Homeownership as an Urban Development Tool

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Shortages of affordable housing remain a problem for urban areas throughout the country. One popular remedy is to promote homeownership opportunities among low- and moderate-income and minority households. This article will discuss the problem of affordable housing shortages and its importance in urban development. Then, it will illustrate how homeownership can be used as a tool for urban development, examining both historical and contemporary applications. Finally, the analysis will evaluate the success of these initiatives in urban development and discuss the policy implications of emphasizing homeownership initiatives as urban development tools.

Owning one's home is a central goal of many Americans. However, many people have a difficult time reaching this goal. Finding any type of affordable housing, to own or rent, is difficult. This is particularly true for low-income households. The problem of obtaining affordable housing affects America's urban areas, as land is limited. Because cities need to optimize financially beneficial opportunities, development of affordable housing is often not a priority. A variety of programs attempt to address shortages of affordable housing, but none has been as politically viable in recent years as homeownership initiatives for low-income and minority households. In particular, these polices are "being promoted as an important strategy for regenerating distressed urban neighborhoods" (Harkness and Newman, 2002, p. 597).

This article will examine the factors that have led to shortages of affordable housing and will discuss why these shortages reflect an urban development problem. The work will also consider historical and contemporary homeownership initiatives as tools to promote urban development. The majority of this analysis is devoted to efforts at the national level and will explore how national initiatives have affected urban environments. However, policies specific to Chicago will also be discussed. In addition, the article will evaluate homeownership initiatives and larger lessons for affordable housing policy.

THE DILEMMA: A SHORTAGE OF AFFORDABLE HOUSING

The lack of affordable housing is not a new dilemma, but it became particularly problematic in the second half of the last century. The National Low Income Housing Coalition (NLIHC) recently reported that one-third of households in the United States, equivalent to 95 million people, had housing problems in 2001 (NLIHC, 2004*a*).[1] The Joint Center for Housing Studies (JCHS; 2003) estimates that 7.3 million homeowners spend more than 50 percent of their income on housing. This problem is one of particular concern for low-income and minority households. Nearly 46 percent of households with housing problems earn less than $25,000 per year, and 67 percent of people with housing problems have low incomes (NLIHC, 2004*a*).[2] The NLIHC finds that 87 percent of low-income people in households with housing problems experience housing cost burden. It is estimated that 30 percent of households in metropolitan Chicago are housing cost burdened (Metro Chicago Information Center, 2004).

Housing problems and affordability are compounded by the fact that income from a full-time minimum-wage job does not allow a family to pay fair-market rent for a two-bedroom apartment in any state (NLIHC, 2001). In 2004, in Illinois, the housing wage was $15.44 for a two-bedroom unit, and in the six-county Chicago metropolitan region, the housing wage was $17.42 (NLIHC, 2004*b*).[3]

Housing problems affect low-income owners and renters. Both groups experience housing problems at close to the same rate: 30.2 million low-income owners have housing problems, and there are 33.7 million low-income renters with housing problems (NLIHC, 2004*a*). Other research reports similar findings: Cushing Dolbeare (2001*b*) defines housing problems as occupancy of inadequate units or cost burdens above 50 percent of income, finding that 15.5 million households had severe problems in 1999.[4] Just over half of these households were renters. Housing cost burden is the most frequent housing problem, by far (NLIHC, 2004*a*). Furthermore, extremely low-income households (30 percent or less of AMI) experience the most severe housing problems: 61 percent of this population has severe housing cost burdens (NLIHC, 2004*a*).[5]

With all of this negative data, one might think that the housing market is falling. This is not the case. According to the JCHS (2003), homeowners are refinancing and single-family homes are being built in record numbers. The housing industry is strong, yet millions of families are unable to find adequate and affordable housing. This is a problem for the nation's families, as well as for its cities.

AFFORDABLE HOUSING SHORTAGES AS AN URBAN DEVELOPMENT PROBLEM

Although shortages of affordable housing are a national problem, these shortages are particularly challenging for urban areas, as 79 percent of the nation's citizens live in or near large urban areas (U.S. Department of Transportation, 2004). One of the key challenges for cities is to develop policies that address this problem while balancing their other concerns. This is particularly complicated because cities are complex entities with multiple constituencies. So too, cities are obligated to comply with federal and state policies.

Housing, at a basic level, is about the availability and affordability of land. Even those who rent are affected when the rising cost or diminishing availability of land results in a rent increase. Paul Peterson (1981) argues that of the three economic factors he cites—land, labor, and capital—land is the only factor that cities are able to control. Cities can determine who builds on land and, through zoning regulations, the types of buildings allowed. Unlike their residents, cities are also bound to the land and the urban environment (Peterson, 1981). Residents may move; cities cannot. For this reason, affordable housing concerns are integral to any plan for urban development. Peterson argues that the city must balance its interests with the needs of its residents. This must take into account the needs of residents from all income levels, as well as those of the business community. Such a balance is particularly difficult to achieve when there is a large income gap between the high- and low-wage earners. It is also difficult, because as Peterson (1981) indicates, one of the city's main interests is enhancing its economic well-being. Since land is the economic factor under the cities control, the city must use land in order to enhance its economic well-being.

In discussing how cities enhance their well-being, Peterson (1981) identifies three types of public policies: developmental, allocational and redistributive. He defines developmental policies as those that enhance the city's economic position by strengthening the local economy and tax base. These are generally well-accepted policies. Allocational policies are usually neutral policies that have neither a positive or negative effect on a community; examples of these include police and fire protection and garbage collection (Peterson, 1981). It is the redistributive policies that Peterson (1981) argues may have a negative impact on a community. Redistributive policies help those perceived to be needy or unfortunate through activities such as welfare assistance (Peterson, 1981). These policies tax those that are most needed for a successful urban tax base, high- and middle- income households, in order to redistribute the money to low-income households. It follows that if a city's policies do too much to help low-income households (i.e., many redistributive policies or high taxes), the high- and middle-income households will move out of the city to areas where taxes may not be as high. If, by contrast, the policies are geared towards high- and middle-income households, their taxes may be lower but the city will have less revenue and low-income households will need to use more public resources, such as medical care and subsidized housing. It is in this way that taxpayers hold power over a city and its interests; they can move but cities cannot. Peterson (1981) argues that cities need to use their land to attract economic investors, a goal generally not achieved through efforts to provide affordable housing because such efforts may increase taxes. Thus, cities have little incentive to find a solution for the problem of affordable housing shortages because those who hold the power do not create a demand for the services.

Furthermore, cities are not in the best position to develop redistributive policies or provide for their low-income residents. As mentioned above, city residents and businesses can choose to leave, taking the tax base with them (Peterson, 1981). John Mollenkopf (1983) argues that, for this reason, policies geared to assist low-income populations should be federal, not local. Bruce Katz and associates (2003) also consider this potential mobility, arguing that housing policy, in particular, should be regional. If adopted, such policies leave cities free to manage the often-complicated relationships with the many and varied urban constituencies.

Neil Brenner and Nik Theodore (2002) argue that, because the U.S. economy is market-oriented and influenced by Keynesian ideas that allow for government intervention, it is acceptable in today's political environment for the federal government to develop the types of policies that John Mollenkopf (1983) suggests. One focus of current government intervention is seen in the multiple initiatives geared towards promoting homeownership among low-income and minority individuals. These groups are traditionally underserved in a market economy: in a study of 17 metropolitan areas, Michael Stegman, Roberto Quercia, and George McCarthy (2000) find only 30,000 homes were available for purchase to the 200,000 working families that could afford them. The supply of affordable housing does not meet the demand, and the government has deemed it necessary to intervene so that more people will have adequate and affordable housing. There are many strategies aimed at providing a solution to shortages of affordable housing. The current analysis will focus on the use of homeownership initiatives as urban development tools to help combat these shortages.

HOMEOWNERSHIP AS AN URBAN DEVELOPMENT TOOL

Owning a home has long been viewed as an integral part of the American dream. Widely recognized as a goal in the U.S., it is discussed with rhetoric about investment, stability, and residential development (Rohe, Van Zandt, and McCarthy, 2002). William Rohe and colleagues (2002) also indicate that homeownership is associated with a feeling of increased freedom to do as one pleases in one's home (e.g., decoration) and with greater life satisfaction. This American fascination with homeownership predates the nation's birth; colonists and settlers acquired property by staking claims to parcels of land. Such acquisitions provided the owners with a home, a place to work, and the right to participate in American political life (Marcuse, 1999). Over time, the right to political participation has become disentangled from land ownership. Nevertheless, the American desire to own one's home remains unchanged. Since the Depression, housing policy has played a large role in the development of federal urban policy (Mollenkopf, 1983; Jackson, 1985; Katz et al., 2003). The federal government has implemented a number of programs and policies aimed at increasing the number of people who own their homes. In 1933, President Franklin Roosevelt signed the Home Owner's Loan Act (48 Stat. 128) into law, creating the Home Owners Loan Corporation (HOLC). A year later, enaction of the National Housing Act of 1934 (48 Stat. 1246) created the Federal Housing Administration (FHA; Jackson, 1985; Katz et al., 2003). The HOLC was designed to serve urban needs. It introduced the long-term self-amortizing mortgage, allowing homeowners to pay the same amount over the life of the loan. With the advent of long-term mortgages, purchasing a home became less expensive than renting one. The federal government succeeded in making homeownership more available (Jackson, 1985).

While the HOLC saved countless numbers of people from foreclosure and developed a systematic method of appraisal, it also led to redlining of low-income and minority areas.[6] Because of such practices, home mortgages were often difficult to obtain in those areas (Jackson, 1985). The FHA adopted the appraisal and lending guidelines outlined by HOLC, thus codifying discriminatory lending. It is important to note that neither the HOLC nor the FHA invented discrimination in lending. Nevertheless, they did institutionalize it at the federal level. Because housing was being built in the suburbs at a rapid rate, FHA programs also helped to deconcentrate the urban core (Jackson, 1985).

Along with the creation of the HOLC and the FHA, over time, the government has also created government-sponsored enterprises (GSE). The first of these, the Federal National Mortgage Association (Fannie Mae), was created in 1938 (Katz et al., 2003). Fannie Mae purchases homes on the secondary market, resulting in a lower cost to borrowers. In 1968, this entity split into two: one private and one federal. Fannie Mae remained the private entity and the Government National Mortgage Association (Ginnie Mae) became the government entity (Katz et al., 2003). The Federal Home Loan Mortgage Corporation (Freddie Mac) was created in 1970, and serves the savings and loan industry (Katz et al., 2003). The creation of these entities further expanded the mortgage market. The GSEs have always had a stated goal of serving moderate- and low-income households. In 1992, under Title XIII of the Housing and Community Development Act (U.S. Public Law 102-550), Congress specifically charged them with an obligation to promote affordable housing for low- and moderate-income families (Katz et al., 2003). Fannie Mae developed the Community Home Buyers Program, which helps households with incomes no higher than the area median to obtain a 5 percent downpayment and a long-term mortgage (Wyly et al., 2001). In 1994, Fannie Mae announced their “Trillion-Dollar Commitment” (91), identifying the goal of helping 10 million families become homeowners by 2000 (Wyly et al., 2001). They met that goal early and, in 2000, announced the American Dream Commitment, which devoted $2 trillion over 10 years to increase homeownership rates and serve 18 million families (Listokin et al., 2001; Wyly et al., 2001; Harkness and Newman, 2002). The plan targets new owners in underserved populations and expands the supply of affordable housing in underserved neighborhoods. Fannie Mae also met this goal, and in January 2004, announced an expansion to the American Dream Commitment (Fannie Mae, 2004). In the next 10 years, this expansion will help 6 million families become first-time homeowners. The plan is explicitly geared towards closing the gap between minority and nonminority homeownership rates. Of the 6 million families to be served, 1.8 million of them will be minority families (Fannie Mae, 2004).

The success of Fannie Mae is just one indication that homeownership initiatives and policies have been successful. As Katz and colleagues (2003) report, the number of households that own their homes has grown significantly since 1950, when 47.8 percent of households owned; in 2002, that number grew to 67.9 percent. A U.S. Census Bureau (2005) report for the last quarter of 2004 places the homeownership rate at 69.2 percent. Although the greater part of this increase has been among upper- and middle-income households, there has also been significant growth among low-income and minority households. Nevertheless, significant gaps remain in low-income and minority homeownership. According to this report (U.S. Census Bureau, 2005), 84.6 percent of families above the median family income owned a home in the last quarter of 2004. Only 52.5 percent of families below the median family income own homes. Among the minority population, 49.1 percent of Blacks and 48.9 percent of Hispanics own their home. By contrast, 76.2 percent of non-Hispanic whites own (U.S. Census Bureau, 2005).

Recent public policy actions have been geared towards closing the gaps in low-income and minority homeownership by eliminating discrimination in lending practices and by making the mortgage market more accessible to low-income and minority households. Enforcement of the Fair Housing Act of 1968 (U.S. Public Law 90-284; 82 Stat. 81) and the Equal Credit Opportunity Act of 1974 (U.S. Public Law 93-495; 88 Stat. 1525) have helped to decrease discrimination (Listokin et al., 2001). The adoption of the Community Reinvestment Act of 1977 (U.S. Public Law 95-128; 91 Stat. 1147) compelled financial institutions to invest some of their profits back into the community in which they are located.

The Home Mortgage Disclosure Act of 1975 (HMDA; U.S. Public Law 94-200; 89 Stat. 1125) was amended in 1989 (U.S. Public Law 101-73; 103 Stat. 183), requiring lenders to report all data from all mortgage applications received. This, other changes to loan appraisals, and agreements to promote fair lending objectives further broadened the housing market (Wyly et al., 2001). The Clinton administration launched the National Homeownership Strategy in 1995 with the goal of achieving a homeownership rate of 67.5 percent by 2000 (Wyly et al., 2001).

In spite of all of the progress in developing fair policies for homeownership, in 1995, the U.S. Census Bureau reported that just 56 percent of households (renters and owners) could afford to purchase a modestly priced home in the area they chose (Savage, 1999). This percentage was lower than those able to buy a house in either 1988 or 1984 (Savage, 1999). However, from 1993 through 1998, minorities accounted for 41 percent of the growth in homeowners (Duda and Belsky, 2002). Loans to low-income homeowners grew in this period by 94 percent, compared to a 52 percent growth among high-income homeowners (Duda and Belsky, 2002). Furthermore, loans to Black buyers grew by 98 percent and by 125 percent to Hispanic buyers

(Duda and Belsky, 2002). This evidence indicates that while homeownership is still difficult to attain for many households, these initiatives are having some effect.

However, the effect of homeownership initiatives on urban development may not be as profound as policy makers prefer. Mark Duda and Eric Belsky (2002) discuss data from the HMDA, demonstrating that most low-income and minority home buyers are buying outside of the central city. Instead, these buyers are opting for the suburbs. Data from the 1993-1999 period shows that of the loans in those years, only about 30 percent went to central cities, and just over half (53 percent) of low-income minority home buyers purchased homes in the suburbs (Duda and Belsky, 2002). In this same time period, one-third of low-income minorities bought homes in low-income areas, while more than half purchased homes in middle-income neighborhoods (Duda and Belsky, 2002). Duda and Belsky (2002) also note that low-income house buyers tend to be at the high end of the low-income threshold. If cities choose to emphasize homeownership initiatives as a primary urban development tool, they may not be as successful as they would like, and they likely will not reach the very poor households.

BARRIERS TO HOMEOWNERSHIP

David Listokin and associates (2001) and Mark Duda and Eric Belsky (2002) identify two primary obstacles to homeownership: low wealth and low income. Low wealth indicates an inability to afford a downpayment or funds to cover other up-front costs (Duda and Belsky, 2002). This can prevent potential homeowners from taking that important first step. Duda and Belsky (2002) indicate that low-income barriers arise from mortgage underwriting, and the maximum allowable total debt-to-income or housing debt-to-income ratios. Other research (Savage, 1999; Collins and Dylla, 2001) indicates lack of income as difficulty or inability in meeting routine monthly household expenses, such as a mortgage payment, utility bills, insurance, and repairs. Bruce Katz and associates (2003) discuss other barriers that low-income and minority households face. These include discrimination, difficulty proving creditworthiness because of poor credit history or lack of a history with mainstream financial institutions, lack of information, language barriers, and cultural barriers. The barriers identified here present additional reasons why policy makers must not focus solely on homeownership initiatives: some households may never be able to access homeownership opportunities.

NATIONAL AND LOCAL INITIATIVES

Researchers argue for supply- and demand-side solutions to address the shortages of affordable housing (Collins and Dylla, 2001; Duda and Belsky, 2002; Katz et al., 2003). A supply-side solution would entail increasing the supply of affordable housing through new construction. Demand-side solutions include many of the options already in place through government policy. For example, demand-side solutions might include low-interest loans, downpayment assistance, and homeownership counseling (Duda and Belsky, 2002). Furthermore, researchers argue that strategies to promote homeownership need to address the financial limitations of families and cannot rely on mortgage innovation alone (Katz et al., 2003). These programs are important for many groups of people and do move households into ownership, but affordable rental development cannot be ignored (Katz et al., 2003).

As discussed above, the federal government has implemented a number of programs and policies that make it easier for low-income and minority households to purchase homes. Urban policies, such as those in Chicago, have expanded upon federal efforts. Apart from tax benefits, mortgage innovations, and several other laws, the nation's primary tool for promoting homeownership is the American Dream Downpayment Initiative (ADDI; HUD, 2005). In December 2003, President Bush signed the American Dream Downpayment Act (U.S. Public Law 108-186; 117 Stat. 2685), which created the ADDI. The initiative authorizes up to $200 million annually for the fiscal years 2004-2007. Eligible individuals can receive downpayment funds, closing costs, and rehabilitation assistance through this program. Participants are limited to $10,000 or six percent of the purchase price of the home. Eligible individuals must be first-time home buyers with at or less than 80 percent of the AMI. According to HUD, the ADDI's purpose is to increase the homeownership rate, particularly among low-income and minority households. The program is also intended to help revitalize and stabilize communities (HUD, 2005). While this is a national program, it is administered at the local level through the HOME Investment Partnerships Program.

Using the City of Chicago as an example, this article will outline one city's efforts of administering these federal policies. The City of Chicago's Affordable Housing Plan (City of Chicago, 2003) outlines the city's goals and identifies the programs to be employed as urban development tools. Many of these programs focus on homeownership and complement the national initiatives previously described. The plan articulates goals for the period between

2004 and 2008. Its first step is to build, expanding the production of affordable housing. The plan particularly emphasizes expansion of homeownership opportunities for low- and moderate- income households. Specifically, the city will provide low-cost mortgage financing through New Homes for Chicago, the Chicago Partnership for Affordable Neighborhoods (CPAN), and tax-exempt bonds (City of Chicago, 2003). New Homes and CPAN are funded, in part, through the ADDI and HOME monies.

The New Homes for Chicago program, created in 1994, uses business incentives to encourage developers to build new homes for moderate-income households (City of Chicago, 2005b). These incentives include $10,000 subsidies per home, a waiver or reduction of assorted building permit and utility connection fees, and the ability to purchase city-owned vacant lots for as little as $1 (City of Chicago, 2005*b*). This program employs construction as a tool of neighborhood development and provides subsidies to help families purchase the homes constructed. A 2004 map released by the City of Chicago displays the major homeownership programs for 1999-2003. The New Homes constructions are clustered in the near northwest neighborhoods including Humboldt Park, West Town, and North Lawndale, and on the south side of the city in such neighborhoods as Grand Boulevard, Avalon Park, and Woodlawn. Historically, the west and south sides of the city have experienced the most segregation (McArdle, 2002) and, more recently, have seen influxes of low-income families (Bebow and Olivo, 2005).

While the New Homes program may enable families to purchase a home, they may still live in poor or predominately minority neighborhoods. If families are still living in low-income neighborhoods, they may not have access to resources necessary to travel to jobs, obtain employment in their neighborhood, or obtain a quality education. Additionally, the homes in this program are capped at purchase prices of $155,000 for single-family homes and $200,000 for two-flats, which is the term the City of Chicago uses to describe single-family homes that have been converted into two units (City of Chicago, 2005*b*). Such prices fall well beyond the range affordable for many low-income families. For this program, home buyers may earn up to 120 percent of the AMI. In Chicago this is $72,350 for a household size of two persons (City of Chicago, 2005*b*). As mentioned above, the living wage in Chicago is $17.42 per hour (NLIHC, 2004*b*). This equates to an annual salary of $36,234 for full-time employment at 40 hours per week, 52 weeks per year. According to the City of Chicago (2005*a*, 2005*b*), 80 percent of the AMI is just over $40,000. It becomes evident that the prices of the new construction are not within an affordable range for many families.

The CPAN program provides set-aside units for families with incomes up to 100 percent of the AMI.[7] The city works with developers so that a certain percentage of units in new buildings remain affordable to purchase (City of Chicago, 2005*a*). Eligible buyers in this program can earn up to 100 percent AMI, and households with low and moderate incomes may be eligible for a federal tax credit (City of Chicago, 2005*a*).

The city also assists home buyers through programs such as TaxSmart and the Police Homebuyer Assistance Program (City of Chicago, 2003). The TaxSmart Mortgage Credit Certificate (MCC) provides a federal income tax credit of up to 20 percent of the interest paid on a mortgage (City of Chicago, 2005*c*). The Chicago Department of Housing plan also calls for expanded support in the forms of prepurchase counseling, postpurchase counseling, and foreclosure prevention education (City of Chicago, 2003).

EVALUATION OF HOMEOWNERSHIP

Katz and colleagues (2003) argue that one of the goals of affordable housing policy should be to "promote racial and economic diversity in residential neighborhoods" (p. 4). They contend:

> When low-income households are clustered in poor or distressed neighborhoods, their access to educational, economic, and social opportunities is severely limited. Thus, to be truly effective, affordable housing policies should promote racial and economic diversity in residential neighborhoods so that poor and minority households are not isolated from social, educational, and economic opportunities. (Katz et al., 2003, p. 4)

If this is a goal of homeownership policies, the results are mixed. Whether or not policies are able to do achieve this goal depends on two variables: the location of the housing (i.e., which neighborhood) and the effects homeownership on communities (Katz et al., 2003).

Location is an important factor for any household in deciding where to purchase a home. This is no different for low-income or minority households. Actually, location may even be more important for these families. When searching for a home, many households look to location for job accessibility, quality of neighborhood schools, and projected housing appreciation (Duda and Belsky, 2002). Furthermore, a high rate of homeownership promotes neighborhood stability, which can lead to fewer neighborhood social problems (Wyly et al., 2001; Harkness and Newman, 2002). Duda and Belsky's (2002) research indicates that 50 percent of owners stay in their home for 10 years or more, so households consider many factors when making the decision to buy. Future homeowner concern for location creates a problem in urban areas because the majority of home buyers, including low-income and minority buyers, are buying in the suburbs (Duda and Belsky, 2002). As discussed above, cities need to maintain residents in order to maintain their economic well-being.

As Duda and Belsky's (2002) research indicates, many (53 percent) low-income minority home buyers are purchasing homes in the suburbs, in areas that are not considered low-income. Although low-income minority households are leaving the central city, this does not reduce the amount of segregation they encounter. In his analysis of minority home purchasing patterns in Chicago, Daniel Immergluck (1998) finds that, in 1995-96, 45 percent of Black home buyers purchased in census tracts where 75 percent or more of the population was Black, an increase from 27 percent in 1990-91. Additionally, he finds that 50 percent of that increase, from 27 percent to 45 percent, was restricted to just 5 percent of all census tracts. While home buyers are choosing to leave the central city, it is interesting to note that, in Chicago at least, low-income renters are remaining in the city; particularly those affected by Chicago's Plan for Transformation (Bebow and Olivo, 2005).

The second variable affecting the goals of affordable housing policy is the impact that homeownership has on communities. William Rohe and colleagues (2002) and Katz and associates (2003) identify some potential impacts: owners, when compared to renters, tend to take better care of their property, and crime often decreases in a neighborhood when the number of homeowners increases. Homeownership is also associated with an increase in commercial activity (Katz et al., 2003), and Rohe and associates (2002) find that owners, again when compared with renters, are happier with their units, have better self-esteem, are in better physical health, and are more likely to participate in voluntary organizations or be active in local politics. Rohe and associates caution, however, that more research needs to be done in this area because some evidence indicates that owning a home is more stressful for families at risk of falling behind on payments. Additionally, Rohe and associates (2002) add that homeownership, in spite of all its benefits, can also serve to lock people into low-income or deteriorating neighborhoods because of the costs associated with moving (Rohe et al., 2002; Katz et al, 2003). Elvin Wyly and colleagues (2001) also address potential problems, discussing the possibility that increases in the number of low-income loans may result in an increased likelihood of foreclosures and delinquent loans. In fact, some evidence indicates that this may be the case. Robert van Order and Peter Zorn (2002) find that low-income, Black, and Hispanic loan holders default at higher rates than loan holders in other groups.

Among the often-noted advantages of homeownership are the potential benefits to children. A number of studies seek to explore this link. Joseph Harkness and Sandra Newman (2002) find that children's outcomes improve when their parents own a home, regardless of the neighborhood in which the home is located. However, the better the neighborhood of the home, the stronger the outcomes for the children (Harkness and Newman, 2002). Specifically, children of homeowners are less likely than children of renters to experience teen pregnancy and to rely on welfare as adults (Harkness and Newman, 2002). They also have greater educational attainment: children of homeowners are more likely to graduate from high school (Harkness and Newman, 2002); Donald Haurin and colleagues (2002) find that cognitive outcomes for children of homeowners are up to 9 percent higher in math achievement and 7 percent higher in reading achievement when compared with the children's achievement prior to living in an owned home. Additionally, the children of homeowners are more likely to obtain some postsecondary education and to have higher hourly wages (Harkness and Newman, 2002). Donald Haurin and associates (2002) agree with these findings and add that there are fewer behavior problems among children whose parents own their homes than among the children of renters.

ARE HOMEOWNERSHIP INITIATIVES SUCCESSFUL?

There is no doubt that the myriad of homeownership policies has assisted thousands of people in achieving the dream of owning a home. Indeed, these benefits have even begun to reach traditionally underserved populations. More and more, low- and moderate-income households have the opportunity to own.

Do the gains identified above justify the current emphasis on homeownership strategies as effective urban development tools? The results are varied. Owners tend to buy outside of the central city and often remain segregated, both racially and economically (Duda and Belsky, 2002). Bruce Katz and colleagues (2003) suggest that some economic integration has occurred, even if racial integration has not. They note that while Blacks and Hispanics tend to purchase homes in neighborhoods where they make up a majority of the population, low-income households are purchasing in suburban middle-income areas (Katz et al., 2003). As people leave the city to purchase homes, cities face a dilemma; they need to retain residents in order to prosper. There is also a potential for regional problems, as neighboring suburbs may resent the influx of low-income households.

Bruce Katz and colleagues (2003) indicate that regionally structured homeownership policies have limited success. They suggest that the locations of affordable housing are found in clusters of low-income or distressed neighborhoods (as seen in the City of Chicago's programs discussed above). This leads to concentrations of low-income households and is not balanced growth (Katz et al., 2003). On the other hand, Katz and associates (2003) argue that, at the neighborhood level, these policies to promote homeownership have positive effects, evidenced by the outcomes described above.

The movement of buyers to the suburbs lends support to the idea that housing policies should be regional in nature. Cities need to work within their metropolitan areas to promote balanced growth. As more people purchase homes in the suburbs, urban areas stand the potential for economic losses. Policies developed and implemented consistently throughout a region allow for greater financial opportunities (such as jointly funded initiatives), as the city and suburbs can pool resources to address urban development issues. Further research should examine how regional affordable housing initiatives could garner broad-based support and determine if these policies make it easier for the city to hold on to its tax base.

Because homeownership can have a variety of positive neighborhood and individual outcomes, policies should continue to promote homeownership initiatives. However, affordable housing policy should not focus exclusively on homeownership initiatives because they do not effectively reach everyone, particularly the extremely low-income households struggling to find affordable housing. As Wyly and colleagues (2001) point out, "Homeownership is not a panacea for the complex problems that confront individuals and communities in the inner city. But for better or worse, it has become the central point of agreement across the political spectrum and among public, private, and non profit institutions" (p. 97). In working to remedy the current housing problems, homeownership initiatives should continue to be one tool in the affordable housing toolbox. ■

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NOTES

[1]"Housing problems" are defined by the NLIHC as high cost burden, overcrowding, poor quality, and homelessness. They define "housing cost burden" as the expenditure of more than 30 percent of household income on housing costs. The NLIHC's definitions of housing problems and housing cost burden will be used in this study.

[2]The U.S. Department of Housing and Urban Development (HUD) defines low-income households as those earning equal to or less than 80 percent of the area median income (AMI; HUD, 2003).

[3]"Housing wage" is defined as the hourly wage a worker must earn to afford a two-bedroom home at fair market rent (NLIHC, 2004*b*).

[4]Dolbeare elsewhere defines inadequate units as severely or moderately inadequate, based on the number and seriousness of physical problems including lack of plumbing, heating, or electricity, problems in the hallways or upkeep of the building (Dolbeare, 2001*a*).

[5]"Severe housing cost burden" is defined by the NLIHC as spending more than 50 percent of household income on housing (NLIHC, 2004*a*).

[6]The HOLC developed a neighborhood quality rating system that assigned colors to each category. Red was assigned to the fourth and lowest category of neighborhoods. Neighborhoods

were rated by HOLC and with the assistance of local realtors and banks and a line (in the appropriate color) was drawn around each neighborhood on a secret Residential Security Maps kept in local HOLC offices. It became difficult to obtain a mortgage in an area of the map with the red line around it, hence the term "redlining" (Jackson, 1985).

[7]Set-aside units are those for which a developer reduces the price to an affordable level. Under the program, a certain percentage of units are set aside in a market-rate development.

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