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"Creating Equitable Communities through Housing and Transportation"
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Chairman Price, Ranking Member Diaz-Balart, Members of the Subcommittee, thank you for the opportunity to participate in today's hearing on the role transportation and housing can play in creating equitable communities.

Housing and transportation are integral to building an equitable ecosystem of opportunity. Labor market and educational opportunities (as well as access to support systems like affordable, quality child care) are also essential components of that ecosystem. But access to pathways to economic stability and upward mobility is inextricably linked to housing and transportation.

Quality, stable, affordable housing lays a critical foundation for better physical and mental health, educational, and economic outcomes over the course of a person's life.[1] Safe, reliable, affordable, and effective transportation systems expand the jobs, services, amenities, and enrichment opportunities available to households as well as the economic prospects of communities and regions.

Yet access to these foundational components of opportunity is far from universal or equitable. Federal transportation and housing policies have contributed to pronounced disparities by race, income, and place—inequities that have not only persisted (and in some cases worsened) over time, but that are also at risk of growing in the wake of the disparate impacts of the COVID-19 crisis. Recognizing the urgency of the current crisis and the long-standing systemic inequities it has thrown into sharp relief, federal housing and transportation policies can and should be deployed to lay the groundwork for an equitable recovery in the near term and to fully dismantle these disparities over the long term.

In my testimony, I will touch briefly on ways in which federal policies have contributed to racial, economic, and spatial disparities that persist today; consequences of these inequities on people and places; and recommendations for how federal programs and policies can work to redress these gaps. The views expressed in my testimony today are my own, and draw from my long-time and ongoing research on these issues.

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[1] Taylor, L. (2018). Housing And Health: An Overview Of The Literature. Health Affairs. https://www.healthaffairs.org/do/10.1377/hpb20180313.396577/full/; Brennan, M., Reed, P., & Sturtevant, L. A. (2014). The Impacts of Affordable Housing on Education: A Research Summary. Center for Housing Policy, National Housing Conference. https://nhc.org/wp-content/uploads/2017/03/The-Impacts-of-Affordable-Housing-on-Education-1.pdf; See also: https://www.opportunityatlas.org/

Perpetuating Inequities by Race, Income, and Place through Policy and Practice

The 20th century saw the evolution of a series of public policies (a number enacted at the federal level) and private market practices that quite literally carved up the American landscape in ways that continue to fuel racial and economic segregation and disparate access to homeownership, wealth building, and communities of opportunity today.

Codifying Redlining and Financial Incentives for Segregation

The modern housing finance system has its roots in the federal government's response to the collapse of the banking system in 1929 and the Great Depression that followed.[2] The federal government, which largely had not engaged in housing policy prior to the Depression, created the Home Owners Loan Corporation (HOLC) in response to the wave of foreclosures that followed the crash. HOLC purchased failing mortgages and refinanced them at more favorable rates, and also introduced amortizing mortgages, which offered a pathway for homeowners to gradually build wealth as they paid down their loans through payments made at regular intervals. However, HOLC also codified a race-based system for assessing property values. Neighborhoods that were home to "not a single foreigner or negro" could be designated as green or "low risk," while neighborhoods with an "infiltration of inharmonious racial groups" or a "concentration of negro population" were deemed "hazardous" and colored red, leading to the term "redlining."[3]

Not only did these practices entrench racial and ethnic discrimination in HOLC's programs, they also created financial incentives to maintain patterns of segregation, which were only strengthened when the Federal Housing Administration adopted similar measures in its appraisal and mortgage insurance practices. Fannie Mae followed suit by using redlining maps in its securitization of mortgages and by encouraging the adoption of racial covenants on newly built housing, while VA-guaranteed loans made available through the GI Bill allowed the financial institutions issuing the mortgages to do the same well into the post-World War II era.[4]

The Toll of Highway Expansion and Urban Renewal on Low-Income Neighborhoods and Communities of Color

The post-war period also saw investment in and significant expansion of the nation's interstate highways, with the passage of the Federal-Aid Highway Act in 1956. While not necessarily the

[2] Reid, C. (Forthcoming). Crisis, Response, and Recovery: The Federal Government and the Racial Homeownership Gap. Terner Center for Housing Innovation at UC Berkeley.
[3] Richard Rothstein, R. (2017). *The Color of Law: A Forgotten History of How Our Government Segregated America*, 1st edition.New York ; London: Liveright, 2017
[4] Jackson, *Crabgrass Frontier*; Faber, J. W. (2020). "We Built This: Consequences of New Deal Era Intervention in America's Racial Geography." *American Sociological Review,* 85, no. 5: 739–75, https://doi.org/10.1177/0003122420948464; Taylor, K-Y. (2019). *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership*. Chapel Hill: The University of North Carolina Press; Rothstein, *The Color of Law*; Katznelson, I. (2005). *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America*, 1st ed.New York: W.W. Norton.

intention of President Eisenhower, the expansion of the highway system was used as a tool of "urban renewal" by state and local actors who took the opportunity to break up Black neighborhoods and communities in the name of rooting out "blighted" areas in their cities.[5]

As Deborah Archer writes, "In states around the country, highways disproportionately displaced Black households and cut the heart and soul out of thriving Black communities as homes, churches, schools, and businesses were destroyed…In other communities, the highway spared Black homes but became a permanent racial barrier between white and Black neighborhoods, further entrenching racial segregation and walling off economic opportunity."[6]

These practices exacerbated the concentration of poverty and racial segregation, often in tandem with the construction of publicly-subsidized rental housing over this period. These impacts were understood at the time, as evidenced by one 1965 report that noted, "non-whites have been forced into already crowded housing facilities, thereby spreading blight, aggravating ghettoes, and generally defeating the social purpose of urban renewal."[7]

Exclusionary Impacts of Local Policies and Private Market Practices

The discriminatory federal policies adopted over this period intersected with and layered onto exclusionary policies and practices at other levels of governance and in the private market. One example is the creation of the suburbs themselves. Jurisdictional fragmentation in the post-World War II era accelerated as towns and municipalities incorporated, allowing them to set taxes, determine expenditures, and control growth.[8] Carving up the landscape beyond central cities enabled "opportunity hoarding" by more affluent, White jurisdictions.[9] Local policies adopted by these jurisdictions served to exclude residents of color and lower-income households both explicitly (e.g., through deed restrictions and restrictive racial covenants) and by adopting exclusionary land use and zoning provisions (e.g., single-family zoning, large minimum lot sizes). This fragmented and segregated jurisdictional landscape also impacted the provision of public transit options, not only leading to the proliferation of multiple transit agencies and providers within metropolitan areas, but also creating a patchwork system that can hinder coordination and connectivity and that allowed many affluent jurisdictions to opt out altogether

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[5] Duke, M. H. (2012, March 10). Eisenhower didn't want highways through cities. Seattle Transit Blog. https://seattletransitblog.com/2012/03/10/eisenhower-didnt-want-highways-through-cities/

[6] 1. Archer, D. N. (n.d.). "White Men's Roads Through Black Men's Homes"*: Advancing Racial Equity Through Highway Reconstruction. Vanderbilt Law Review, 73, 72. https://cdn.vanderbilt.edu/vu-wp0/wp-content/uploads/sites/278/2020/10/19130728/White-Mens-Roads-Through-Black-Mens-Homes-Advancing-Racial-Equity-Through-Highway-Reconstruction.pdf. Archer notes in this article that these divisions were not confined to Black households and communities, but also impacted Hispanic and Latino, Native American communities, and other communities of color as well.

[7] Cebul, B. (2020, July 22). Tearing Down Black America. Boston Review. http://bostonreview.net/race/brent-cebul-tearing-down-black-america

[8] Othering & Belonging Institute. (n.d.). Roots, Race and Place: Municipal Fragmentation and White Flight. Retrieved March 23, 2021, from https://belonging.berkeley.edu/rootsraceplace/whiteflight

[9] Hanagan, M.P. (2000). [Review of the book Durable Inequality]. Journal of Social History 34(1), 183-185. doi:10.1353/jsh.2000.0106.

or otherwise build systems inaccessible to lower-income neighborhoods or communities of color.

At the same time, discriminatory lending practices by financial institutions (e.g., redlining and less favorable loan terms for borrowers of color), in tandem with other private market practices such as "steering" by real estate agents (e.g., where agents show fewer options to clients of color and guide those households to options located in higher poverty, racially concentrated neighborhoods with poorer housing quality), also perpetuated patterns of racial and economic segregation and significantly restricted wealth building opportunities for households of color relative to the benefits afforded to White households through homeownership.[10]

The Persistence of Discriminatory Practices

The passage of the Fair Housing Act in 1968 made race-based discrimination in housing illegal. However, the Act did not define what constituted discrimination, nor did it include mechanisms to hold discriminatory actors accountable or allow for restitution for households impacted by discrimination.[11] The subsequent Equal Credit Opportunity Act (1974), Home Mortgage Disclosure Act (1976), and the Community Reinvestment Act (1977) provided additional federal regulatory tools aimed at addressing disparities and increasing lending to households and communities of color.[12] However, these tools have not ended discriminatory practices and outcomes.[13] In part that speaks to insufficient penalties and enforcement mechanisms. It also reflects the fact that even policies that are not explicitly discriminatory or that are "race neutral" can perpetuate or exacerbate disparities because the underlying structures forged by past racist policies and practices have yet to be actively dismantled (e.g., given historical disparities in access, tax expenditures that preference homeownership but do nothing for renters disproportionately direct federal resources to households that are more affluent and more likely to be White). The lasting legacy of these policies and practices is evident in racial, economic, and spatial disparities that persist today.

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[10] Zonta, M. (2019). Racial disparities in home appreciation. Center for American Progress. https://www.americanprogress.org/issues/economy/reports/2019/07/15/469838/racial-disparities-home-appreciation/
[11] Bogardus Drew, R. (2020, December 17). A very brief history of housing policy and racial discrimination. Enterprise Community Partners. https://www.enterprisecommunity.org/blog/very-brief-history-housing-policy-and-racial-discrimination
[12] Reid, C. (forthcoming) Crisis, Response, and Recovery: The Federal Government and the Black/White Homeownership Gap. Terner Center for Housing Innovation.
[13] Solomon, D., Maxwell, C., & Castro, A. (2019). Systemic inequality: Displacement, exclusion, and segregation. Center for American Progress. https://www.americanprogress.org/issues/race/reports/2019/08/07/472617/systemic-inequality-displacement-exclusion-segregation/

Implications of Systemic Inequities for People and Places

Disparate Access to Homeownership and Wealth Building

According to the Survey of Consumer Finances, homeownership remains the primary driver of wealth for low-income households and households of color.[14] However, homeownership has become increasingly out of reach, especially for younger adults, lower-income households, and households of color. For instance, rates of homeownership for adults in their late 20s to early 40s are 3 to 5 percentage points below what they were at the beginning of the 1990s.[15] For Black households, homeownership rates in the fourth quarter of 2020 lagged more than 30 percentage points behind that of non-Hispanic White Households (44.1 percent versus 74.5 percent)—larger than the gap in 1960, before the Fair Housing Act was passed.[16] The disparity for Hispanic and Latino households at the end of 2020 was similarly stark, with a gap of 26 percentage points.

A number of factors in recent decades have contributed to increasing difficulties accessing homeownership, including, among other things, a pullback in housing production in supply-constrained markets and a shift in construction trends toward larger format, single-family homes that have diminished affordable entry-level stock and fueled higher home sale prices.[17] In addition, the tightening of credit standards after the foreclosure crisis and Great Recession—restrictive standards which failed to ease as prices recovered—played a role. That tightening, coupled with credit scoring practices that disadvantage lower-income borrowers and people of color, contributed to increased disparities in mortgage lending for Black households in the post-recession period.[18]

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[14] Bhutta, N., Chang, A. C., Dettling, L. J., & Hsu, J. W. (2020, September 28). Disparities in wealth by race and ethnicity in the 2019 survey of consumer finances [Government]. Board of Governors of the Federal Reserve System. https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm

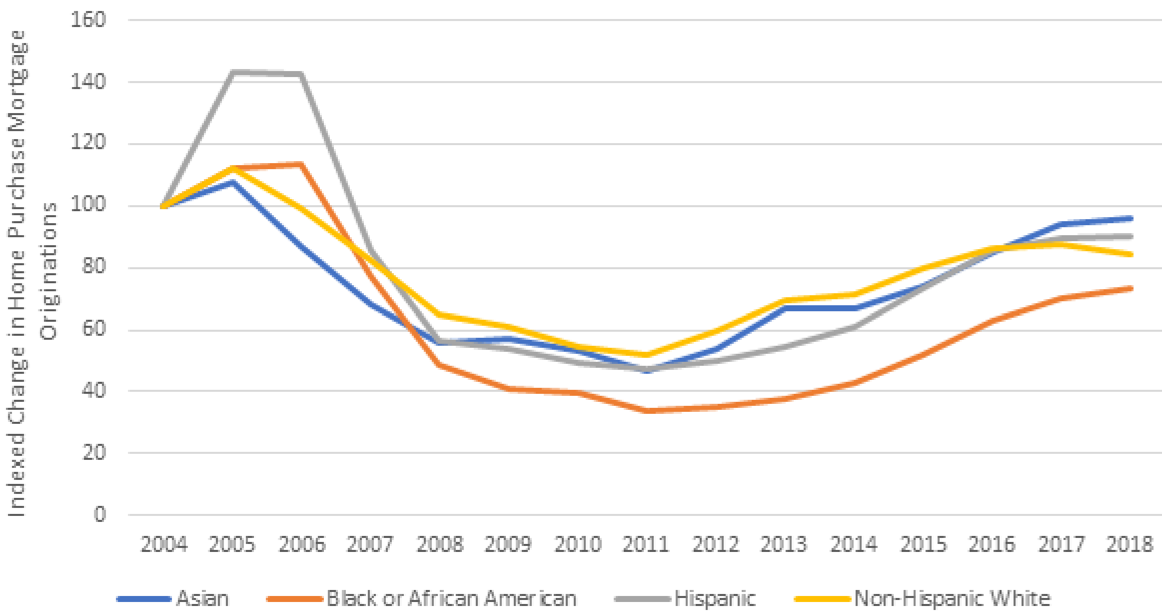
[15] Joint Center for Housing Studies. The State of the Nation's Housing 2018. Harvard University, 2018. Available at: https://www.jchs.harvard.edu/state-nations-housing-2018

[16] Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2020 (No. CB21-15). (2021). United States Census Bureau. https://www.census.gov/housing/hvs/files/currenthvspress.pdf; Laurie Goodman, Jun Zhu, and Rolf Pendall (2017). "Are Gains in Black Homeownership History?" The Urban Institute, accessed online at https://www.urban.org/urban-wire/are-gains-black-homeownership-history.

[17] Kneebone, E., & Trainer, M. (2019). How Housing Supply Shapes Access to Entry-Level Homeownership. Terner Center for Housing Innovation at UC Berkeley. https://ternercenter.berkeley.edu/wp-content/uploads/2020/08/How_Housing_Supply_Shapes_Access_to_Entry-Level_Homeownership_2019.pdf

[18] Reid, C. "Crisis, Response, and Recovery."

Changes in Home Purchase Originations by Race/Ethnicity, 2004 - 2018



Source: Reid, C. (Forthcoming from the Terner Center) "Crisis, Response, and Recovery."

The disproportionate impact of the foreclosure crisis on Black households and other borrowers of color targeted by the subprime lending boom (itself an exemplar of inequitable practices), along with diminished access to credit in the post-recession period, has had profound implications for wealth building among households and communities of color. Forthcoming research by Carolina Reid finds that: "Neighborhoods that saw declines in mortgage lending to Black borrowers during the recovery saw an increase in average property values from $210,000 at the bottom of the market to over $300,000 in 2018" but those gains disproportionately accrued to investors and non-Hispanic White households. Even for neighborhoods where mortgages continued to go predominantly to Black households, wealth building potential remains significantly curtailed due to the persistent devaluation of homes in Black neighborhoods. Research has shown that the racial gap in home appraisals is worse today than it was 40 years ago.[19] One analysis estimated that homes of similar quality in neighborhoods with comparable amenities are worth 23 percent less in majority Black neighborhoods, amounting to $156 billion in cumulative losses. That same analysis found that regions with greater devaluation of Black homes were more segregated and produced less upward mobility for the Black children growing up in those communities, showing how intrinsically inequities across populations are linked with inequities within and across places.[20]

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[19] Mock, B. (2020, September 21). A Neighborhood's Race Affects Home Values More Now Than in 1980. Bloomberg CityLab. https://www.bloomberg.com/news/articles/2020-09-21/race-gap-in-home-appraisals-has-doubled-since-1980

[20] Perry, A. M., Rothwell, J., & Harshbarger, D. (2018). The devaluation of assets in Black neighborhoods. Brookings. https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/

Entrenched Racial Segregation and Growing Economic Segregation

In many ways the spatial legacy of discriminatory housing and transportation practices is enduring. For instance, formerly redlined areas continue to be associated with higher poverty rates, poorer individual economic and health outcomes, lower home values and homeownership rates, and face higher risk of heat-related impacts, exposure to air pollution, and higher flood risks.[21] In addition, overall levels of segregation, particularly Black-White segregation, have remained fairly intractable in recent years. However, the locus of racially concentrated neighborhoods has not remained fixed, as many urban centers experienced reinvestment and gentrification and displacement pressures in recent years and broader demographic shifts saw the nation's suburbs become home to the majority of every major racial and ethnic group for the first time.[22]

At the same time, the geography of poverty has also been redrawn in significant ways in recent decades. While poverty rates remain high in urban centers and rural areas that have long grappled with persistent poverty, the pace of growth in the poor population in the 2000s—a decade bookended by recessions followed by uneven recoveries—was most pronounced in the nation's suburbs and smaller metropolitan areas. By the mid 2000s, suburbs had become home to more people living below the federal poverty line than big cities or rural areas, a trend that only accelerated in the wake of the Great Recession.[23] Even in the economic recovery that followed, progress against poverty came later and slower to suburbs on the whole.[24]

But while poverty extended its geographic reach in recent decades, it did not do so evenly. As the number of high-poverty neighborhoods climbed after the turn of the century, they also emerged in new places, growing fastest in suburbs and smaller metropolitan regions, which had often not

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[21] Park, K. A., & Quercia, R. G. (2020). "Who Lends Beyond the Red Line? The Community Reinvestment Act and the Legacy of Redlining." *Housing Policy Debate* 30, no. 1: 4–26, https://doi.org/10.1080/10511482.2019.1665839; Krimmel, J. (2018). "Persistence of Prejudice: Estimating the Long Term Effects of Redlining." Working Paper.Philadelphia, PA: University of Pennsylvania, 2018. Retrieved from: https://osf.io/uxeaz/; National Community Reinvestment Coalition. (2010. "Redlining and Neighborhood Health." *NCRC*. Retrieved from: https://ncrc.org/holc-health/; Aaronson, D., Hartley, D., & Mazumder, B. (2020). "The Effects of the 1930s HOLC 'Redlining' Maps." Chicago, IL: Federal Reserve Bank of Chicago, Retrieved from: https://www.chicagofed.org/publications/working-papers/2017/wp2017-12; Cusick, D. (2020, January 21). Past Racist "Redlining" Practices Increased Climate Burden on Minority Neighborhoods. E&E News. https://www.scientificamerican.com/article/past-racist-redlining-practices-increased-climate-burden-on-minority-neighborhoods/; Alcorn, C. (2021, March 15). Redlined US homes face higher flood risks from climate change, new study finds. CNN Business. https://www.cnn.com/2021/03/15/business/redlined-homes-climate-change-flooding/index.html.

[22] See, e.g., https://www.brookings.edu/testimonies/the-changing-geography-of-us-poverty/.

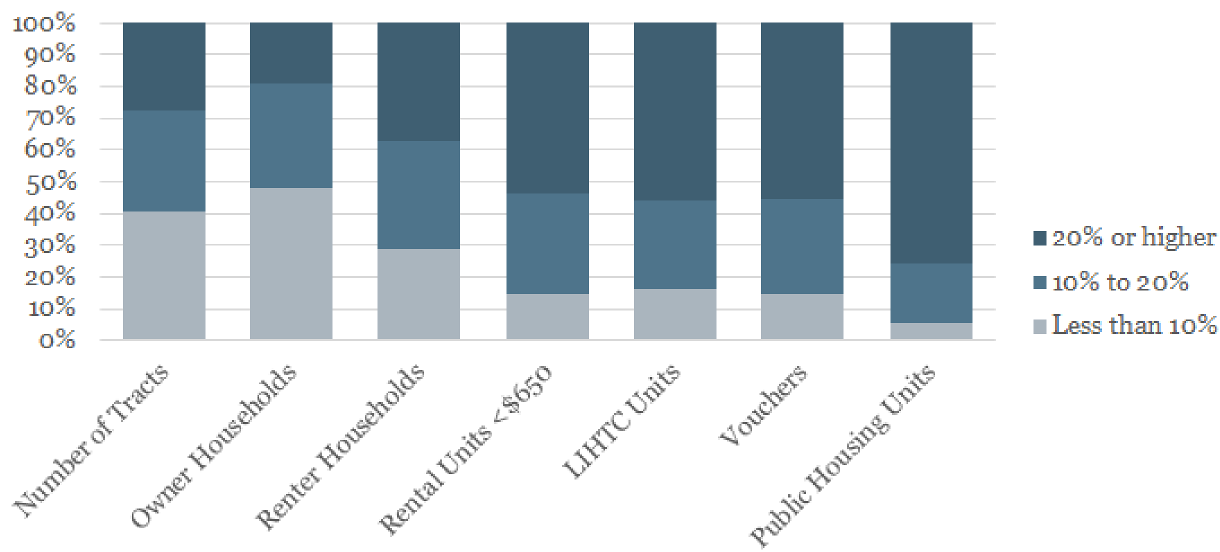
[23] Kneebone, E., & Berube, A. (2014). Confronting suburban poverty in america. Brookings Institution Press. https://www.brookings.edu/book/confronting-suburban-poverty-in-america/; Allard, S. W. (2017). Places in need: The changing geography of poverty. Russell Sage Foundation. https://www.jstor.org/stable/10.7758/9781610448659

[24] Kneebone, E. (2018, September 19). Which places made progress against poverty in 2017? Brookings. https://www.brookings.edu/blog/the-avenue/2018/09/19/which-places-made-progress-against-poverty-in-2017/

been home to areas of concentrated economic disadvantage previously and were ill-equipped to address the challenges associated with concentrated poverty.[25]

It is also telling that the geographic distribution of rental options—especially options affordable to households with lower incomes or in publicly-subsidized housing—skews heavily toward neighborhoods with poverty rates of 20 percent or more (the threshold at which the negative effects of concentrated poverty begin to emerge).[26] Even as more households are unable to access affordable homeownership, the legacy and persistence of exclusionary policies make it difficult to access higher-opportunity neighborhoods through the existing rental housing stock.[27]

The Distribution of U.S. Housing by Neighborhood Poverty Rates and Housing Unit Characteristics



Source: Author's analysis of U.S. Census Bureau and Department of Housing and Urban Development data

These trends and patterns underscore that places are far from static amid the ebbs and flows of labor market dynamics, economic cycles, and demographic change. And while the legacy of segregation and exclusion is deeply entrenched and persistent in many ways, some of the very

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25 Kneebone, E., & Holmes, N. (2016). U.S. concentrated poverty in the wake of the Great Recession. Brookings. https://www.brookings.edu/research/u-s-concentrated-poverty-in-the-wake-of-the-great-recession/; Benzow, A., & Fikri, K. (2020). The neighborhood poverty project. Economic Innovation Group. https://eig.org/neighborhood-poverty-project; Understanding Neighborhood Effects of Concentrated Poverty (Evidence Matters). (2011). U.S. Department of Housing and Urban Development, Office of Policy Development and Research. https://www.huduser.gov/portal/periodicals/em/winter11/highlight2.html#title

26 George C. Galster, "The Mechanism(s) of Neighborhood Effects: Theory, Evidence, and Policy Implications." Presentation at the ESRC Seminar, St. Andrews University, Scotland, UK, 4–5 February 2010.

27 Kneebone, E., & Trainer, M. (2019b). How Housing Supply Shapes Access to Opportunity for Renters. Terner Center for Housing Innovation, UC Berkeley. https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/How_Housing_Supply_Shapes_Access_to_Opportunity_for_Renters_2019.pdf

structures enumerated above that were put in place to "hoard opportunity" in the post-World War II period now complicate effective responses to growing need in once-affluent areas struggling with economic transformation and decline.

Implications for Connecting People and Places to Opportunity

These trends reflect some of the myriad ways housing and transportation policies shape where people can afford to live. They also influence the extent to which those areas offer access to job and educational opportunities and essential services, and/or how far people have to travel (and how much those trips cost) to access those critical determinants of opportunity if they are not located nearby.

Take access to employment opportunities as one example. Even as many city centers have experienced a resurgence of economic activity in recent years, that has not stopped suburban job growth. Decades of "job sprawl"—where the balance of employment options within regional labor markets shifted away from downtowns—mean that for many metro areas the bulk of job opportunities are located outside of the urban core.[28] Considering that most people of color and most residents in poverty in the nation's major metro areas also now live in suburbs, it may seem like access to employment opportunities should have improved for these groups. On the contrary, given the tendencies of suburban areas to have lower population and employment densities, and that jobs are often growing in parts of the region that are distinct from those that are diversifying economically and demographically, the number of "nearby" jobs actually fell for metropolitan residents overall in the post-recession period. Furthermore, it fell most steeply for Black and Hispanic or Latino residents, residents living in poverty, and for neighborhoods where the majority of residents were people of color or that were high poverty (with poverty rates of 20 percent or more).

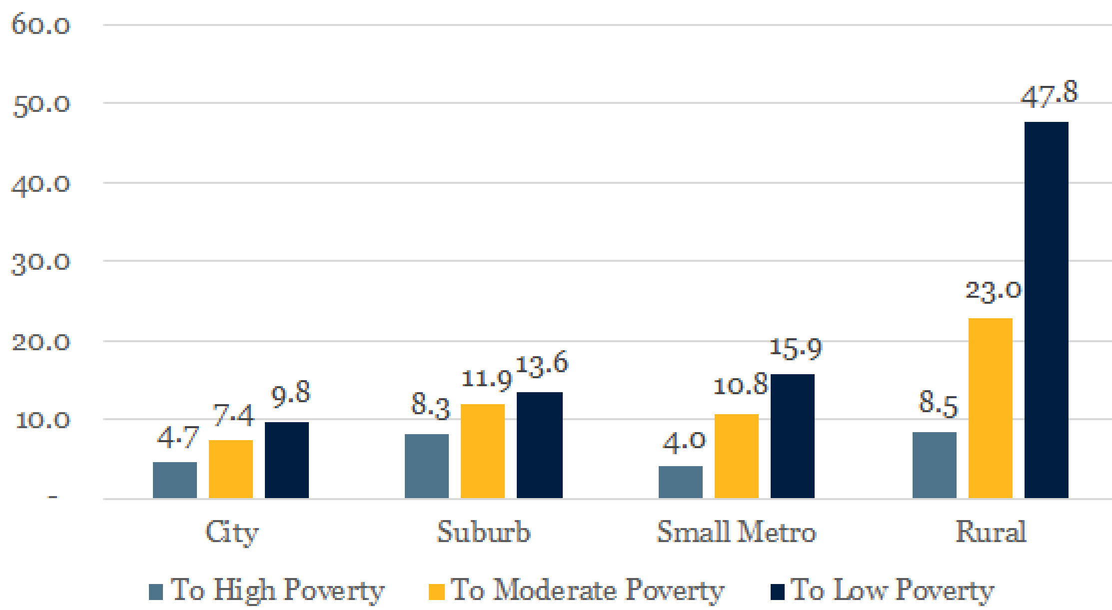
Access to employment amid these shifting employment and demographic landscapes is further complicated by uneven access to transit, particularly in lower-density communities outside major city centers, including in the growing number of low-income suburban neighborhoods.[29] Even if workers do have access to a transit stop, that does not guarantee adequate service or connectivity to job centers, especially in regions where transit systems are not equipped to respond to the growing need for suburb to suburb connections. As a result most workers, including most low-income workers, depend on cars to commute. Here again, underlying spatial, racial, and economic disparities tend to dictate how far and how costly those commutes are.

Across the U.S., just over 1 in 4 jobs are located in high-poverty neighborhoods (28 percent) compared to the 40 percent of U.S. jobs located in low-poverty neighborhoods (with poverty

[28] Kneebone, E. (2013). Job sprawl stalls: The great recession and metropolitan employment location. Brookings. https://www.brookings.edu/research/job-sprawl-stalls-the-great-recession-and-metropolitan-employment-location/
[29] Tomer, A., Kneebone, E., & Berube, A. (2011). Missed opportunity: Transit and jobs in metropolitan America. Brookings. https://www.brookings.edu/research/missed-opportunity-transit-and-jobs-in-metropolitan-america/

rates below 10 percent). In a forthcoming publication, I analyze the commute patterns of workers who live in high-poverty neighborhoods, and find that three-quarters of these workers commute to a neighborhood with a lower poverty rate than the one in which they live. Roughly one-third commute to a tract with a poverty rate in the single digits. On the whole, the greater the difference in poverty rates between where workers live and where they work, the farther they tend to travel to get there. And the median travel distances (as the crow flies) stretch the longest for residents in lower-density communities, with the typical rural worker who commutes from a high-poverty home tract to a low-poverty work tract traveling almost 50 miles one way.

Typical Commute Distances (in Miles, One Way) by Geography Type of Origin and Poverty Level of Destination



Source: Author's analysis of 2017 5-year American Community Survey data and 2017 Longitudinal Employer-Household Dynamics origin-destination data.

Perhaps not surprisingly, looking at housing patterns in high-poverty origin neighborhoods and low-poverty commute destinations reveals stark disparities in the availability of rental housing, and especially affordable and subsidized options. But if one assumes the trade-off for affordable housing is a longer car-based commute, the math does not necessarily work out. Such commutes carry their own cost burdens—which becomes apparent when comparing differences in the typical rent charged in high-poverty home tracts versus low-poverty destination tracts to the cost of a trip based on typical commute distances (applying IRS mileage rates). (These costs do not account for the environmental impacts of greater greenhouse gas emissions, or lost productivity or other personal costs associated with long commutes.) These findings also raise concerns given prior research that have found commute times to be a strong predictor of an individual's chances of escaping poverty.[30]

Estimated Costs of Commuting by Car Compared to Differences in Median Rents in High-Poverty Origin Tracts and Low-Poverty Destination Neighborhoods

	Difference in Typical Rents, Origin vs. Destination ($)	Estimated Cost of Commute by Car ($)	Commute Costs as % of Rent Difference
City	466	220	47%
Suburb	380	306	80%
Small Metro	270	357	132%
Rural	271	1,074	396%

Source: Author analysis of American Community Survey, LODES, and IRS data

There are many reasons individuals and families may choose to live in a community that are not solely dictated by housing and transportation costs. But these findings suggest the legacy and persistence of inequitable housing and transportation systems are exacting costs on workers and families they would not necessarily choose (or be forced) to bear if afforded more options.

Impacts of the COVID-19 Crisis

The ongoing pandemic, in many ways, has laid bare the nation's systemic inequities, which are evident in the disproportionate impact both the virus and its economic fallout have had on low-wage workers, renters, and communities of color.

It is still unclear what the lasting impacts of this crisis will be, although it is unlikely to significantly change the need for low-income workers and workers in high-poverty neighborhoods to commute (and in many cases significant distances) to get to work. In December of 2020, the U.S. Bureau of Labor Statistics reported that less than 10 percent of workers with a high school diploma or less teleworked, and that share was just 17 percent of workers with some college or an associate degree. Even for workers with a Bachelor's degree, most of them commuted to work, while just 38 percent worked from home.[31]

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[30] Axel-Lute, M. (2015, May 27). Transportation more important than schools, crime, in escaping poverty. Shelterforce. https://shelterforce.org/2015/05/27/transportation_more_important_than_schools_crime_in_escaping_poverty/

[31] Estimates come from the U.S. Bureau of Labor Statistics' supplemental data from the Current Population Survey: https://www.bls.gov/cps/effects-of-the-coronavirus-covid-19-pandemic.htm.

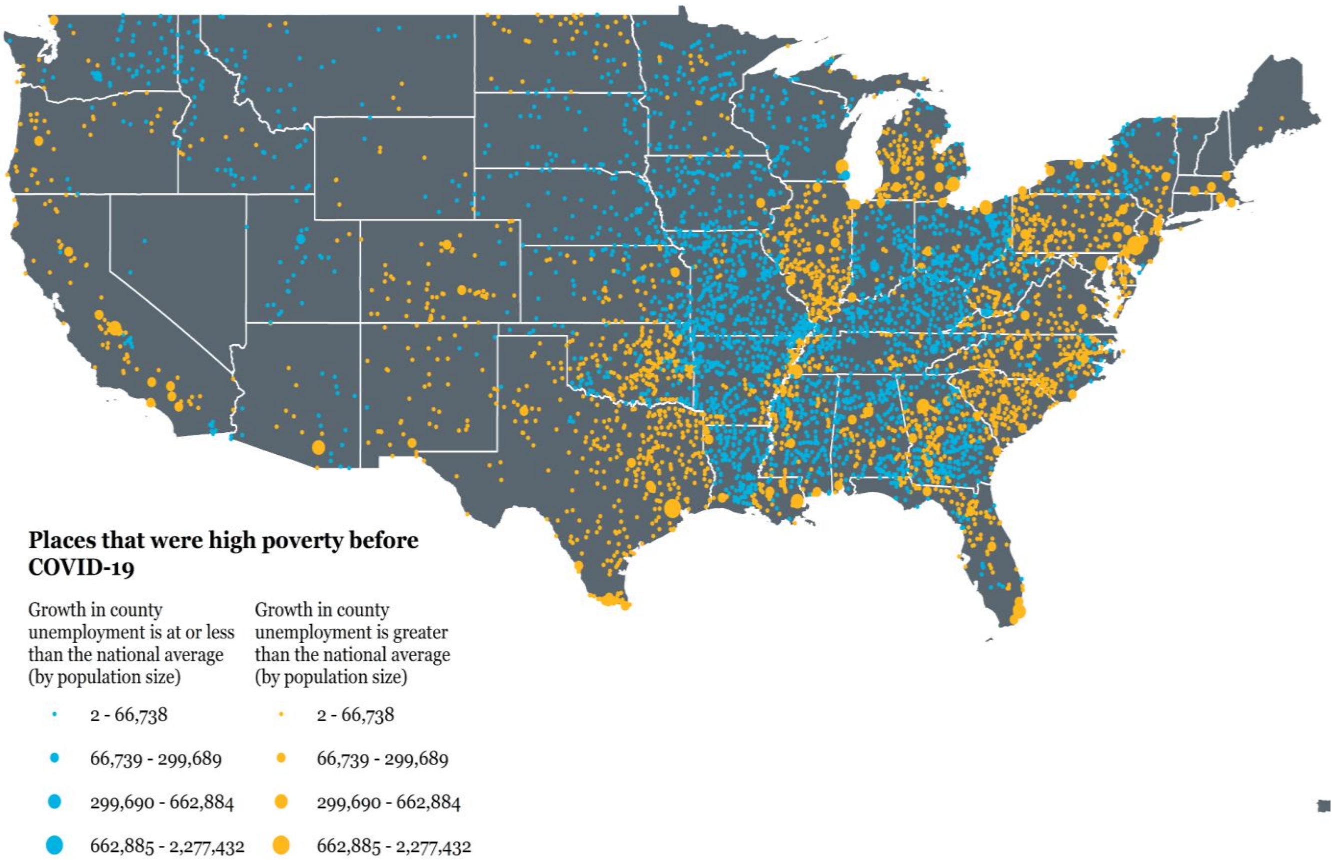
However, the current crisis could reshape the market in ways distinct from the last recession. For instance, given the tight for-sale inventory, the nation may not see a wave of foreclosures like the Great Recession. Indeed lessons from the foreclosure crisis helped the federal government quickly stand up assistance for homeowners when the pandemic led to devastating and rapid job losses. But given the demand in the market, as forbearance periods end, there could be a significant number of homeowners who are unable to pay the bills coming due and may choose to sell. Given the disparate impacts of the downturn, to the extent these homeowners are lower-income and homeowners of color, disparities in access to homeownership (as affordable ownership stock depletes) and wealth accumulation could worsen, making for another uneven recovery that further exacerbates inequities by race, income, and place rather than mitigating them.

Another way this crisis has been distinct from the last recession is its disproportionate impact on renters. As 2020 came to a close, nearly 18 million renters across the country expressed no or little confidence in their ability to make next month's rent, and more than 5 million saw their risk of eviction in the next two months as somewhat or very likely.[32] Even with the assistance for renters and landlords included in the December relief package and the American Rescue Plan, mounting arrears and the eventual expiration of the eviction moratorium may leave a significant number of renters vulnerable to eviction and the cascade of negative effects associated with it, and a subset of landlords (particularly less professionalized, small landlords) at risk of losing or needing to sell their properties, which again could contribute to an uneven and inequitable recovery.

Lessons from the last recession would caution that forestalling that outcome means not only ensuring adequate levels of assistance, but also that it is intentionally and effectively targeted to the most vulnerable populations in ways that are both race-conscious and place-conscious. Part of being place-conscious means being attentive to the vast differences in governmental and institutional capacity across jurisdictions, particularly those that were already struggling with high poverty rates and strapped resources before the pandemic hit. More than 5,000 jurisdictions across the country already had poverty rates above 20 percent before the pandemic, and nearly half are located in counties that have seen post-pandemic increases in unemployment rates that outstrip the national average. Many of these are relatively small jurisdictions (only 745 are entitlement communities) that may struggle to distribute aid to hard-hit households in their communities. Part of ensuring an equitable recovery is ensuring these capacity strapped, already-struggling communities do not get left further behind.

[32] See the U.S. Census Bureau's Household Pulse Survey results for adults in renter households: U.S. Census Bureau, "Week 21 Household Pulse Survey: December 9 – December 21," https://www.census.gov/data/tables/2020/demo/hhp/hhp21.html

Jurisdictions with Poverty Rates of 20 Percent in 2019, Located in Counties that Experienced Above Average Increases in the Unemployment Rate between January 2020 and January 2021



Source: Author's analysis of American Community Survey and U.S. Bureau of Labor Statistics data

The Role of Federal Housing and Transportation Policy in Creating Equitable Communities

For federal housing and transportation policies to effectively contribute to the creation of equitable communities, they must recognize the uneven and inequitable landscape they are starting from, how existing resources and programs can be deployed differently to effect near-term change, and what longer-term strategies could work to forge more integrated, equitable, and responsive housing and transportation systems. To those ends, federal housing and transportation policy should:

Prioritize an equitable recovery in the near term by:

- Ensuring hardest hit households and landlords are accessing critical relief resources and that those resources and protections are sufficient given the length and depth of the current crisis.

- Shoring up struggling transit systems (and particularly bus routes that serve low-income neighborhoods and communities of color) so that cuts or curtailments in service do not further hinder connectivity for workers
- Staving off potential loss of affordable ownership and rental housing stock (and related wealth-building opportunities) as forbearance ends. When keeping owners in their homes (or small landlords as owners of their rental properties) is not possible, drawing on lessons learned from the last recession by working to equip mission driven entities with the tools to acquire those properties in order to maintain affordability.
- Being intentional about addressing capacity gaps in deployment of relief funds. Again, there are lessons to be learned from the Great Recession about what worked and what did not as collaborative entities formed and intermediaries stepped in to work with less-resourced communities in the wake of the foreclosure crisis.
- Recognizing how critical these crisis responses are, taking steps to build in automatic triggers that would ensure responsiveness when the next crisis hits.

Dismantle systemic inequities and create better integrated, more accountable implementation over the long term by:

- Realigning and targeting household-level housing subsidies to better support renters in reducing their housing cost burdens and increasing their ability to transition into homeownership (e.g., through the creation of a renters tax credit, by converting the mortgage interest deduction to credit or replacing it with a first-time homebuyers credit). These shifts, along with targeted strategies to close the racial wealth gap (e.g., through use of Special Purpose Credit Programs and modernized approaches to credit scoring) could both stabilize vulnerable renters and help more renters and renters of color become homeowners. But to decrease disparities in access to affordable rental and homeownership opportunities in ways that also overcome patterns of racial and economic segregation also requires robust supply-side strategies, which speaks to the next recommendation.
- Reviewing existing federal subsidies oriented at housing production and preservation to identify ways they can be aligned to work together more seamlessly and in ways that reduce unnecessary administrative and development costs. At the same time, funding formulas that support housing and transportation infrastructure should be revisited to make sure they reflect today's landscape of housing and transportation needs, which varies markedly across markets.
- Better coordinating funding for housing and transportation to make sure infrastructure investments are being made in ways that contribute to equitable communities, advance access to opportunity (through housing and/or transportation), and meet fair housing and sustainability goals. To that end, the federal government should pilot models to deploy subsidies used for housing supply/infrastructure at a cross-jurisdictional scale that more readily matches up with the way housing and labor markets function and the scale at which transportation planning and funding takes place. The Affirmatively Furthering Fair Housing Rule's Assessment of Fair Housing provides one potential regional lens for planning around housing needs from which such a pilot could build. That cross-jurisdictional lens can also help assist capacity-strapped jurisdictions further these goals and hold exclusionary communities accountable for their obligations.

- Tying key sources of funding for housing and transportation infrastructure to performance-based metrics to ensure recipients of funding sources (e.g., Community Development Block Grant and Surface Transportation Block Grant dollars) are advancing policies and projects that meet regional housing and transportation needs in ways that further equity and resilience imperatives.
- Using federal regulatory authority, paired with strengthened enforcement mechanisms, to ensure private market actors and localities are complying with their statutory obligations to guard against discrimination, further fair housing, and create equal opportunities to access credit.