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Inclusive Communities Financial Institutions: Investing in a More Ambitious Vision for the Future

Elizabeth K. Julian

The United States is not a country that has historically distributed its opportunities and resources equitably. There are winners and losers in the "geography of opportunity" (see Xavier deSouza Briggs, *The Geography of Opportunity: Race and Housing Choice in Metropolitan America*—Brookings Inst. Press, 2005), and the winners and losers can all too often be described in terms of race and place. This essay proposes a more expansive approach to redressing this situation than has historically been employed.

The modern-day community-development movement began to flourish as the Civil Rights Movement began to break down legal barriers to access by minorities to all aspects of full citizenship, including housing and equal provision of community services. The Fair Housing Act was premised upon the constitutional right of minorities to have access to integrated housing. While the dream of "open communities" fueled its passage, white resistance to "housing integration" was pervasive. By 1968, Robert Kennedy was offering "community development" as a counter to Eugene McCarthy's support for letting minorities move where the good services and healthy communities already existed—that is, where white people lived (see Arthur M. Schlesinger, Jr., *Robert Kennedy and Historical Times*—Houghton Mifflin, 1978). It was a practical response to the failure to capture the hearts and minds of many whites on the issue of racial justice and responded to the understandable frustration felt by many blacks by creating a more empowering way for people of color to deal with the harms of segregation, one which did not require the receptiveness of white people.

Unfortunately, that last calculation was wrong. While whites have generally been more receptive to the idea of letting poor people of color try to improve "their" neighborhoods than to the idea of "those people" moving into the areas in which most whites live, there was never a long-term institutional commitment to making separate, low-income minority neighborhoods truly equal. Had there been, the United States might be a far different country today. Systematic, effective, and timely removal of the vestiges of racial segregation and discrimination that existed in minority neighborhoods 40 years ago could have addressed the "unequal" part of the segregation equation and paved the way for more effectively addressing the "separate." Instead, the legacy of segregation has continued to haunt low-income, predominantly minority people, either those whose neighborhoods and communities had always been subjected to a discriminatory provision of services because of their race, or those who saw their "encroachment" into white areas lead to disinvestment by the public and private sectors in the health and welfare of those communities. The "empowered" residents, encouraged to learn to play the game, had in fact been handed a stacked deck.

For the past 35 years, many of the most effective tools of the community development movement have been provided by a financially and emotionally supportive philanthropic commu-

(Please turn to page 2)

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This piece, proposing a new opportunity-based CDFI program, is drawn from a chapter originally published in Public Housing and the Legacy of Segregation*, Margery Austin Turner, Susan J. Popkin & Lynette Rawlings, eds. (Urban Institute Press).*

CONTENTS:

(JULIAN: Continued from page 1)

nity at the highest levels. In addition, government programs and policies have targeted those distressed communities for a variety of resources designed to encourage the residents of those communities to "help themselves." Of course, implicit in such community-focused initiatives is the requirement that in order to get the benefits of the programs, be they related to homeownership, employment, or financial assistance, people must stay in or return to the distressed communities. Thus, it is axiomatic that programs designed with that geographic focus, while having a positive effect on the neighborhoods and people served, without a broader vision and mission, also can also perpetuate or reinforce existing patterns of racial and economic isolation and segregation.

It is this essay's position that a more inclusive vision of community and of community development is needed, one that focuses on people as well as place, and one that recognizes that a sustainable community can be more racially and economically integrated than current policies promote.

Why a More Inclusive Vision of Community is Important

We continue to express the aspirational vision that the United States is a nation of equal opportunity, where a person is judged by content of his character, not his zipcode; a nation held together by a commitment to the general welfare and the common good, defined not in racial or economic, but in human terms. U.S. history belies that vision. However, past failures do not mean this vision should be abandoned as the basis for a shared vision of the future. The challenge is to recognize that few, if any, public or private policy initiatives or institutions put their money where their mouth is when it comes to valuing people and communities seeking to make that inclusive vision real in their day-to-day lives, and to change that.

A primary purpose of ICFIs would be to counteract the institutional and market forces that perpetuate racial and economic segregation.

HOPE VI, for all its initial promise, has been rightly criticized for its emphasis on redevelopment opportunities for cities and developers rather than the creation of better opportunities for all the families whose displacement is an unavoidable part of redevelopment. A real commitment to deconcentration of poverty would have ensured that the low-income families for whom those demolished buildings were built are given a true chance not just to return to their neighborhood but also to access better housing opportunities through effective housing mobility programs and the creation of housing opportunities in lower-poverty/higher-opportunity areas. When the history of the HOPE VI program is written, this will be its unforgivable failure.

Going forward, Americans need to embrace and financially encourage public policy initiatives that affirmatively reflect a belief in the value of creating and maintaining open, racially and economically inclusive communities of opportunity where equality is created and sustained through access to good schools, affordable housing, safe neighborhoods, economic opportunity and a healthy environment. The concept of an Inclusive Communities Financial Institutions is such an initiative. It is based on the premise that while traditional financial institutions neither ignore nor abandon higher-opportunity white communities, they and government at all levels do ignore and/or have abandoned any efforts to ensure that low-income, minority people have true equal access to those communities and the benefits they offer.

Inclusive Communities Financial Institutions Initiative

One of the latest in a long list of programs and initiatives devoted to traditional "community development" work is the Community Development Financial Institutions Fund. According to the CDFI Coalition, over 1,000 CDFIs nationally have loaned and invested billions of dollars in economically distressed communities and have leveraged billions more in private-sector investment for development in low-wealth communities.

This essay's proposed policy initiative would involve the creation of a national network of Inclusive Communities Financial Institutions (ICFIs), modeled after CDFIs but with a broader vision and mission. ICFIs would be community-based financial institutions whose mission it is to foster and support racially and economically inclusive communities of opportunity by ensuring that low-income people of color are not confined to overwhelmingly low-income, predominantly minority communities in order to benefit from such socially conscious investment and partnership. A primary purpose of ICFIs would be to counteract the institutional and market forces that perpetuate racial and

(Please turn to page 6)

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False Choices in Fair Housing Policy

John Henneberger

There is emerging consensus around three public policies to affirmatively further fair housing:

- Expand subsidized housing choices outside racially segregated high poverty neighborhoods,
- Reinvest in public facilities and services in racially segregated high poverty neighborhoods to improve the quality of life for existing residents; and
- Maintain affordable housing opportunities in gentrifying neighborhoods to achieve stable, racially and economically integrated communities.

Too often today, however, attacks on housing mobility programs are presented as a bifurcated choice of community revitalization vs. resident mobility: Should we revitalize low income neighborhoods with additional investments in subsidized housing, or should we give families living in subsidized housing in those impoverished neighborhoods the option to move to less segregated and higher-income neighborhoods? This false choice is used to appeal for public support to continue disproportionate targeting of HUD housing funds to racially segregated, high-poverty neighborhoods. The alternative, the argument goes, is to abandon these communities that have suffered from decades of public disinvestment in everything except subsidized housing.

Framing the issue this way is wrong. It ignores the simple truth that community revitalization, while essential, will never succeed by simply adding more subsidized housing to a poor neighborhood.

A recent article about my hometown, Austin, Texas, in *The Atlantic*, "What Will Become of America's Slums?" by Alana Semuels, presents a case in point.

We need to reject the false choice of community revitalization vs. resident mobility.

Semuels' story examines new affordable housing developments on Austin's previously poor East Side and the attitudes of residents who choose to live in these communities versus those who have chosen to move to other high-income parts of town. I have worked for more than three decades with community development corporations (CDCs) both for community revitalization and as an advocate for increased housing choices and mobility on the part of people of color with lower incomes who depend upon subsidized housing.

Today, no one could characterize either of the article's chosen areas, around Foundation Communities' wonderful M Station development or the beautiful Guadalupe neighborhood, as distressed or segregated. Both neighborhoods have transitioned recently into high-opportunity areas that are racially, ethnically and economically diverse. Students in the neighborhood schools show some of the highest test score improvements in Austin. Crime is way down. Retail and entertainment is drawn to these areas like a magnet. The "high-opportunity" nature of both neighborhoods has led to the widespread economic displacement of people of color with lower incomes, principally by white people with higher incomes.

These neighborhoods were not revitalized by large-scale investments in multifamily subsidized housing. They were revitalized by strategic, long-term investments in public facilities and services, owner-occupied home rehabilitation, street, alley and sidewalk improvements, community accountable policing, and small-scale infill rental and owner-occupied housing developed by CDCs under the control of neighborhood residents, whose mission is primarily about community development and improvement. These are former distressed neighborhoods that today are high-opportunity neighborhoods largely because of the leadership of neighborhood residents. The

(Please turn to page 4)

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Julian Bond and Alan Gartner

This issue of *Poverty & Race* is dedicated to Julian Bond, who passed away in August, 2015 and whose illustrious and influential career was detailed in the Aug. 17, 2015 *NY Times* in a long obituary that began on the cover page and who was there described as "Magnetic Leader of the Civil Rights Movement."

And to Alan Gartner, a civil rights activist during his student days at Antioch, Harvard Grad School of Educ. & CUNY, as an advisor to NYC Mayor Bloomberg, as natl. comm. rels. director for CORE and publisher of *Social Policy*. He passed away in July 2015 at age 80. He was also my oldest friend, dating back to our elem. school days at Walden in Manhattan. - *CH*

(FAIR HOUSING: Continued from page 3)

greatest problem they face today is their desirability and the rapid influx of middle- and upper-income, largely white households in Austin who are clamoring to move in.

The M Station tax credit development in the story was developed at just the right time by an enlightened nonprofit, in a manner strategically coordinated with the residents of the neighborhood. It was built in the wake of the community development improvements neighbors worked to secure. M Station leveraged and consolidated the massive public facilities revitalization expenditures over several decades.

The Revitalization vs. Mobility Debate

Clearly, these parts of East Austin are not distressed neighborhoods to be employed in the revitalization vs. mobility debate. People on both sides of that debate would agree there needs to be more public investment in affordable housing in order to stem the involuntary exodus of low-income, and especially low-income African-American households from transitionally integrated, high-opportunity areas. The neighborhoods in Semuels' story are among the only economically, racially and ethnically integrated neighborhoods in Austin today.

There are other areas in Austin that are racially segregated, manifestly lower-opportunity neighborhoods with high poverty and high crime that can serve as examples of areas that need to be revitalized. By official public policy, Austin for decades concentrated virtually all subsidized housing in segregated, high-poverty neighborhoods. Along with promoting segregation the city also, until just two decades ago, withheld public services from these communities. To maintain this type of segregation is unconscionable. Of course, there are also many neighborhoods in other parts of town, undeniably high-opportunity places to live, that have very few low-income residents and absolutely no subsidized housing. Those are neighborhoods that need subsidized housing.

To maintain this type of segregation is unconscionable.

As the article rightly suggests, we must avoid generalizing that every family of color wants to remain living in historic African-American and Hispanic neighborhoods. That has long served as a justification for the appalling segregation of subsidized housing that exists today. The gentrification of East Austin and the general exodus of the city's African-American population is the product of both choice and denial of choice. Many people of color are finally exercising a choice to move out of traditional minority neighborhoods to the suburbs. Others are being denied their choice to live in their neighborhood by rising rents and property taxes.

What the Story Does Not Discuss

What the story does not discuss, and what is badly needed in Austin and the rest of the nation, is a more sophisticated understanding of how to leverage the dynamics of urban neighborhood transition into stable, integrated communities, along with a consensus on public interventions that can transform distressed neighborhoods into high-opportunity neighborhoods of choice. Having seen the transformation of the neighborhoods featured in the article up close over many years, I can say for sure that revitalization did not begin with additional subsidized housing. Revitalizing a neighborhood required much more.

If we are serious about overcoming segregation, we need to reject the false choice of community revitalization vs. resident mobility that would maintain the status quo. We need to get on with a policy that deals with the realities our neighborhoods confront. Let's expand subsidized housing choices, reinvest in public facilities and services while supporting existing homeowners in racially segregated high-poverty neighborhoods and figure out how to maintain affordable housing opportunities in gentrifying neighborhoods. ❏

New on PRRAC's Website

Leveraging the Power of Place: Using Pay for Success to Support Housing Mobility (August 2015), by Dan Rinzler, Low Income Investment Fund; Philip Tegeler, PRRAC; Mary Cunningham, Urban Institute; and Craig Pollack, Johns Hopkins School of Medicine

Proceedings from the 6th National Housing Mobility Conference (Chicago, July 2015)

Building Opportunity II: A Fair Housing Assessment of State Low Income Housing Tax Credit Plans (August 2015)

Constraining Choice: The Role of Online Apartment Listing Services in the Housing Choice Voucher Program (June 2015)

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Mayflower Hotel (our conference hotel)
Washington, DC
Featuring students from Greater Hartford Academy of the Arts' Looking In Theatre

Main Conference – Friday September 25, 2015 (Friday)
9am-5:30pm
Howard University School of Law
Washington, DC
Keynote Speaker: **Nikole Hannah-Jones**, an award-winning investigative reporter covering racial injustice for the *New York Times Magazine*, in conversation with NCSD member **Susan Eaton**. (Ms. Hannah-Jones recently reported from Ferguson, Missouri, in "The Problem We All Live With," a recent *This American Life* segment about school integration.)

Plenary sessions:
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- Storytelling in Advocacy: Unleashing the Power of Parent Narratives
- New Directions in Desegregation Enforcement
- Fusing Education and Housing Policy to Promote Integrated Schools and Communities
- Supporting Diverse Preschool Classrooms
- Building A Diverse Community Movement For Integration
- Talking Diversity: Strategies for Effectively Communicating the Value of School Integration
- Relevance and Rigor: Teaching Tolerance's Literacy-based Curriculum, Perspectives for a Diverse America
- Disrupting Organizational Routines in Schools: Strategies for Achieving True Integration
- Telling Stories Out of School: Managing Implicit Bias and Racial Anxiety in an Online Community Devoted to Race Talk

NCSD Member organizations include: NAACP Legal Defense and Educational Fund ● Mexican American Legal Defense and Educational Fund ● American Civil Liberties Union ● Poverty and Race Research Action Council ● Lawyers' Committee for Civil Rights Under Law ● Asian American Legal Defense and Education Fund ● Magnet Schools of America ● One Nation Indivisible ● Teaching Tolerance ● Charles Hamilton Houston Institute for Race and Justice at Harvard Law School ● Civil Rights Project/Proyecto Derechos Civiles at UCLA ● Campaign for Educational Equity at Teachers College ● University of North Carolina Center for Civil Rights ● Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University ● Haas Institute for a Fair and Inclusive Society at UC Berkeley ● Chief Justice Earl Warren Institute on Race, Ethnicity and Diversity at UC Berkeley School of Law ● Institute on Metropolitan Opportunity at the University of Minnesota Law School ● Education Law Center ● New York Appleseed ● Sheff Movement Coalition ● Voluntary Interdistrict Choice Corporation ● ERASE Racism ● Chicago Lawyers' Committee ● Empire Justice Center ● IntegrateNYC4me ● Intercultural Development Research Association ● Center on Law in Metropolitan Equity, Rutgers University

More information and link to registration at http://school-diversity.org/2015-conference

(JULIAN: Continued from page 2)

economic segregation and to repair the harm that has been caused to the whole community by segregation and discrimination, past and present. ICFIs would be supported by a federal ICFI fund, and investors in certified ICFIs would be eligible to receive the same types of tax credits and other financial incentives that currently are enjoyed by CDFIs.

The concept of an ICFI and a supporting fund represents an evolved view of community development that captures the value of both revitalizing distressed lower-income, predominantly minority communities and of increasing access to higher-opportunity, predominantly white communities. It assumes that true empowerment of low-income people does not limit their options but expands them. It assumes that healthy, thriving communities of opportunity are desirable for all people, and that the standards of what constitutes such a community should not differ depending on which race predominates. And of course, the proposal raises the question of what value, if any, Americans place on having racially and ethnically diverse communities as part of that definition.

How Would It Work?

ICFIs could use the same organizational models that exist in CDFIs, including development banks, credit unions, loan funds, venture capital funds, micro-enterprise loan funds, and community development corporations. These organizations would provide specific types of financial assistance to promote the creation and maintenance of racially and economically inclusive communities. The types of borrowers and capital resources would be essentially the same but with the products and services related to the goal of creating and maintaining racially and economically inclusive communities across the geographic spectrum. An ICFI fund would provide a certification that would allow organizations to apply for financial and technical assistance grants from the fund, as well as give investors tax-related investment benefits.

The Bank Enterprise Award Program would be expanded to include recognition of traditional financial institutions that invest in ICFIs and provide them with the same cash incentives for such investment in efforts to create and maintain racially and economically inclusive communities that are currently provided for investment in CDFIs.

The New Markets Tax Credit Program would be expanded to provide tax credit authority to ICFIs to support their efforts to create and maintain racially and economically inclusive communities.

Housing that is all at the top, or all at the bottom, of the affordability spectrum ensures that a community will not be inclusive.

The fund could target "opportunity zones" (similar to the "hot zones" currently targeted by the CDFI Fund) for targeted investment. "Opportunity zones" would be urban, exurban and rural areas with high, market-driven economic opportunity, low poverty rates, little or no affordable housing, and little or no minority population. Funding could be targeted toward community-based groups and others who seek to create housing opportunities for lower-income and/or minority people in these zones or otherwise promote and foster greater inclusiveness and access to opportunity in these areas.

What Specific Types of Products and Services Would ICFIs Offer?

Housing affordability leads off any discussion about how to create and maintain an inclusive community. Because affordable housing development must rely on creative support from both traditional and non-traditional financial institutions, it would be an obvious high priority for ICFIs. Housing that is all at the top, or all at the bottom, of the affordability spectrum ensures that a community will not be inclusive. Balance, as with many things in life, is the key.

At the top end, high-cost housing means that lower-income people, even if they are working full time, cannot afford to live in that community, either as renters or homeowners. At the low end, a depressed housing market means that the rental market cannot sustain good quality housing over a long period at the rents that can be charged. Those who can afford to purchase a home will not realize the value of their investment in terms of wealth accumulation compared to home–owners in more affluent areas and will have a harder time maintaining and improving their property because of the overall depressed value of the land in the community. Tax bases in low-income areas are too low to provide the revenues necessary to allow the community to grow, improve, and provide the opportunities found in mixed-income areas. High-end communities, which have no income mix to even out the inflation that exclusive high-end property causes, gradually lose their seniors and exclude young families, leaving the downside of higher property values—high property taxes—to be borne by an increasingly struggling middle class. And the legacy of racial discrimination and segregation in all aspects of American life means that those lower-end communities are disproportionately minority and those at the high end are disproportionately white compared to the racial makeup of the broader housing market, exacerbating the racial divide that has for too long characterized the United States. An Inclusive Communities Financial Institution could invest in housing and aid housing consumers in ways to expand housing choice and foster more open and inclusive communities for everyone.

In addition to providing financial

(Please turn to page 11)

Public Housing Agency Deregulation Poses Major Risks for Housing Mobility

Will Fischer & Barbara Sard

In July 2015, the Senate Appropriations Committee voted to expand the Department of Housing and Urban Development's Moving to Work (MTW) demonstration to cover as many as 35% of the nation's housing vouchers and public housing units by extending MTW to 300 additional state and local housing agencies. The bill, which funds HUD and the Transportation Department for fiscal year 2016, would also block a set of important reforms HUD planned for the 39 current MTW agencies.[1]

Despite its name, MTW isn't focused on mobility or employment. Instead, it's a broad deregulation initiative that allows housing agencies to obtain sweeping waivers of federal statutes and regulations, receive voucher funds through special block grant formulas, and shift program funds to purposes not normally permitted. While some MTW agencies have taken steps to broaden the housing choices available to low-income families, a large expansion of MTW without major reforms—as the Senate bill would mandate—would pose significant risks to low-income families and to the goal of creating more integrated and inclusive communities.

Will Fischer (Fischer@cbpp.org,) a Senior Policy Analyst at the Center on Budget and Policy Priorities (CBPP), joined the Center in 2002. His work focuses on federal low-income housing programs, including Section 8 vouchers, public housing, and the Low-Income Housing Tax Credit.

Barbara Sard (sard@cbpp.org) is the Vice President for Housing Policy at CBPP, where she has worked since 1997 with the exception of an 18-month stint as Senior Advisor for Rental Assistance to HUD Secretary Shaun Donovan.

Few MTW Agencies Have Adopted Significant Mobility Initiatives

Some advocates for housing mobility may see MTW expansion as an opportunity, given promising efforts by MTW agencies such as those in Chicago, Baltimore and King County (WA) to help families move to higher-opportunity neighborhoods. These initiatives, though, are not solely the result of MTW. Many of the policies these agencies have implemented are also permitted at non-MTW agencies, some are driven by settlements of fair housing lawsuits unrelated to MTW, and a number of non-MTW agencies have also undertaken significant mobility initiatives.

MTW isn't focused on mobility or employment - it's a broad deregulation initiative.

MTW does allow agencies added flexibility to adopt certain policies that support mobility. For example, MTW waivers can permit agencies to raise their voucher subsidy caps—called "payment standards"—in high-opportunity areas beyond the levels normally allowed by the U.S. Housing Act and HUD regulations. MTW also allows agencies to provide vouchers to fewer families and use the savings for a range of activities, some of which help families move to higher-opportunity areas. These include, for example, mobility counseling for voucher holders, outreach to landlords in high-opportunity areas, incentives for landlords or tenants, and acquisition or development of affordable housing projects in high-opportunity areas.

Only a few MTW agencies, however, have used their flexibility to support significant mobility initiatives. A recent PRRAC listing of all the substantial mobility programs across the country included only 7 of the 39 MTW agencies.[2] Similarly, a review of MTW policies commissioned by groups affiliated with state and local housing agencies found that only a few MTW agencies had implemented key pro-mobility policies. For example, just six agencies had revised their voucher payment standards to reflect rents in particular neighborhoods.[3]

As a result, there is no reason to expect that expanding MTW in its current form would significantly promote pro-mobility policies. And any benefits of those policies would likely be swamped by other effects of MTW that *narrow* housing choices for low-income families.

Agencies Also Use MTW Flexibility to Restrict Housing Choice

MTW flexibility (as currently interpreted by HUD) permits agencies to adopt policies that restrict housing choice in addition to those that support mobility, and many agencies have done so. At least nine MTW agencies have obtained waivers allowing them to place broad restrictions on "portability"—the right of voucher holders to move outside the jurisdiction of the agency that issued their voucher. More than a dozen other agencies are considering portability restrictions or have limited housing choices for certain groups of voucher holders.

It is easy to see agencies' motivation for instituting these restrictions, since portability places some administrative burdens on agencies and they

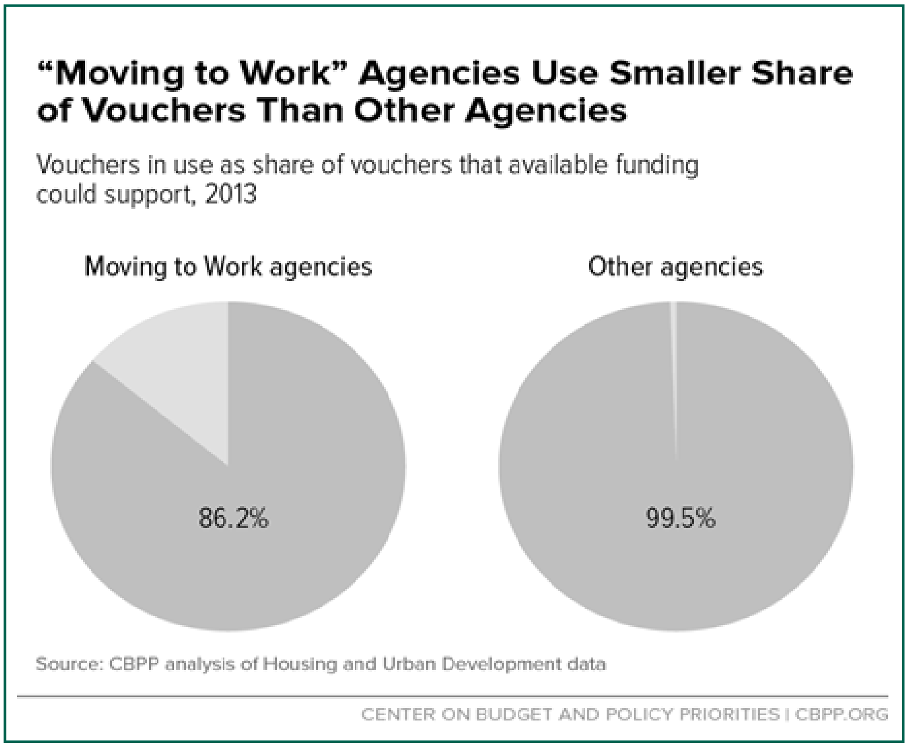
(Please turn to page 8)

(DEREGULATION: Cont. from page 7)

may see their main mission as assisting families living within their jurisdiction. But the restrictions are major impediments to voucher holders' ability to move to lower-poverty areas, particularly for families that wish to move to suburban neighborhoods but received their voucher from a central city agency. Several MTW agencies specifically prohibit moves to places with higher voucher payment standards than the issuing agency uses, even though these tend to be precisely the neighborhoods with low crime and strong schools that would deliver the greatest benefits to voucher holders and their children.

The MTW expansion in the Senate bill would allow new MTW agencies to obtain waivers restricting portability only if the waivers are "necessary to implement comprehensive rent reform and occupancy policies subject to evaluation" by HUD and only if they allow exceptions due to employment, education, health and safety. But these conditions could be less significant than they first appear. An MTW agency could claim that portability restrictions are necessary to prevent families from moving to jurisdictions where rent rules are more favorable than the rules the agency has adopted under MTW. There is a strong chance HUD would accept such claims, since it has approved the portability restrictions in place today. And even if MTW agencies allow broad exceptions to portability restrictions (as a few do today), requiring families to qualify for an exception by demonstrating why they wish to relocate still would likely reduce the number of portability moves substantially.

In addition, the Senate bill would place no limits on other waivers that restrict housing choices for low-income families. For example, all housing agencies today can enter into agreements that require some vouchers to be used in particular developments. Normally, agencies may only use 20% of their voucher funds for such "project-based" vouchers, and families that have lived in a project-based voucher unit for a year have the right to move to a unit of their choice in the private market with the next regular "tenant-based" voucher that becomes available. Under MTW, however, agencies can project-base an unlimited share of their vouchers, even if the projects are located in low-opportunity areas, and can eliminate the right of project-based voucher residents to move with a tenant-based voucher after a year. In effect, MTW agencies can sharply curtail the potential of housing vouchers to expand access to neighborhoods that provide greater opportunities, rather than using their flexibility under MTW to fulfill such potential.



MTW Sharply Reduces Number of Families with Housing Vouchers

Even more fundamentally, MTW results in many fewer families receiving vouchers than could be assisted with available funds. In 2014, MTW agencies shifted $590 million — 19% of their total voucher subsidy funding — from the voucher program to other purposes or accumulated the funds as reserves. More than 63,000 families were left without vouchers as a result. The Senate bill's MTW expansion could raise the number of families left without vouchers by as many as 55,000. And, because the bill would also block HUD reforms that could require current MTW agencies to put 30,000 vouchers back to use, the net loss of vouchers could reach 85,000.

There are no comprehensive data on how MTW agencies use transferred voucher funds, but only a very small share appears to go for items like mobility counseling, outreach to landlords, or financial incentives for mobility. Much larger amounts go for activities that have little or nothing to do with mobility, including program administration, public housing operations and repairs, and non-mobility services. Agencies spend substantial amounts on housing development, which includes some projects in low-poverty areas, but they also fund major development projects in high-poverty neighborhoods, and there is no indication that MTW development expenditures overall expand access to high-opportunity areas.

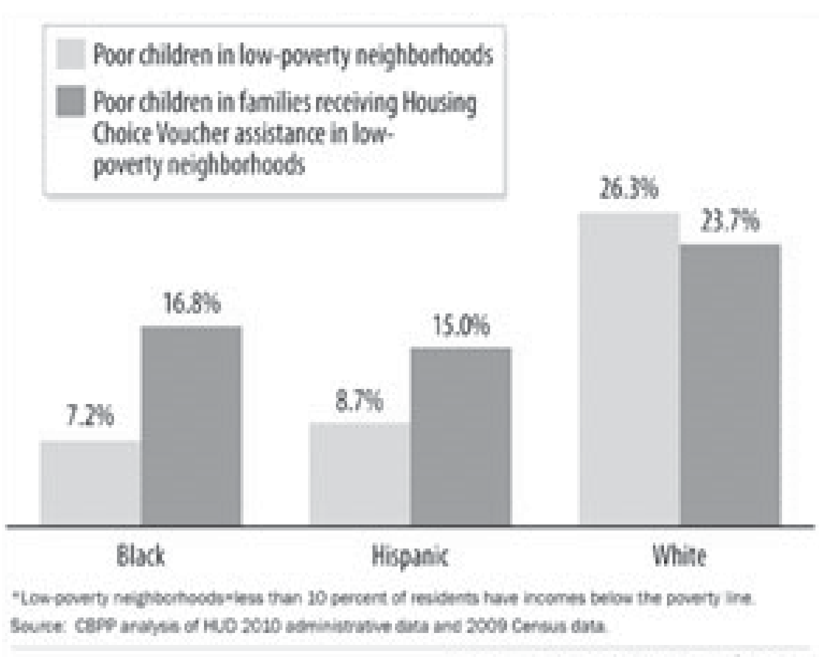
The activities funded by transfers of voucher funds often address significant local needs. But they do little or nothing to extend rental assistance to additional families, and their benefits are unlikely to offset the loss of vouchers for 63,000 low-income families — and the resulting weakening of any mobility agenda that builds off the voucher program.

While vouchers are not as effective as they could be in helping families move to high-opportunity neighborhoods, they make a major difference for some portions of the population they serve. For example, 17% of poor black children in the voucher program live in low-poverty neighborhoods, compared to 7% of all poor black children; 15% of poor Hispanic children live in low-poverty neighborhoods, compared to 9% of all poor Hispanic children.

Moreover, a series of policy changes described below could make vouchers more effective in improving low-income families' neighborhood environments without expanding MTW. Research shows that when families use vouchers in low-poverty neighborhoods, young children in those families earn 30% more as adults and are much more likely to attend college and less likely to become single parents.[4] By reducing the number of families with vouchers, MTW expansion would reduce the program's potential to bring about those kinds of transformative improvements.

In addition, while this article focuses on mobility, it is important to note that vouchers play a vital role in helping low-income families meet their basic need for shelter and that reducing the number of vouchers will expose additional families to severe hardship. Rigorous research shows that vouchers sharply reduce overcrowding and housing instability and are by far the most effective way to reduce homelessness among families with children.[5]

Housing Vouchers Increase Ability of Poor Black and Hispanic Families to Raise Children in Low-Poverty* Neighborhoods



MTW Would Raise Risk of Future Voucher Cuts

In addition to its other drawbacks, a strategy of tapping voucher subsidy funds to pay for expenditures in other areas (as MTW rules allow) is unlikely to be sustainable. Congress has provided steady increases in funding for the voucher program in large part because the consequences of underfunding are clear: Fewer families would receive vouchers to help keep a roof over their heads. Non-MTW agencies receive voucher renewal funding based on the actual cost of their vouchers in the prior year adjusted for inflation, so it is straightforward to determine how much funding is needed to fully fund the program and avoid cuts. The program has seen shortfalls in some years, but overall it has fared well compared to other programs funded through annual appropriations—particularly other housing programs. Since 2001, funding for Section 8 (including vouchers and the separate project-based rental assistance program) has grown by 26% in inflation-adjusted terms.

But this would likely change if MTW were expanded to cover most of the voucher program. Under MTW, agencies receive voucher funding through block grants that are adjusted for inflation regardless of how agencies use the funds. As noted, MTW agencies spend nearly 20% of their funds on activities such as program administration, public housing operations and repairs, and affordable housing development. Agencies have shifted funds to these purposes in large part because Congress has cut—or inadequately increased—the funding streams designed to support them, such as voucher administrative fees, the public housing operating and capital funds, and the HOME and Community Development Block Grant (CDBG) programs. If a substantial share of all voucher funds went to these purposes, Congress could reduce voucher funding or allow it to erode in inflation-adjusted terms, and argue

(Please turn to page 10)

(DEREGULATION: Cont. from page 9)

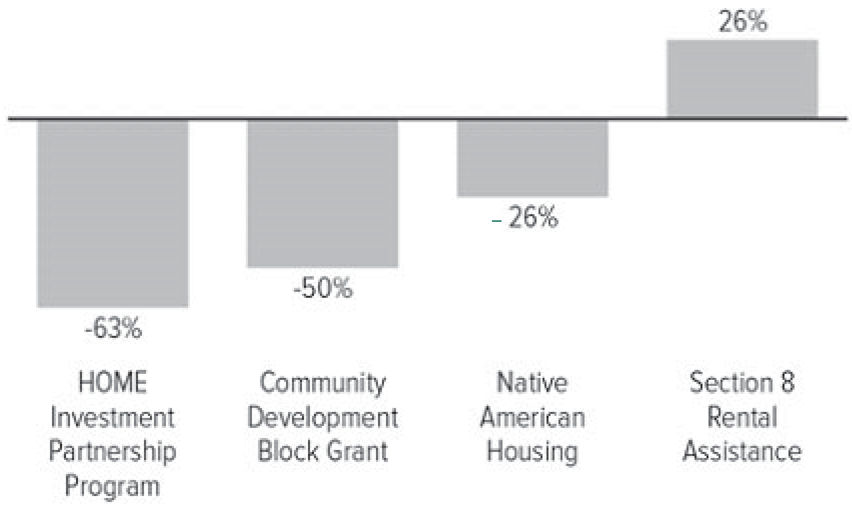
that housing agencies could implement the cuts by reducing administrative expenditures or canceling development projects rather than cutting rental assistance to vulnerable families.

The experience of other low-income programs funded as block grants highlights this risk. Since 2001, funding for most such programs—both in housing and other areas—has eroded greatly in inflation-adjusted terms. For example, the Native American Housing Block Grant has lost 26% of its value, while CDBG and the HOME Investment Partnerships program have lost 50% and 63%, respectively.

MTW has not led to deep voucher cuts so far, but today the share of voucher funds that goes to MTW agencies is relatively small. Under the Senate bill's expansion, as much as 40% of voucher funding could be provided through MTW block grants— enough to increase markedly the chance of deep voucher cuts. If MTW were expanded more in later years to cover the bulk of the voucher program, the likelihood of such cuts would grow further. If voucher funding eroded over an extended period at anywhere near the rates experienced by other block grants, the loss of vouchers would be enormous, sharply diminishing the program's potential to support mobility.

Major HUD Block Grants Have Declined Sharply Compared with Section 8 Rental Assistance

Percent change in annual funding, 2001 to 2015, adjusted for inflation



Note: Figures show changes in budget authority, except for Section 8, where outlays are shown to minimize distortions due to rescissions and other factors. Fiscal year 2015 Section 8 outlays are projected based on data for the first nine months of the fiscal year (through June 2015). "Section 8" combines tenant-based (voucher) and project-based rental assistance programs.

Source: Office of Management and Budget

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Better Ways Forward

How can we extend promising mobility practices to more parts of the country without the restrictions and voucher cuts that have accompanied MTW? Two alternative approaches offer far more promise than the Senate bill's approach of expanding MTW without reforming it.

First, there is much that HUD, state and local housing agencies, and others can do to support mobility independent of MTW expansions.[6] HUD has initiated or is considering a series of important regulatory changes that would broaden housing choices for voucher holders. These include expanding HUD's "Small Area Fair Market Rent" policy linking voucher payment standards more closely to neighborhood rents, streamlining the voucher portability process, making it easier for housing agencies to form consortia that can support moves across jurisdictional boundaries, and changing the voucher administrative fee formula and performance measurement systems to encourage agencies to adopt effective mobility policies. It will be important that HUD finalize as many of these changes as it can—and advance those it can't finalize as far as possible—during the current administration.

At the state and local levels, housing agencies can do much more to help families move to lower-poverty areas. This includes ensuring that the lists of properties provided to voucher holders include units in high-opportunity neighborhoods and giving voucher holders looking for homes in those areas adequate time to search before their vouchers expire. Agencies may be able to fund mobility initiatives from a range of sources, including federal HOME and housing counseling funds, voucher administrative fees freed up by recent changes made by Congress and HUD to streamline program administration, and state, local or philanthropic funds.

A second approach would be to expand MTW while reforming it at the same time, including by requiring more MTW agencies to undertake major mobility initiatives, prohibiting most waivers that restrict housing choice, limiting large reductions in the number of families with vouchers, and providing most voucher funding for MTW agencies through the formula used for non-MTW agencies today. These changes would ensure that MTW flexibility is used to broaden housing choice. They also would limit both near-term voucher cuts and the risk that MTW would lead to much deeper cuts down the road.

There is a growing recognition that reforms like these are needed. On July 29, 2015, House Financial Services Committee Ranking Member Maxine Waters introduced the Moving to Work Reform Act, which would apply all of the reforms outlined above to future MTW agreements. In addition, most were included in a version of the Affordable Housing and Self-Sufficiency Improvement Act circulated by the Republican leadership of the Financial Services Committee in 2012, as part of a compromise MTW expansion proposal negotiated with a range of stakeholders.

Nonetheless, the inclusion of the MTW provision in the Senate appropriations bill makes clear the serious risk that MTW will be expanded sharply without meaningful reform—which would likely narrow housing choices for many low-income families, including those left without vouchers. It will be critical that policymakers understand that MTW expansion isn't necessary to broaden low-income families' access to high-opportunity communities, and that major reforms are needed to transform the demonstration so that it supports housing mobility rather than threatens it. ❑

[1] For additional information on the Senate bill's MTW provisions, see Will Fischer, "Senate Expansion of 'Moving to Work' Block Grants Would Sharply Cut Number of Families with Housing Vouchers," Center on Budget and Policy Priorities, July 29, 2015, http://www.cbpp.org/research/housing/senate-expansion-of-moving-to-work-block-grants-would-sharply-cut-number-of.

[2] Poverty and Race Research Action Council, "Housing Mobility Programs in the United States," *Conference Program: More Choices for More Families: 6th National Conference on Housing Mobility*, July 15, 2015.

[3] Jill Khadduri et al., "Innovations in the Moving to Work Demonstration," Abt Associates, Dec. 2014 http://www.pahrc.org/studies/Innovations_in_the_Moving_To_Work_Demonstration_Full_Report.pdf.

[4] Raj Chetty, Nathaniel Hendren & Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," May 2015, http://scholar.harvard.edu/files/lkatz/files/mto_manuscript_may2015.pdf.

[5] Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, March 10, 2014, http://www.cbpp.org/research/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term-gains; Daniel Gubits et al., *Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families*, prepared for Department of Housing and Urban Development, July 2015, http://www.huduser.org/portal/sites/default/files/pdf/FamilyOptionsStudy_final.pdf.

[6] For more information on what agencies can do under current law, see M. M. Scott et al., "Expanding Choice: Practical Strategies for Building a Successful Housing Mobility Program," Urban Institute and Poverty & Race Research Action Council, 2013. For more detail on these policy proposals, see Barbara Sard & Douglas Rice, "Creating Opportunity for Children: How Housing Location Can Make a Difference," Center on Budget and Policy Priorities, Oct. 15, 2014, http://www.cbpp.org/research/creating-opportunity-for-children

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products related to the development and maintenance of affordable housing at all income levels and design needs, ICFIs could be a financial resource for a range of products and services designed to assist low-income families to fully and successfully access the benefits of communities high in market-driven opportunity. This opportunity is reflected in the quality of the schools, the safety of the neighborhoods, the quality and diversity of retail services, the availability of adult education and employment opportunities, the quality of the environment, and the availability of diverse social and recreational facilities.

For example, ICFIs could:

1. finance mixed-income development proposals in gentrifying areas designed to prevent displacement of low-income residents while attracting middle- and upper-income residents who value and agree to be a party of a truly inclusive community.

2. finance development of mixed-income rental housing, which includes affordable units that reach very-low-income families located in areas where such housing has historically been excluded.

3. provide low-interest loans, grants, or other financial assistance to low-income families seeking to access housing in higher-cost areas, either through rental or purchase, to assist in combating the "segregation premium" often hidden in the costs of residing in such areas.

4. provide financial assistance to community-based organizations or employers offering employment-related services and opportunities to low-income families seeking such opportunities in more affluent or job-rich communities.

5. provide funds to community-based organizations that work with low-income families that have chosen to locate in lower-poverty/higher-opportunity communities to assist them in getting the full benefit of that choice through counseling, financial assistance and advocacy.

6. provide financial assistance to entrepreneurial, low-income individuals and groups seeking to establish micro-enterprises that address identified gasps in services for low-income residents in more affluent areas, such as affordable daycare services, niche

(Please turn to page 12)

(JULIAN: from page 11)

retail services, and education-related support services for both children and adults.

7. provide funds for special information, education, and counseling services to lower-income families seeking to move from renting to homeownership in more racially and economically diverse communities to assist them in maximizing their investments.

8. in more affluent areas, provide funds for parent-outreach initiatives that help low-income parents become active and involved with their child's school.

9. fund "soft" initiatives aimed at bridging the racial and class divide between people of good will in a community, to help break down the attitudinal barriers that cause people to believe that a racially and economically inclusive community cannot be viable and is not desirable.

Conclusion

The above proposal strives to stay within the footprint of the CDFIs and the ways they operate and are supported at the community and government levels. There are several reasons for this. It is a good model that has a track record of success. The approaches have been found politically attractive and practically successful, relying as they do on private-sector involvement and investment. The difference between CDFIs and ICFIs lies in the nature of the mission, not the details of the program. As with so many things related to race and community, the issue is not how to do it, but how to create the political will.

At this point in the evolution of our notion of community development, we tend to see things as they are more than as they might be. We take racial and economic exclusion as the God-given rights of even moderately affluent communities seeking to grow and prosper. We assume that low-income people can only be empowered if they stay clustered together in low-income communities. We assume that low-income families all prefer to live in "their" communities, just as affluent white people prefer to live in "theirs." We do not question how communities have come to "belong" to people in racial and income terms, nor do we assume that there is any ability or desire to change the institutional and attitudinal forces that drive those patterns.

It is the premise of this proposal that institutions and attitudes can change. It is the premise of this proposal that there are already a significant, if not overwhelming, number of people of all races and economic levels that would prefer to live in more inclusive communities of opportunity if such communities were available. It is the premise of this proposal that committed support by governmental institutions, political leaders, community-based organizations and philanthropists for communities that grow and prosper as a whole, rather than in exclusive parts, can and will make a difference. And it is the premise of this proposal that we should try—harder. ❑

PRRAC Update

- PRRAC's long-term and wonderful Board Chair, **Jack Boger**, has stepped down as Dean of the Univ. of North Carolina School of Law, is remaining on the School faculty.

- **Tyler Barbarin** has joined the PRRAC staff as our new Administrative and Development Assistant. Tyler is a 2014 graduate of the Univ. of Richmond and recently completed an Americorps Vista placement with the Covenant House in Washington, DC.

Resources

Most Resources are available directly from the issuing organization, either on their website (if given) or via other contact information listed. Materials published by PRRAC are available through our website: www.prrac.org

Race/Racism

- ***The Enigma of Diversity: The Language of Race and the Limits of Racial Justice*** (2015). Written by Ellen Berry. Published by the Univ. of Chicago Press. Available at www.press.uchicago.edu

- **"Implicit Injustice: Using Social Science to Combat Racism in the United States"** (2015). Article by Eva Paterson & Luke Edwards, published by the Equal Justice Society in the *Harvard Journal*. bit.ly/1JVWIHN

- **"Modern prejudice: Subtle, but unconscious? The role of Bias Awareness in Whites' perceptions of personal and others' biases"** (Nov. 2015), written by Sylvia P. Perry, Mary C. Murphy, John F. Dovidio. Published in the *Journal of Experimental Social Psychology* bit.ly/1FwdOEQ

● **"Race, Racial Inequality, and Biological Determinism in the Genetic and Genomic Era"** (Sept. 2015). *The Annals of the American Academy of Political Science.* Edited by W. Carson Byrd & Matthew W. Hughey. Published by Sage Publications. www.ann.sagepub.com

● ***Rosenwald*** is Aviva Kempner's fine new documentary about Julius Rosenwald, who never finished high school, went on to be president of Sears, and, inspired by Booker T. Washington and his *Up From Slavery,* used his fortune to create more than 5,300 schools for Black students in the early 20th Century rural Jim Crow South, which educated more than 1 out of 3 such chiidren, giving away $62 million during his lifetime for this and other progressive purposes – including support of W.E.B. DuBois, Marian Anderson, Ralph Bunche, Ralph Ellison, Zora Neale Hurston, James Baldwin & Maya Angelou. Inf. at 202/244-1347, rosenwaldschoolsfilm.org

Poverty/Welfare

● **"Blaming the Poor: The Long Shadow of the Moynihan Report of Cruel Images about Poverty,"** written by Susan D. Greenbaum. Published by the Rutgers Press. Available at www.rutgerspress.rutgers.edu

● **"Welfare Use for Legal and Illegal Immigrant Housing"** (2015) is available from 202/464-8185, mrt@cis.org

● **"A New Era of Civil Rights: Proposals to Address the Economic Inequalities in Robert Putnam's *Our Kids*"**: In this supplement to Robert Putnam's *Our Kids: The American Dream in Crisis*, Rick Kahlenberg examines Putnam's findings regarding how the nature of inequality has changed over the past 60 years, and suggests workable policy approaches that flow logically from Putnam's analysis. Available at http://apps.tcf.org/a-new-era-of-civil-rights,

Criminal Justice

● ***Loren Miller: Civil Rights Attorney and Journalist***, written by Amina Hassan. Published by the Univ. of Oklahoma Press www.oupress.com

● **"When Discretion Means Denial: A National Perspective on Criminal Records Barriers to Federally Subsidized Housing,"** by Marie Claire Tranteung, a 2015 report, is available at civilrm@povertylaw.org

Economic/Community Development

● **"The Benefits of Farm to School,"** a fact sheet published by the WK Kellogg Foundation. (2015) bit.ly/1sANGUF

● **"Economic Mobility in the United States"** (July 23, 2015). A report by The Pew Charitable Trusts. bit.ly/1EAQTI9

Education

● **"Despite the Best Intentions: How Racial Inequality Thrives in Good Schools"** (September 2015). Written by by Amanda E. Lewis & John B. Diamond. Available at www.amazon.com

● **"The Effects of Segregation on African American High School Seniors' Academic Achievement"** (Autumn 1999). Written by Roslyn Arlin Mickelson & Damien Heath. Published in *The Journal of Negro Education*. Available at www.jstor.org

● **"Lessons from School Improvement Grants that Worked"** (July 23, 2015). An issue brief published by The Century Foundation. www.tcf.org

Employment

● **"The Future of Work in America: Part-time Workers and Public Policy in the New GIG/Sharing Economy"** was held Sept. 24, 2015 at the New America Fdn. Inf. from simond@newamerica.org

Environment

● ***Environmental Activism and the Urban Crisis*** (2014). Written by Robert Gioielli. Published by the Temple Univ. Press. www.temple.edu/tempress/

Families/Women/Children

● **"School Food Poll Tool Kit" -** A tool kit published by the WK Kellogg Foundation. (2015). bit.ly/1JoxKjW

Health

● **"Outpatient and Inpatient Drug Treatment Centers in Illinois"** is available at https://www.mentalhelp.net/care/substance-abuse/il/, 1-888/315-5649

Housing

● **"Architecture of Segregation: Civil Unrest, the Concentration of Povery, and Public Policy"** Written by Paul A. Jargowsky, www.apps.tcf.org/architecture-of-segregation

● **"Autonomy, Mobility, and Affirmatively Furthering Fair Housing in Gentrifying Neighborhoods"** (Jan./Feb. 2014). Written by Rachel D. Godsil. Published by PRRAC. Available at www.prrac.org

• **"Black Homes Matter: Alternate Approaches to Neighborhood Revitalization in the City of Pittsburgh: People's Speak-Out for Equitable Development"** Published by the Pittsburgh Human Rights City Alliance. www.pgh-humanrightscity.wikispaces.com

• **"Building Opportunity II: A Fair Housing Assessment of State Low Income Housing Tax Credit Plans"** (May 2015). A report published by the Poverty and Race Research Action Council. bit.ly/1PkHSIV

• **"Expanding Choice and Opportunity in the Housing Choice Voucher Program"** Written by Stacy Seicshnaydre & Ryan C. Albright. Published in the *New Orleans Index at Ten*. datacenterresearch.org

• **"Fighting for a Place Called Home: Litigation Strategies for Challenging Gentrification,"** article by Hannah Weinstein. Published in the *UCLA Law Review,* www.uclalawreview.org

• **"Leveraging the Power of Place: Using Pay for Success to Support Housing Mobility,"** by Dan Rinzler, Philip Tegeler, Mary Cunningham & Craig Pollack. Published by Federal Reserve Bank of San Francisco. bit.ly/1Li0p83

• **"PHA Fair Housing Manual"** Published by HOPE Fair Housing Center. Available at www.hopefair.org

• **Proceedings from the 6th National Conference on Housing Mobility—"More Choices for More Families"** (July 15-16, 2015). A conference held in Chicago, sponsored by PRRAC, the Center on Budget & Policy Priorities, and the Metropolitan Planning Council. bit.ly/1OQJxX7

• ***Preventing the Next Mortgage Crisis: The Meltdown, the Federal Response, and the Future of Housing in America,*** (2015) written by Dan Immergluck. Published by Rowman & Littlefield. Available at www.amazon.com

• **"Residential Inequality in American Neighborhoods and Communities: Racial and Ethnic Sgregation: Desvinculado y Desigual: Is Segregation Harmful to Latinos?"** (July 2015) written by Justin Steil, Jorge De La Roca, & Ingrid Gould Ellen. Published in *The Annals of the American Academy of Political and Social Science*. ann.sagepub.com/content/660/1.toc

• **"Statement of Fair Housing and Civil Rights Advocates on Hope VI Reauthorization"** (March 2008). Published by PRRAC. Available at www.prrac.org

• **"When Discretion Means Denial: A National Perspective on Criminal Records Barriers to Federally Subsidized Housing,"** by Marie Claire Tranteung, a 2015 report, is available at civilrm@povertylaw.org

• **"Whose Neighborhood Is It?,"** by Thomas Edsall, appeared in the Sept. 9, 2015 *NY Times*.

International Human Rights and U.S. Civil Rights Policy

• **"Engaging in U.N. Special Procedures to Advance Human Rights at Home: A Guide for U.S. Advocates"** (July 2015), A report by the Columbia Law School Human Rights Institute. bit.ly/1J1ukR2

Jobs/Opportunities/ Fellowships/Grants

• **Deputy Legal Director – Children's Rights** Our Children's Rights practice group advocates on behalf of vulnerable children in the Deep South to ensure they have equal opportunities to reach their full potential. Our current priority areas are: (1) ending the school-to-prison pipeline by reducing punitive school discipline practices and school-based arrests; (2) ensuring equal access to a quality public education for vulnerable populations; and (3) improving children's access to quality mental health services. The Deputy Legal Director will work closely with our Mass Incarceration team, which focuses on juvenile justice and mass incarceration issues affecting children and Adults. bit.ly/1F3JQbf

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