The Renaissance Comes to the Projects:
Public Housing, Urban Redevelopment, and Racial Inequality in Baltimore

Peter Rosenblatt
Johns Hopkins University

Introduction

In the years since Baltimore's Inner Harbor redevelopment recast the deindustrializing city as a tourist attraction and place friendly to private investment, the city's majority black east and west side neighborhoods have seen few of the benefits. The HOPE VI program, which tears down public housing projects and rebuilds mixed income communities in their place, represents a potential reversal of this trend, especially as plans for remaking public housing encourage private developers to become involved and market rate housing to be built. Yet implementing the program required the displacement of hundreds of families, many whom were unable to return. These families should have benefited from the changes to their neighborhood, but were unable to because of the way the program limited the number of public housing units that were replaced. What has this meant for the decline or perpetuation of racial inequality in the city?

This paper focuses on community change. It looks at the impact of HOPE VI on neighborhoods to the east and west of downtown, that were separated from the inner harbor redevelopment and the "renaissance" of downtown. It has implications for families, not just who return to HOPE VI sites, but also for those who live in the neighborhoods surrounding those sites. These segregated neighborhoods were once the target for public housing construction that concentrated poor families in the neighborhoods surrounding downtown instead of dispersing them throughout the Baltimore metro area. As public housing suffered institutional neglect and the projects became synonymous with violent crime, these neighborhoods bore the brunt of that decline. Now HOPE VI represents a chance to revitalize not just the projects, but the surrounding neighborhoods as well. This paper explores the degree to which that has happened in five public housing communities and their surrounding neighborhoods on either side of downtown Baltimore.

Critics of HOPE VI and of the entrepreneurial bent in post-industrial downtown redevelopment caution that there is more to the story. From this perspective, HOPE VI can be seen as a way to recapture center city land that has recently become valuable real estate. Perhaps the benefits of clearing out the projects and improving neighborhoods will not come to those who long lived there, but will instead fall to developers and middle class gentrifiers. To address this challenge, this paper also looks at the neighborhood improvement outcomes for families who were displaced and did not return to HOPE VI sites. These families should have benefited from the changes to their neighborhood, but were unable to return because of the way the program limited the number of public housing units that were replaced.

This paper uses mortgage investment data to understand how neighborhoods have improved as a result of HOPE VI, and also to measure levels of neighborhood improvement for displaced families. It uses a seldom-used but sociologically significant source of data on mortgage lending to describe neighborhood outcomes not just for the original sites, but also for displaced families.   It also departs from many prior studies of HOPE VI to recognize that the program's outcomes are inherently racialized, in that they almost exclusively impact black families and communities. This means that the outcomes of the program will have implications for racial inequality in the city. HOPE VI may represent a reversal of the historic pattern of denying investment in black neighborhoods and placing housing for the poor within them. Or it may unfold in a way that reshuffles poor minority populations to new ghettos and increases urban inequalities. This paper asks: *Who has benefited from HOPE VI? Did the neighborhoods surrounding the housing projects that were torn down improve? Did displaced families benefit from neighborhood improvement in any way?*

Data and Methods

In order to analyze the outcomes of HOPE VI for neighborhood improvement, this analysis uses mortgage data from the Home Mortgage Disclosure Act Loan Applicant Register (HMDA LAR) for 1994 and 2006. I look at how the proportion of loans approved in a census tract (the "loan approval rate") has changed before and after HOPE VI. These data are used to represent neighborhood improvement. They show the willingness of banks to make financial investments in communities—these investments allow families to become homeowners, which is a mark of neighborhood stability and health, and also allows individual families to build wealth. The availability of housing loans has historically helped to fuel suburban expansion, while the denial of loans in black neighborhoods has been linked to neighborhood decline and disinvestment. These data thus also speak directly to the question of whether or not HOPE VI has impacted racial inequality, because they represent a form of investment in communities that was long denied to black neighborhoods. The data are used to model changes in the willingness of banks to approve loans in a neighborhood, between 1994 and 2006. These dates are chosen to represent the time before and after HOPE VI. The data represent the potential for improving neighborhoods by making them places where families have access to opportunities for homeownership, with its assorted benefits for community stability and health.

One scholar's neighborhood improvement is another's gentrification. The gentrification perspective highlights how "neighborhood improvement" can also be profitable to outside investors, such as developers and middle class families who move into the neighborhood and realize the profit to be made by owning land. Part II of this analysis explores whether or not these profits and the benefits to the community are realized by those previously living in the neighborhood, or whether families are displaced to worse neighborhoods

Part I

The first part of the analysis uses a counterfactual design to compare neighborhood improvement in HOPE VI sites to those of similar neighborhoods that did not have HOPE VI. I use census tracts that contain HOPE VI sites within their boundaries to represent HOPE VI neighborhoods. Thus the analysis looks at outcomes for the neighborhoods that contain HOPE VI projects, not just for the actual project sites themselves.

The first part of the paper looks at neighborhood improvement in HOPE VI and matched "control" neighborhoods. The control group is those census tracts that had family housing projects within them, but were not selected for HOPE VI "treatment"—ie the family projects were not demolished or rebuilt. This set of tracts represent neighborhoods that were the same as HOPE VI neighborhoods in terms of having family public housing projects within them, but that did not experience public housing redevelopment. I use a regression format to compare neighborhood improvement in HOPE VI and control neighborhoods, in order to control for characteristics of the applicant pool in each neighborhood (applicant race, poor credit history, or subprime lending) that might impact the willingness of banks to make loans in that neighborhood. I also control for neighborhood level race and poverty, which might also impact the willingness of banks to invest in neighborhoods. In this way, I directly test the impact of HOPE VI on neighborhood improvement. However, because neighborhood and applicant characteristics are also substantively interesting, I add these variables to the model in steps. The additional significance of these independent variables is discussed further in the expected findings section. The central hypothesis to be tested in the first part of the paper is: *If HOPE VI was driving neighborhood improvement, then the difference in the loan approval rate between 1994 and 2006 should be greater in HOPE VI than in "control" tracts, holding constant other applicant and neighborhood characteristics that might explain the approval rate.*

OLS regression will be used to test this hypothesis. All census tracts in Baltimore city will be the sample. The model is specified as follows:

$$Y_{(dif9406)} = \beta_0 + \beta_{HOPEVI} + \beta_{familyproj} + \beta_{blackNh} + \beta_{poorNH} + \beta_{avgappincome} + \beta_{perblackapp} + \beta_{app\_poorcredit} + \beta_{subprime} \qquad \textbf{(1)}$$

The dependent variable is the difference in the percentage of mortgage loans approved in a census tract between 1994 and 2006. This measures the increase or decrease in the willingness of banks to originate mortgages in a neighborhood, which is this paper's measure of neighborhood improvement.

Key independent variables will be dummy variables for the cluster of HOPE VI tracts (β_{HOPEVI}) and the cluster of matched family project "control" tracts ($\beta_{familyproj}$). Other independent variables will be added in steps. They control for neighborhood racial composition and poverty rate ($\beta_{blackNH}$, β_{poorNH}), and for loan applicant characteristics ($\beta_{perblackapp}$, $\beta_{app\_poorcredit}$, $\beta_{subprime}$).

In order to test the hypothesis, the sign and magnitude of the HOPE VI coefficient will be compared to that of the control coefficient. The two coefficients will also be compared with a wald test, to see if they are significantly different from each other. If the HOPE VI coefficient is larger and significantly different from the control coefficient, then we have a strong case that HOPE VI led to a greater level of neighborhood improvement than had the program not taken place, irregardless of applicant, loan, and neighborhood characteristics.

Part II

The second part of the paper focuses on outcomes for displaced families. The gentrification perspective implies that HOPE VI increased social inequality by displacing families. These low-income minority families will end up in worse-off neighborhoods than they could have if they were able to return to the rebuilt public housing communities. This portion of the paper explores neighborhood improvement outcomes for the neighborhoods to which displaced families moved.

There is no publicly available data source on where HOPE VI families have moved. Instead, three sources of data are used to find out where displaced families went: the locations of control participants in the Baltimore Moving To Opportunity (MTO) program (those families who were living in one of the five HOPE VI sites and who did not receive any moving assistance from the MTO program); the locations of section-8 voucher movers in the Baltimore metropolitan area (1/3 of families displaced from HOPE VI sites moved with section-8 vouchers); and administrative data—HOPE VI relocation logs from the Baltimore ACLU. Census tracts that are destinations for all three of these groups will be classified as "displacement tracts" and used in the analysis. This part of the analysis tests the hypothesis: *If HOPE VI harmed families by displacing them, then these displaced families should be in neighborhoods that are significantly worse from a neighborhood improvement standpoint than the neighborhoods that they left.*

Neighborhood improvement is again operationalized as the change in the percentage of mortgage loans approved in a tract between 1994 and 2006. The unit of analysis is the census tract, and the sample consists of all census tracts in central Maryland. Central Maryland tracts are the sample here because families may have moved anywhere in the metropolitan housing market. The model is specified as follows:

$$Y_{(Diff9406)} = \beta_o + \beta_{HOPEVI} + \beta_{displaced} + \beta_{avgappincome} + \beta_{perblackNh} + \beta_{perpoorNH} + \beta_{perblackapp} + \beta_{perpoorcredit} + \beta_{subprime} \quad \textbf{(2)}$$

Where the variables are the same as those in model (1), except instead of the family project dummy variable, I use a dummy variable to represent those census tracts to which displaced families moved ($\beta_{displaced}$). To test the hypothesis that displaced families moved to worse-off neighborhoods, the sign and magnitude of the dummy coefficients will be compared to each other, and a Wald test will verify whether or not they are significantly different from each other. If HOPE VI displaced families to worsening neighborhoods, as the gentrification perspective suggests, then the $\beta_{displaced}$ coefficient should be significantly smaller than the β_{HOPEVI} coefficient.

Expected Findings

By modeling neighborhood change with mortgage investment data, this paper adds to our understanding of HOPE VI outcomes in a way that also speaks to the program's impact on historically racialized lending patterns. I expect to find that model 1 confirms the hypothesis that HOPE VI led to greater neighborhood improvement when compared to family projects that did not receive HOPE VI grants. However, I expect that the other independent variables in model 1 will modify the relationship between HOPE VI and neighborhood improvement in interesting ways, which will be seen by adding these other independent variables to the model in steps.

For instance, it may be the case that a negative relationship between being in a HOPE VI tract and changes in tract loan approval rate is explained away by controlling for the race of the applicants. This implies that discrimination in mortgage lending, rather than neighborhood change due to HOPE VI, is driving the unwillingness of lending institutions to make mortgages available in the neighborhoods surrounding HOPE VI sites. Alternatively, a positive relationship between being in a HOPE VI tract and changes in loan approval rate might be explained away by a greater number of subprime loans being originated in such tracts. Interaction terms between the HOPE VI variable and race or subprime variables may also be added if these sorts of relationships are suggested by the model. Thus in addition to controlling for applicant and loan features in the central analysis of the impact of HOPE VI on neighborhood improvement, model 1 provides additional information about the way race intersects with lending practices to shape the context of investment in neighborhoods.

The analysis also speaks to patterns of neighborhood change in the city as a whole. The family project ($\beta_{familyproj}$) and a categorical variable representing the percent of African-Americans in a neighborhood ($\beta_{blackNH}$) divide the city into theoretically interesting subgroups. Analysis of neighborhood change in these subgroups is also possible from model 1. A positive coefficient for family projects suggests that these neighborhoods may have been improving in the absence of a HOPE VI intervention, although it is still anticipated that HOPE VI led to significantly greater levels of neighborhood improvement in HOPE VI neighborhoods. A positive coefficient for segregated neighborhoods suggests that lending patterns are changing from the historical pattern of redlining and disinvestment.

However, the way these coefficients are modified by the inclusion of data on the race of the loan applicant pool or the prevalence of subprime loans is also substantively interesting. The practice of targeting minority borrowers for subprime loans suggests that the inclusion of the subprime variable will modify any finding that the loan approval rate has increased in segregated neighborhoods between 1994 and 2006. Subprime lending may characterize an increase in the loan approval rate in segregated neighborhoods. The link between subprime loans and higher foreclosure rates in neighborhoods speaks to the central concept of increased loan approval rate as a measure of neighborhood improvement—if the increase in loan approval in black neighborhoods, family project neighborhoods, or even HOPE VI neighborhoods in Baltimore is explained away by the loans being subprime, it suggests that racialized lending practices impacted the prospects for neighborhood improvement.

The second part of the analysis tells the full story of HOPE VI's impact on patterns of racial inequality by using the same measure of neighborhood improvement to look at neighborhood change outcomes for displaced families. Prior research has found that displaced families tend to move to less poor, but still highly segregated neighborhoods. While the measure of neighborhood improvement used here is new, I expect that displaced families will experience weaker levels of neighborhood improvement than they would if they had been able to return to HOPE VI sites—that is, I expect to confirm the second hypothesis. While census-tract poverty, employment or racial composition measures also provide information about neighborhood outcomes for displaced families, this paper goes beyond what can be learned from census data. It adds to our understanding of the potential long-term impacts of HOPE VI by using a measure of neighborhood improvement that taps into underlying trends in community investment.

Redevelopment through HOPE VI may bring new opportunities for homeownership and neighborhood development to racially segregated former public housing neighborhoods. Yet critics caution that this neighborhood improvement may be ephemeral for many of the former residents of public housing, especially if they are not able to return to the redeveloped communities. The analysis in this paper engages both of these perspectives in assessing the impact of HOPE VI redevelopment on neighborhood improvement.