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Housing Policy and Poverty in Springfield

Lynn E. Browne
with Marques Benton, Sol Carbonell, Prabal Chakrabarti, DeAnna Green, Yolanda Kodrzycki, Ana Patricia Muñoz, Anna Steiger, Richard Walker, and Bo Zhao

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ABSTRACT:
This essay considers whether housing policies may have contributed to the concentration of poverty in downtown Springfield, Massachusetts – a question that emerged in conversations with local leaders. Springfield is not alone in having large numbers of lower income households living downtown. This pattern is common in American cities. Recent research emphasizes the role of public transportation in causing lower income households to live closer to downtown. However, spillover effects and government policies, including housing policies, have reinforced this tendency. The essay reviews federal housing policy, with a focus on Springfield. A dilemma for Springfield today is that housing and community development policies and resources tend to reflect the needs of communities with strong housing markets where preserving affordable housing is critical. In Springfield, with a much weaker housing market, these policies may perpetuate the status quo. A higher priority for Springfield is attracting a more economically diverse population.

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This essay is one of a series of papers examining challenges and opportunities facing the city of Springfield, Massachusetts as it seeks to revitalize its economy. These papers are published on the Reserve Bank's web site under the heading "Towards a More Prosperous Springfield, Massachusetts" at http://www.bos.frb.org/commdev/springfield/index.htm.

Housing Policy and Poverty in Springfield

In the Boston Federal Reserve Bank's initial analysis of challenges to Springfield's revitalization, it was argued that the pronounced visibility of poverty and economic distress in downtown neighborhoods is an impediment to City plans to promote itself as a "vibrant urban center and cultural center"[1] for the Pioneer Valley.[2] And in discussions about how to deal with this issue, some Springfield leaders have asked whether government policies have contributed to the concentration of poverty in and around the downtown. In particular, concern has been expressed about the high fraction of subsidized housing near downtown.

This essay offers the following perspectives on this issue. First, Springfield is an advanced illustration of a pattern common in American cities. Cities are generally poorer than their suburbs, and within most cities, poorer households tend to locate closer to downtown. Second, economic theory argues that this pattern can be explained by differences in the demand for land compared to the cost of commuting for rich and poor households. Third, spillover effects from concentrations of rich and poor in separate locations reinforce these patterns. Fourth, over the years, government policies, both explicit and implicit, have reinforced economic divisions; housing policies have contributed. Finally, policies to counter these patterns are few and resources are limited.

1. Springfield is not alone

Although the poverty around Springfield's downtown is pronounced and very visible, Springfield is not unusual in having poorer residents living closer to the downtown and more affluent households on the outskirts of the city and in the suburbs. Indeed, this pattern has long been characteristic of American cities and has generated a

[1] Urban Land Institute (2006), p.7.
[2] See Browne, Green, et al. (2009).

considerable literature devoted to exploring why this might be.[3] Rural areas tend to be poor; but their poverty can often be explained by isolation from economic opportunity. The puzzle is why, within many metropolitan areas, lower-income households live closer to downtown and higher-income households live further out.

2. Theories of residential location

In the 1960s, economists developed models highlighting the relationships among distance from the city center, transportation costs, and land costs. These models assumed employment is concentrated in the city center. Because of transportation costs, people will pay more to live closer to the center of the city. Thus, the price of land falls as distance from the city center increases.

One might think that this would mean that the rich would live closer to downtown and the poor at more distant locations. Richer households can afford to pay more for housing and the time they spend commuting has a higher market value than the time of the poor. However, if demand for land on which to build bigger and better houses rises as incomes increase – and if this relationship is strong enough -- it could explain the tendency of the rich to live further out. Early empirical work seemed to indicate that this was the case: The demand for housing did, indeed, rise sufficiently with income, so that higher income households would choose more distant locations despite higher transportation costs. Subsequent research challenged these calculations. However, by introducing different transportation modes, new versions of the basic model have been developed that seem to provide a coherent framework for explaining rich and poor residential locations in metropolitan areas. [4]

[3] The tendency of poor households in the United States to reside closer to the city center and the evolution of the literature seeking to explain this phenomenon are summarized in LeRoy and Sonstelie (1983) and Glaeser, Kahn and Rappaport (2008.)

[4] LeRoy and Sonstelie (1983) stressed the importance of the automobile in increasing the relative attractiveness of suburban locations for richer households. Glaeser, Kahn and Rappaport (2008) build on this concept but emphasize the importance of lower cost public transportation in increasing the attractiveness of downtown locations for the poor.

In particular, the greater availability of public transportation makes locations closer to downtown more attractive to lower income residents than to more affluent households. (Glaeser, Kahn, and Rappaport, 2008.) Public transportation, which in most metropolitan areas means buses, has low financial costs but higher time costs than cars. Buses travel more slowly than cars and people spend time walking to the bus stop and waiting for the bus to arrive. For poorer households, the low out-of-pocket costs are important, while the time they spend commuting is less valuable than that of higher earners. Accordingly, poorer households tend to use public transportation and tend to locate where public transportation is available. Higher-income households commute by car. Cars have higher-out-of-pocket costs but their greater speed allows more affluent households to acquire more land at more distant locations without being penalized by more time lost to commuting.

The comparative advantage of public transportation relative to cars for poor households seems to explain both the general tendency of the poor to live closer to downtown and also the exceptions. Where only one transportation mode is used, the rich are more inclined to locate closer to downtown. Thus, where everyone drives, the rich tend to be closer to downtown. Additionally, in large, densely built cities with subway systems, the rich may also live close to the downtown, since commuting times by any mode are long and subways may be faster than cars within a core area; as one moves further out, the more normal pattern of higher incomes at greater distances from the city center emerges.

Another version of the basic model of residential location emphasizes the age of the housing stock (Brueckner and Rosenthal, 2005.) Newer housing is better quality housing. As cities develop from the center out, the housing on the periphery will be younger and will attract higher income households. Those who make this argument predict that when the old housing in the interior is eventually replaced, higher income households will return to the downtown. As discussed below, however, the durability of housing makes the replacement process very lengthy and physical deterioration in housing as it ages may discourage replacement investment.

High quality amenities in central cities may counter these patterns, by inducing higher income households to locate downtown (Brueckner, Theisee, and Zenou, 1998.) This has been proposed as an explanation for why the wealthy live in the center of Paris and some other large European cities. However, others argue that, at least in the case of Paris, the concentration of wealth downtown is the result of government policies designed to retain the more affluent and keep out the poor.[5]

3. Factors reinforcing economic separation

Any natural tendencies for rich and poor to live in different locations are likely to be reinforced by the negative spillovers that arise when low income households are concentrated in specific geographies and by the efforts of higher income neighborhoods and communities to exclude the poor. Buildings in areas inhabited by the poor are often more poorly maintained than those in wealthier areas; crime rates may be higher; the quality of schools is often lower; public services and public infrastructure may be more limited and poorer quality. These negative characteristics of poorer communities reinforce the tendencies of more affluent residents to move elsewhere in a "flight from blight."[6] At the same time, wealthier areas are likely to have amenities – good schools, abundant recreational opportunities, handsome housing - that serve as magnets for those with the financial means to live there.

Additionally, wealthier neighborhoods and communities may take steps to exclude the poor and to preserve their own advantages. Large-lot zoning and restrictions on multi-unit housing are examples of strategies that exclude households of limited

[5] Gleaser, Kahn and Rappaport (2009), p 47.

[6] Mieszkowski and Mills (1993) compare what they term "natural evolution" theories of residential location, which depend upon transportation technology and household income, with a "flight from blight" in which more affluent households seek to avoid the problems of the city and live amongst people like themselves. The clustering of households by income can create externalities that reinforce these tendencies.

means, even if are adopted for other reasons.[7] When the division between rich and poor falls along municipal boundaries, such exclusionary policies may also strengthen the richer community's fiscal position. If everyone is well off, the property tax base will tend to be high relative to the population, since most houses are large and high value, while the demand for services, at least non-school services, is likely to remain low.

The desire of non-poor households to avoid the poor may be aggravated by differences in race and ethnicity that run along income lines. Discrimination in housing markets may reinforce these tendencies. Lower-income households may find themselves unable to take advantage of otherwise suitable residential opportunities in higher-income neighborhoods because local property owners refuse to rent or sell to people of their race or ethnic background. Discrimination in mortgage lending may contribute to the difficulties that lower income households have in obtaining the financing to purchase a home, effectively denying them access to neighborhoods where home-ownership is the norm. With the Fair Housing Act of 1968[8] and the Community Reinvestment Act of 1977 and with increasing enforcement and acceptance of these laws in the 1980s and 1990s, overtly discriminatory practices have declined; but at one time, these were commonplace and even a matter of public policy.

Some analysts of urban living patterns see these spillovers and exclusionary strategies as the key forces in explaining the segregation of rich and poor. However, as noted in Glaeser, Kahn and Rappaport (2008), these factors may explain segregation by income, but they do not explain why the poor tend to live closer to downtown in so many metropolitan areas.

[7] Protecting local water supplies and preserving community character are among the reasons sometimes cited for such restrictions.
[8] Title VIII of the Civil Rights Act of 1968.

Public policy decisions wind inextricably through these issues.[9] Zoning practices that exclude the poor are an example of policy at the local level. But state and federal policies are also influential. At one time, Federal Housing Authority insurance guidelines were blatantly discriminatory. Where are roads built? What about public transportation? The location of bus and subway stops is likely to be important to the residential and employment opportunities of the poor. Where is public housing situated – or not situated?

4. When the demand for housing falls

A particularly challenging problem can arise when the demand for housing in an area falls. Since housing is durable, the physical supply of housing does not change – at least not at first. With supply unchanged, lower demand can cause housing prices to fall sharply. Prices may fall below the cost of construction, discouraging not only new construction but also renovation and maintenance of the existing housing stock.

But the housing can still provide shelter.

Owner occupants with limited resources may find themselves trapped in a downward slide. They cannot sell for a price that would allow them to purchase comparable housing in another location. Yet investing in the maintenance necessary to preserve the quality of their housing does not pay financially. The house deteriorates, further reducing its potential selling price and putting the ability to move elsewhere even more out of reach. Meanwhile, owners of rental property may be able to generate an acceptable income stream, at least for a time, by foregoing all but the most essential maintenance and cutting rents so as to minimize vacancies.

[9] The web site of the Fair Housing Center of Greater Boston has a timeline showing the "Historical Shift from Explicit to Implicit Policies Affecting Housing Segregation in Eastern Massachusetts." The timeline includes a discussion of FHA underwriting from 1934 to 1968, as well as the effect of local land use practices. The timeline is available at http://www.bostonfairhousing.org/timeline/

Subdividing so as to rent out more units may also be part of a strategy to boost income.

With minimal maintenance, the housing stock deteriorates. Tenants with options seek housing elsewhere. Rents will be dropped further; maintenance cut back even more. A vicious cycle can develop, with the neighborhood becoming home to progressively poorer households. Over time, more units become vacant. Properties are abandoned. Some are condemned. Eventually, the usable housing stock does shrink. But in the now blighted neighborhood, the prospects for new housing investment and a return of higher income households are low.

Many older cities suffered such a vicious cycle in some neighborhoods and even citywide as a result of suburbanization and deindustrialization. Springfield was such a city, experiencing extended losses of relatively high wage manufacturing jobs and increasing poverty among its residents.[10] In the 1950s and 1960s, cities resorted to massive urban renewal projects funded by the federal government to demolish slums. Often offices and higher-rent apartments were built in their place, often with new highways connecting downtown and suburbs.[11] Now, such large-scale projects are generally discredited, having displaced many people, divided cities and facilitated suburbanization. Today, the favored approach seems to be small-scale projects that build on local advantages. But while examples of success exist, there is not a large pot of federal money for such projects; and by definition, they rely on local initiative and assets. What works in one community is not necessarily a model for others.

[10] Springfield's challenges are summarized in the introduction and motivation to the Boston Reserve Bank's involvement in Springfield (Browne, Green et al., 2009) and in the Bank's analysis of other mid-sized, former manufacturing centers (Kodrzycki, Munoz et al., 2009.) Not only did the share of employment in manufacturing in Springfield fall sharply, but during the late 1970s and in the 1980s – a time when much of Massachusetts was benefiting from strong growth in high technology manufacturing – Springfield suffered a series of closures and major downsizings of manufacturing plants (Kodrzycki ,Munoz et al., 2009, pp. 11-12.)

[11] Gagliardi (2006), p. 13 and Teaford (2000), pp.444-447.

5. Housing policy and concentrated poverty

In conversations, knowledgeable individuals in Springfield have expressed views suggesting that they believe government policies have contributed to the economic decline of Springfield and the high concentration of poverty in the downtown. The following section briefly summarizes the shifting focus of national housing policy, with reference to developments in Springfield. While mistakes were made in Springfield, it is hard to see housing policies as the root cause of Springfield's problems. Today, however, Springfield faces a dilemma in that affordable housing dollars are one of the larger sources of public funds for encouraging investment.

The federal government's support for affordable housing began in the 1930s with the dual goal of creating jobs as well as providing lower-rent housing. With the Housing Act of 1949, the federal government embarked on a much more ambitious program. The Act sought to provide a "decent home and a suitable living environment" for every family.[12] To this end, it provided funding for urban renewal, called for the federal government to build over 800,000 units of public housing, and encouraged homeownership through expanded authorization of FHA insurance.

The Act was very successful in increasing home ownership, but in doing so it also encouraged suburbanization. In the cities, implementation of the Act focused heavily on slum clearance and urban renewal. Many lower-income families were displaced in favor of office buildings and higher-rent apartment buildings. The number of new affordable units built fell short of the overall goal and the number destroyed through urban renewal. Problems were often pushed into different parts of the city. Some of the most notorious public housing projects for the poor were built in the 1950s under the auspices of the Act; the stereotype is a complex of high-rise, "Modernist" buildings housing thousands of poor people. The Commonwealth of Massachusetts

[12] Lang and Sohmer (2000), p.291.

also built public housing in this period, initially for veterans but later for low-income families and the elderly.

In Springfield, the state was a more important provider of public housing than the federal government. In 1966 the Massachusetts State Advisory Committee to the United States Commission on Civil Rights produced a report on housing discrimination in the Springfield-Holyoke-Chicopee metropolitan area; this report provides a picture of the housing situation in Springfield at that time. The MSAC Report listed seven public housing projects in Springfield with a total of about 1,140 housing units; this compares with a total of 55,000 occupied housing units in the city in 1960.[13]

One large federal project in the Brightwood neighborhood accounted for 388 units, with the balance in six state projects.[14] Most of the residents of the federal project were nonwhite families. Residents of the state projects were predominantly white, although one 200-unit family project was split evenly between whites and non-whites. Three state projects for the elderly were exclusively white. In terms of location, the seven projects were dispersed throughout the city. Only the Brightwood project was located in what is now one of Springfield's poorest neighborhoods. (See map for Springfield neighborhoods and poverty rates.)

The MSAC Report discussed the demographic changes taking place in Springfield at that time. The African American population was growing very rapidly. Puerto Ricans were also beginning to emerge as a significant population group; Puerto Ricans were recruited to work on the tobacco farms in the area. The Report observed that these minority populations were "concentrated primarily within the three core cities (Springfield, Holyoke and Chicopee) enclosed by a 'solid' ring of white suburbs;" within these cities "they are increasingly concentrated in racially

[13] MSAC (1966), pp.61-62.
[14] MSAC (1966), p.62

segregated neighborhoods."[15] Puerto Ricans tended to locate in the Memorial Square neighborhood, which together with Brightwood comprises the "North End." African Americans were concentrated in the Old Hill, Upper Hill, McKnight, and Bay neighborhoods. All of these neighborhoods had experienced substantial decreases in the number of white residents in the previous decade. The movement of whites out of the McKnight and Old Hill neighborhoods was particularly striking, with the white population in what is currently the Old Hill neighborhood falling almost 50 percent (from roughly 6900 to 3600) from 1950 to 1960 while the non-white population grew by 50 percent (2800 to 4300.)[16]

The MSAC Report described the Old Hill area as having "rows and rows of frame houses, three deckers, some good apartments, old Victorian houses converted into multiple dwelling units."[17] Most minority residents rented; and while minority residents generally occupied less space than whites, they paid more. Efforts on the part of African Americans to seek housing in other, predominantly white, parts of the city or the surrounding suburbs were frequently rebuffed. The report commented on the isolation of both the Old Hill and the North End from "the main stream of city life."

The North End had traditionally been home to the newest arrivals to Springfield. The area had become a "sordid slum"[18] -- a development attributed to proximity to the railroad which divided the Memorial Square and Brightwood neighborhoods. In the late 1950s and early 1960s, the North End was the focus of a major urban renewal effort. The goal was "to provide highway access into the neighborhood and City of Springfield – not only to capture out-of-town customers, but also to clear away older housing stock and make room for new commercial and industrial uses." [19] This project resulted in the construction of Route 291, which separated the North End

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[15] MSAC (1966), p.5.
[16] MSAC (1966), p.57. These figures are based on the population changes in the MSAC Report for census tract 18, which seems to correspond to the current dimensions of Old Hill. At the time of the MSAC Report, Old Hill seems to have covered both census tract 18 and census tract 19, which is now considered the Six Corners neighborhood. The changes in census tract 19 are smaller in absolute numbers: the white population fell from 9578 to 7755 (19 percent) from 1950 to 1960, while the non-white population grew from 335 to 937 (180 percent.) On page 6, the MSAC Report presents figures for the two tracts combined.
[17] MSAC (1966), p.27.
[18] Pozen et al (1968), p. 1260.
[19] MIT (2004), p.8.

from the rest of the city, and Route I-91, which cut Brightwood off from Memorial Square. Roughly 1,000 families were displaced. The project facilitated commuting into and out of the city, but it did not generate the expected economic benefits and it appears to have contributed to the isolation of low-income North End residents. This seems particularly so in the case of Brightwood, which has limited access to the rest of the city except by car.

In the 1960s, the focus of federal housing policy shifted away from urban renewal and from public construction of low-rent housing to subsidizing private developers to build affordable housing. In return for loan guarantees and interest rate subsidies, the private sector owners agreed to maintain the affordability of the units for a specified period. During the late 1960s and early 1970s, construction of subsidized housing grew rapidly.

In the 1970s, the federal approach to subsidizing low-income housing shifted again. Federal policy now emphasized rent subsidies. A project-based component continued to encourage private construction of low-income housing through contracts with landlords supplementing the rents paid by tenants. A tenant-based component gave vouchers to eligible low-income individuals and families; the vouchers could be used to pay reasonable rents wherever the voucher recipients could find suitable housing. A key objective of the voucher program was to give poor households more housing choices and allow them to seek housing in less impoverished neighborhoods. The Commonwealth of Massachusetts continued to support public housing construction, particularly for the elderly.

In Springfield, these various programs resulted in a substantial expansion in the number of subsidized housing units. While the MSAC Report counted about 1,140 units of public housing in 1965, by 1978 the city had 7,762 subsidized housing units compared to a total of about 56,000 occupied housing units.[20] Most were built after 1970. Much of the new subsidized housing was located in and near downtown - and in what are now the poorest neighborhoods in Springfield. Two large affordable complexes were built in Brightwood, even though this neighborhood was by then cut off from the rest of the city by Route 1-91, as well as the railroad. The Metro Center neighborhood and its boundaries with abutting neighborhoods also attracted substantial investment in affordable housing.

In the 1980s, the federal government substantially reduced its commitment to creating affordable housing and focused its assistance on the most disadvantaged, with priority for public housing admissions given to those at most risk of homelessness (Burchell and Listokin, 1995.) However, the Low Income Housing Tax Credit Program, created by the Tax Reform Act of 1986, provided a mechanism for state and local governments, which remained active in financing affordable housing, to encourage private investment in this activity. These tax credits were incorporated in most plans to finance affordable housing. In addition, the HOME program, created in 1990, provided block grants to state and local governments that could be used in a variety of ways to increase affordable housing opportunities to low-income households.[21]

As of 2010, Springfield was listed as having over 10,000 subsidized housing units on an inventory maintained by the Commonwealth of Massachusetts.[22] This compares with 57,000 occupied housing units and 61,000 total units according to the 2000 census.[23] In Springfield, 16.6 percent of housing units were counted as subsidized as of September 2010, compared to 9.6 percent for Massachusetts as a whole.[24]

[20] Reed (1981), p. 127; occupied housing units in 1980 from Springfield Planning Department (2003), p.49.
[21] The HUD website describes the HOME program as follows: "HOME provides formula grants to States and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low income people." Available on November 9, 2010 at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/
[22] Department of Housing and Community Development Ch40B Subsidized Housing Inventory in the City of Springfield, Massachusetts, "HUD Consolidated Plan (Draft) 2010-2014," pp. 139-143.
[23] Springfield Planning Department (2003), pp. 49-50.
[24] http://www.mass.gov/Ehed/docs/dhcd/hd/shi/shiinventory.pdf. Only five cities and towns, Bedford, Boston, Chelsea, Holyoke and the tiny community of Aquinnah had higher subsidized shares.

As can be seen in the table below, the Brightwood and Metro Center neighborhoods have disproportionately large numbers of subsidized units.[25] (The table was calculated by assigning units for which addresses were provided in Massachusetts' Ch40B inventory of subsidized housing to the relevant neighborhoods; about 1100 units did not have addresses.)

Table 1. Springfield's subsidized housing units by neighborhood, 2010

Neighborhood	Number subsidized	Share total units (percent)*
Bay	368	25.1
Boston Road	232	14.8
Brightwood	1134	76.2
East Forest Park	0	0
East Springfield	103	4.0
Forest Park	256	2.5
Indian Orchard	292	7.4
Liberty Heights	799	11.0
McKnight	406	22.5
Memorial Square	304	16.4
Metro Center	1886	55.1
Old Hill	284	17.1
Pine Point	605	15.4
Six Corners	683	19.6
Sixteen Acres	1052	12.3
South End	433	31.7
Upper Hill	163	7.8
Total allocated	**9000**	
Unallocated	**1098**	
Total	**10098**	**16.5**

* Share of total housing units in neighborhood in 2000.

Source: Number of subsidized housing units taken from Department of Housing and Community Development CH40B Subsidized Housing Inventory as found in City of Springfield, Draft HUD Consolidated Plan 2010-2014, pp. 139-143. Project addresses were used to allocate to neighborhoods.
Total units by neighborhood in 2000 from Springfield Planning Department (2003.)

[25] A 2006 analysis of the residential market potential of "downtown" Springfield has even higher estimates of the number of subsidized units in the downtown area: 1765 housing units out of a total of "more than 2500;" additionally, over 300 units were occupied by residents with rent vouchers. City of Springfield, Massachusetts, "HUD Consolidated Plan (Draft) 2010-2010," p.60.

6. Chicken or egg?

Returning to the question of whether housing policies are responsible for the concentration of poverty in Springfield, especially in the downtown area, the answer would seem to be that housing policies are not a root cause; but over the years, they have reinforced a natural tendency for lower income households to live close to downtown. Policy tools and resources to modify these patterns and encourage more diverse residential patterns are limited.

As the 1966 MSAC Report noted, white residents were moving out of the center of Springfield to the periphery and suburbs in the 1950s and poorer, minority households were congregating in the Old Hill area and Memorial Square neighborhoods. At the time, there was no public housing in these neighborhoods. However, older, more affordable private housing was available. Incentives for home ownership enacted in the late 1940s and early 1950s were more easily embraced by higher income white households and contributed to the out-migration of whites. Non-whites who tried to purchase or rent in the more peripheral neighborhoods and the suburbs commonly encountered discrimination.[26]

To a large degree, the patterns in Springfield were patterns shared by many cities and reflected the interaction between national policies and market forces. In building several large low-income housing projects in Brightwood, however, decisions were made that actively shaped the location of the poor. These housing projects drew low-income residents to a location of doubtful suitability. The MSAC Report noted the presence of warehouses, trucking firms, scrap iron works and a foundry. More importantly, Brightwood is bordered on one side by the Connecticut River and on the other by the railroad tracks and after 1961 by Interstate 91. The tracks and the highway separate Brightwood from the rest of the city. Although the area is served by public transportation, a car is the most convenient mode of

[26] MCAS (1966), p.31.

transportation. Yet according to the 2000 Census, over 40 percent of the housing units in Brightwood did not have access to a vehicle.[27]

Metro Center is another story. Metro Center is Springfield's central business district. City offices, hotels, financial institutions, museums and some retail activities are all located within its boundaries. Far from being an inconvenient or unsuitable residential location, Metro Center is close to jobs and services and is relatively well served by public transit. It is key to Springfield's aspirations to be the "urban center of Pioneer Valley, a great place to live, work, and play."[28] But Metro Center also has a very high concentration of subsidized housing. Does the presence of so much subsidized housing – and by implication so many low-income households – prevent the city from achieving this goal?

Certainly, the current, generally low-income, residents of the neighborhood have not been able to support much in the way of retail and recreational activity. The lack of retail and related attractions, together with perceptions of crime, have probably deterred commuters from lingering in the city, visitors from making downtown excursions, and more affluent potential residents from moving in. But housing is not why Metro Center is poor. Rather, Metro Center, along with the abutting neighborhoods – Memorial Square, South End, Six Corners, and Old Hill – have such large numbers of poor households because they are comparatively convenient locations for the poor. Memorial Square and Old Hill do not have as many government-subsidized housing units as the rest of downtown. Old Hill is still much as described in the 1966 MSAC Report on housing discrimination.

Even with 16.6 percent of its housing in subsidized units and another 5 percent of households receiving vouchers, Springfield has many more households that would be eligible for assistance if it were available. According to the 2000 Census, 37

[27] Springfield Planning Department (2003), p.48.
[28] ULI (2006), p.9.

percent of households had incomes below 50 percent of the median household income for the area – a cutoff commonly associated with eligibility for assistance.[29]

Perhaps the presence of so much subsidized housing should be seen as the result of so many poor households in these neighborhoods, rather than the reason the poor are located in these areas. Perhaps the only housing development that has been economically viable in these neighborhoods for some decades has been subsidized housing. Without subsidized interest rates in the 1960s, project-based rent subsidies in the 1970s, or Low Income Housing Tax Credits post-1986, there might have been no significant housing construction or rehabilitation in these neighborhoods. This poses a dilemma for the City, as illustrated by recent experience with the Longhill Gardens Condominiums.

Attracting Market Rate Housing: Lessons from other Cities

Some cities have been more successful than Springfield in attracting market rate housing. These include some of the “resurgent” cities that were in similar circumstances to Springfield fifty years ago, but that are more prosperous today.[1] In a few cases, such as Jersey City and Providence, these cities benefited from transportation links to larger, much higher cost “strong market” cities; in essence, they offered a lower cost alternative for people wanting an urban setting. In other cases, spillovers from universities played a role; Yale offers very generous incentives to employees who buy houses in New Haven. But attracting market rate housing to many downtowns is challenging. The Urban Land Institute explored some of the obstacles to encouraging market-rate housing in a series of forums in 2000 and subsequently, produced a booklet on the myths and facts of such developments (Haughey, 2001.) This analysis most likely informed ULI’s 2006 analysis of opportunities in Springfield and its recommendations for revitalizing the downtown.

The focus of the forums and the myth-and-fact publication was the development of market-rate housing, rather than home purchases by individual landowners. Nevertheless, a number of lessons seem relevant to both. Quality

[29] City of Springfield Draft HUD Consolidated Plan, p. 66.

properties are not cheap. Older buildings often have lead paint, asbestos and other contaminants that make rehabilitation costly. At the same time, the young professionals who are a key target market for downtown housing typically have very high "expectations in terms of appliances, finishes and amenities."[1] Perceptions of crime are a major challenge and must be addressed; secure garages, cameras and card access can help. For developers, assembling multiple parcels of land can be time-consuming and difficult. In developing historic buildings, complying with restrictions on renovations can be complicated. Local residents may oppose market-rate projects because of fears of gentrification.

The ULI argues that the severity of these challenges varies from city to city. In many cases, they can be overcome by city governments that are flexible and willing to work closely with developers. Streamlined permitting and help with land assembly and financing may be necessary. The ULI also argues that growing numbers of young professionals and empty-nesters want to live downtown – provided they have easy access to amenities, good transportation and security. Even so, it may be necessary to market aggressively and possibly, offer financial inducements to early pioneers.

An analysis of seven successful mixed-income housing developments also offers insights into what can attract people who can afford a variety of housing options to lower-income downtown locations.[1] The developments in question were relatively large, with a mix of market-rate and subsidized tenants. The market-rate tenants were often young professionals and students. They did not have children and they tended to be mobile. The subsidized tenants, in contrast, often had children and turnover was low. The market-rate tenants were attracted by good locations, excellent design, amenities, and careful attention to security and maintenance. The success of these developments was also attributed to their critical mass and boundaries that helped create the sense of a distinct neighborhood.

[1] According to Kodrzycki and Munoz (2009), attracting and retaining young professionals is part of the strategy of a number of resurgent cities, including Evansville, Fort Wayne, Grand Rapids, Greensboro and Providence. Providence introduced tax incentives to encourage artists to live downtown. Winston-Salem had an aggressive revitalization of its downtown. In New Haven, Yale offers employees generous incentives to purchase downtown and has undertaken retail investments to foster amenities. New Jersey has benefited from its proximity to New York.
[2] Urban Land Institute Baltimore District Council (2000), p. 13.
[3] Brophy and Smith (1997.)

7. Longhill Gardens Example[30]

Longhill Gardens, located in the Forest Park neighborhood near its border with the lower-income South End, was built in the 1950s as an apartment complex. It was converted to condominiums in the 1980s, but in recent years most of the units were

[30] This account is based on blogs by Heather Brandon in the "Urban Compass" in February and March 2008 at http://urbancompass.net/?p=1082 as of June 28, 2010 and http://urbancompass.net/p=1127 as of July 6, 2010.

owned by investors and occupied by renters. The property had been allowed to deteriorate to the point that "The state they were in was squalor, just squalor."[31] The complex was known as a site for drug use and other criminal activity.

Eventually, the property was condemned and put into receivership. It was purchased at auction in 2008 by WinnCompanies, which is a Boston-based company that "manages multi-family and mixed income properties throughout the United States." [32] WinnCompanies renovated the property, making use of state housing funds and Low Income Housing Tax Credits. While some neighborhood groups were very pleased with this outcome, since it removed a dangerous eyesore, some residents opposed the plan. Because WinnCompanies would be using Low Income Housing Tax Credits, a portion of the units would have to be affordable to lower-income residents. Opponents of the project were concerned that creating subsidized housing would perpetuate prior problems; they pressed for looking at more options – preferably mixed-income housing, office buildings or a school. At the auction, however, WinnCompanies was the only bidder.

Among the points that can be drawn from this example is that unsubsidized housing can be far inferior to subsidized, and households residing in unsubsidized housing in poor neighborhoods may be poorer and more disadvantaged than those living in subsidized units. According to one blogger on the controversy, Longhill Gardens had previously targeted the "poorest of the poor." In contrast, applicants for the affordable housing units at the renovated and renamed Forest Park apartments "have to make above certain income guidelines, and must pass a criminal background, landlord, and credit check."[33]

[31] Bill Malloy, Legal Counsel, Concerned Citizens for Springfield Inc. as quoted in June 2010 entry in WinnCompanies website http://www.wincompanies.com/page.php?&id=inthenews&ID=ITN-2020 as found on November 18, 2010.
[32] WinnCompanies web site http://www.winncompanies.com/main.php?id=wcomp as of November 18, 2010.
[33] June 2010 entry in WinnCompanies website http://www.wincompanies.com/page.php?&id=inthenews&ID=ITN-2020 as found on November 18, 2010.

Second, in some neighborhoods, development may only be financially feasible with government subsidies; and most subsidy programs are directed towards increasing affordable housing opportunities and require that at least a portion of the units remain affordable for an extended period. Thus, those who seek to revitalize declining neighborhoods can be confronted with a dilemma. Improving the physical appearance of the neighborhood, in the hopes that it will not only improve the quality of life for current residents, but also attract commuters, visitors, and higher-income residents may require tapping affordable housing programs that restrict tenancy to lower-income households. In more vibrant neighborhoods that are already experiencing strong housing demand from higher income households, affordable housing programs help protect existing residents from displacement and preserve a more diverse population. In neighborhoods where housing demand is soft, these programs risk perpetuating the status quo and precluding development of a more diverse population.

8. Steps in a new direction

Peter Gagliardi of HAP Inc., a nonprofit housing partnership serving Springfield, has argued that housing policy should distinguish between communities where the housing market is weak, like Springfield, and communities where it is strong, like Boston. In strong market cities, preserving housing affordability is an important goal and lengthy restrictions on the affordability of subsidized units are appropriate. However, in weak market cities, a more important objective than preserving affordability is attracting new residents who can help energize these cities. Gagliardi’s policy focus is owner-occupied housing, and he calls for waiving or substantially limiting deed-restrictions that require subsidized owner-occupied housing to be re-sold to low-and moderate-income buyers at prices that allow the original purchaser little financial gain.

Federal Development Incentives

A priority for Springfield's public and private leaders is fostering economic development along the city's two major streets – State and Main. The State Street Alliance, "an affiliation of business, community and government entities committed to the revitalization of the State Street Corridor,"[1] commissioned a team of consultants to investigate redevelopment opportunities along State Street. The consultants' analysis illustrates some of the key development incentives available.

The consultants evaluated the economic feasibility of a number of projects that have the potential to significantly enhance the appearance and economic vitality of State Street. In most cases, the consultants concluded that some subsidy was necessary to make the development viable. The key tools identified were the New Market Tax Credit program, federal and state historic tax credits, and loans guaranteed under the Community Development Block Grant program. Additionally, the state of Massachusetts has programs that would allow a property tax exemption for some or all of the increase in value of the property arising from development. The consultants did not consider Low Income Housing Tax Credits, as an important objective was the creation of market rate housing.

The New Market Tax Credit Program is intended to stimulate economic development in low-income communities. Community development entities (CDEs) apply for the tax credits; applications far exceed the value allocated each year. The CDEs use the credits to attract investment funds from private individuals and corporations. For the investor, the credit amounts to 39 percent of the investment in the CDE spread over seven years. The CDEs then invest in projects benefiting low-income communities. Many types of project are eligible, with purely rental housing being an exception.

Historic tax credits are available to encourage the rehabilitation of historic and older buildings. A credit of 20 percent of "qualified rehabilitation expenditures" is available for certified historic buildings. It may be used for non-residential and rental residential purposes. It cannot be used for owner-occupied housing. A 10 percent credit is available for non-historic, non-residential buildings built before 1936. The historic tax credits can be combined with the New Market Tax Credit. Massachusetts also offers a historic tax credit of 20 percent; however, the total amount available for this purpose is capped.

While these are valuable development tools, the funding they provide is dwarfed by the funds available through Low Income Housing Tax Credits (LIHTC).

LIHTCs are allocated to state agencies, which then allocate them to residential rental projects on a competitive basis. Developers receiving the credits must commit to maintaining specified fractions of units for low-income residents and to restricting the rents for low-income units for at least 30 years. Developers may exceed the minimum number of low-rent units and often do. Credits are only available for the portion of the project committed to low-income units. In other words, if half the project is committed to low-income units, credits would be available for half the eligible costs. Only depreciable development costs are eligible. Credits amount to roughly 9 percent of depreciable development costs per year for ten years. (Four percent if certain other federal subsidies are involved in financing the project.) Investors, primarily corporations, contribute equity in order to acquire this stream of tax credits

Of the three federal programs, the Low Income Housing Tax Credit program is the largest. The Joint Committee on Taxation estimates the "tax expenditures" associated with provisions in the tax code providing "tax benefits to particular taxpayers." Over the five years, 2009 through 2013, the Joint Committee estimates the tax expenditure associated with the New Market Tax Credit program at $3.5 billion, the Rehabilitation Tax Credit programs at $3.6 billion, and the Low Income Housing Tax Credit program at $30 billion.[1] While there are many other "tax expenditures" and direct spending programs that could be seen as supporting either economic and community development generally, on the one hand, and affordable housing, on the other, these tax credits provide some indication of the importance attached to housing.

[1] Springfield Business Development Corporation, 2008, p.1.
[2] Joint Committee on Taxation, 2010, Table 1.

In weak market cities like Springfield, the goal should be attracting residents who will invest money and sweat in their homes. The risks to buying in lower-income neighborhoods are considerable. Market prices are often very low. Existing housing units may be poor quality, but they are affordable. A newly constructed or substantially renovated house costs considerably more. Consequently, even if the purchase price is subsidized, the potential for appreciation is constrained by the much lower costs of neighboring properties – even without deed restrictions. And deed restrictions *ensure* that the upside is limited. They may also make resale more difficult by restricting the pool of future buyers.

Further, even if neighborhood circumstances improve and property values begin to rise sufficiently that home-owners would enjoy significant appreciation, absent deed restrictions, Gagliardi contends that we should not begrudge the owners these gains. The improved circumstances probably reflect the presence and energies of these households, who took a risk by moving into and investing in the neighborhood.

The Commonwealth of Massachusetts acknowledged Gagliardi's arguments in its 2008 housing bond bill.[34] The 2008 Housing Act included a provision that allocates at least $10 million to "stabilize and promote reinvestment through homeownership in 'weak market areas'"[35] and allows the Department of Housing and Community Development to shorten the period of required affordability and increase the income eligibility limits for prospective buyers of owner-occupied housing in these areas. However, the change affects only one of the state's affordable housing programs. The overall thrust of housing policy remains providing and preserving housing for people of limited means.

More generally, the special development needs of Springfield and similar cities seem to be receiving increased attention at the state level. Considerable credit goes to the think tank MassINC, which has been a strong advocate for programs that target these cities. In 2007 MassINC and the Brookings Institution released a study, *Reconnecting Massachusetts Gateway Cities,* highlighting the contrasting economic experience of 11 former manufacturing centers, referred to as Gateway Cities, and the Boston area.[36] While metro Boston had enjoyed strong income growth and sharply escalating housing prices over the previous 30 years, the Gateway Cities were contending with rising poverty rates and weak housing markets. Springfield was one of these Gateway Cities.

[34] An Act Financing the Production and Preservation of Housing for Low and Moderate Income Residents.
[35] CHAPA (2008), p. 143
[36] Muro et al. (2007.)

The University of Massachusetts at Dartmouth, which serves an area including several older manufacturing centers, formed the Urban Initiative to work with MassINC to promote policies that would help the Gateway Cities. One outcome was The Gateway Cities Compact for Community and Economic Development, an agreement among the chief executives of the 11 Gateway Cities, including Springfield's Mayor Domenic Sarno, to "initiate a cooperative effort to forge a common agenda with specific public policy action items to help the commonwealth and the Gateway Cities better compete for residents, jobs and economic growth."[37]

These efforts have borne fruit. In the summer of 2010, legislation was passed that makes major changes to Massachusetts' economic development programs. Included in the legislation are several provisions targeting the Gateway Cities, plus another 13 cities with similar challenges. These include a Housing Development Incentive Program that is intended to be a pilot for encouraging development of market-rate housing in the expanded set of Gateway Cities, as well as incentives for business activity.[38]

9. Conclusions

Many in Springfield appear to believe that government housing policies are responsible for the concentration of poverty in the city. A particular concern is that the presence of large numbers of subsidized housing units in the downtown is a deterrent to Springfield's revitalization.

Springfield is not alone in being poorer than its suburbs and, within the city, in having lower income households living closer to downtown. Indeed, so prevalent is this pattern in American cities that a considerable economics literature has developed to explain it. Recent work has stressed the greater availability of public

[37] Gateway Cities Compact. Available on November 22, 2010 at http://www.umassd.edu/media/umassdartmouth/seppce/centerforpolicyanalysis/urbaninitiative/gatewaycities/signedcompact.pdf

[38] In a conversation, one community development expert expressed concern that the Housing Development Incentive Program's requirement that 80 percent of units be market-rate is too stiff. While the goal is encouraging market-rate housing, developers may need a larger subsidy than HDIP provides in order to make projects work in weak market communities; thus, they may need more units that are eligible for Low Income Housing Tax Credits.

transportation in denser areas in explaining why low-income households live closer to downtown.

Others argue that a host of policy decisions, social decisions and spillover effects are responsible for the separation of rich and poor. Housing policies – federal, state and local; active and passive – are among the factors reinforcing this separation. Again, Springfield is not unique. Some of the most important influences on residential choices have been federal policies – for example, post WW II incentives for home ownership that encouraged suburbanization. At the same time, many communities made decisions that with the benefit of hindsight seem misguided. In the case of Springfield, should low income housing have been located in isolated Brightwood?

The dilemma for Springfield today is that downtown Springfield has a lot of poor people and a lot of subsidized housing. It also has a lot of dilapidated and vacant buildings. Money is available through various federal and state programs for creating and preserving affordable housing. But utilizing these programs ensures that the housing stock will continue to serve low income households.

In hot housing markets, like the Boston area a few years ago and probably a few years in the future, preserving and creating affordable housing is critical. In Springfield, housing is much more affordable. Higher priorities are attracting a more economically diverse population and stimulating new business investment. But affordable housing programs are one of the few sources of subsidy for financing investment of any kind in economically stressed cities.

The Commonwealth of Massachusetts appears to recognize the special challenges facing communities like Springfield, and recent economic development legislation included incentives for creating market rate housing and spurring business activity in such cities. But the challenges remain large relative to the resources available.