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

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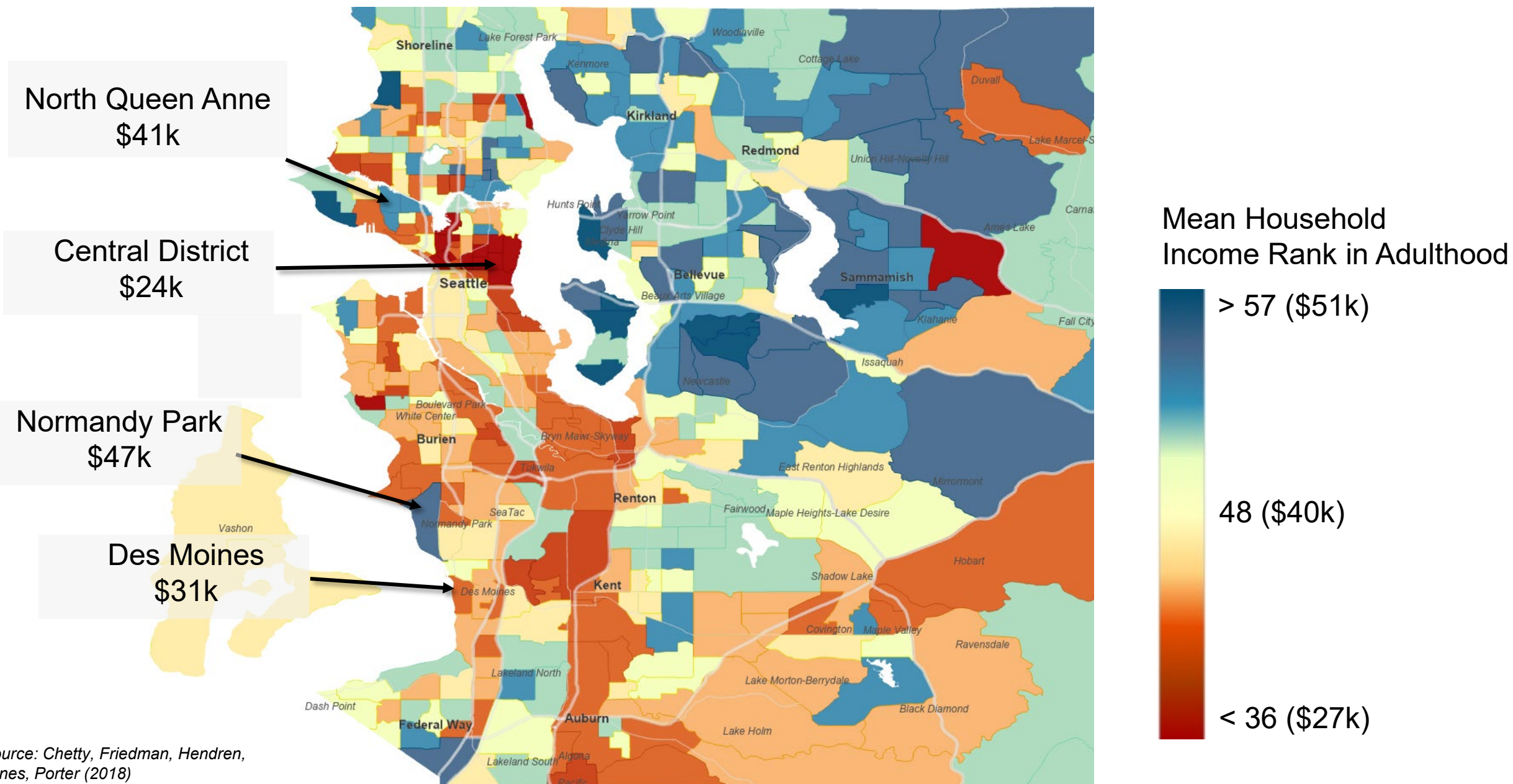Christopher Palmer, MIT, J-PAL, and NBER

June 2021

Motivation: Four Facts on Neighborhoods and Economic Opportunity

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

The Geography of Upward Mobility in Seattle and King County
Average Income at Age 35 for Children with Parents Earning $27,000 (25th percentile)

North Queen Anne
$41k

Central District
$24k

Normandy Park
$47k

Des Moines
$31k

Mean Household
Income Rank in Adulthood

> 57 ($51k)

48 ($40k)

< 36 ($27k)

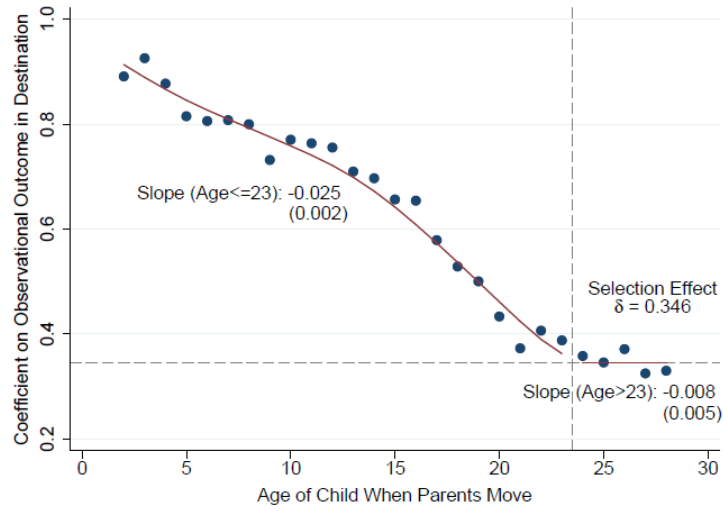*Source: Chetty, Friedman, Hendren, Jones, Porter (2018)*

Motivation: Four Facts on Neighborhoods and Economic Opportunity

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

2. Moving to better neighborhoods earlier in childhood improves children's outcomes in adulthood significantly
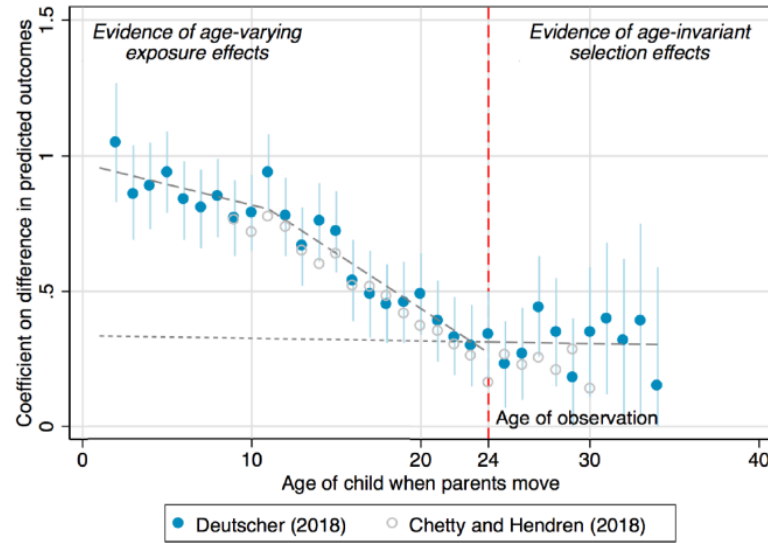
Estimates of Childhood Exposure Effects
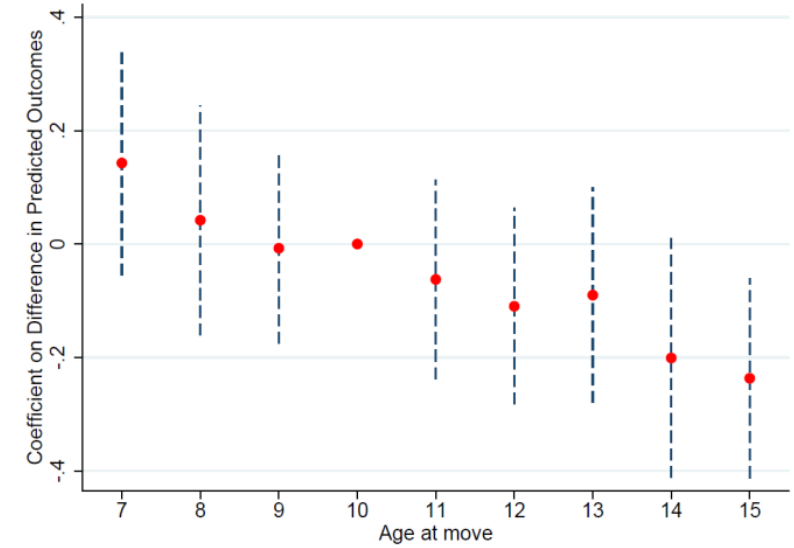
United States

Slope (Age<=23): -0.025 (0.002)

Selection Effect δ = 0.346

Slope (Age>23): -0.008 (0.005)

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

Australia

Evidence of age-varying exposure effects

Evidence of age-invariant selection effects

Age of observation

- Deutscher (2018)
- Chetty and Hendren (2018)

Source: Deutscher (2018)

Montreal, Canada

Source: Laliberté (2018)

Denmark

- Estimates
- Assuming linearity
- 95% confidence interval
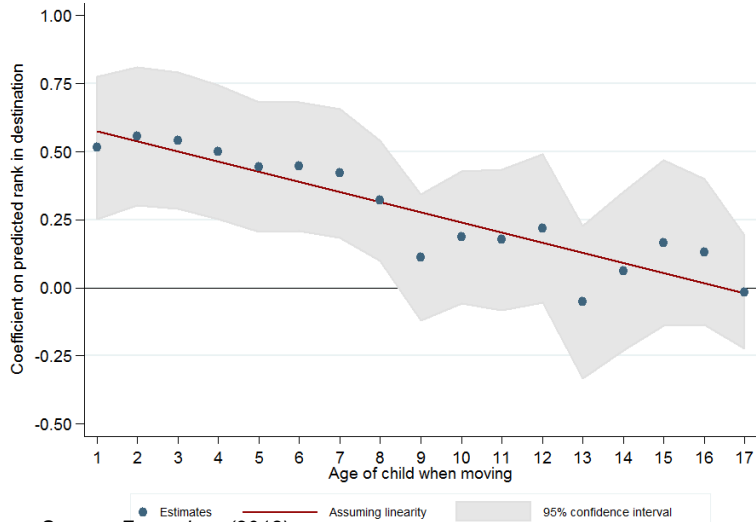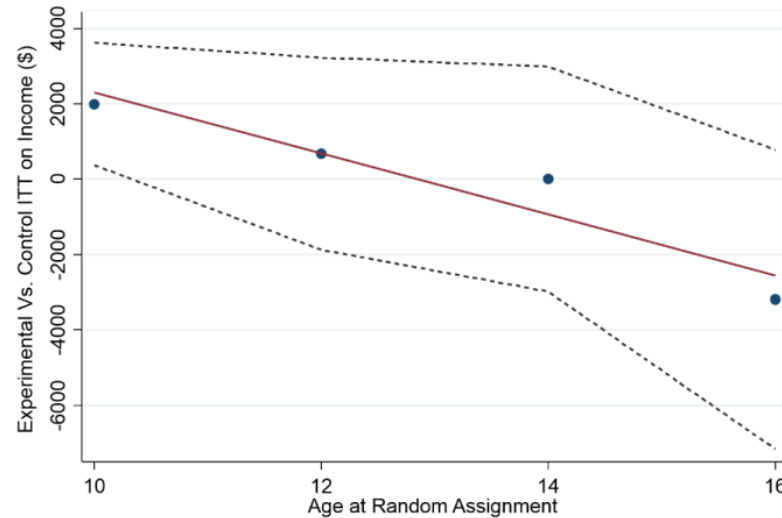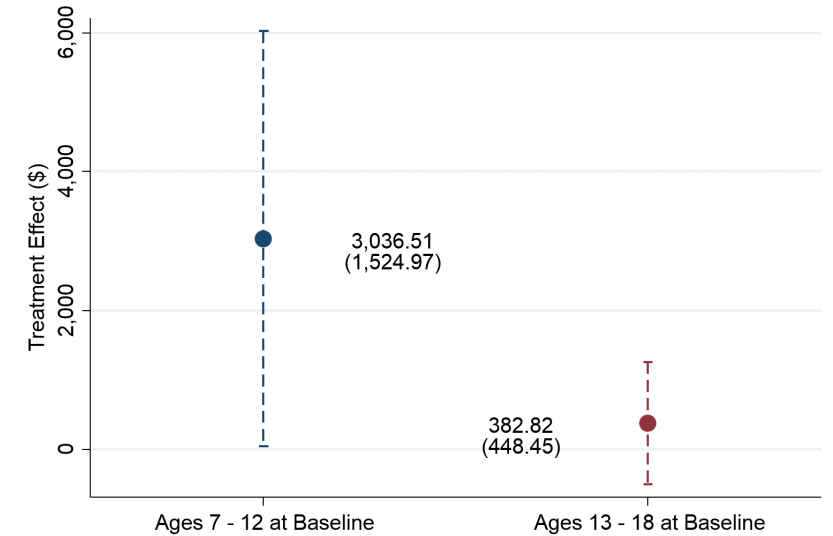
Source: Faurschou (2018)

MTO: Baltimore, Boston, Chicago, LA, NYC

Source: Chetty, Hendren, Katz (AER 2016)

Chicago Public Housing Demolitions

3,036.51 (1,524.97)

382.82 (448.45)

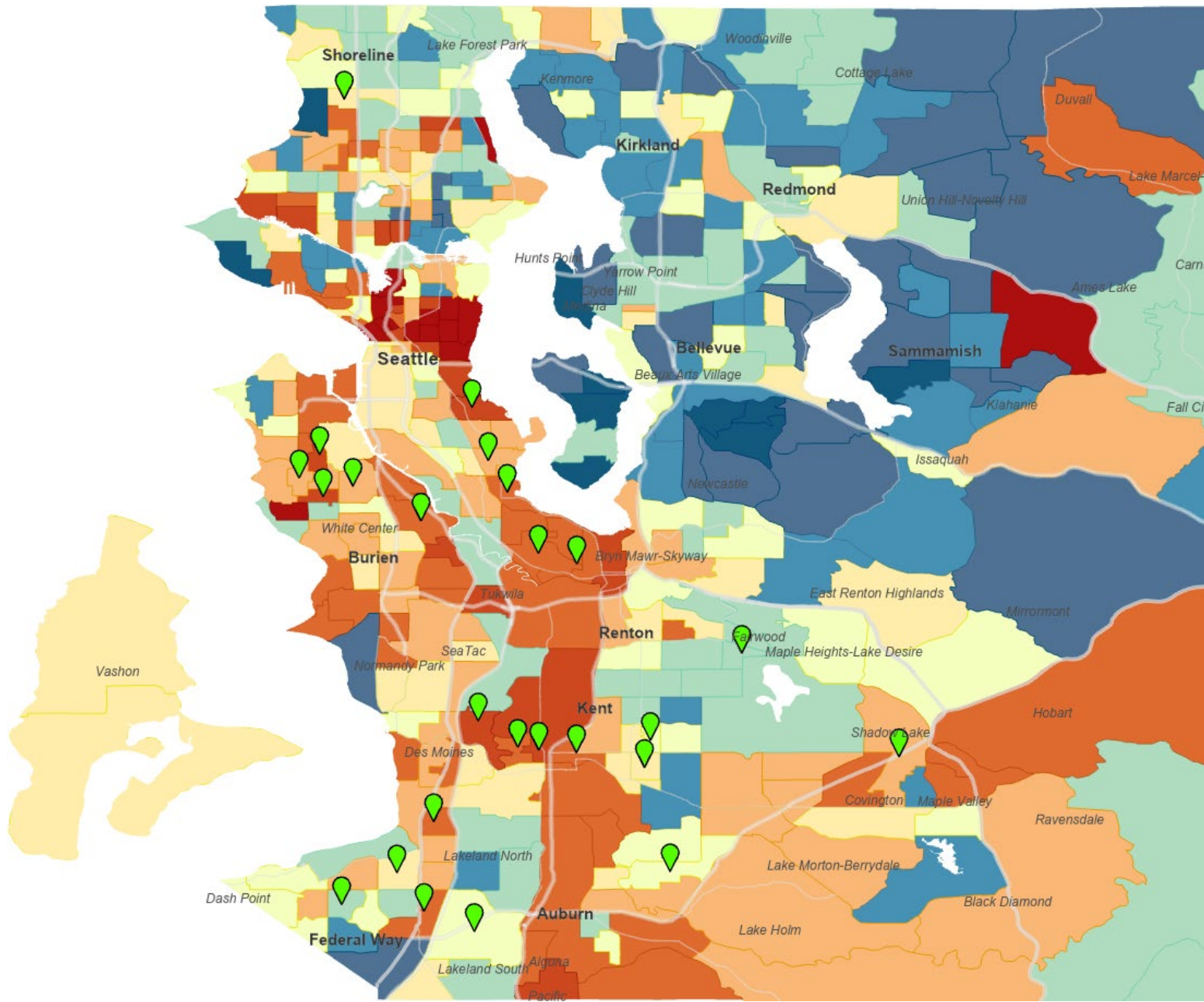Ages 7 - 12 at Baseline

Ages 13 - 18 at Baseline

Source: Chyn (AER 2018)

Motivation: Four Facts on Neighborhoods and Economic Opportunity

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

2. Moving to better neighborhoods earlier in childhood improves children's outcomes in adulthood significantly

3. Low-income families who receive housing vouchers predominantly live in low-opportunity neighborhoods

Most Common Locations of Families with Housing Vouchers 2015-2017

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

Mean Household Income Rank in Adulthood

> 57 ($51k)

48 ($40k)

< 36 ($27k)

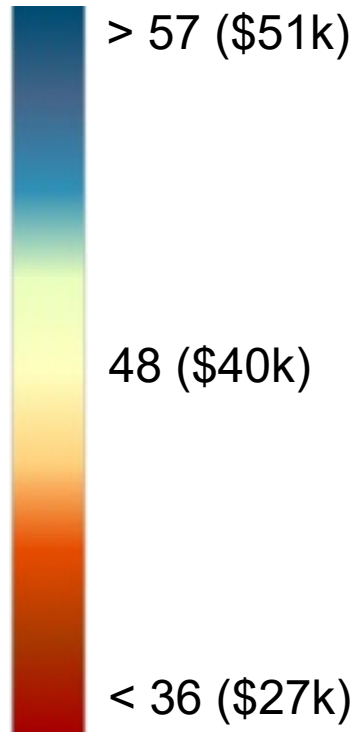# Motivation: Four Facts on Neighborhoods and Economic Opportunity

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

2. Moving to better neighborhoods earlier in childhood improves children's outcomes in adulthood significantly

3. Low-income families who receive housing vouchers currently live predominantly in low-opportunity neighborhoods

4. Differences in rent do not explain why low-income families live in low-opportunity areas

The Price of Opportunity in King County: Upward Mobility vs. Rents, by Census Tract

Scatter plot. X-axis: Median 2-Bedroom Rent in 2015, ranging from $500 to $2,500. Y-axis: Mean Household Income Ranks of Children with Low-Income (25th Percentile) Parents, with dual labels: $21K/30, $31K/40, $42K/50, $56K/60. Labeled points: Newport, Woodinville, Federal Way, West Kent.
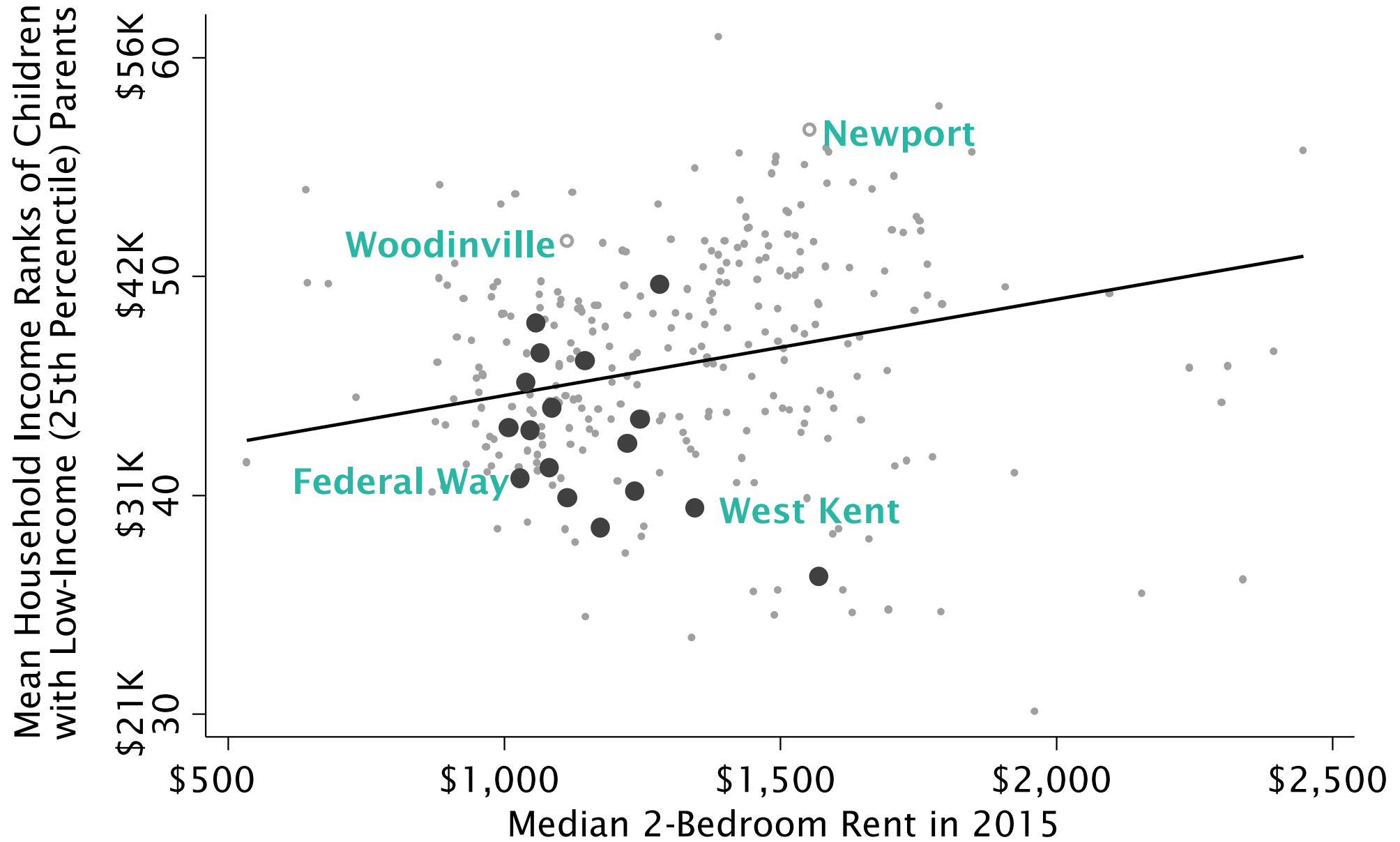
Question: Why Don't Low-Income Families Move to Opportunity?

- Two classes of explanations:

  1. **Preferences**: families may prefer to stay in current neighborhoods because of other amenities (e.g., commute time, proximity to family)

  2. **Barriers**: families may be unable to find housing in high-opportunity areas because of lack of information, search frictions, or landlords' tastes

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

Creating Moves to Opportunity

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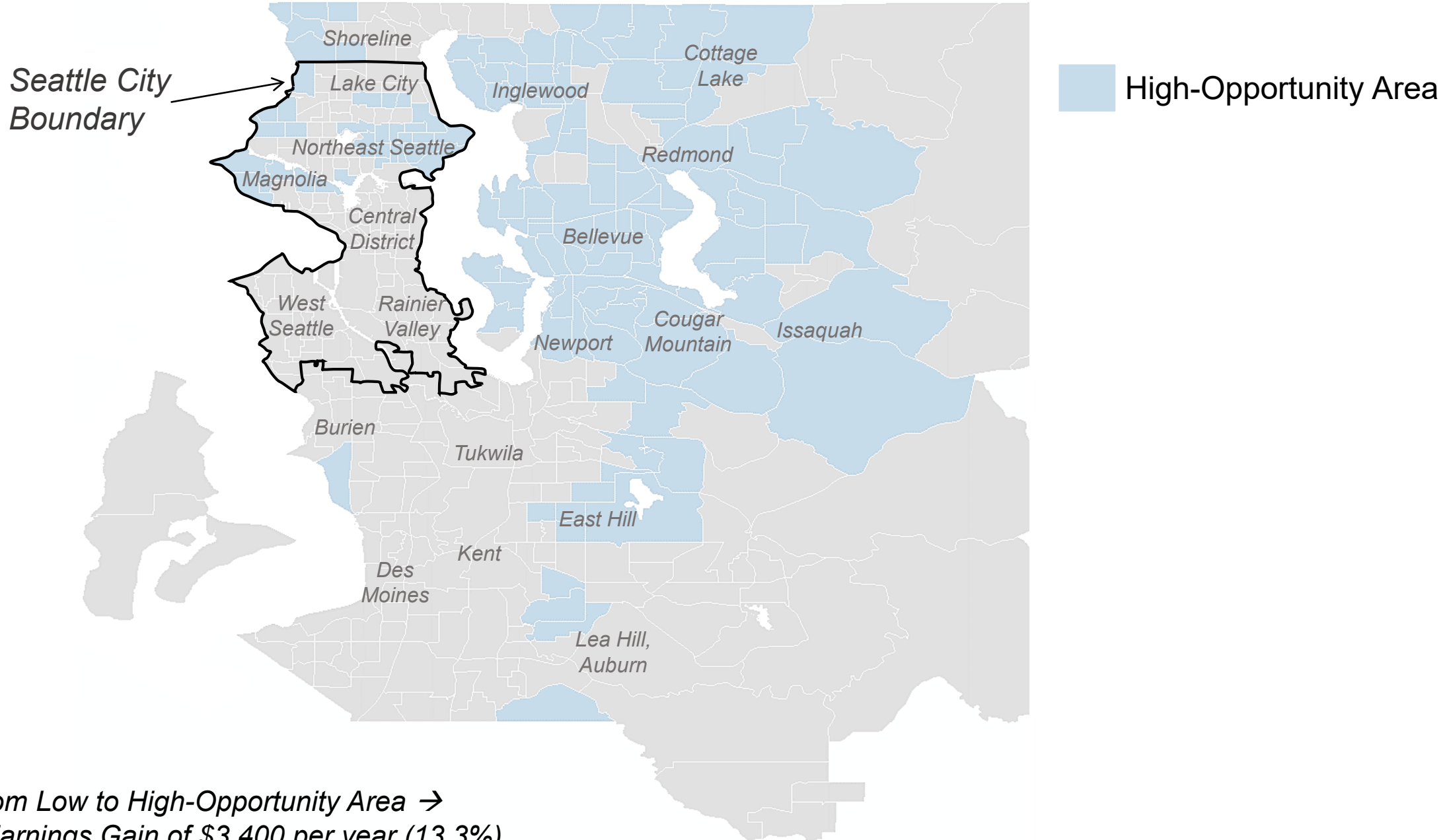
Outline

1. **Program Description and Experimental Design**

2. Treatment Effects

3. Mechanisms

4. Conclusion

Designation of High-Opportunity Neighborhods

Seattle City Boundary

High-Opportunity Area

Shoreline

Lake City

Cottage Lake

Inglewood

Northeast Seattle

Redmond

Magnolia

Central District

Bellevue

West Seattle

Rainier Valley

Newport

Cougar Mountain

Issaquah

Burien

Tukwila

East Hill

Kent

Des Moines

Lea Hill, Auburn

Moving at Birth from Low to High-Opportunity Area →
Mean Predicted Earnings Gain of $3,400 per year (13.3%)

Treatment Interventions

CUSTOMIZED SEARCH ASSISTANCE

DIRECT LANDLORD ENGAGEMENT

SHORT-TERM FINANCIAL ASSISTANCE

On average, non-profit staff spend **6 hours** with each household

47% of rentals in high-opportunity areas made through links via non-profit staff

Average financial assistance of **$1,000** for security deposits, application fees, etc.

Program Cost: $2,660 per family issued a voucher
(2.2% of average voucher payments over 7 years)

*Note: Families **not** required to move to high-opportunity areas*

Experimental Design

- Sample frame: families with at least one child below age 15 who were issued vouchers in either Seattle or King County

- Phase 1: April 2018 to April 2019

  - 430 families, split randomly into control (standard services) and treatment

- Phase 2: July 2019 to March 2020

  - 337 families, split randomly into control and three treatment groups to unbundle mechanisms
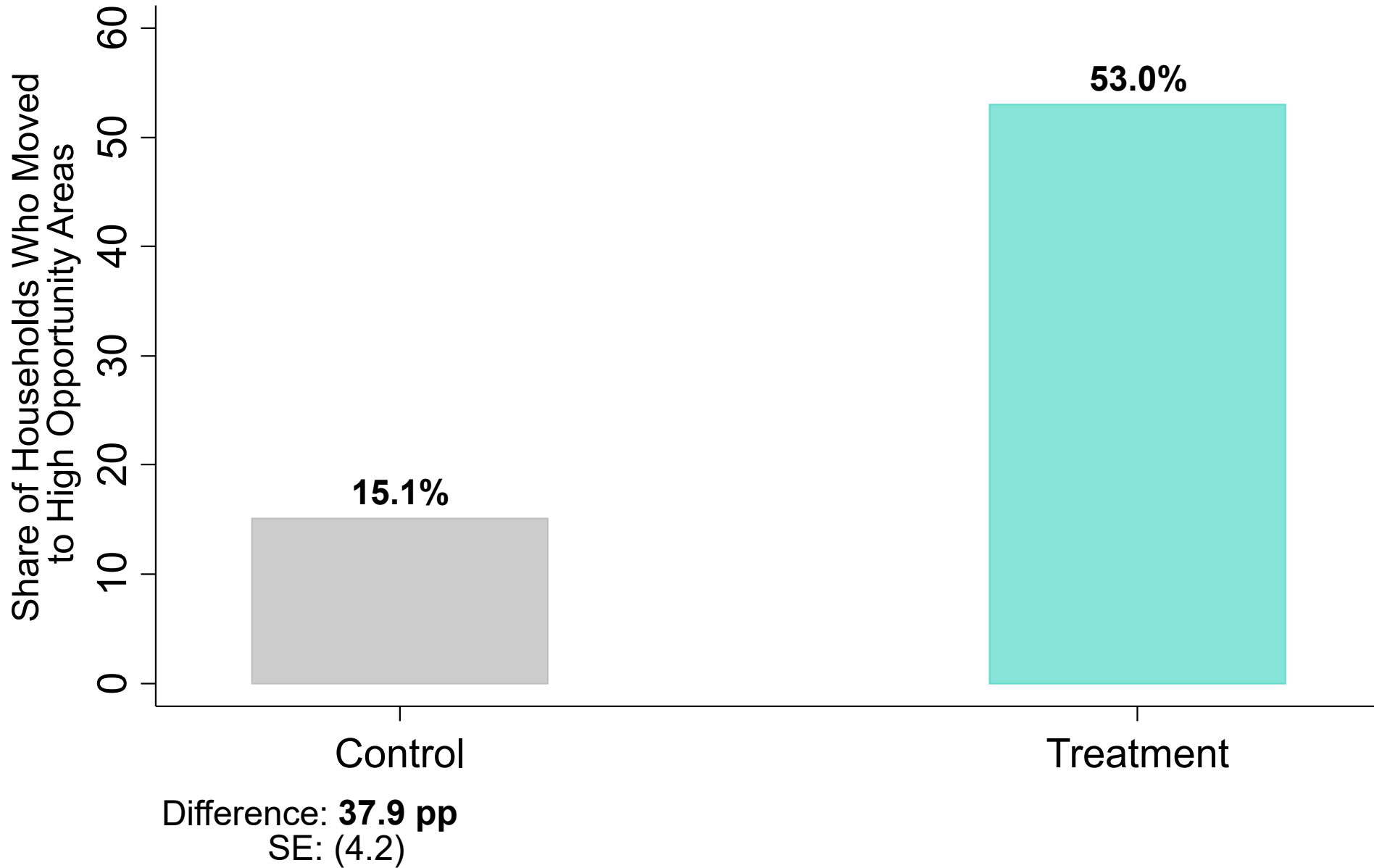
Outline

Fraction of Families Who Leased Units in High Opportunity Areas

Share of Households Who Moved to High Opportunity Areas

15.1%

53.0%

Control

Treatment

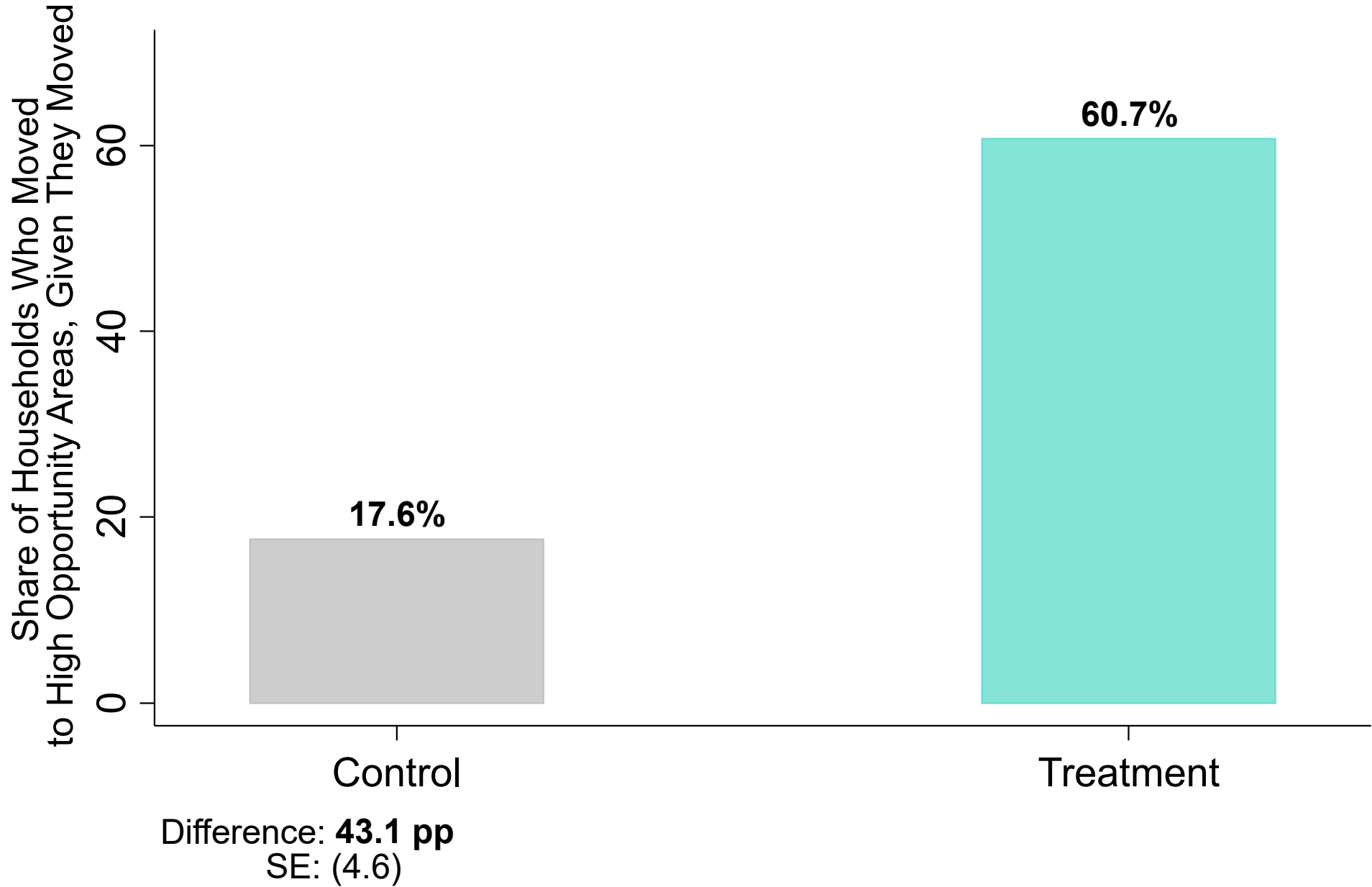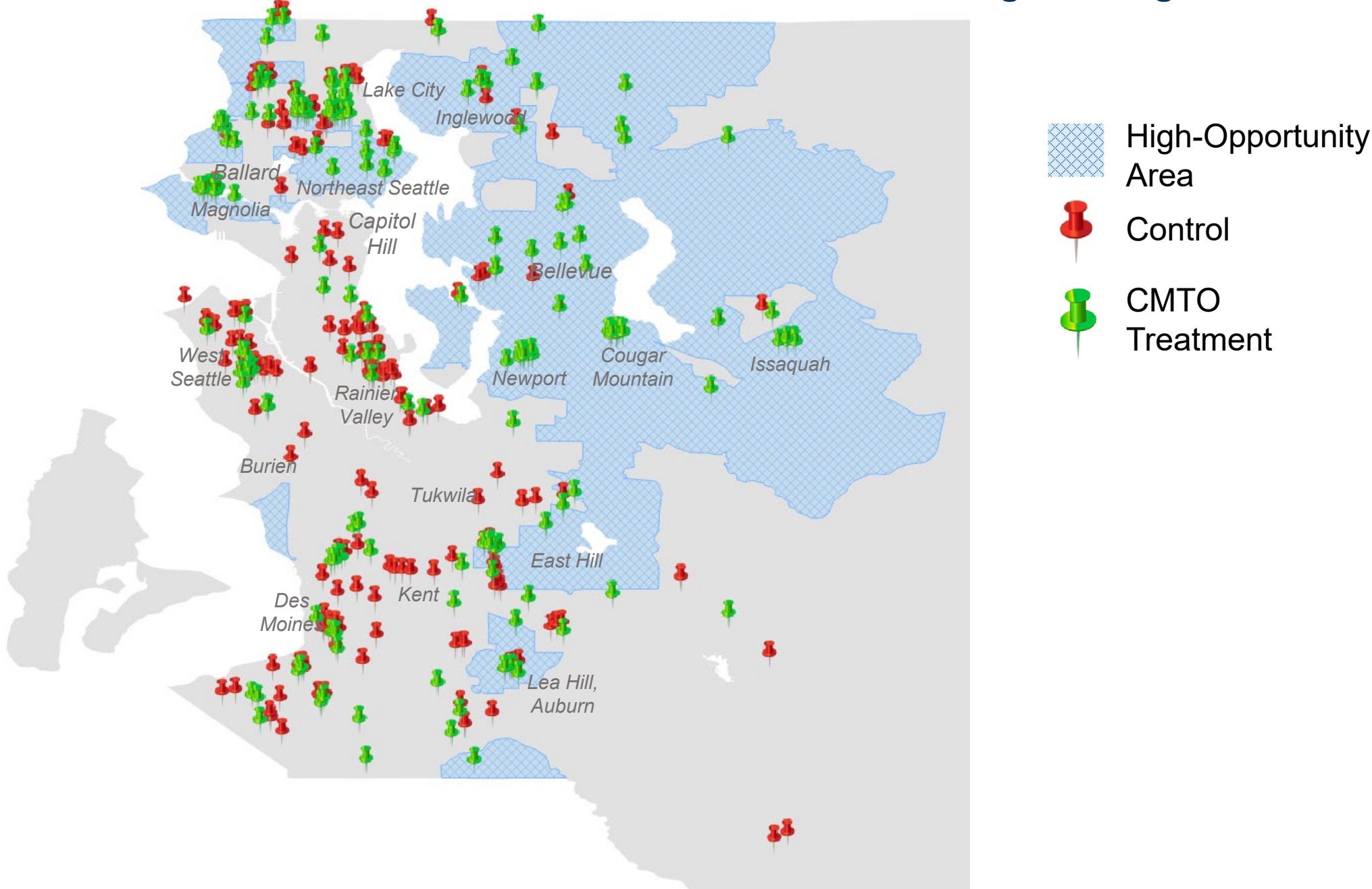Difference: **37.9 pp**
SE: (4.2)

Fraction Who Leased Any Unit
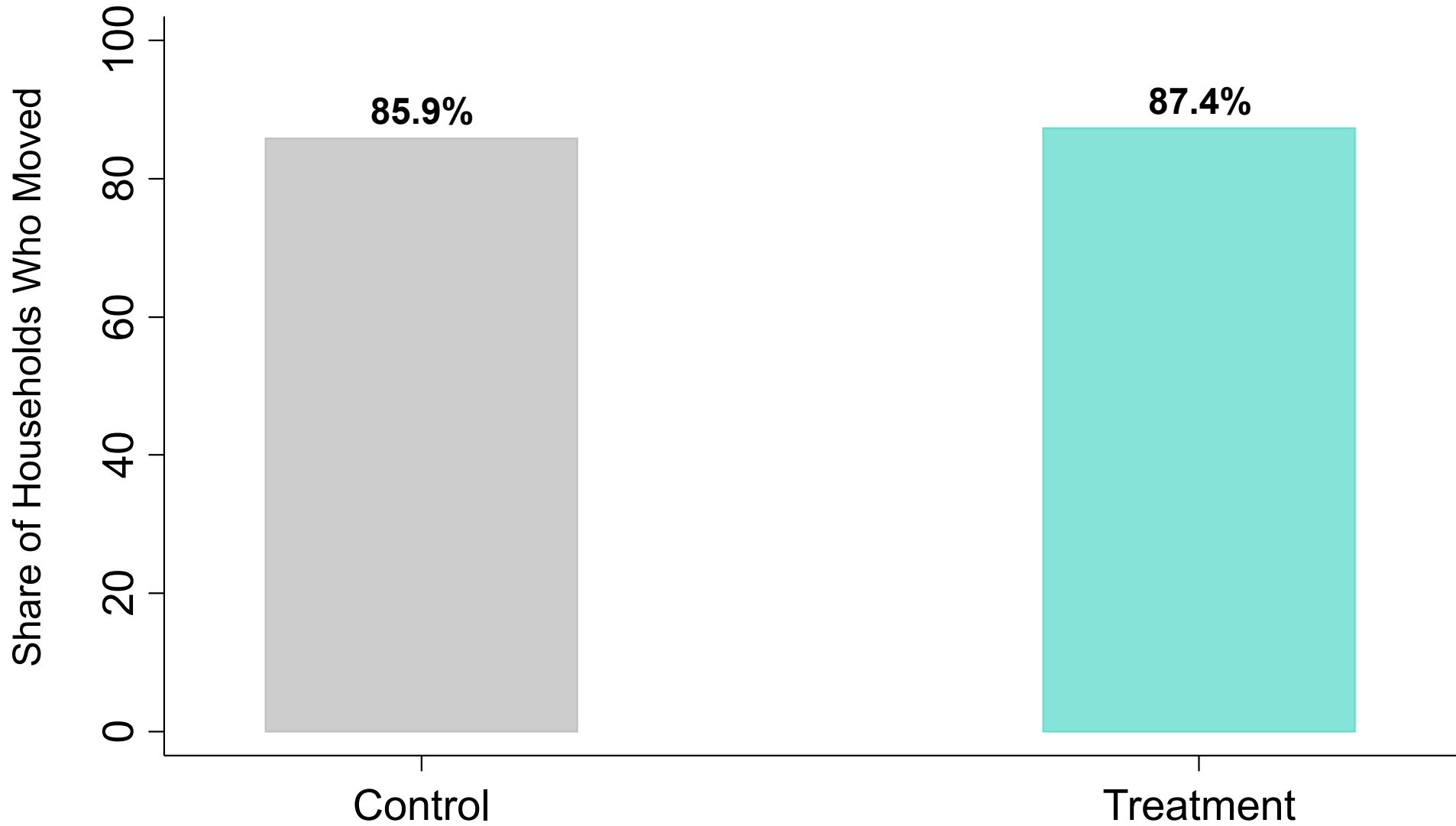
Difference: **1.5 pp**
SE: (3.3)

Fraction Who Leased Units in High Opportunity Areas, Conditional on Leasing Up Using Voucher

Difference: **43.1 pp**
SE: (4.6)

Destination Locations for Families that Leased Units Using Housing Vouchers

Treatment Effects By Race and Ethnicity

Percent of Households Who Moved to High Opportunity Areas

Black Non-Hispanic
- Control: 10.9%
- Treatment: 47.6%
- Diff. = 36.7 (5.8)

White Non-Hispanic
- Control: 19.6%
- Treatment: 62.3%
- Diff. = 42.7 (9.0)

Other Race/Ethnicity
- Control: 19.6%
- Treatment: 56.0%
- Diff. = 36.4 (8.6)
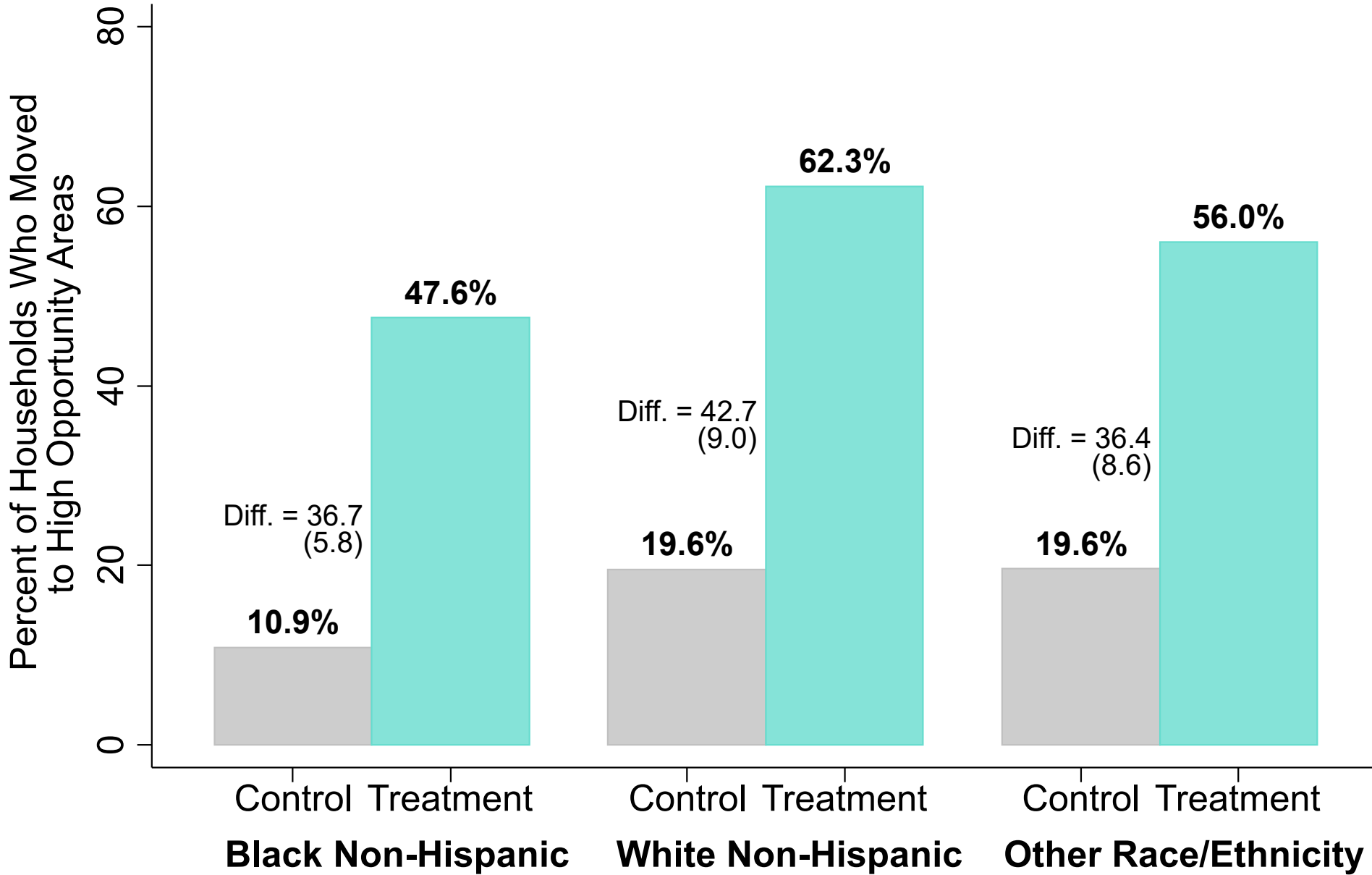
Predicted Impacts on Upward Mobility

- How much do these moves improve children's rates of upward income mobility?

- Cannot directly answer this question yet, but can make a prediction based on historical data on tracts' causal effects on upward mobility from the Opportunity Atlas

    - Destination tracts to which treatment group families moved predicted to increase annual income by $3,000 (8.4%) relative to control group tracts on average
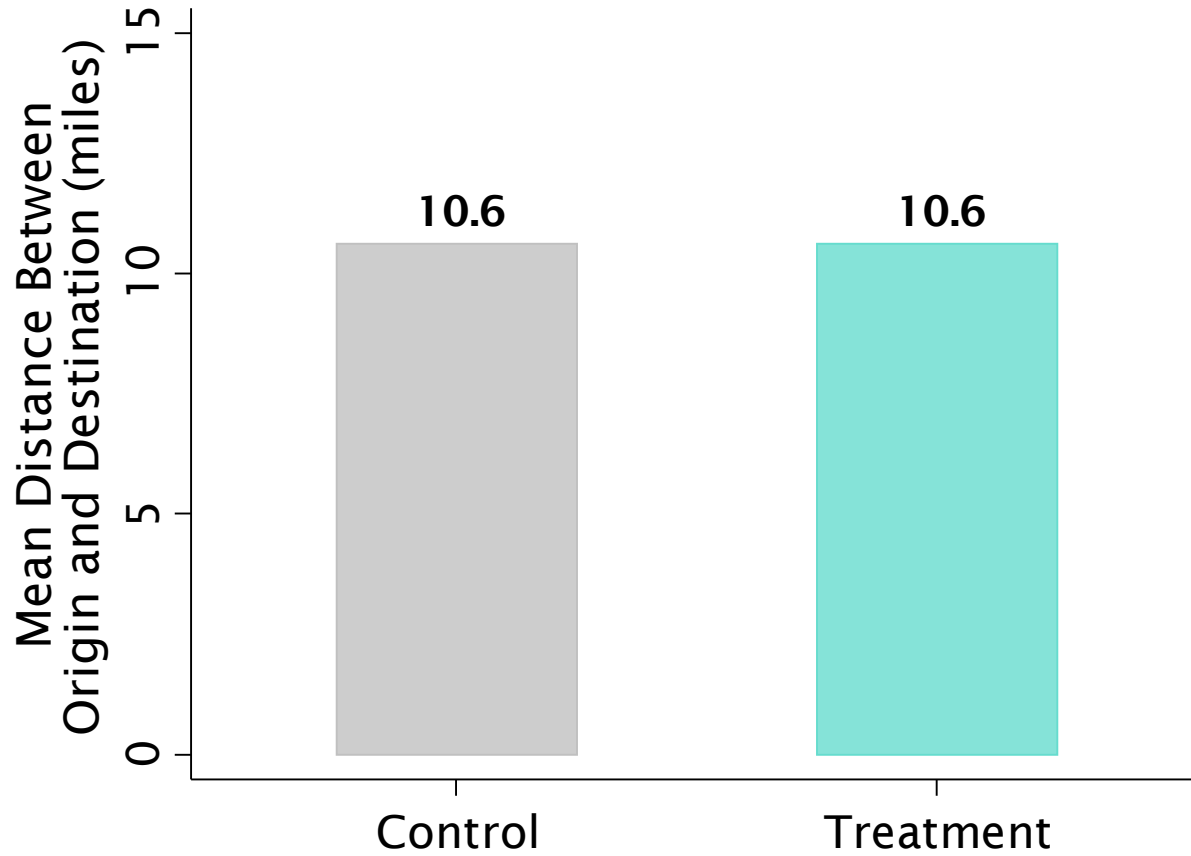
Tradeoffs in Unit Characteristics

- Are families making sacrifices on other dimensions to move to high-opportunity areas?
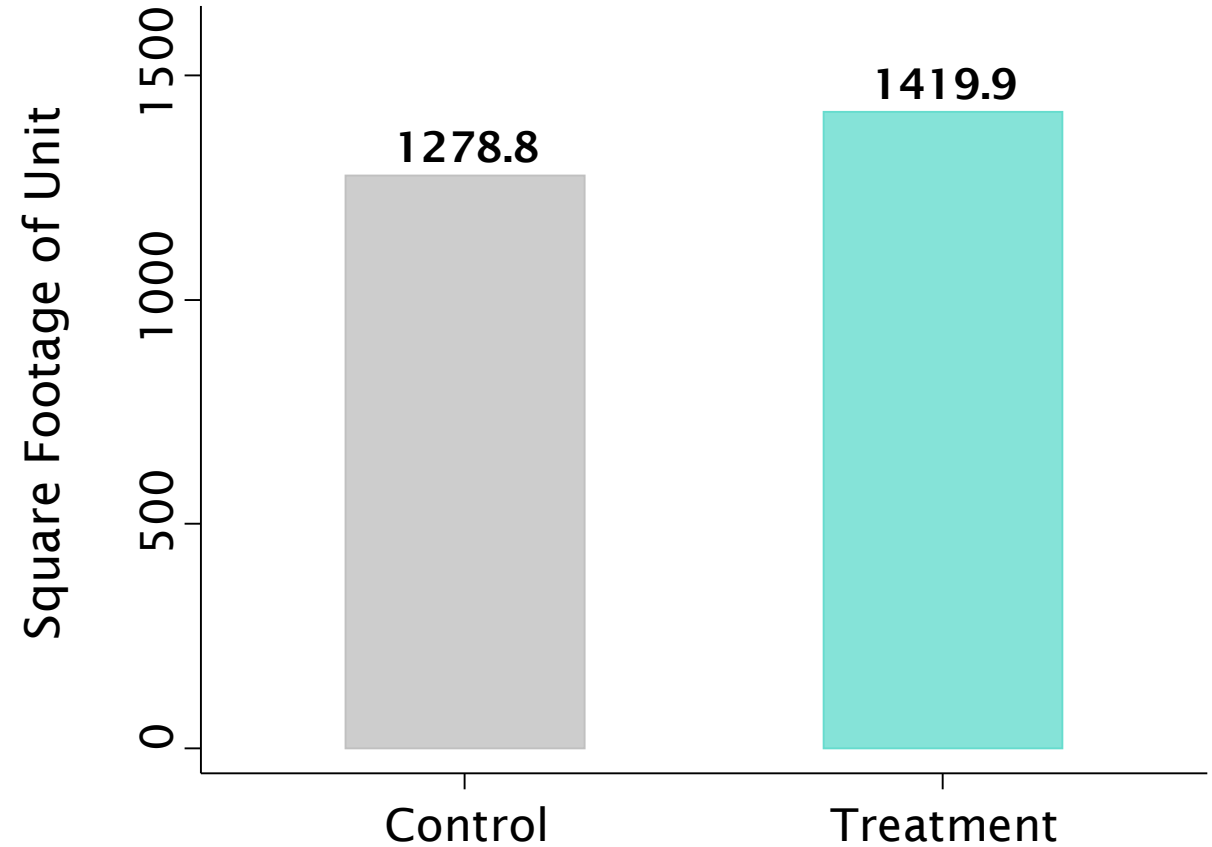
Tradeoffs in Neighborhood and Unit Quality
Treatment Effects on Distance Moved and Unit Size

Distance Moved

Unit Size

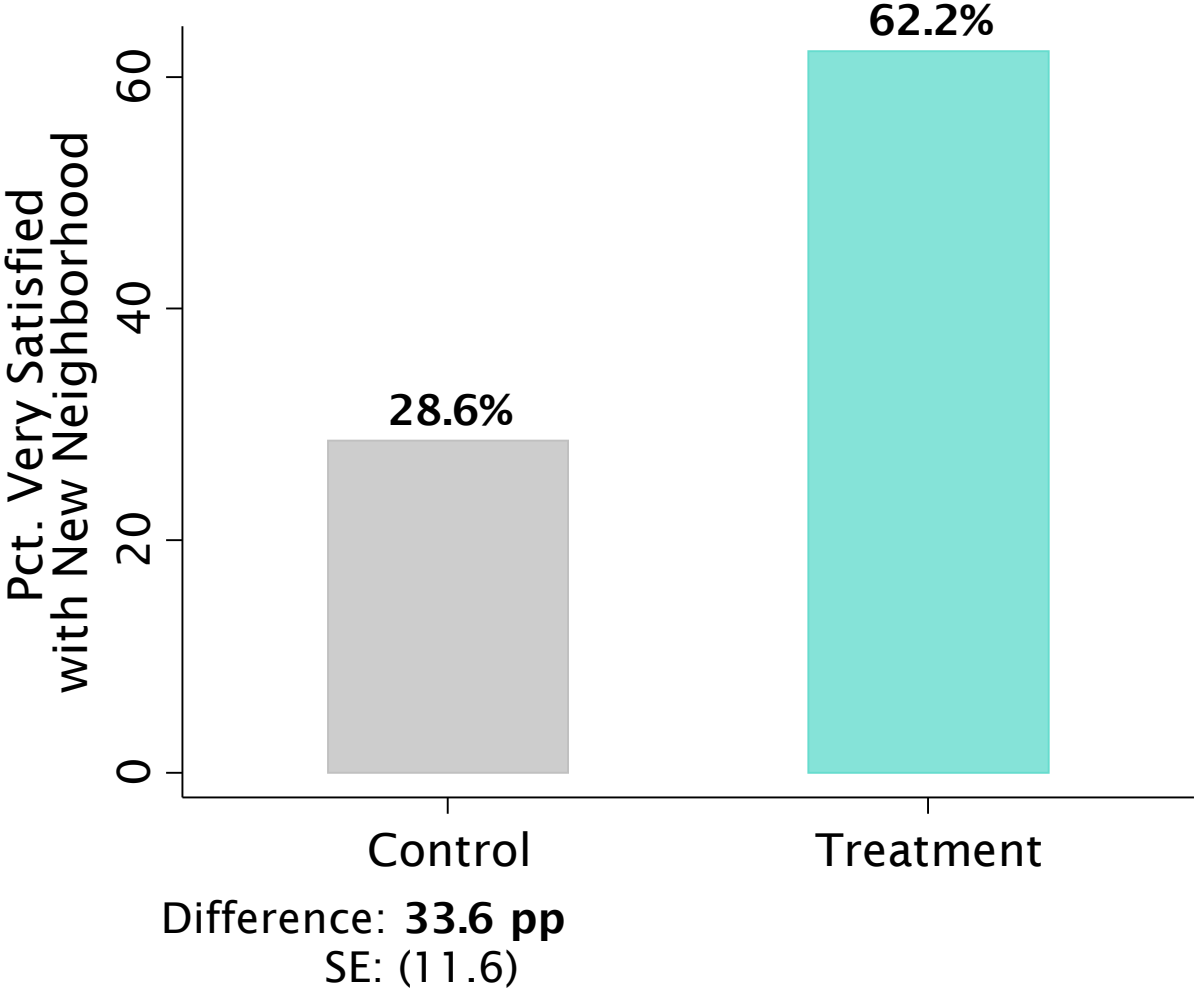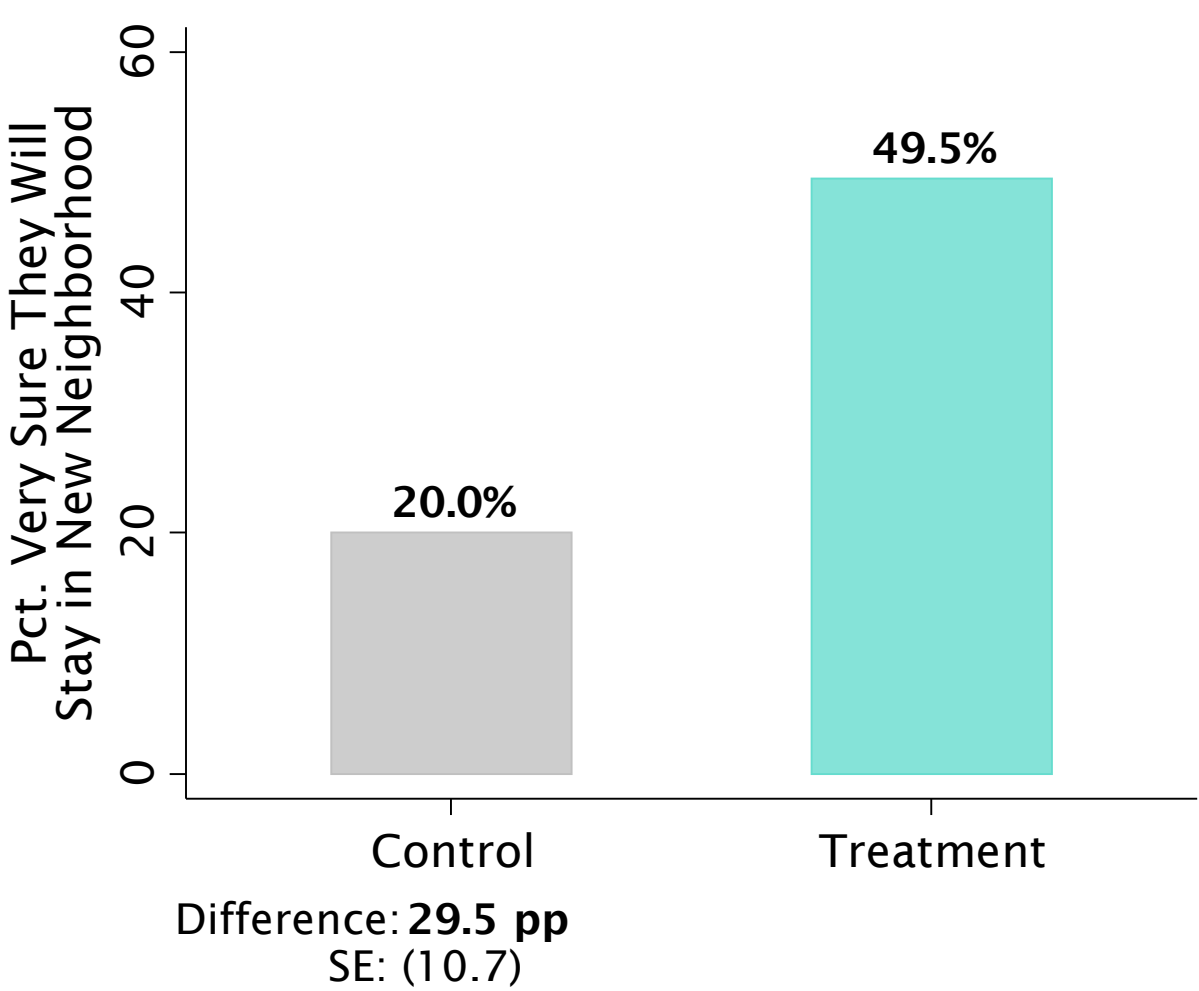Difference: **-0.0 miles**
SE: (1.4)

Difference: **141.1 sq. ft.**
SE: (110.1)

Satisfaction with New Neighborhoods
Based on Surveys Six Months Post-Move

"Very Satisfied" with New Neighborhood?

Difference: **33.6 pp**
SE: (11.6)

"Very Sure" Will Stay?

Difference: **29.5 pp**
SE: (10.7)

Implications for Models of Neighborhood Choice

- Experimental results suggest that barriers play a central role in neighborhood choice

  - Frictionless model would require that 45% of people happen to have (net) willingness to pay for low-opportunity areas between $0 and $2,600 (cost of treatment)

- These barriers could potentially be captured in a standard model of housing search (e.g., Wheaton 1990; Kennan and Walker 2011) with sufficiently large search costs

  - Important to unpack what these costs are to understand how to reduce them

Outline

1 Program Description and Experimental Design
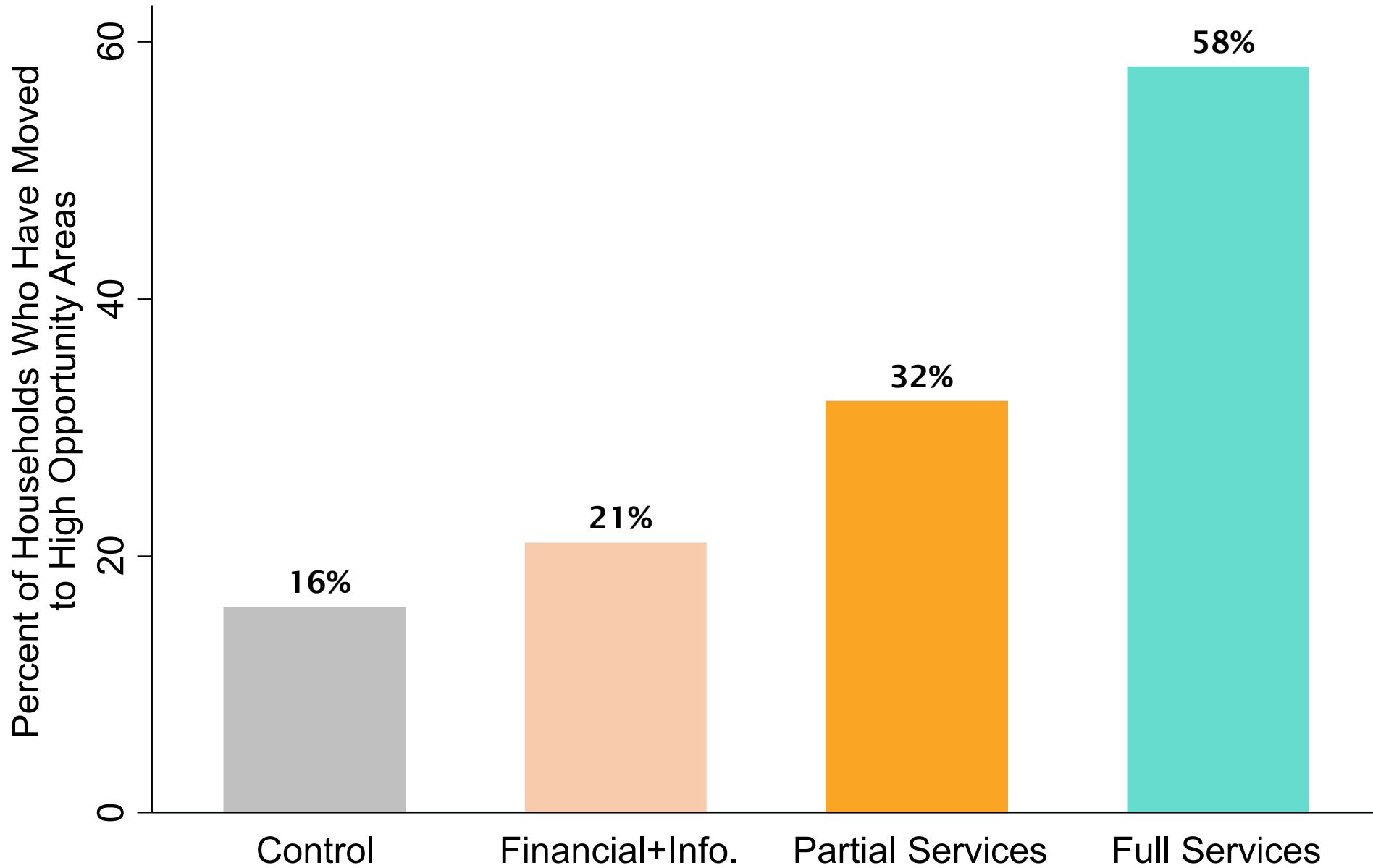
2 Treatment Effects
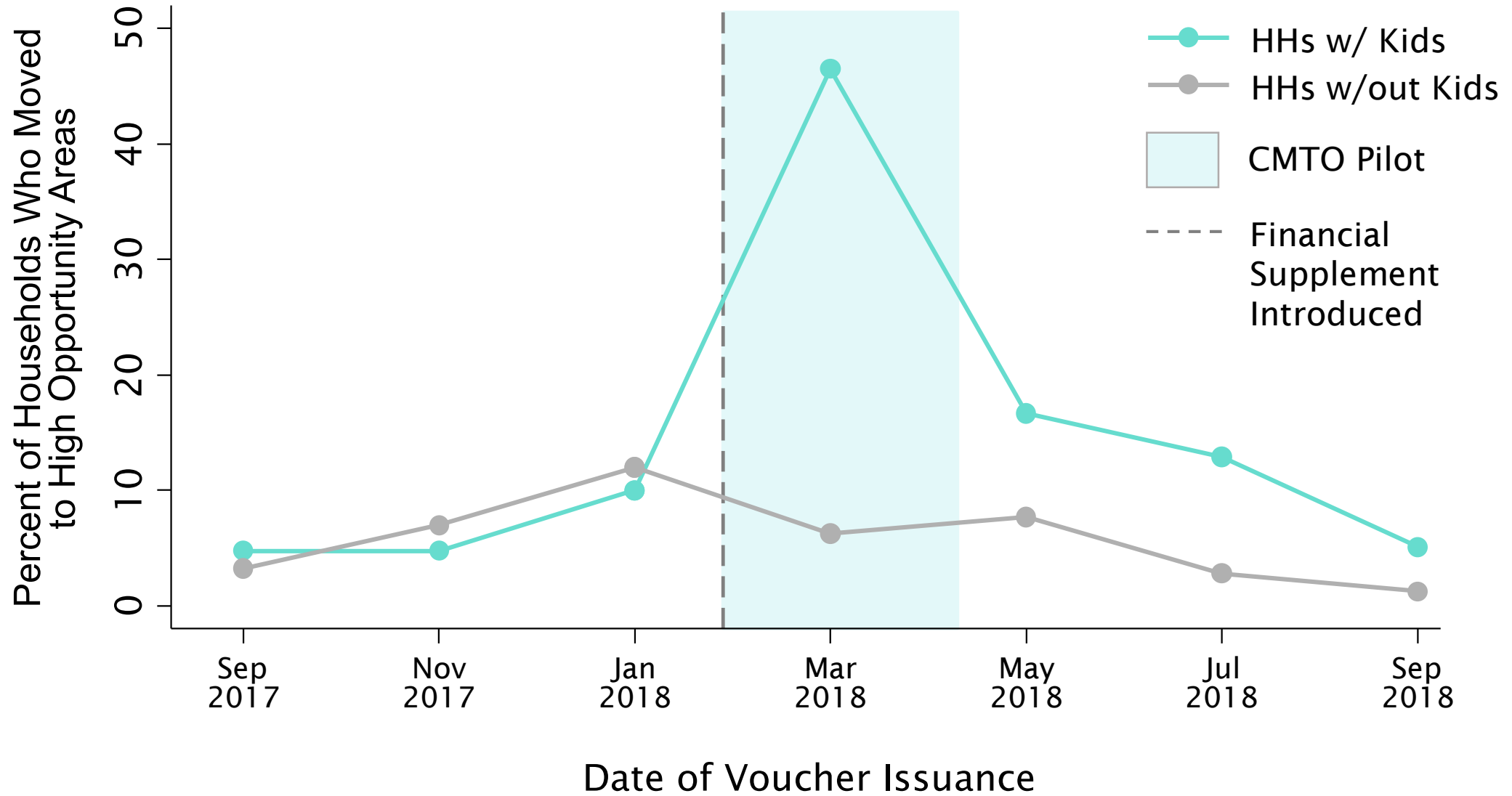
3 Mechanisms

4 Conclusion

Mechanisms

- What are the barriers families face in moving to higher-opportunity areas?

- Two quantitative approaches:

  1. Second phase of experiment with unbundled treatments: financial assistance only and light-touch (non-customized) services

  2. Quasi-experimental analysis of other policy changes (e.g., increased payment standards)

Fraction Who Leased Units in High Opportunity Areas in Phase 2 of the CMTO Experiment

Percent of Households Who Have Moved to High Opportunity Areas

	Control	Financial+Info.	Partial Services	Full Services
	16%	21%	32%	58%

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

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

DD Estimate: **10.6 pp**
(5.01)

Qualitative Evidence on Mechanisms

- We also conducted a qualitative study of 161 families interviewed for two hours each during search process and post-move

- Key lessons from these interviews (based on systematic coding of 8,000 pages of transcripts):

  1. [Scarcity] Most families have extremely limited time and resources to search
     [Mullainathan and Shafir 2013]

  2. [Customization] Case workers' ability to respond to each family's **specific** needs is crucial above and beyond standardized resources

Five Key Mechanisms Underlying the Treatment Effects

1. Emotional Support (61% prevalence rate)

2. Increased Motivation to Move to Opportunity (78%)

3. Streamlining the Search Process (73%)

4. Landlord Brokering (61%)

5. Short-Term Financial Assistance (81%)

Illustrative Quotes

Emotional/Psychological Support

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

Brokering with Landlords

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

Short-Term Financial Assistance

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

Conclusions

1. Residential segregation of low-income families in the U.S. is driven more heavily by constraints than ex-ante preferences

2. Redesigning existing affordable housing policies to reduce such barriers could reduce segregation and increase upward mobility substantially

Housing Choice Voucher Mobility Demonstration Act

115TH CONGRESS
2D SESSION

H. R. 5793

IN THE SENATE OF THE UNITED STATES

JULY 11, 2018

Received; read twice and referred to the Committee on Banking, Housing, and Urban Affairs

AN ACT

To authorize the Secretary of Housing and Urban Development to carry out a housing choice voucher mobility demonstration to encourage families receiving such voucher assistance to move to lower-poverty areas and expand access to opportunity areas.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Housing Choice Voucher Mobility Demonstration Act of 2018".

SEC. 2. HOUSING CHOICE VOUCHER MOBILITY DEMONSTRATION.

(a) AUTHORITY.—The Secretary of Housing and Urban Development (in this section referred to as the "Secretary") may carry out a mobility demonstration program to enable public housing agencies to administer housing choice voucher assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) in a manner designed to encourage families receiving such voucher assistance to move to lower-poverty areas and expand access to opportunity areas.

(b) SELECTION OF PHAS.—

(1) REQUIREMENTS.—The Secretary shall establish requirements for public housing agencies to participate in the demonstration program under this section, which provide that the following public housing agencies may participate:

Conclusions

1. Residential segregation of low-income families in the U.S. is driven more heavily by constraints than ex-ante preferences

2. Redesigning existing affordable housing policies to reduce such barriers could reduce segregation and increase upward mobility substantially

3. More broadly, social determinants of choice appear to be extremely important, beyond traditional financial considerations

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