Do Fair Housing Policies Help or Hinder?: Evidence from Washington

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Abstract

Several U.S. cities have imposed strict regulations on landlords to combat discrimination and reduce racial disparities in housing. This paper asks whether these policies help minority citizens or inadvertently exacerbate racial disparities in housing. It does so in the context of 1. Washington state, which imposed fines on landlords for using blanket bans on applicants with a criminal record in 2017, and 2. Seattle, which has imposed multiple fair housing policies, such as a ban on background checks and a "First in Line" policy. To identify effects, I use a difference-in-differences approach to compare outcomes of black and white residents in Washington state and Seattle over time. Results indicate that the policies did not affect the likelihood of renting or moving but that housing spending increased for black WA citizens by approximately $106.

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1 Introduction

Stable and quality housing is an essential foundation for one's quality of life. Homelessness and eviction lead individuals to commit more crimes (Cronley, Jeong, Davis, and Madden, 2015; Alm and Bäckman, 2020) and living in disadvantaged neighborhoods has both short- and long-term effects on children outcomes (Chetty, Hendren, and Katz, 2016; Chyn, 2018; Kling, Ludwig, and Katz, 2005; Ludwig, Duncan, and Hirschfield, 2001). Unfortunately, currently in the US, not everyone has the same access to stable and quality housing.

According to a report published by the Urban Institute (Turner, 2013), housing circumstances for white and minority citizens in America still differ substantially. Minorities are still, on average, provided with fewer options for both rental and for-sale properties. For example, black renters are, on average, provided with information of 11.4 percent fewer available units and shown 4.2 percent fewer available units by agents than white renters of similar profiles. This narrower pool of options increases the search costs for minorities and could result in lower-quality housing and higher housing spending. This, as mentioned above, could, in turn, have a negative impact in the long run.

In an effort to reduce racial disparities in housing, policymakers have started adopting several fair housing measures. For example, in the past few years, several cities have adopted a 'Ban the Box' law that restricts landlords from inquiring rental applicants about their criminal history. Specifically, Detroit, Chicago, and Minneapolis now prohibit landlords from asking about the criminal record in the initial application stage. And Seattle and Oakland have banned landlords from conducting background checks altogether. Additionally, Seattle has imposed a cap on move-in fees and passed a law prohibiting the unfair screening of tenants by mandating landlords rent out to the first qualified applicants.

However, although these fair housing policies are well intended, it is not clear that they would be effective. In fact, these policies might actually worsen the condition for minority renters. For example, a study by the University of Washington (Crowder, 2018) reported that 40% of landlords have sold or plan to sell property in response to the Seattle ordinances governing the housing

market. A tightening housing market would disproportionately hurt minority tenants, who, on average, have relatively fewer economic resources. In addition, while removing the question about criminal history from the (initial) process looks like it should help black applicants who are more likely to have a record, the lack of information could also inadvertently force landlords to rely on statistical discrimination based on other characteristics, including race. Indeed, evidence from the labor market shows that that is precisely what happened when the 'Ban the Box' policy was implemented on job applications. Agan and Starr (2018) studied the effect of the 'Ban the Box' policy that restricts employers from asking about criminal history on job applications and found that the policy increased the black-white gaps in callbacks. Doleac and Hansen (2020) found that doing so negatively impacted the likelihood of being employed for young, low-skilled black men. This paper thus aims to be the first to study the causal impact of these fair housing policies. Specifically, I ask whether the policies improve or worsen racial disparities in housing.

To do so, I focus my analysis on the state of Washington and Seattle where several fair housing policies have been imposed. Specifically, in 2017, the Washington state attorney general began fining rental housing companies for using blanket bans on tenants with a past felony. In Seattle, two fair housing ordinances that were passed in 2016, went into effect in 2017. These two ordinances are 1. the First-in-Time Ordinance, which requires landlords to lease to the first qualified applicants, and 2. the Move-In Fees Ordinance, which limits security deposits and non-refundable fees to one month's rent. Additionally, Seattle also passed the Fair Chance Housing Ordinance, which completely prohibits landlords from conducting background checks. This ordinance went into effect in 2018.

To identify effects, I use individual-level housing data from the 2005-2019 American Community Surveys (ACS) with a difference-in-differences approach. Specifically, I compare the housing outcomes of black and white citizens in Washington and Seattle before and after 2017 when these fair housing policies were implemented. The identification assumption behind this approach is that the housing outcomes of black and white citizens would have changed in the same way in the absence of these fair housing policy efforts.

Results from the analysis of the Washington sample indicate that fair housing efforts had no significant effects on the likelihood of renting or the likelihood of moving, but increased housing spending of black citizens by $106, in comparison to their white counterparts. The effects are robust to the inclusion of controls, race-specific time trends, and allowing controls to have different effects in the post-period. Results from Seattle, however, are less clear and precise.

In addressing the effects of fair housing policies, this paper contributes to the literature in several ways. First, this paper is the first to study the causal effects of fair housing policy on housing outcomes. Second, this paper contributes to the broader literature on statistical discrimination (e.g., Autor and Scarborough (2008); Wozniak (2015)), which has mostly focused on the labor market context. Third, the results here also speak to the literature on the impact of the 'Ban the Box' policies (Shoag and Veuger, 2016; Agan and Starr, 2018; Doleac and Hansen, 2020). The results of this paper also have important implications for policymakers. Although the fair housing policies are well-intended, results here suggest that they negatively impact black residents on the intensive margin.

2 Fair Housing Policies in Washington and Seattle

In April 2016, the US Department of Housing and Urban Development (HUD) issued guidance stating that, in order to comply with the Fair Housing Laws, landlords shall not employ a criminal background screening process that has a disparate impact on individuals of a particular race, national origin, or other protected class. For example, landlords shall not use a blanket statement regarding the criminal history or automatically deny an application from individuals who have a criminal record. This is because by doing so, it will make it harder for African-Americans to find housing more than people of other races as African-Americans are disproportionately more likely to have a record (Gramlich, 2020).

In August 2016, to combat unfair and discriminatory screening practices by landlords, Seattle passed the First-in-Time ordinance, which requires landlords to lease to the first qualified

applicants in order. In December of the same year, Seattle also passed the Move-In Fees ordinance, which limits security deposits and non-refundable fees to one month's rent. Both of these ordinances went into effect in January 2017.

At the same time, the Washington State Attorney General in January 2017 took action to punish landlords, who they have found in an investigation to be violating the Fair Housing Laws. Examples of the violations include rejecting an application because of a criminal record without inquiring for further information and giving a blanket statement that an application of individuals with criminal records will be denied. The punishments include fines of $5,000 or more and non-discrimination training.

Finally, in August of 2017, the city of Seattle took it one step further and passed the Fair Chance Housing Ordinance. This ordinance prohibits landlords in Seattle from conducting criminal background checks, asking about arrest or conviction records, or taking any adverse action based on criminal history. This ordinance is regarded by many as the most progressive in the country and went into effect in February 2018.

As landlords started seeing real changes in terms of the laws that they had to follow in 2017, I define the post-period to start in 2017.

3 Empirical Approach

To assess whether fair housing policies benefit or hurt black citizens, I first look at the impact of the crackdown on discriminatory blanket housing bans on renters with criminal histories by the state of Washington. I do so using a difference-in-differences approach to compare the housing outcomes of black and white citizens in Washington before and after the crackdown in 2017. The advantage of this approach is that it allows me to distinguish treatment effects from other common time-varying factors, as well as group-specific factors. Formally, I estimate the impact of this crackdown using the following model:

$$housing\ outcome_{it} = \alpha + \gamma_t + \delta \cdot black_i + \beta_x X_i + \beta I[black \times post]_{it} + u_{it} \quad (1)$$

where the outcome, $Housing\ outcome_i t$ is the housing outcome of interest of individual i from survey year t. γ_t represents a set of survey year fixed effects. $black_i$ is a binary variable indicating whether individual i is black. X_{it} is a matrix containing individual i's characteristics including marital status, gender, age, and income. $i[black \times post]_{it}$ is an indicator variable equating 1 when individual i is black and was surveyed in the post-treatment years (2017-).

Next, I examine whether the fair housing policies that were imposed in Seattle made a difference and affected citizens in Seattle differently than the rest of the state. To do so, I run the analysis with a sample from Seattle and the rest of the state separately and compare their results. In all specifications, survey weights are used, and the standard errors are clustered at the household level. I cluster the standard errors at the household level because individuals from the same household are likely affected by the policies in the same way as they are likely treated by the same potential landlords.

For the difference-in-differences approaches, the underlying assumption is that the housing outcomes of black and white citizens would have changed in a similar fashion in the absence of fair housing policy efforts. I provide support for this assumption by first looking at the raw data and showing that the housing outcomes of the two groups track each other well prior to 2017. In addition, I also formally estimate whether there was a divergence in housing outcomes of the two groups prior to 2017 using a dynamic difference-in-differences approach.

Another potential concern is that the effects estimated could be driven not by the race itself, but by other characteristics that are associated with race. For example, the crackdown might have made it more difficult for black individuals to rent, not because landlords were discriminating against them for being black, but because they are more likely to have lower income and education and the landlords were using these characteristics to statistically discriminate after 2017. To test this, I also include the interaction terms of characteristics and the post-treatment survey year in the specification. The coefficients of these interaction terms would indicate whether landlords have

resorted to statistically discriminating on characteristics other than race. The coefficient β in this specification would estimate the effects of fair housing efforts on the black-white racial gap sans the effects of other statistical discrimination induced in the port period.

Lastly, I also test whether the estimates could be driven by a preexisting divergence in trends in housing outcomes of white and black individuals by including race-specific linear time trends in the model.

4 Data

For the analysis, I use individual-level characteristics and housing data from the 2005-2019 American Community Surveys (ACS). The housing information recorded in the ACS includes the type of housing each responder resides in, whether they rent or own the property, and how much they spend on housing each month.

Since fair housing policies directly affect landlords and thus potentially could change the supply of rental properties and the process of tenant screening, the first outcome I look at is the likelihood of renting. For example, young adults could decide to live at their family home longer if the screening process becomes more difficult or rent becomes too expensive.

There is also a possibility that the policies do not change housing decisions on the extensive margin, but do so on the intensive margins. For example, financial and credit constraints likely make owning a house not an option for many people, and thus the decision on the extensive margin (owning vs. renting) is likely to be more inert. For these people, a drop in rental housing supply and tougher screening criteria would result in higher search costs, higher rent, and lower-quality housing. To examine the effects on the intensive margin, I look at two outcomes: housing spending and housing quality. Housing spending is defined as rent and utilities for renters, and mortgage payments, utilities, real estate taxes, and insurance for homeowners. Commute time is used as a proxy for housing quality.

In this paper, I focus my analysis on black and white populations in Washington so that the

interpretation of the results is more straightforward. Table 1 reports the summary statistics. In Washington, black citizens are more likely to rent and less likely to own a home than their white counterparts. However, when we look at housing spending, both spend approximately the same amount each month ($1450). The data from Seattle tells a similar story. Black Seattle residents are more likely to rent and less likely to own a home than white residents. However, on average, white residents in Seattle spend more on housing each month. White Seattle residents on average spend close to $1900/month on housing, while black residents spend around $1400/month.

5 Results

5.1 Effects in Washington

I begin my analysis by looking at the state-wide effects of fair housing policies. Since these policies applied directly to the rental market, I first look at the effects on the likelihood of renting. Figure 1 shows that the likelihood of renting for black and white residents tracked each other well before 2017. Additionally, it also shows that the fair housing policies imposed in Washington seemed to have minimal effects on the likelihood of moving. Table 2 confirms this. Estimates across specifications are small and not statistically significant at the conventional level.

Next, I look at the impact on the likelihood of moving. Figure 2 shows that although the likelihood of moving for black and white residents did not track each other well in the earlier year, they tracked well from 2012. Similar to the figure of the likelihood of renting, this figure also shows minimal effects on the likelihood of moving. Table 3 confirms that the impact on the likelihood of moving was small and not statistically significant.

Although I do not observe significant effects on the extensive margin, i.e., no change in the likelihood of renting, it is possible that there was an impact on the intensive margin. To examine this, I look at housing spending. Figure 3 shows that prior to 2017 black residents spent approximately $100/month less than white residents. However, that gap closed completely in 2017 and black citizens actually spent slightly more than white citizens on housing in 2018 and

2019. Figure 4 provides additional support that housing spendings by white and black residents in Washington track each other well in the pre-period and that spending by black citizens increased in the post-period.

Table 4 reports the formal estimates from the model in Equation 1. Column 2 reports the estimate from the preferred specification with controls and indicates that fair policies in Washington led to an increase of approximately $106/month in housing spending for black citizens. Column 3 reports the estimate when I include race-specific time trends in the regression. If the estimate in Column 2 was driven by the pre-existing divergence in trends between the two races, this inclusion would reveal that. The magnitude of the estimate drops slightly in Column 3 to $83/month and is statistically significant. Column 4 reports the result when I include the interaction terms that allow controls to have different effects in the post-period. The estimate in this column remains statistically significant and indicates an increase of $90/month in housing spending for black residents. Overall, the results in the first four columns of Table 4 indicate that fair housing policies in Washington led to an increase of approximately $100 in housing spending for black residents and that the effects are robust across specifications. Columns 5-12 of Table 4 report the estimates on housing spending by gender. The estimates here suggest that the effects are slightly larger for females.

5.2 Effects in Seattle

In this Section, I look at the effects of fair housing policies in Seattle specifically. There are two main reasons for this. First, Seattle has imposed three ordinances that make it one of the most progressive cities in the US in terms of housing policies. Second, the demographic of the population in Seattle is different from the rest of the state. Therefore, it seems possible that the impact in Seattle would be different from the other parts of the state. For example, Table 1 shows that residents of Seattle are 25 percentage points more likely to have a college degree, 13 percentage points less likely to be married, and 15 percentage points more likely to rent than the statewide average.

Figure 5 shows that the likelihood of renting between white and black Seattle residents tracked each other relatively well prior to 2017 and that there was a slight dip in the likelihood of renting among black residents in 2017-2018. However, looking at the estimates in Table 5. The estimates for the effects on the likelihood of renting are not statistically significant and are not very robust. Figure 6 shows that we do not have good parallel trends in the pre-period for the likelihood of moving. Additionally, the estimates are again not statistically significant.

Moving on to the effects on the intensive margin. Figure 7 shows that the spending on housing for black and white Seattle residents tracked each other well prior to 2017. The estimate in Column 10 of Table 5 indicates a positive and insignificant effect of $87/month. However, when I include race-specific time trends in the model (Column 11), the estimate decreased by more than half, suggesting that the estimates here are not very robust. Overall, the impact of fair housing policies in Seattle is less clear. If anything, it seems to be minimal.

6 Conclusion

This paper studies the effects of fair housing policies in Washington and Seattle. Although one of the main purposes of these laws is to combat unfair screening practices, it is unclear whether these laws would be effective. For example, in response to these laws, landlords could sell their rental properties and thus limit the supply, impose stricter rental requirements, and rely more on statistically discriminatory practices. All of these would disproportionately negatively affect black citizens.

Using individual-level characteristics and housing data from the 2005-2019 American Community Surveys (ACS) with a difference-in-differences approach, I find that, in Washington, fair housing policies resulted in an increase of $106/month in housing spending by black residents and little change in the likelihood of renting or moving. However, the results from Seattle, which has one of the most strict fair housing policies in the country, are less clear.

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7 Figures

Figure 1: Likelihood of Renting: Washington

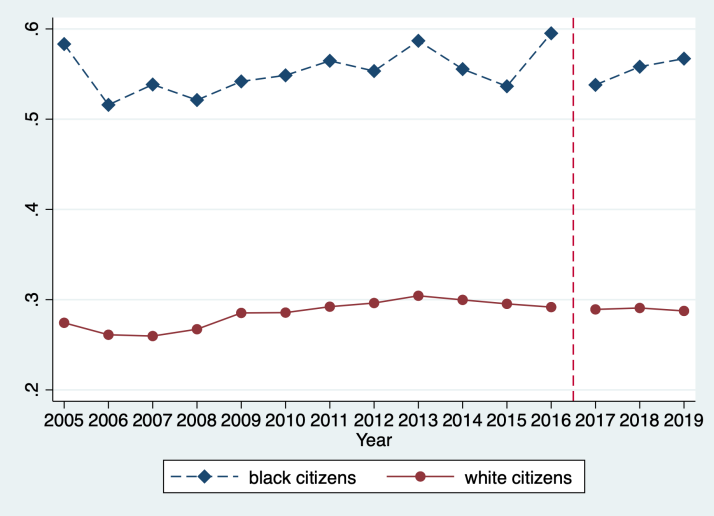


Figure 2: Likelihood of Having Moved in the Last 12 Months: Washington

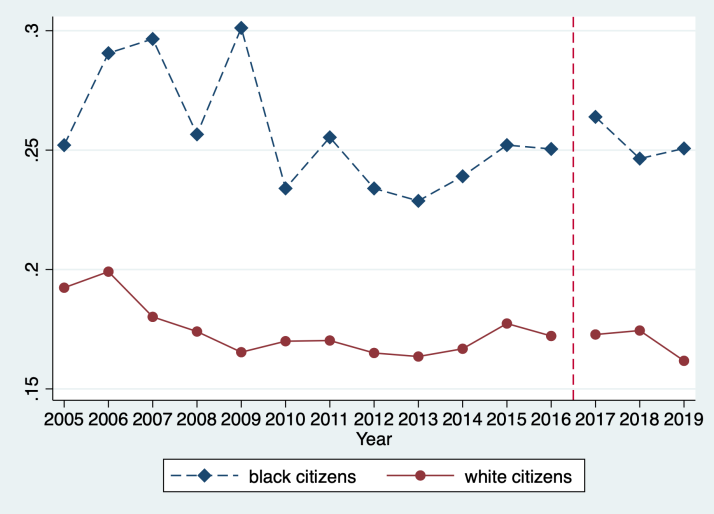


Figure 3: Housing Spending: Washington

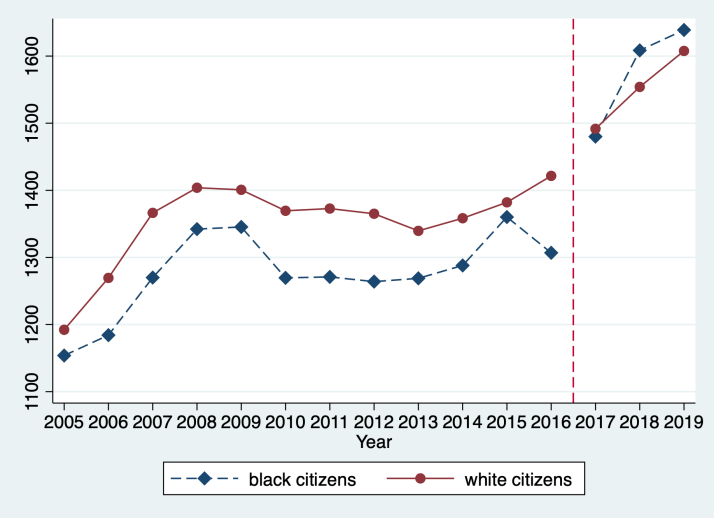


Figure 4: Dynamic Difference-In-Differences Estimates on Housing Spending: Washington

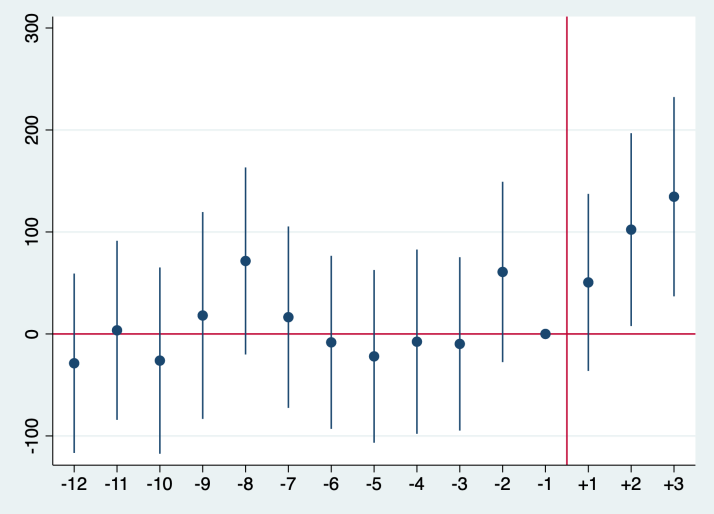


Figure 5: Likelihood of Renting: Seattle

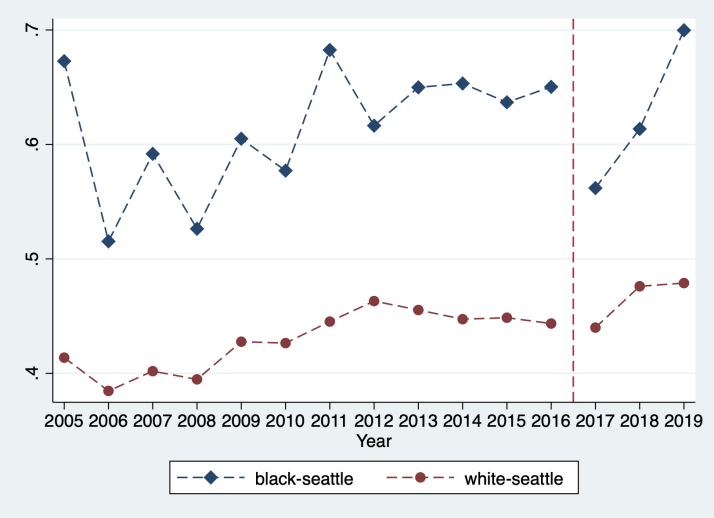


Figure 6: Likelihood of Having Moved in the Last 12 Months: Seattle

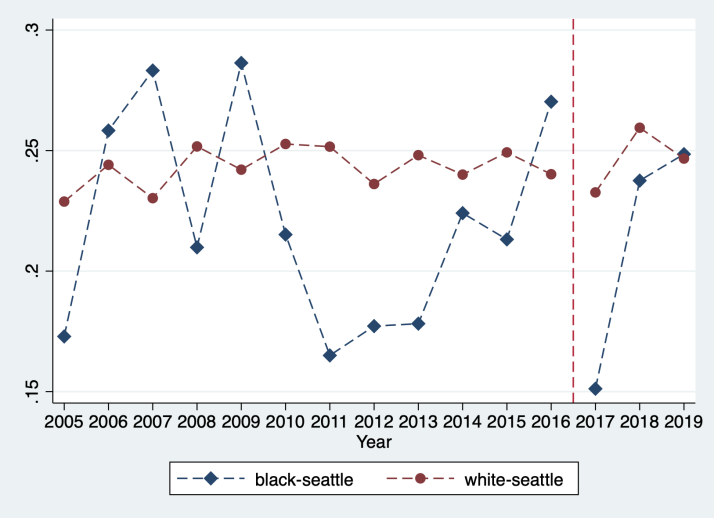
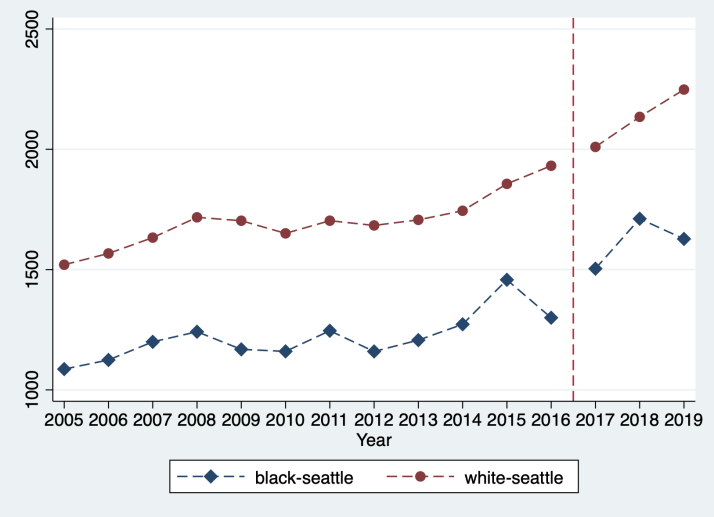


Figure 7: Housing Spending: Seattle



8 Tables

Table 1: Summary Statistics

	WA-All		**WA black citizens**		**WA white citizens**		**Seattle-All**		**Seattle black citizens**		**Seattle white citizens**	
	mean	sd	mean	sd	mean	sd	mean	sd	mean	sd	mean	sd
renting	0.31	(0.46)	0.55	(0.50)	0.29	(0.45)	0.46	(0.50)	0.62	(0.49)	0.44	(0.50)
owning	0.65	(0.48)	0.38	(0.49)	0.68	(0.47)	0.49	(0.50)	0.31	(0.46)	0.51	(0.50)
housing spending	1458.03	(970.78)	1450.47	(837.68)	1448.31	(966.59)	1809.31	(1165.62)	1409.71	(909.92)	1885.81	(1193.41)
commute time	26.60	(22.36)	28.71	(23.22)	26.50	(22.55)	26.49	(18.47)	27.13	(20.75)	26.32	(18.23)
college degree	0.30	(0.46)	0.20	(0.40)	0.30	(0.46)	0.55	(0.50)	0.24	(0.43)	0.61	(0.49)
married	0.54	(0.50)	0.36	(0.48)	0.54	(0.50)	0.41	(0.49)	0.28	(0.45)	0.42	(0.49)
below poverty line	0.11	(0.31)	0.19	(0.39)	0.10	(0.30)	0.12	(0.33)	0.24	(0.42)	0.10	(0.30)
Observations	813056		25937		693894		70611		4491		54481	

Table 2: Likelihood of Renting: Washington

	(1) all	(2) all	(3) all	(4) all	(5) male	(6) male	(7) male	(8) male	(9) female	(10) female	(11) female	(12) female
post x black	-0.0031	-0.0072	-0.0025	0.0049	0.0109	-0.0050	-0.0074	0.0046	-0.0191	-0.0139	-0.0008	-0.0005
	(0.0125)	(0.0119)	(0.0170)	(0.0120)	(0.0147)	(0.0139)	(0.0197)	(0.0140)	(0.0156)	(0.0145)	(0.0209)	(0.0146)
Controls		Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes
Time trends			Yes				Yes				Yes	
ControlsXPost				Yes				Yes				Yes
N	715964	683307	683307	683307	349980	332225	332225	332225	365984	351082	351082	351082

Standard errors in parentheses

* p¡0.10, ** p¡0.05, *** p¡0.010

Table 3: Likelihood of Having Moved in the Last 12 Months: Washington

	(1) all	(2) all	(3) all	(4) all	(5) male	(6) male	(7) male	(8) male	(9) female	(10) female	(11) female	(12) female
post x black	0.0020	-0.0025	0.0136	0.0058	-0.0090	-0.0139	0.0080	-0.0061	0.0148	0.0091	0.0192	0.0181
	(0.0102)	(0.0104)	(0.0147)	(0.0104)	(0.0123)	(0.0127)	(0.0179)	(0.0127)	(0.0130)	(0.0131)	(0.0189)	(0.0131)
Controls		Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes
Time trends			Yes				Yes				Yes	
ControlsXPost				Yes				Yes				Yes
N	715964	683307	683307	683307	349980	332225	332225	332225	365984	351082	351082	351082

Standard errors in parentheses

* p¡0.10, ** p¡0.05, *** p¡0.010

Table 4: Housing Spending: Washington

	(1) all	(2) all	(3) all	(4) all	(5) male	(6) male	(7) male	(8) male	(9) female	(10) female	(11) female	(12) female
post x black	118.9836***	106.3689***	82.8816***	91.6897***	90.0479***	91.2136***	83.6511***	79.3303***	150.8548***	123.3106***	81.9198**	105.0832***
	(22.3623)	(20.1784)	(26.5033)	(20.1554)	(26.5931)	(23.2812)	(30.3765)	(23.2839)	(27.8930)	(24.8464)	(32.9095)	(24.8619)
Controls		Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes
Time trends			Yes				Yes				Yes	
ControlsXPost				Yes				Yes				Yes
N	677578	674597	674597	674597	329266	327968	327968	327968	348312	346629	346629	346629

Standard errors in parentheses

* p¡0.10, ** p¡0.05, *** p¡0.010

Table 5: Effects of Fair Housing Policies: Seattle

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	renting				moved <12 months				housing spending			
post x black	-0.0241	-0.0444	-0.0368	-0.0119	-0.0111	-0.0226	-0.0130	-0.0067	-8.2432	87.0921	37.6661	60.4728
	(0.0303)	(0.0288)	(0.0428)	(0.0291)	(0.0223)	(0.0225)	(0.0335)	(0.0228)	(62.6286)	(53.7352)	(73.7995)	(54.9525)
Controls		Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes
Time trends			Yes				Yes				Yes	
ControlsXPost				Yes				Yes				Yes
N	58426	53968	53968	53968	58426	53968	53968	53968	53729	53458	53458	53458

Standard errors in parentheses

* p¡0.10, ** p¡0.05, *** p¡0.010