



## Housing Policy Debate

ISSN: 1051-1482 (Print) 2152-050X (Online) Journal homepage: <https://www.tandfonline.com/loi/rhp20>

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**To cite this article:** Arthur Acolin, Scott Bernstein & Susan Wachter (2017) Opportunity, Housing Access, and Infrastructure, *Housing Policy Debate*, 27:3, 468-471, DOI: [10.1080/10511482.2017.1298215](https://doi.org/10.1080/10511482.2017.1298215)

**To link to this article:** <https://doi.org/10.1080/10511482.2017.1298215>



Published online: 11 Apr 2017.



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## OUTLOOK



# Opportunity, Housing Access, and Infrastructure

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Movement to jobs in growing regions has traditionally been the way out of poverty for generations, but geographical mobility has declined dramatically in the United States. Overall, annual mobility has declined from an average of nearly 20% in 1948 to a little over 10% recently (Tighe & Ganning, 2016). For more than 100 years in the United States, people moved from low-income to high-income regions of the country. This movement of people drawn to regions with better employment opportunities has led to a long-term convergence of regional per-capita incomes. Evidence suggests, however, that diverging wages and opportunity across regions have replaced convergence (Ganong & Shoag, 2015).

Evidence also suggests that housing access is an important factor in explaining declining mobility. Regions with employment opportunities and high-wage jobs are experiencing rapid house-price and rent appreciation (Acolin & Wachter, *in press*). Unlike in the past, when movement to areas of opportunity was accompanied by an increase in the supply of housing, a lower supply response is resulting in house price and rent increases. New high-productivity jobs are concentrated in higher housing cost metropolitan areas with endogenous amenity growth that attracts higher skill workers, whereas lower skill workers are increasingly concentrated in lower opportunity regions. Lower skill workers are particularly impacted by housing affordability. Besides lacking the requisite household income and resources to move to higher cost regions, less-skilled workers experience lower wage gains than high-skill workers do when moving to higher opportunity regions. This contributes to demand for housing by high-skill workers crowding out affordable housing (Berry & Glaeser, 2005; Diamond, 2016; Moretti, 2012).

In addition to this new regional divergence in incomes, sorting by income continues to increase across neighborhoods within metro areas. The heightened importance of place in the new knowledge-based economy may be a driver of this within and across regional trends. Job growth is occurring in high-tech clusters regionally. Center cities are also increasingly in demand as job centers and now also as places of residence, particularly for young workers who wish to access these jobs. Central neighborhoods have experienced rapid relative population income growth and rapid gains in college-educated populations (Baum-Snow & Hartley, 2015). This has been accompanied by growth in amenities and quality of life (Couture & Handbury, 2015; Edlund, Machado, & Sviatschi, 2015). Whereas economic growth in the central areas of cities has been accompanied by an improvement in public amenities, the accompanying increase in housing cost has led to concerns about displacement of current residents.

At the same time, income sorting is occurring in suburbs, with outlying neighborhoods and inner-ring suburbs, with less access to jobs and amenities, experiencing increases in poverty (Jargowsky, 2016; Kneebone, 2016). Feedback effects through access to education will likely worsen unequal outcomes



across generations. Solutions need to be targeted to providing improved access to education and to matching skill training to employment opportunity (Lambe, Singleton, & Wachter, *in press*). Local strategies linked to education (Steinberg & Quinn, *in press*), skill training (Holzer, *in press*), and place-specific industry cluster investments (Rodríguez-Pose & Wilkie, *in press*) can support inclusive economic growth and increase job opportunities in regions left behind. However, place-based investments in improved public amenities can result in higher local economic growth, higher housing prices, and less access to affordable housing.

Nationally, supply lags the rising demand for affordable housing. This is true for rental housing as well as for starter single-family homes. In fact, homeownership is on the decline for all age groups under 75, even as rents grow further out of reach—a crisis disproportionately affecting African Americans and Hispanics, but with broader economic consequences as well (Acolin, Goodman, & Wachter, 2016). In the wake of the Great Recession, homebuilding has been to slow to recover, particularly in the market for housing for lower income households, as homebuilders have focused more on higher profitability luxury apartments and single-family homes.

A tandem challenge relates to cost of living. For the bottom two income quintiles, the cost of living has been rising faster than mean income for at least the past decade (U.S. Department of Labor, Bureau of Labor Statistics, 2015). Chetty, Hendren, Kline, and Saez (2014) find that transportation is one of the top three factors limiting economic mobility. Neighborhood-level data help zero in on the nature of the problem. Household transportation expenditures are lower in places with better location efficiency, or better interplay among local convenience, travel mode choice, and regional accessibility, holding household income and size constant (Haas, Makarewicz, Benedict, & Bernstein, 2008; Holtzclaw, Clear, Dittmar, Goldstein, & Haas, 2002). Location efficiency analysis expressed as a combined index of housing and transportation affordability shows that the lack of sufficient urban character, such as density, local amenities, walkability, and frequent and connected mass transit, can double the cost of a location—evidence behind the anecdotal nature of a *drive 'til you qualify* housing market (Center for Neighborhood Technology & Center for Transit Oriented Development, 2006; Sanchez, Dawkins, Haas, Benedict, & Makarewicz, 2006).<sup>1</sup> Cheaper housing may carry the hidden extra burden of high transportation expenditures (Haas, Newmark, & Morrison, 2016). This is true even when transportation infrastructure isn't *crumbling* and road networks connect people to jobs; in that case formal scoring of *accessibility* is high but, lacking alternatives to multicar ownership and extensive operation, expenditures are high and affordability is low (Campbell, McGraw, & Debettencourt, 2012).

Housing and infrastructure policy needs to be rethought to provide place-based solutions to counter growing spatial inequality of opportunity and to provide access to affordable housing near jobs. Affordable housing provision with access to jobs is, to a large extent, the responsibility of local and state governments, with the exception of Low Income Housing Tax Credits (LIHTC), Department of Housing and Urban Development (HUD) voucher, and public housing programs (Freeman & Schuetz, *in press*). However, mechanisms to increase the provision of affordable workforce housing should be a national concern to support economic competitiveness, economic mobility and social inclusion in the United States, going forward.

The major infrastructure investment, which may be forthcoming in the United States, could help link workers to job opportunities through accessible and affordable housing. If deployed wisely, investments in multimodal transportation options can connect the city so that reliable transportation is available within and outside the city.<sup>2</sup> As technology evolves, it may be less necessary that job centers be decentralized. Knowledge is increasing on how the cost of infrastructure services varies with distance from population and workforce centers. Induced relocation and migration from transportation investing, including the premature abandonment or stranding of public-realm investments, is well known and avoidable. Housing and infrastructure policy can make a difference in re-enabling mobility to regions with growing job opportunities. Aligning our knowledge of what works for housing affordability and infrastructure investment decisions is urgent and essential.

## Notes

1. Data on housing and transportation expenditures and their spatial and demographic determinants known as the Housing + Transportation Affordability Index (CNT, 2017) and a variant produced for the federal government known as the Location Affordability Index (U.S. Department of Housing and Urban Development, 2017) provide housing and transportation expenditure data.
2. Tighe and Ganning (2016, p. 785) found that “transportation improvements—particularly those aimed at bicycling and pedestrian accessibility—may be the most efficient approach to mitigating displacement and improving the quality of life for low-income households in shrinking cities.”

## Disclosure Statement

No potential conflict of interest was reported by the authors.

## Notes on Contributors

**Arthur Acolin** is a PhD student in the Price School of Public Policy at the University of Southern California. His research focuses on housing strategies designed to deliver adequate and affordable homes in different contexts.

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