

# **HOUSING AND CHILD DEVELOPMENT**

Sandra J. Newman, Ph.D.  
Johns Hopkins University

“Shaping Economic Futures: The Role of Communities” Plenary  
Federal Reserve Strong Foundations Conference  
Washington, D.C.  
March 23, 2017

# Setting the Context

## Defining “housing”:

- Urban economists define housing as a “bundle” of attributes that are capitalized into the purchase price or rent:
  - schools, crime, stores, parks, transportation, amenities and “disamenities”
  - neighbors (both demographics and behaviors)
  - land-use regulations
  - property taxes (directly paid or passed along in rent)
  - affordability (% of income devoted to housing)
- Evidence that consumers think like urban economists: housing features affect how consumers rate their neighborhoods, and neighborhood features affect how consumers rate their housing unit (Holupka & Newman 2011)

## Setting the Context (continued)

What is the status of children's housing and neighborhood problems?

### Children's housing problems, 2013

Housing Problems	All	Near Poor (101-200% poverty)	Poor ( $\leq$ poverty)
% Physically inadequate	5	6	10
% Crowded	7	11	16
<b>% Unaffordable</b>	<b>35</b>	<b>58</b>	<b>84</b>
% Severely unaffordable	16	18	61
% At least 1 housing problem	41	67	87

---

Source: 2013 National American Housing Survey  
Poverty  $\leq$ \$18,554 for a 3-person family in 2013 (2013\$)

## Setting the Context (continued)

### Children's neighborhood problems, 2005

Neighborhood Problems	All	Near Poor (101-200% poverty)	Poor (≤ poverty)
% Crime	17	20	27
% Schools	9	9	11
% Noise	27	32	35
% Shopping	16	17	17
% At least 1 neighborhood problem	46	52	55

---

Source: 2005 National American Housing Survey  
Poverty ≤\$19,325 for a 3-person family in 2004 (2013\$)

## Setting the Context (continued)

### Children's neighborhood problems, 2013

Neighborhood Problems	All	Near Poor (101-200% poverty)	Poor ( $\leq$ poverty)
Abandoned/vandalized buildings	7	7	13
Buildings with bars on windows	8	8	14
Trash, litter or junk in street, empty lots	8	9	16

---

Source: 2013 National American Housing Survey  
Poverty  $\leq$  \$ 18,554 for a 3-person family in 2013 (2013\$)

## Setting the Context (continued)

- **Changes over time**
  - Dramatic declines in physical inadequacy
    - 50% or more since the 1970s
  - Dramatic increases in unaffordability
    - 2x as likely for poor children than in 1970s
  - Neighborhood problems
    - Lacking time series on crime and schools
    - Highest prevalence among poor

# Theory: How might housing affect child development?

- **Theory #1: Economic and Family Stress**

- Financial pressures in poor families combine with other stresses more common among the poor to result in psychological distress and spillovers onto parenting, which becomes punitive, harsh, less nurturing. This, in turn, elevates children's stress responses, which can harm their development.
- Housing and neighborhood environments may constitute one bundle of stressors, including both physical quality and affordability.

- **Theory #2: Investment Theory**

- Children's development is partly the result of the investments parents make in their children. These include enrichment such as buying books and educational materials, and high quality child care.
- Families with fewer resources are less able to invest in child enrichment. This includes low-income families paying a large share of their income to housing.

# Findings from 3 of Our Recent Studies

## 1. Housing Affordability

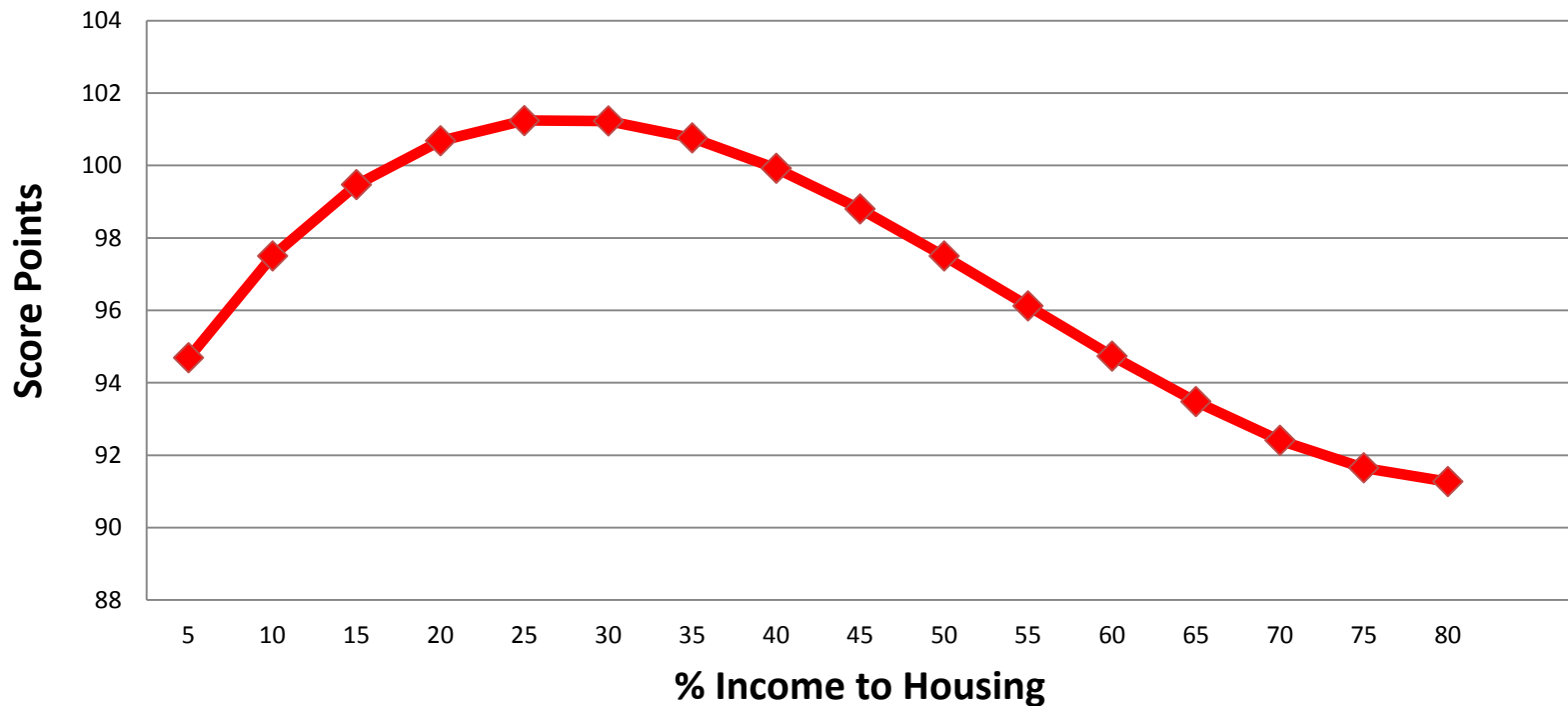
The most prevalent housing problem affecting ~70% of low- and moderate-income families with children.

- 2 plausible ways housing affordability might affect children's cognitive performance, one aspect of their development:
  - Conventional view: unaffordability reduces discretionary income, forcing cutbacks in other expenditures (e.g., necessities, enrichment)
  - Unconventional view: a lower-income family spending too little on housing is likely to live in a poor-quality unit in a poor-quality neighborhood, thereby compromising their child's cognitive development
  - If both apply: we should see an inverted U-shaped relationship between child cognitive scores (Y axis) and housing cost burden (X axis), with the maximum child score at a ~30% housing cost burden



# 1. Housing Affordability (continued)

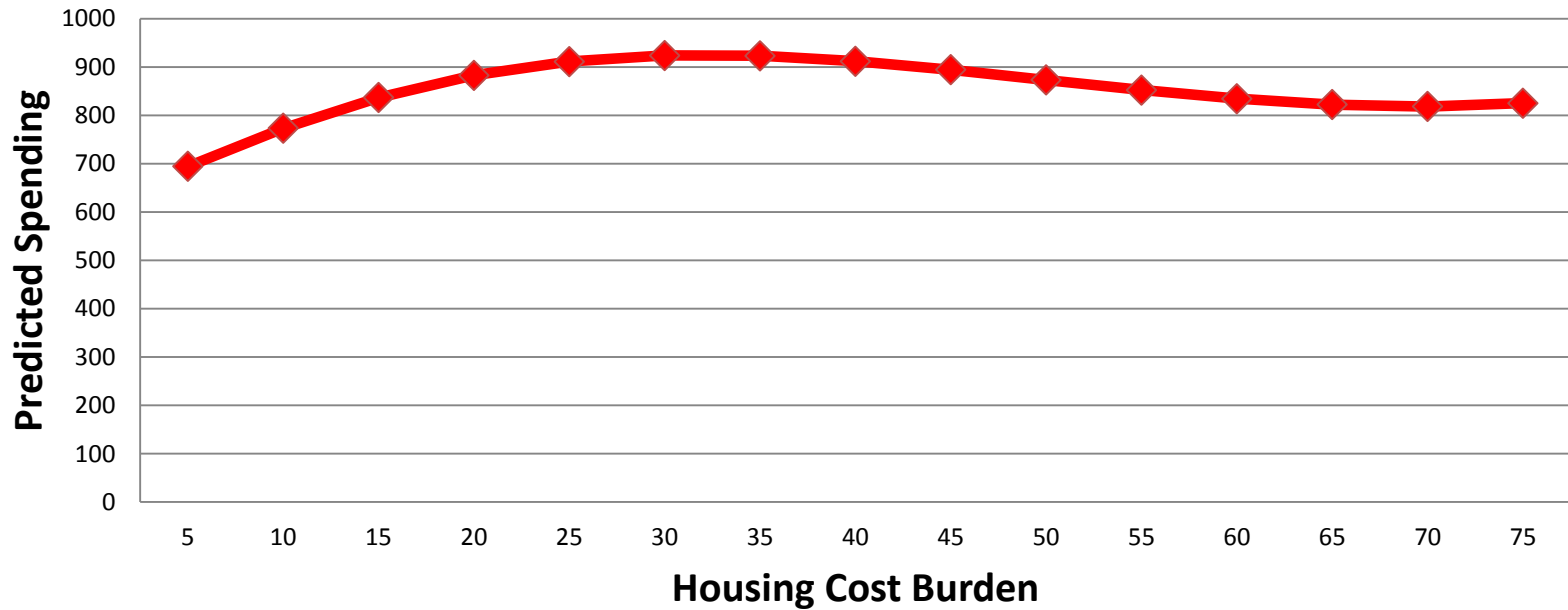
Relationship between child cognitive achievement and fraction of household income spent on housing



# 1. Housing Affordability (continued)

- Question: *Why* does this occur? *How* do affordable housing “savings” get translated into better cognitive performance of children?

Relationship between child enrichment expenditures and the fraction of household income spent on housing



## 2. Race and Assisted Housing (continued)

Questions: Are there disparities in the housing and neighborhood environments between black and white households with children living in federally assisted housing? How has this changed over the decades?

- The good news: Over the four decades from 1970 to 2011, disparities in rates of black and white households with children living in each of the three main types of assisted housing have disappeared.
  - Also no disparities in physical quality of project-based developments, or management of public housing.
- The bad news: Poorer neighborhood quality of black assisted housing households with children persists.
  - In the 2000s, ~34% of blacks lived in poor quality neighborhoods compared with ~4% of whites.

## 2. Race and Assisted Housing (continued)

- Partly attributable to historical structural factors: low-income blacks more likely to live in central cities and to apply for assisted housing in central cities.
- Central cities have 2-3x the rate of low quality neighborhoods compared to suburbs.

### Policy Implications:

- Multi-pronged: strategies to facilitate access to better quality neighborhoods plus investments to improve neighborhood quality
  - Conduits: housing policy, program rules, courts, attitudes

### 3. Race, Homeownership and Net Worth in the Tumultuous 2000s (continued)

Questions: Were there racial differences in the net worth accumulation of low- and moderate-income households who bought their first homes in the economically volatile 2000 decade? What explains these disparities?

- Key findings:
  - Whites: Timing of purchase was critical. Buying in economically robust periods led to short-term growth in net worth. Buying in recessionary years led to losses.
  - Blacks: Blacks lost regardless of economic climate. Appears to be driven largely by location: blacks purchased homes in more disadvantaged neighborhoods that continued to deteriorate over the decade compared with whites. For example,
    - House prices ~20-38% lower than whites
    - House prices falling over decade
    - Homeownership rate lower and falling
    - Racially segregated

### 3. Race, Homeownership and Net Worth in the Tumultuous 2000s (continued)

#### Policy Implications:

- Multi-pronged:
  - Address structural inequities re: black access to better neighborhoods
  - Capital investments to reclaim low-quality neighborhoods