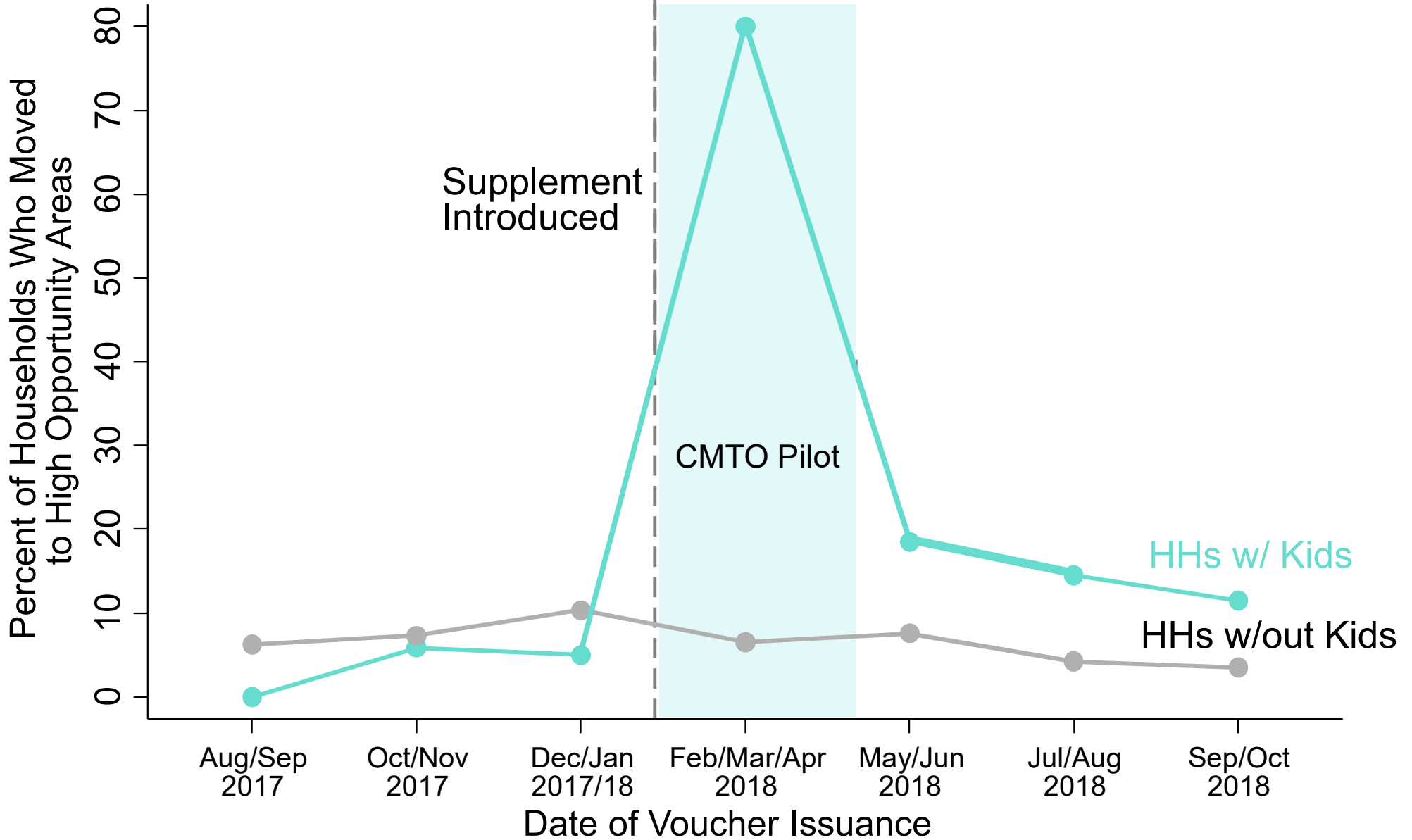
CMTO Has Much Larger Impact on Moves to Opportunity than Small Area Payment Standards



Effect of 5-Tier Reform: -3.59 ranks
(5.75)

Effect of SHA Increase in Payment Standards for High-Opportunity Areas in Seattle

Difference-in-Difference Estimate



Note: data shown from May 2018 onward are based on control group in CMT0 experiment

Effect of Family Access Supplement: 13.79 pp (5.11)

Qualitative Evidence on Mechanisms

- What are the barriers families face in moving to higher-opportunity areas?
- Qualitative study of 104 families interviewed for two hours each during search process and post-move
- Key lessons from these interviews:
 1. [Scarcity] Most families have extremely limited time and resources to search
[Mullainathan and Shafir 2013]
 2. [Customization] Case workers' ability to respond to each family's **specific** needs is crucial above and beyond standardized resources

Qualitative Evidence on Mechanisms

Emotional/Psychological Support

“It was this whole flood of relief. It was this whole flood of, “I don’t know how I’m going to do this” and “I don’t know what I’m going to do” and “This isn’t working,” and yeah...I think it was just the supportive nature of having lots of conversations with Megan.” –Jackie

Brokering with Landlords

“When you find a place, I will come with you and we will help you to fill out the application. I will talk with the landlord, I will help you to do a lot of stuff, that maybe sometimes will be complicated.” –Leah

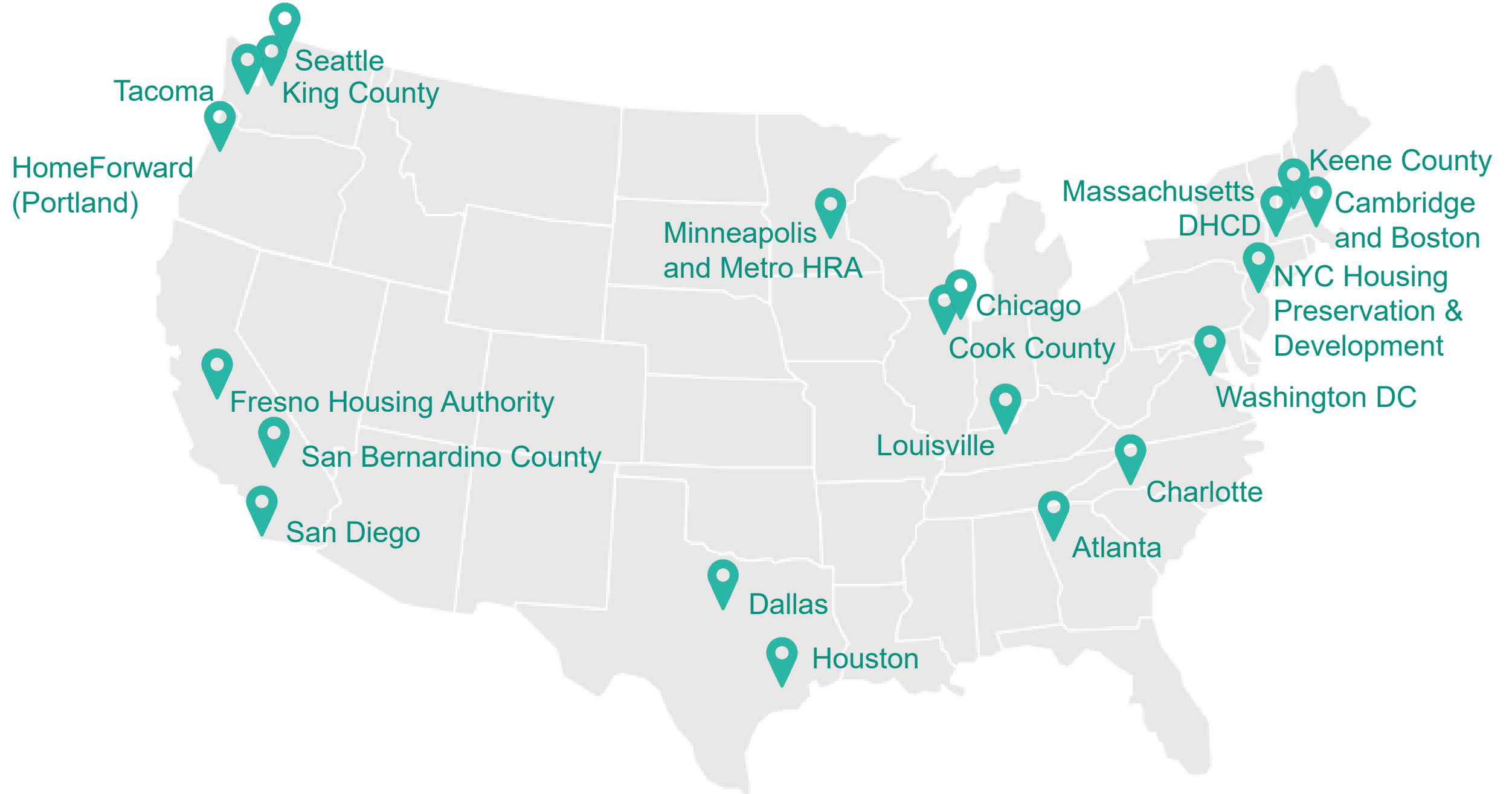
Short-Term Financial Assistance

“I’m not going to be able to pay here and then there [in the new apartment] ...They were able to get me more money, so that they would pay more of my first portion of my rent. Because they understood the situation that I was in.” –Jennifer

Conclusions

1. Residential segregation of low-income families in the U.S. is driven heavily by constraints/misperceptions rather than ex-ante preferences
2. Redesigning existing affordable housing policies to reduce such barriers could reduce segregation
3. To increase upward mobility, focus on policies that
 - Create moves to opportunity for poor children
 - Identify place-based investments that can improve outcomes for residents of lower-opportunity areas

CMTO Expansion Plan: Partners Across the Country





From Jasmine, 7 years old, whose family moved to a high-opportunity area in Seattle

Seattle and King County Housing Authorities

Andria Lazaga, Sarah Oppenheimer, Jenny Le, Jodi Speer

MDRC

James Riccio, Nandita Verma, Jonathan Bigelow, Gilda Azurdia

J-PAL North America

Jacob Binder, Graham Simpson, Kristen Watkins

Opportunity Insights

Federico Gonzalez Rodriguez, Jamie Gracie, Martin Koenen, Sarah Merchant, Max Pienkny, Peter Ruhm, James Stratton, Kai Matheson

Johns Hopkins Fieldwork Team

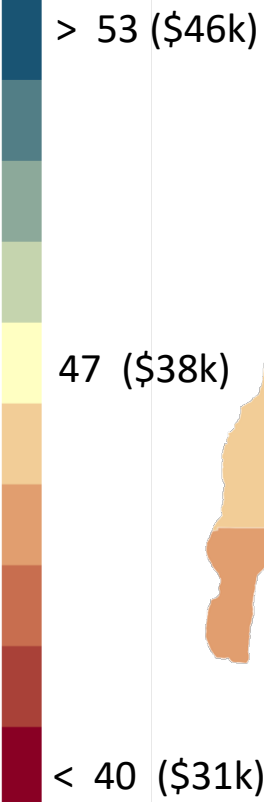
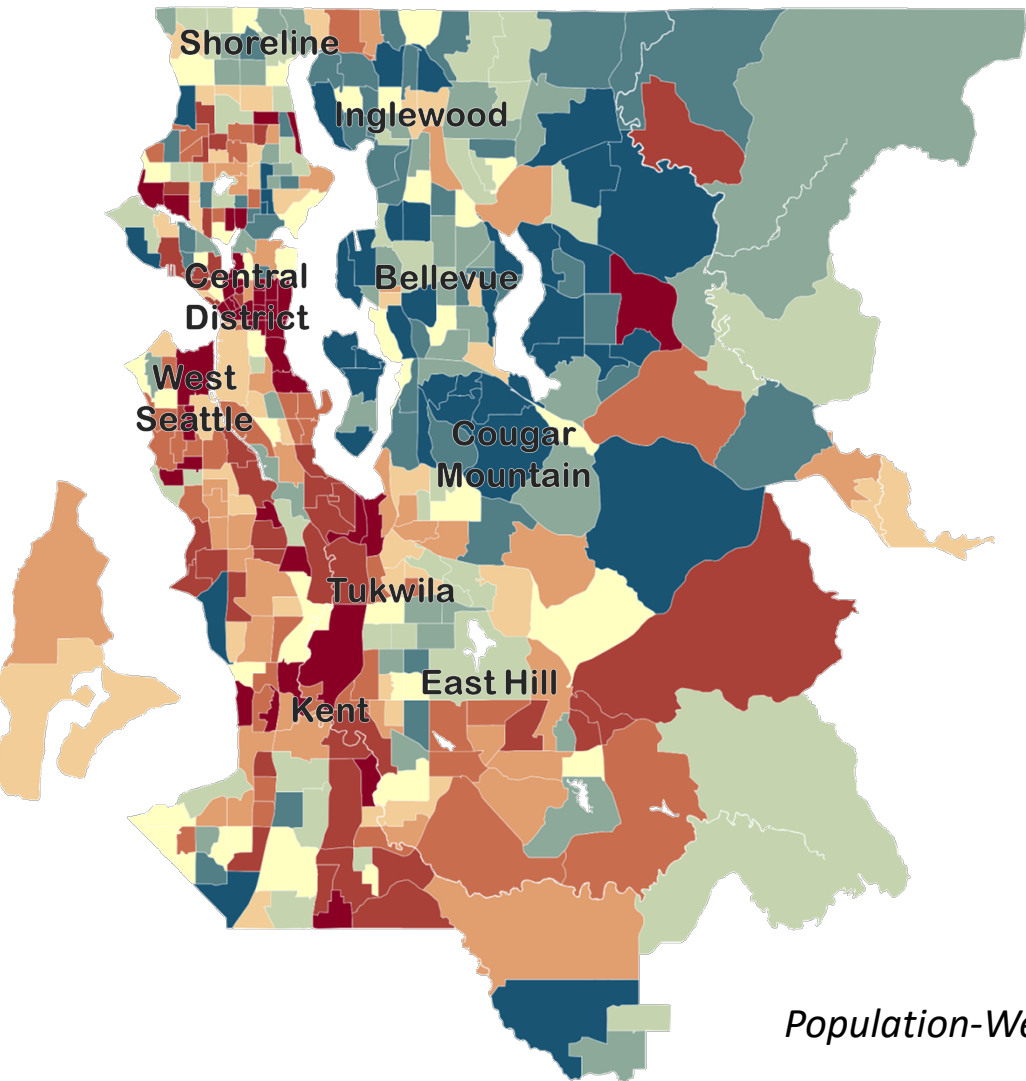
Paige Ackman, Christina Ambrosino, Divya Baron, Joseph Boselovic, Erin Carll, Devin Collins, Hannah Curtis, Christine Jang, Akanksha Jayathi, Nicole Kovski, Melanie Nadon, Kiara Nerenberg, Daphne Moraga, Bronte Nevins, Simon Robbennolt, Brianna So, Maria Vignau-Loria, Allison Young, MEF Associates

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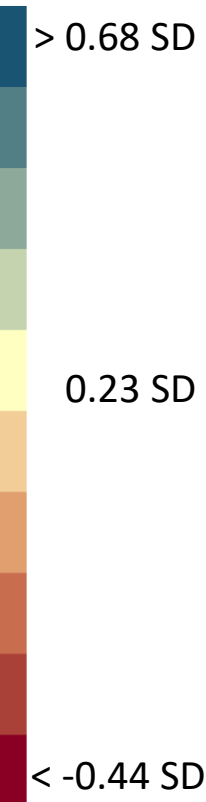
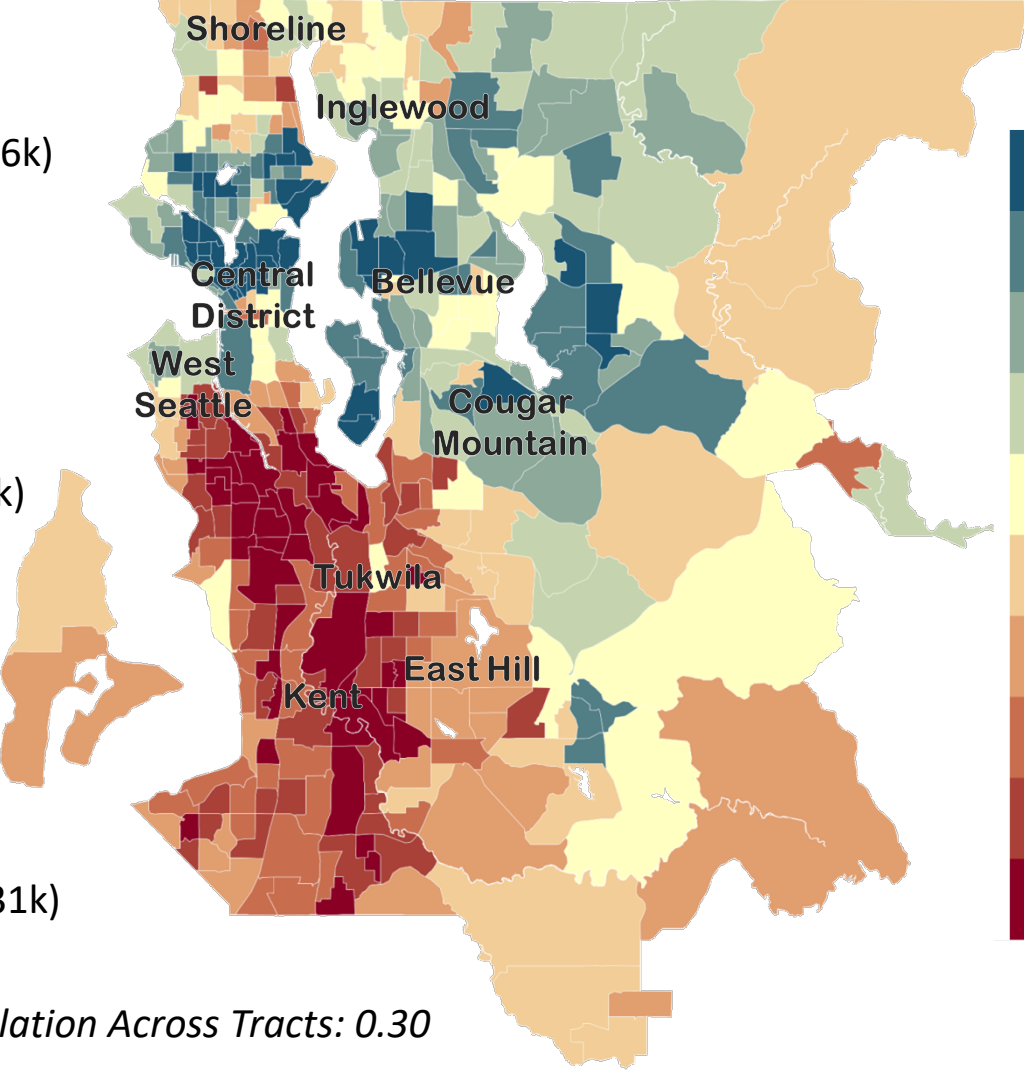
Appendix Figures

Comparing Opportunity Measures

Upward Mobility (Opportunity Atlas)



Kirwan Child Opportunity Index



Population-Weighted Correlation Across Tracts: 0.30

Key Elements in the CMTO Intervention

CUSTOMIZED SEARCH ASSISTANCE

- **High-opportunity area education** to increase families' knowledge about high-opportunity areas.
- **Rental application coaching** to increase families' competitiveness for rental units by addressing credit history and preparing a narrative.
- **Housing locator services** to help families identify suitable units in high-opportunity areas.

INCREASED LANDLORD ENGAGEMENT

- **Cultivate relationships** with landlords in designated high-opportunity areas to create housing opportunities for CMTO families.
- **Expedite lease-up processes** by completing PHA required documents and conducting housing inspections more quickly.
- **Insurance fund** to mitigate risks of property damage.

SHORT-TERM FINANCIAL ASSISTANCE

- Grants to **defray move-in expenses**, such as application fees and security deposits (on average \$1,100).

Intervention Process Timeline

Family Contacted

Notified of selection from waitlist



Intake Appointment

Consent
Randomization
Baseline survey



Nonprofit Staff Meet with Families and Landlords

Rental application coaching
Opportunity area education
Visiting locations



Search assistance
Landlord recruitment
Linking families to units

Voucher Issued



Unit Selected

Family approved by landlord for unit



Lease Up

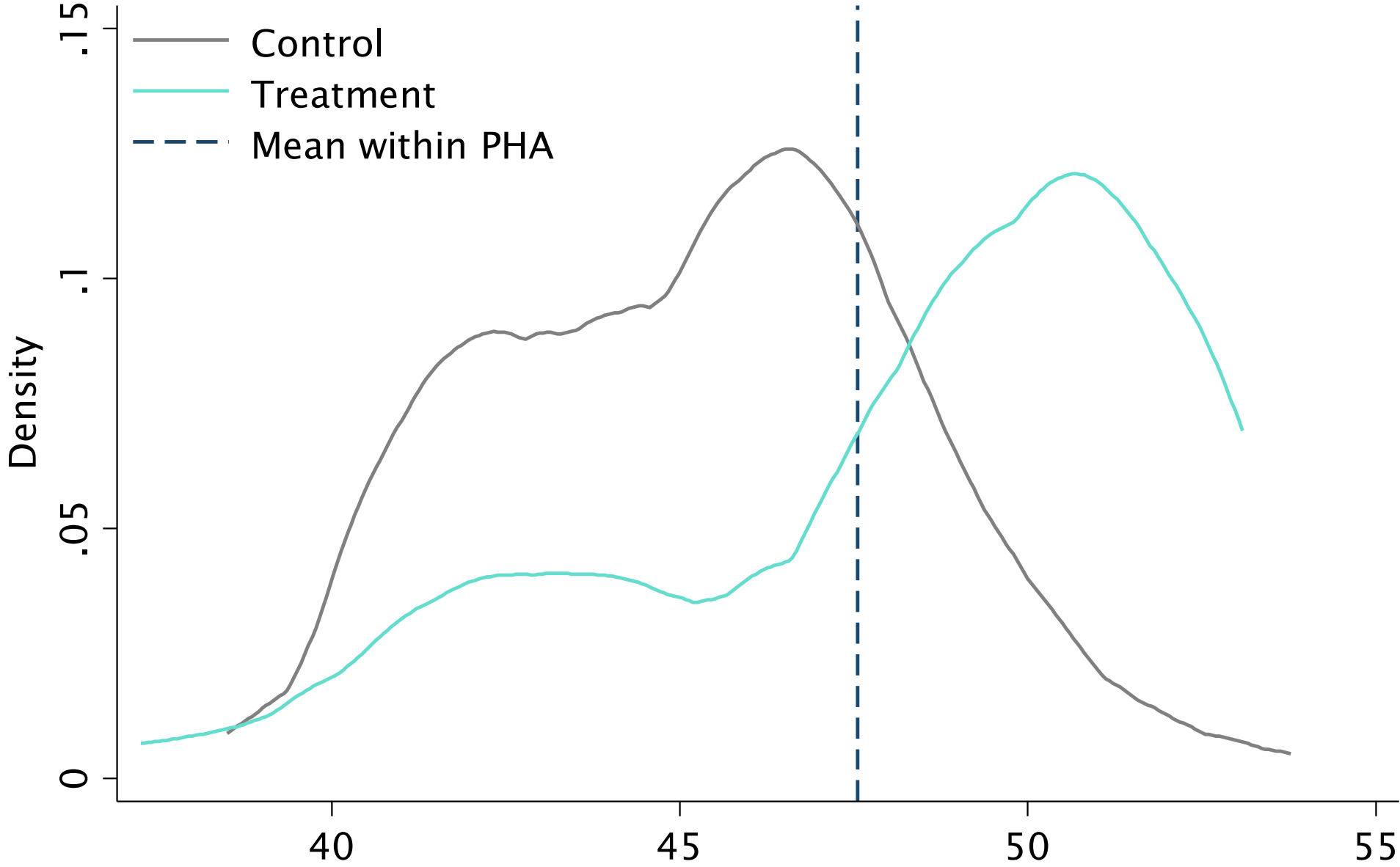
Receive paperwork and financial assistance (e.g. assistance for deposit)

Lease Signed



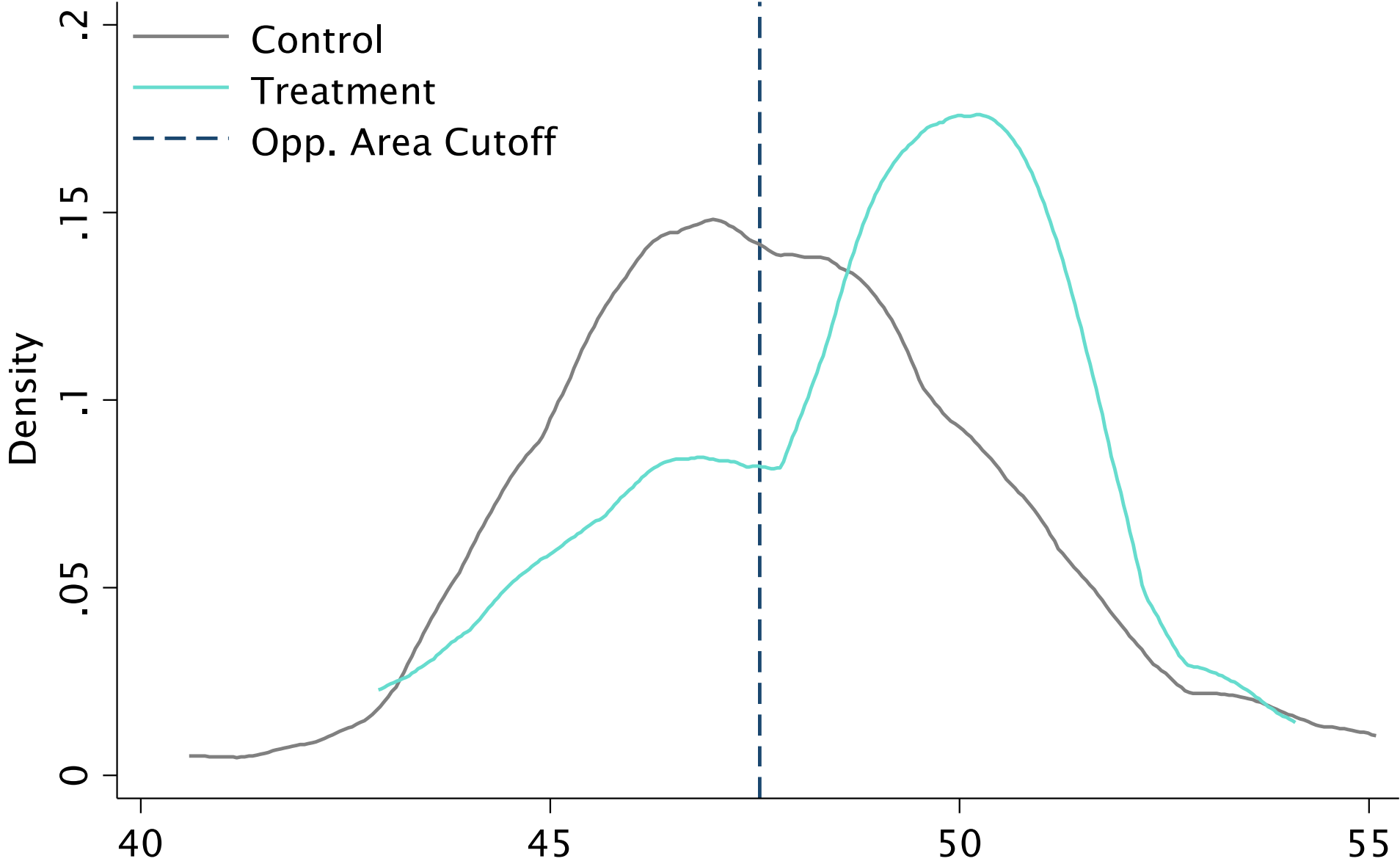
Differences Focused in the Upper Tail of the Neighborhood Quality Distribution

Control vs. Treatment Distribution in King County Housing Authority

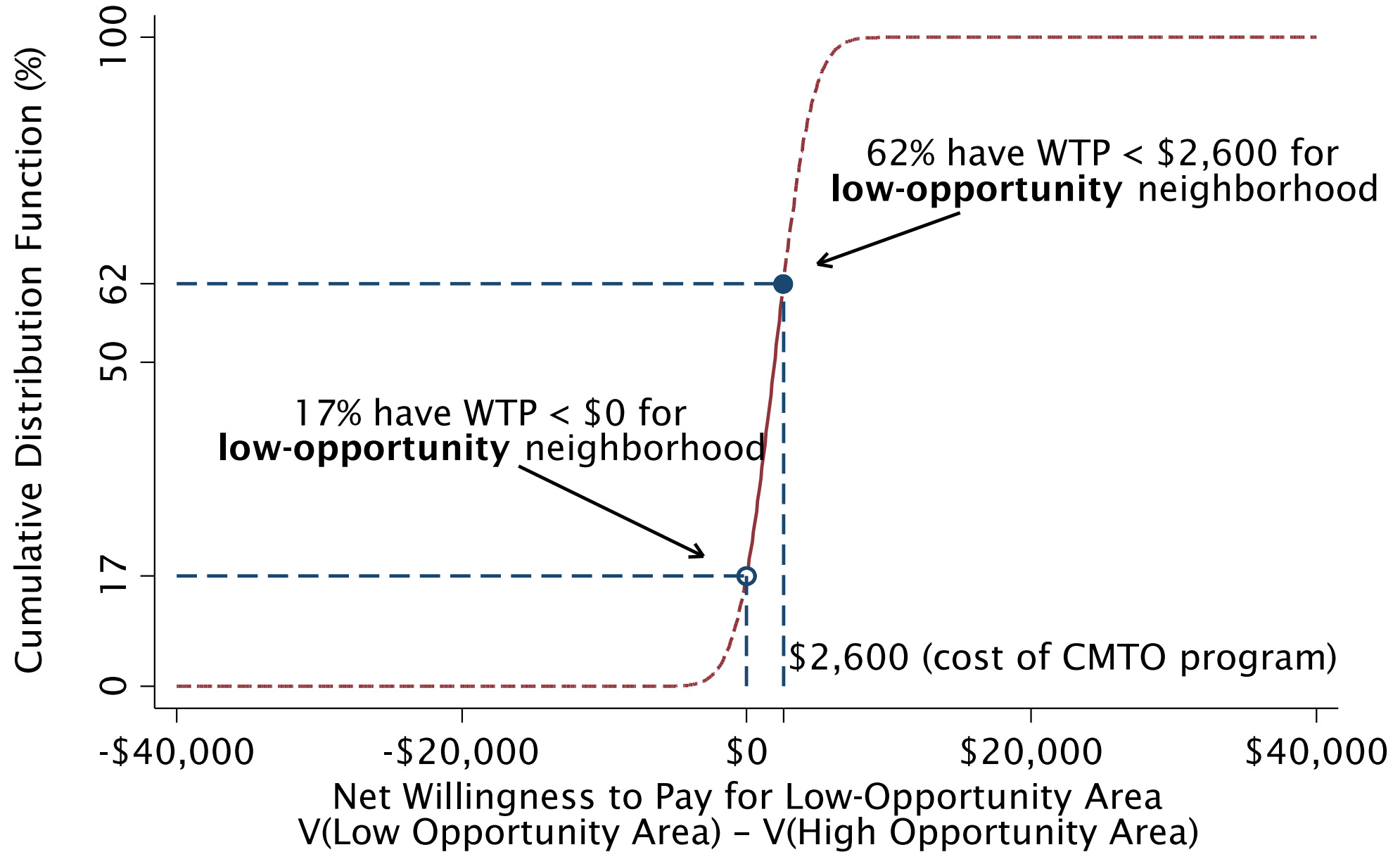


Differences Focused in the Upper Tail of the Neighborhood Quality Distribution

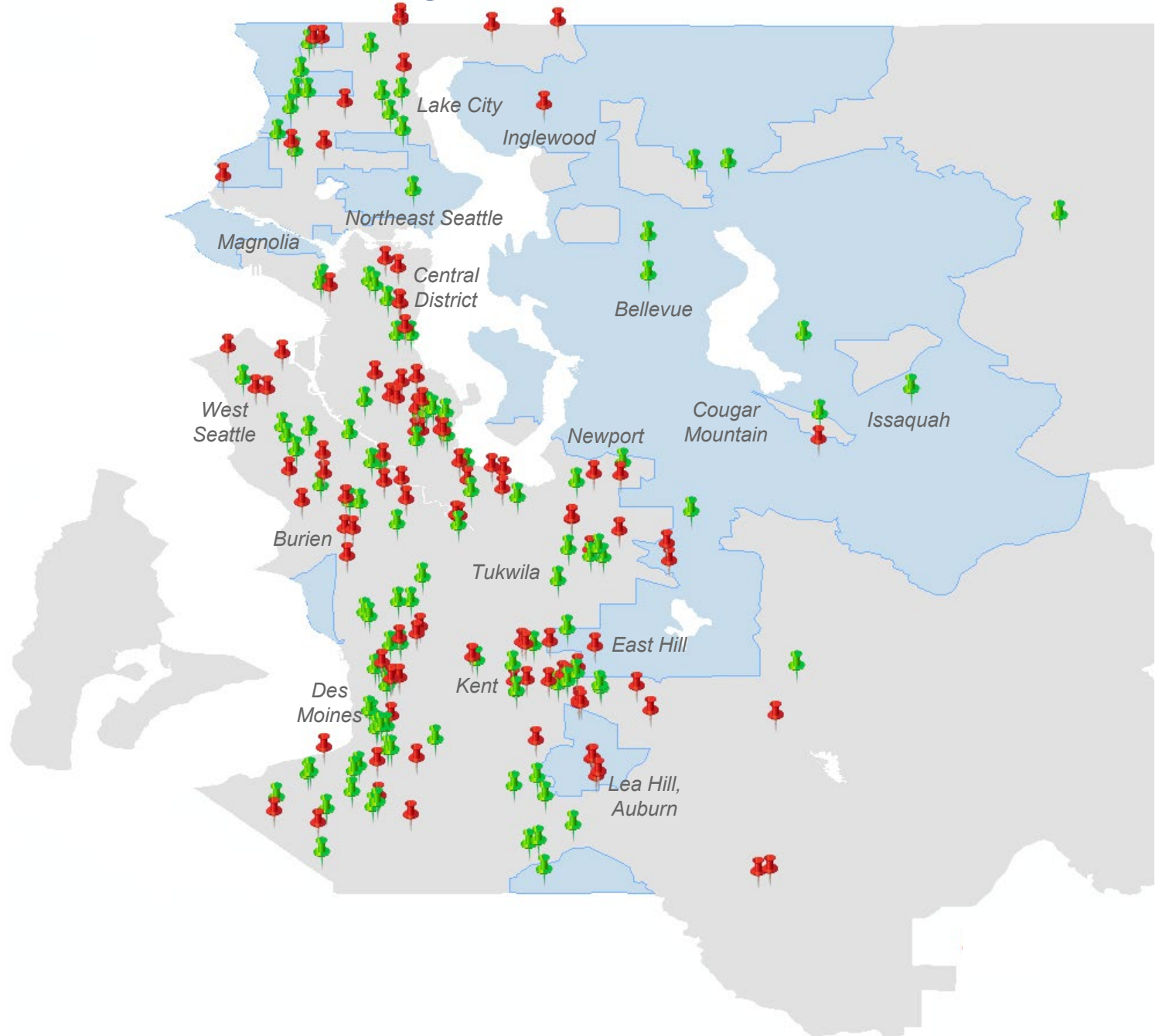
Control vs. Treatment Distribution in King County Housing Authority



Distribution of Preferences for High Opportunity Neighborhoods Implied by Frictionless Model



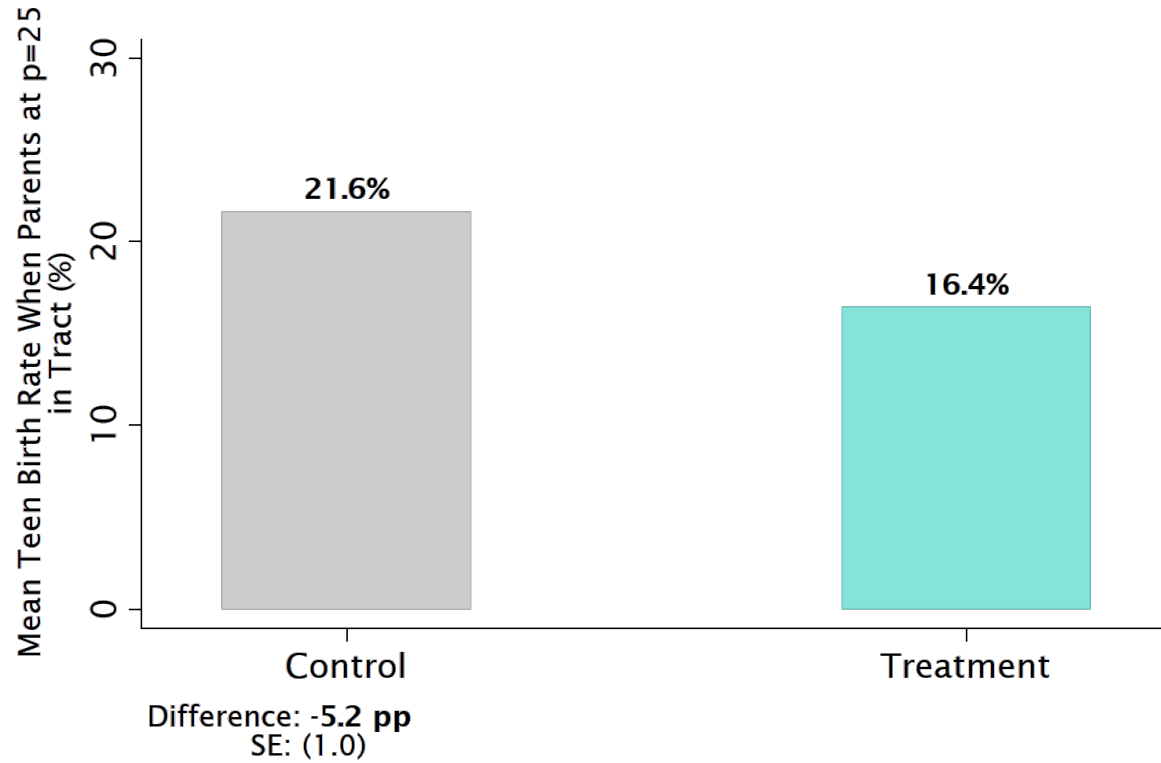
Map of Origin Tracts for Voucher Recipients



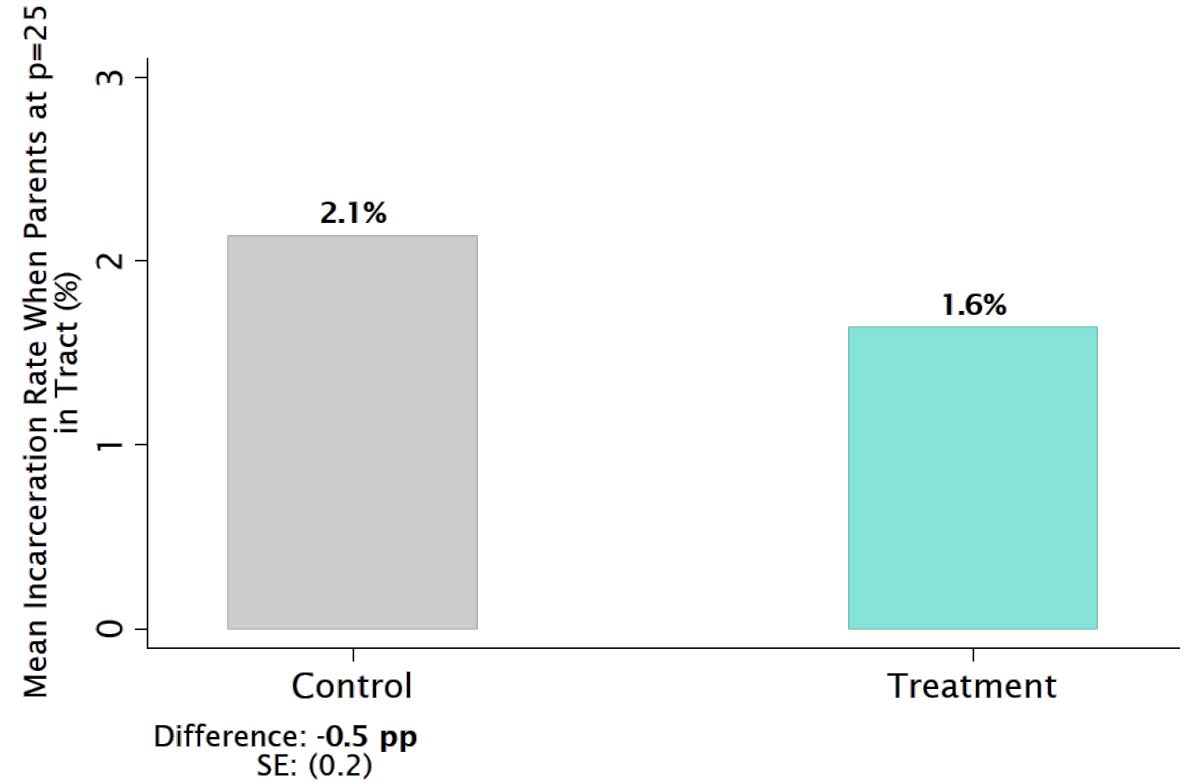
-  High-Opportunity Area
-  Control
-  CMTO Treatment

Predicted Treatment Effects on Other Long-Term Outcomes

Teenage Birth Rates of Children in Adulthood

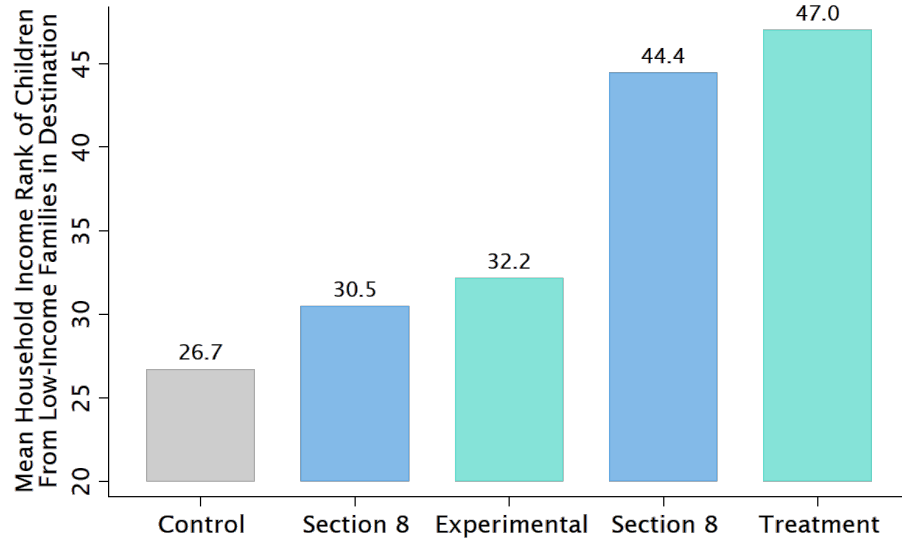


Incarceration Rates of Children in Adulthood

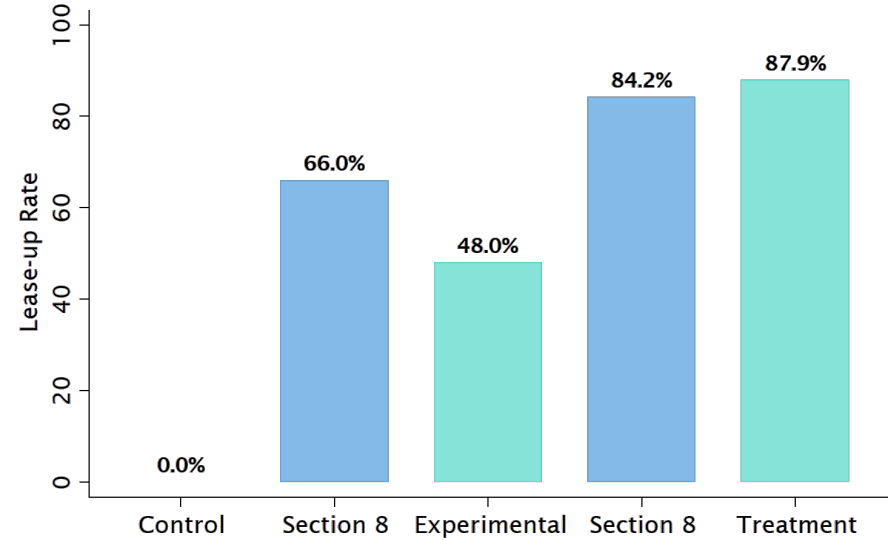


Comparison Between MTO and CMTO Treatment Effects

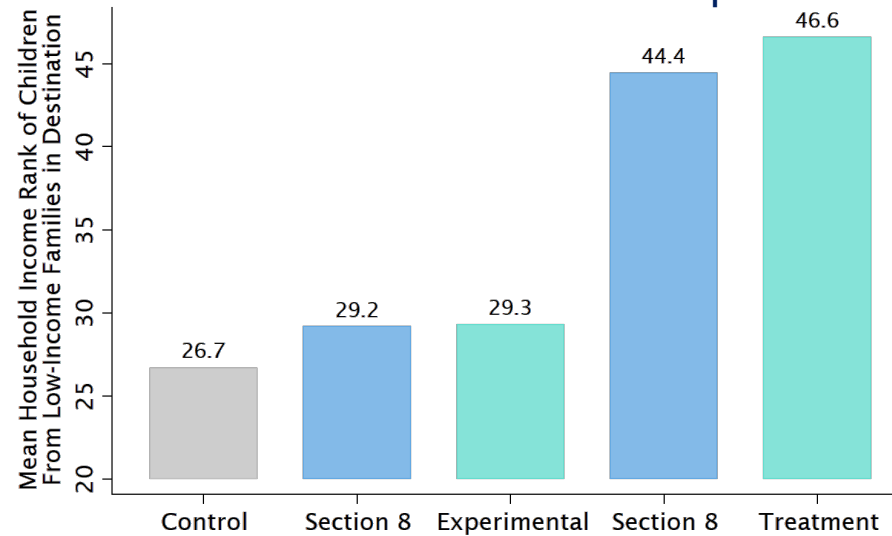
Upward Mobility in Destinations Conditional on Lease-up



Lease-up Rates by Group

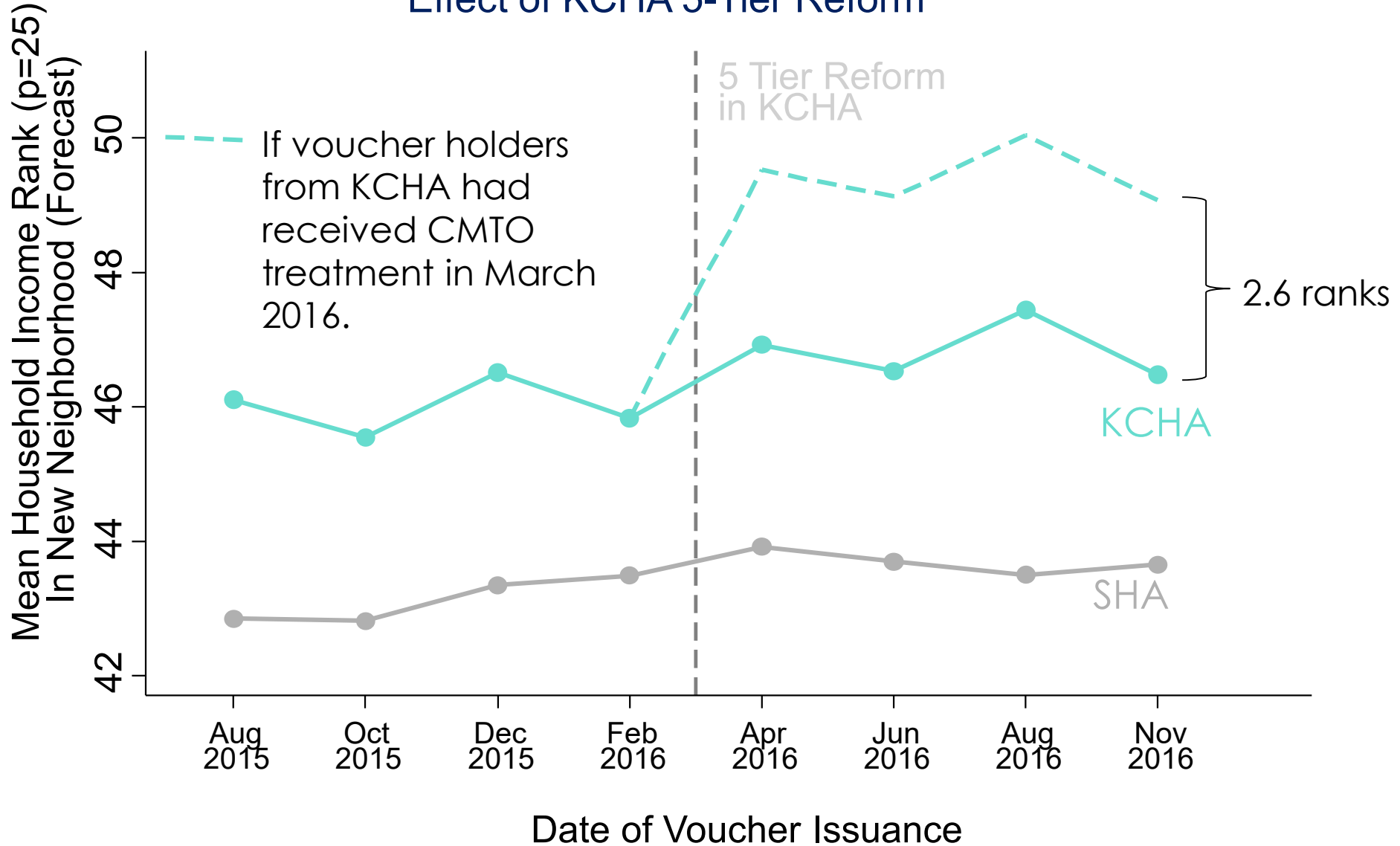


Upward Mobility in Destinations Unconditional on Lease-up



Effects of Voucher Payment Standard Changes on Moves to Neighborhoods with Higher Upward Mobility

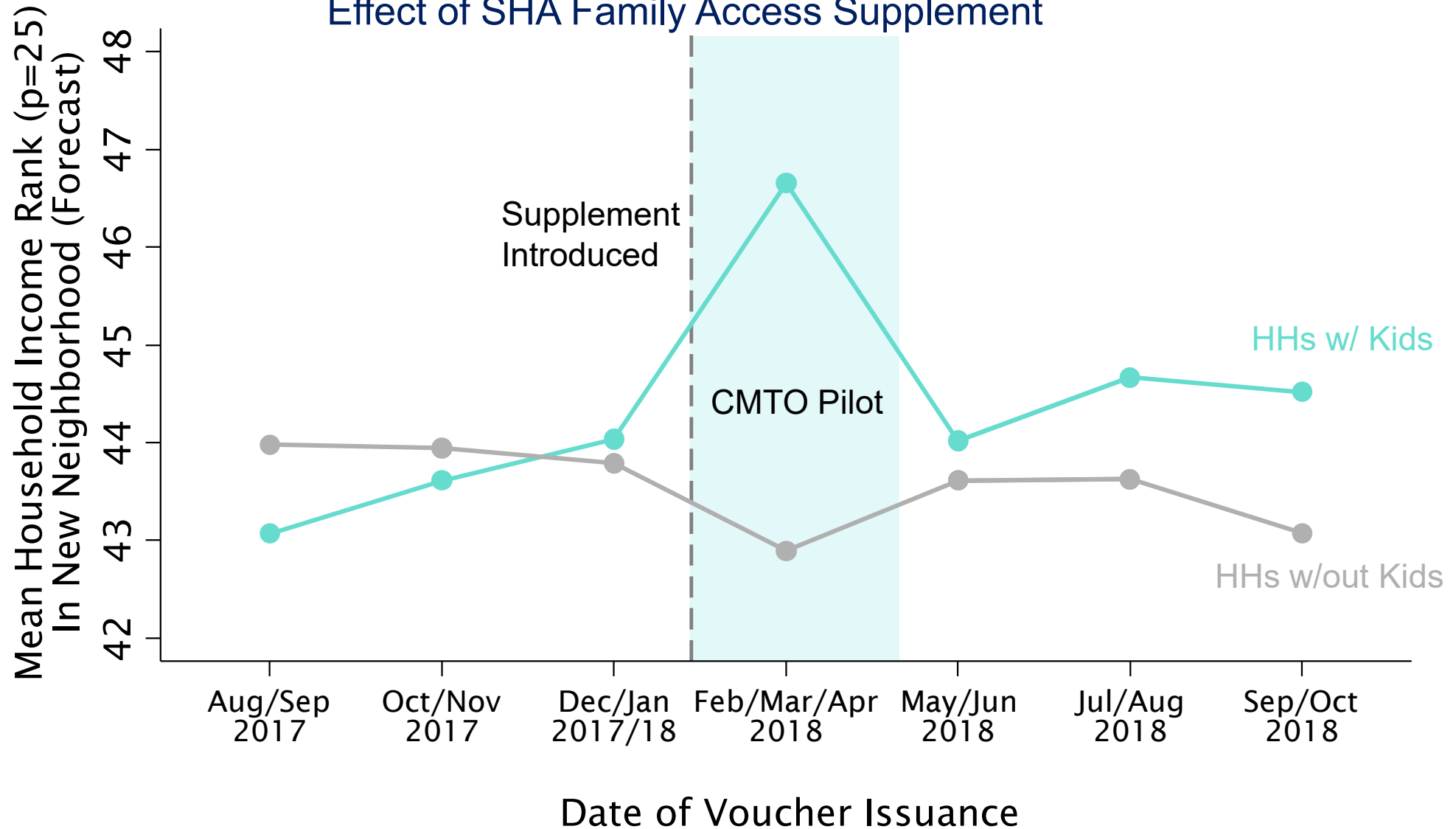
Effect of KCHA 5-Tier Reform



Effect of 5-Tier Reform: 0.38 ranks
(0.65)

Effects of Voucher Payment Standard Changes on Moves to Neighborhoods with Higher Upward Mobility

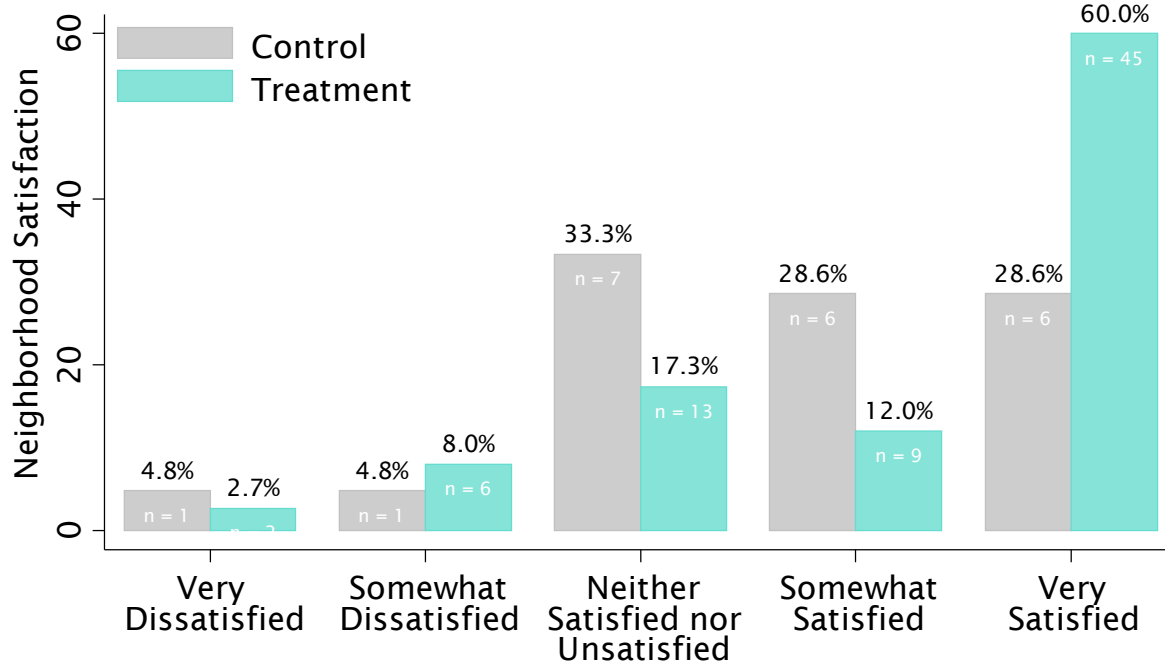
Effect of SHA Family Access Supplement



Effect of Family Access Supplement: 1.20 pp
(0.64)

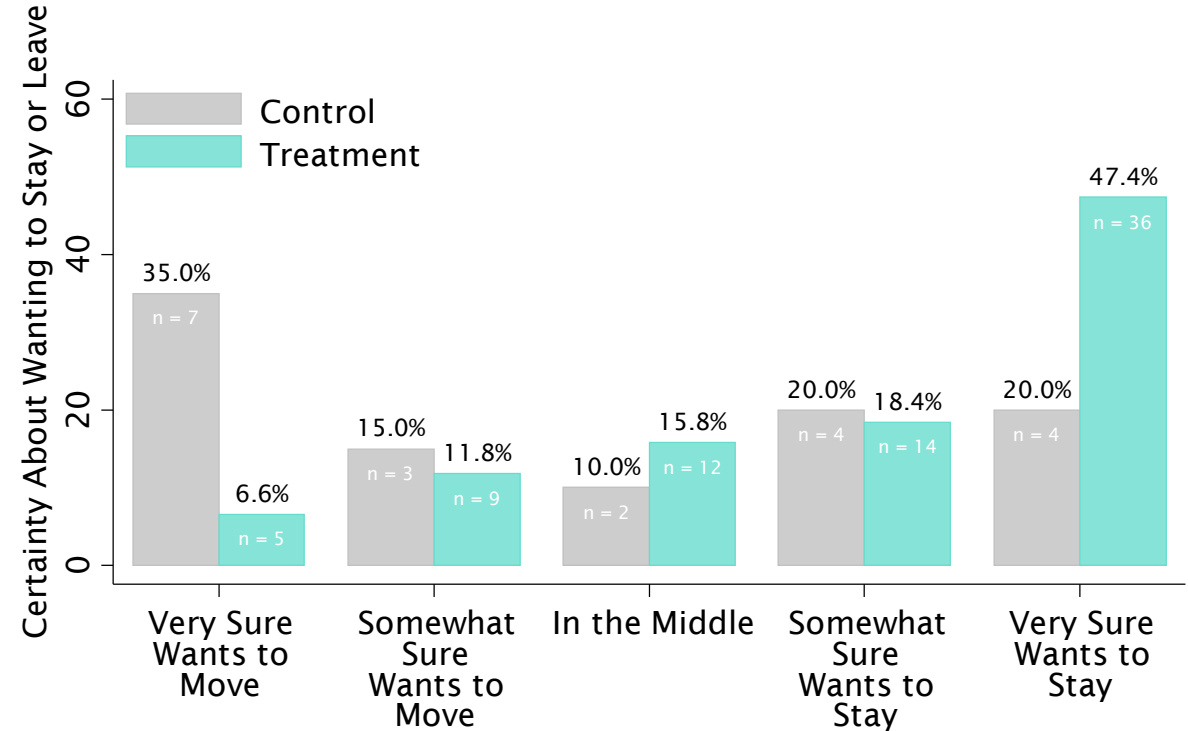
Post-Move Treatment Effects on Neighborhood Satisfaction

Satisfaction with New Neighborhood



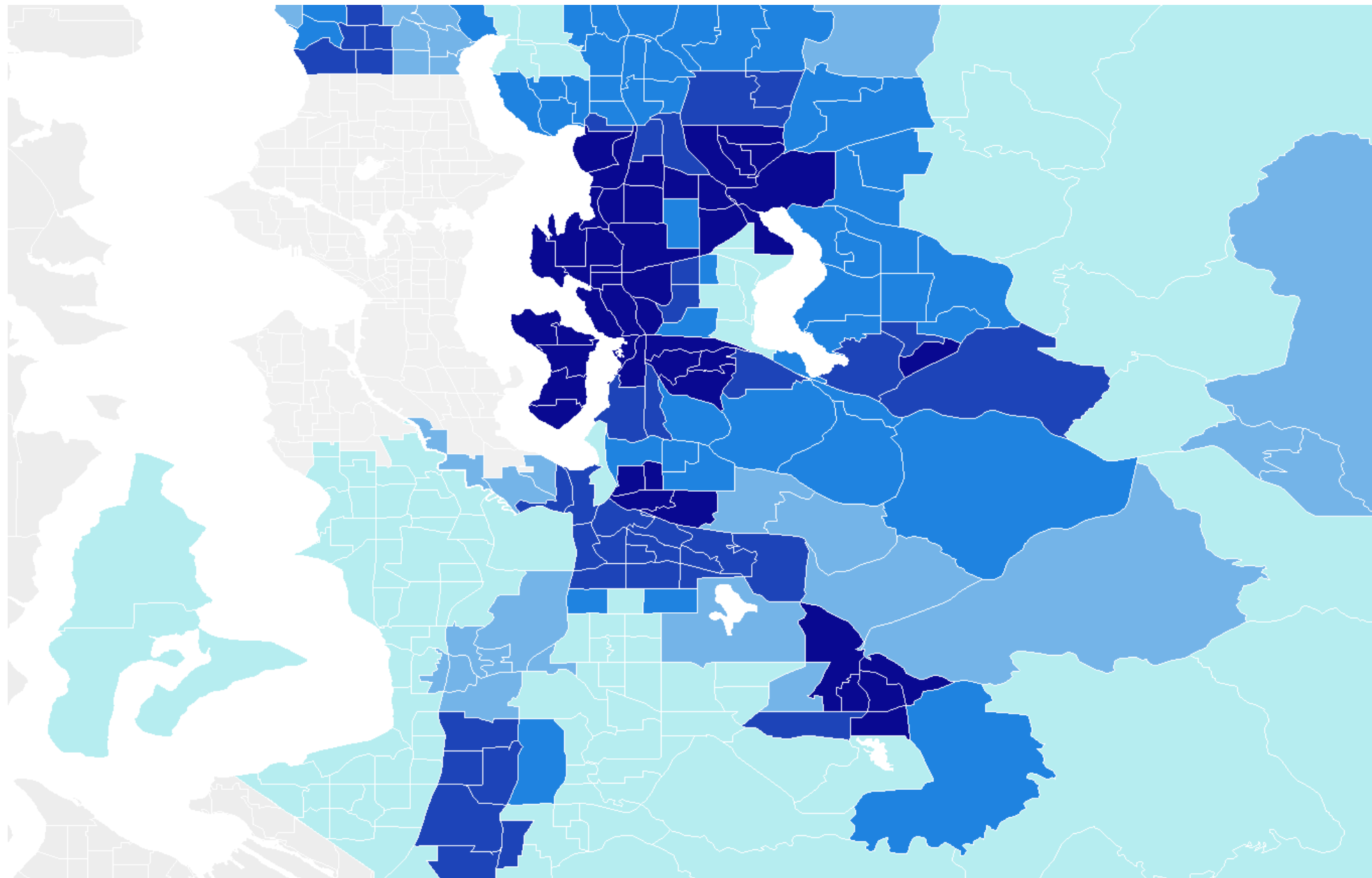
Difference in % Very Satisfied: **33.6pp**
SE: (11.6)

Certainty about Wanting to Stay in New Neighborhood



Difference in % Very Sure Want to Stay: **29.5pp**
SE: (10.7)

Changes to King County Housing Authority Payment Standards in March 2016



Increase in
Max Rent
for 2BR Apt.

