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# THE POLICY IMPLICATIONS OF THE SPATIAL MISMATCH HYPOTHESIS: COMMENT ON "DECONCENTRATING THE INNER CITY POOR"

JOHN C. WEICHER\*

Rather than comment on Professor Schill's extensive, thorough, and judicious review of the literature on the spatial mismatch hypothesis, I would like to discuss its impact on housing policy in the past and its implications for the future. The concept of spatial mismatch has been a factor in policy since it was first formulated, and indeed it was being used as a basis for public policy while the first studies were being criticized in the professional literature—I would say it was being used as a basis for public policy well before there was any professional consensus to support it, except that there does not appear to be yet such a professional consensus.

## THE SPATIAL MISMATCH HYPOTHESIS IN HOUSING POLICY

The spatial mismatch hypothesis was the basis for a key provision of the 1974 Housing and Urban Development Act. The Act created the community development block grant program (replacing urban renewal) and required localities to develop Housing Assistance Plans ("HAPs") as a condition for receiving block grant funds. One purpose of the block grant is stated as "the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income."<sup>1</sup> Section 104(a)(4)(A) attempts to achieve this objective by requiring that the HAP must assess "the housing assistance needs of lower income persons. . . residing in or expected to reside in the community" as a result of existing or projected changes in employment opportunities and population in the community.<sup>2</sup> This was intended to promote low-income housing in suburban jurisdictions; my present recollection is that it was placed in the Act by Repre-

\* Assistant Secretary for Policy Development and Research, U.S. Department of Housing and Urban Development. I would like to thank Lawrence L. Thompson and Kathryn P. Nelson for helpful comments. The opinions expressed in this comment are my own, and not necessarily those of the Department of Housing and Urban Development.

1. Housing and Community Development Act of 1974, Pub. L. No. 93-383, § 101(c)(6), 88 Stat. 633, 634-35 (1974).

2. Housing and Community Development Act of 1974, Pub. L. No. 93-383, § 104(a)(4)(A), 88 Stat. 633, 638 (1974).

sentative Thomas Ludlow Ashley, whose district included the entire Toledo metropolitan area.

I was chief economist at HUD at that time, and it fell to my office to develop a way to measure how many lower-income households would be "expected to reside" in the suburbs. We discovered quickly that the actual current patterns of jobs and residences revealed a "reverse spatial mismatch." In every metropolitan area, the percentage of low-income residents living in the suburbs was higher than the percentage of low-wage jobs located there. This finding should not have been surprising; low-income workers, like other workers, tended on balance to commute into the city, not out of it. But it implied that all central cities had too little low-income housing. Additionally, we did not find evidence that low-wage jobs were suburbanizing faster than the low-income population, at least between the 1960 and 1970 decennial censuses.

The only suburban jurisdictions that we could identify as having a disproportionate share of low-income workers were older industrial suburbs or towns with a single large low-wage employer. Joliet, Illinois, with its very large state prison, is the best example. But Joliet was certainly not what Congress had in mind when it wrote Section 104, and there was no public policy purpose served by penalizing Joliet if it failed to provide more subsidized housing.

Separately, the issue was the subject of litigation. The city of Hartford, Connecticut, brought suit against several of its suburbs because their HAPs did not make provision for low-income families who could be expected to reside there, and then sued HUD because HUD had approved these HAPs.<sup>3</sup> The district court ruled for the city of Hartford, and ordered block grant funds withheld from the suburbs. The suburbs appealed, but HUD decided to accept the decision and declined to join the suburbs on the appeal. The suburbs won. Thus, HUD was in a sense on both sides of the case, and lost on both sides.

Subsequently, the suburb of East Hartford—like Joliet, an industrial community with many lower-income households—was found, like Joliet, to have too little low-income housing, so HUD denied its application for block grant funds. East Hartford sued HUD, and lost; the law required that this relatively low-income suburban community should have more low-income housing.<sup>4</sup>

Since these court cases, the "expected to reside" requirement of Sec-

3. *City of Hartford v. Hills*, 408 F. Supp. 889 (D. Conn. 1976), *rev'd en banc sub nom. City of Hartford v. Town of Glastonbury*, 561 F.2d 1032 (2d Cir. 1977), *cert. denied*, 434 U.S. 1034 (1978).

4. *Town of East Hartford v. Harris*, 450 F. Supp. 512 (D.D.C. 1978).

tion 104 has been met in several ways. HUD developed information about actual commuting patterns of low-income persons, using data from Social Security and Census Bureau records. The assumption was that some fraction of present commuters would wish to move into the jurisdiction, rather than that some new jobs would be located in the jurisdiction in the future. In the early 1980s, these tabulations became outdated, and "expected to reside" was treated in terms of an expected growth factor for the jurisdiction.

In the National Affordable Housing Act of 1990, the HAP was replaced by the Comprehensive Housing Affordability Strategy ("CHAS"), which is required as a precondition for a broad range of housing subsidies. The CHAS must address the "expected to reside" issue, with a five-year projection of "the jurisdiction's need for assistance for. . . persons residing in or expected to reside in the jurisdiction. . . ." <sup>5</sup> HUD's regulations implementing the CHAS state that the jurisdiction must consider and discuss any foreseeable change in housing needs based on changes in employment.

While the "expected to reside" language remains part of the National Housing Act, I think it is fair to say that the issue has gradually faded as a factor affecting the availability of HUD monies. The spatial mismatch hypothesis is still invoked from time to time in public policy debates. The National Affordable Housing Act, for instance, requires HUD to conduct a study "regarding availability of housing within reasonable proximity of places of employment."<sup>6</sup> That study will be completed later this year.

### DOES THE HYPOTHESIS MATTER?

My reading of the literature and my own research on it, as well as my policy experience, lead me to the conclusion that the spatial mismatch hypothesis is not valid. However, I do not believe public policy depends on its validity. There is certainly general agreement that the concentration of the poor within specific neighborhoods is not socially desirable; the neighborhoods are unattractive for many reasons, whether or not they are distant from available jobs. Public policy has attempted to address the problem of these neighborhoods in two ways: enabling people to leave them, and making them better places to live. The spatial

5. Cranston-Gonzalez National Affordable Housing Act, Pub. L. No. 101-625, § 105(b)(1), 104 Stat. 4079, 4088 (1990).

6. Cranston-Gonzalez National Affordable Housing Act, Pub. L. No. 101-625, § 919, 104 Stat. 4079, 4401 (1990).

mismatch hypothesis implies that the former is more likely to be successful, but I think deconcentration would continue to be preferred even if the hypothesis were conclusively refuted.

Deconcentration has in fact been occurring for at least the last three decades. My own research on persistently poor neighborhoods shows that they have been losing population steadily.<sup>7</sup> Roughly speaking, the white lower-middle class residents moved out of them in the 1960s, and the black lower-middle class in the 1970s. So also did large numbers of low-income residents. My judgment is that the 1990 Census will show further depopulation, except in those areas where Hispanic, Asian, and other new immigrants have settled. In addition, the population of these neighborhoods "churns" to a substantial extent; there are poor residents from one survey to the next, but many of the individuals have moved in or out.<sup>8</sup> They do not appear to be trapped in a particular neighborhood.

Deconcentration is the explicit purpose or the consequence of a number of public policies. The *Gautreaux* demonstration, mentioned by Professor Schill, is intended to promote deconcentration for racial minorities suffering from discrimination in the location of assisted housing. HUD is now initiating a new "Moving to Opportunities" demonstration, modelled on *Gautreaux*.<sup>9</sup> The demonstration was part of the 1992 HUD appropriations act; HUD is proposing to extend the demonstration through 1994. HUD would fund up to 1,500 voucher or certificate holders each year to provide counseling, job search, and other services to families that use their housing assistance to move out of areas with concentrations of poverty to suburban or other areas with few poor residents.

However, deconcentration is promoted by other programs that do not have it as their explicit purpose. The rental voucher and certificate programs are examples. These programs let tenants choose the housing they wish to occupy, in the private market. There is some deconcentra-

7. John C. Weicher, *How Poverty Neighborhoods are Changing*, in INNER-CITY POVERTY IN THE UNITED STATES 68 (Lawrence E. Lynn, Jr. & Michael G.H. McGeary eds., 1990).

8. Kathryn P. Nelson, *Racial Segregation, Mobility, and Poverty Concentrations*, (Mar. 22, 1991) (unpublished paper presented to the Annual Meeting of the Population Association of America in Washington, D.C., on file with the *Chicago-Kent Law Review*).

9. *Hills v. Gautreaux*, 425 U.S. 284 (1976). The *Gautreaux* demonstration was an outgrowth of the litigation. HUD voluntarily undertook to provide resources for 400 minority households residing in or applying for public housing, to enable them to relocate in neighborhoods either within or outside the city of Chicago which do not have significant numbers of minority households. HUD provides both Section 8 certificates for use in private rental housing, and counseling to help the families through the process of finding and moving into a new housing unit, and making adjustments to the new neighborhood. For a description of the demonstration and the legal history leading up to it, see DIVISION OF POLICY STUDIES, U.S. DEP'T OF HOUS. AND URBAN DEV., *GAUTREUX HOUSING DEMONSTRATION: AN EVALUATION OF ITS IMPACT ON PARTICIPATING HOUSEHOLDS* (1979).

tion as a result; some of the assisted families move to better neighborhoods, and some move from city to suburb. In addition, the Bush Administration has been concerned about the extent to which local housing and building regulations, including impact fees and complicated processes for obtaining building permits, restrict the housing opportunities of lower-income families. A Commission established by HUD Secretary Kemp at the President's request has recommended that states and local governments should have plans to analyze and reduce their regulatory barriers to affordable housing in order to be eligible for housing assistance. This recommendation was part of the President's fiscal year 1993 budget and legislative proposal, but was not enacted; the Senate passed a modified version as part of the housing authorization bill, but it was rejected in the House and dropped in conference.<sup>10</sup>

Because Professor Schill is interested in deconcentration, his discussion of public policy ignores the efforts to improve living conditions in low-income areas. In my judgment, such efforts are worth making, both because low-income areas will continue to exist, and because there have been notable successes in some neighborhoods. Many of these areas include public housing projects, for example, which means they will remain as low-income areas for the foreseeable future. Some of these projects do not provide satisfactory housing; most of the residents are not in the labor force. Secretary Kemp is making a major effort to enable the residents of these projects to turn them into decent places to live, through resident management and eventual ownership of the projects. Some of the worst public housing projects in the United States have become decent places to live through resident management and ownership; the residents have acquired both the skills to manage and the sense of achievement from making their projects liveable, and as a result the residents are more productive members of society, working or going to school.

A second initiative is the enterprise zone: targeted tax incentives to promote business development and entrepreneurship in low-income areas where there is currently little or no economic activity. Enterprise zones have been successful in some states; legislation to establish federal enterprise zones has been regularly introduced in Congress, with sponsorship by the Reagan and Bush Administrations and by many members of Congress in both parties. In the past it has been held back by the House Ways and Means Committee. However, in the wake of the Los Angeles

10. ADVISORY COMM'N ON REGULATORY BARRIERS TO AFFORDABLE HOUSING, "NOT IN MY BACK YARD": REDUCING BARRIERS TO AFFORDABLE HOUSING (1991).

riots following the Rodney King verdict, the Bush Administration revived the proposal. It was included in a weakened form (with fewer zones and fewer incentives) in the tax bill passed at the end of the Congress, which the President vetoed because of his dissatisfaction with tax increases that were part of the bill.

None of these actual and proposed policies should be seen as panaceas, but all of them can help. Meanwhile, deconcentration is likely to continue. The truth or falsity of the spatial mismatch hypothesis should not divert attention from the problems of the poor, wherever they live, or from policies and programs already in place that will result in deconcentration, directly or indirectly.