

Urban Renewal and Inequality: Evidence from Chicago's Public Housing Demolitions

Based on BFI Working Paper 2022-163, "[Urban Renewal and Inequality: Evidence from Chicago's Public Housing Demolitions](#)," by Milena Almagro, University of Chicago; Eric Chyn, UT-Austin; and Bryan A. Stuart, Federal Reserve Bank of Philadelphia

Demolitions of public housing as part of urban renewal programs had disparate impacts and generated large welfare improvements for White households, alongside welfare losses for low-income minority households.

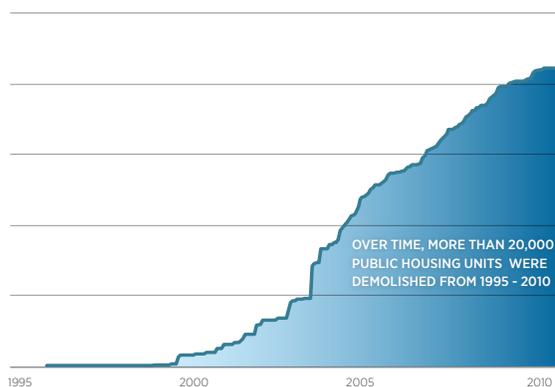
In the United States, federal and local governments spend almost \$100 billion per year on spatially targeted development programs to revitalize economically distressed communities. Such urban renewal programs are not without controversy, especially regarding their impact on residents. Policymakers maintain that residents benefit from enhanced economic activity and improved amenities, while critics claim that such projects increase housing costs and force residents to move to less-desirable neighborhoods.

Who is right? The answer requires understanding both how individuals value neighborhoods and how local housing markets respond to policy. To examine this question, the authors develop a structural model of neighborhood demand and supply to quantify the welfare impacts of HOPE VI, a HUD program charged with eradicating severely distressed housing.¹ The authors focus on Chicago, which previously had one of the largest US public housing systems and received substantial HOPE VI funding for building demolition. Between 1995 to 2010, the housing authority in Chicago demolished over 21,000 units of public housing.

¹ The HOPE VI Program of the US Department of Housing and Urban Development (HUD) was developed as a result of recommendations by the National Commission on Severely Distressed Public Housing, which was charged with proposing a National Action Plan to eradicate severely distressed public housing. The Commission recommended revitalization in three general areas: physical improvements, management improvements, and social and community services to address resident needs.

The model assumes that households have preferences for the demographic and economic characteristics of residents, features of the housing stock, and the presence of public housing (please see the working paper for details). The authors also allow preferences to vary by households' race/ethnicity (non-Hispanic White, Black, Hispanic, and other) and income level (below or above \$20,000). For their analysis, the authors focus on how neighborhoods changed after the demolition of public housing in Chicago using US Census data to find the following:

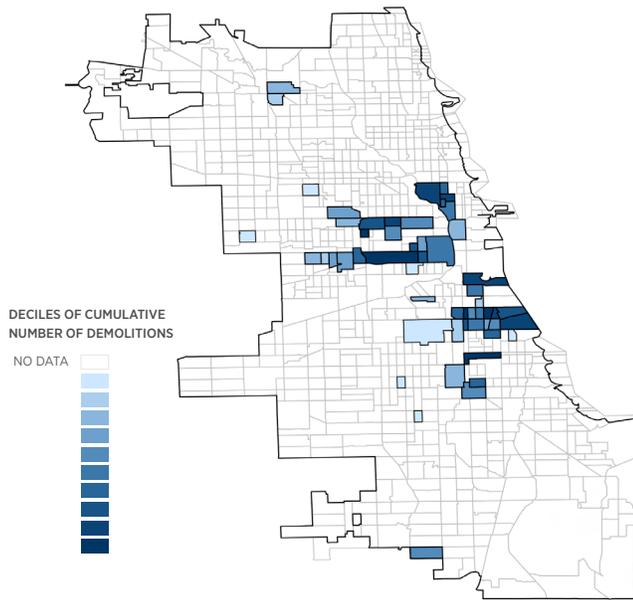
Figure 1 • Cumulative Number of Chicago Public Housing Demolitions from 1995 - 2010



Note: This figure displays the cumulative number of public housing units that were demolished in Chicago between 1995 and 2010.

Source: Authors' calculations using data from the Chicago Housing Authority.

Figure 2 • Spatial Variation in Chicago Public Housing Demolitions from 1995 - 2010: Deciles of Cumulative Number of Demolitions by Census Tract



Note: Panel A displays the cumulative number of public housing units that were demolished in each census tract between 1995 and 2010.

Source: Authors' calculations using data from the Chicago Housing Authority.

- Between 2000 to 2010, when the vast majority of demolitions occurred, neighborhoods where a larger share of the housing stock was demolished saw substantial increases in the White population share alongside decreases in the share of residents that were Black or Hispanic.
- Areas with more demolition also saw growth in median household income, median rents, and house values.
- The share of newly constructed housing increased more in neighborhoods with more demolitions.

- When considering the longer-run horizon between 2000 to 2016, there were even larger changes in neighborhood characteristics, suggesting that demolitions had lasting effects.
- Overall, demolition of distressed public housing had disparate impacts and generated large welfare improvements for White households alongside welfare losses for low-income minority households.

What explains these findings? Broadly, white households especially value the removal of public housing and the decrease in minority population shares in neighborhoods where demolitions occur. White households also benefit more from increases in housing prices because they are more likely to be homeowners. Poor minority households are much less likely to own a home, so they are hurt by the increase in rents.

Finally, and importantly, this work offers a prescription for policymakers: even moderate increases in the scale of housing redevelopment in areas targeted by demolition can reverse the negative impacts of public housing demolition. High levels of redevelopment may even allow all racial and income groups to benefit. In the case of Chicago, this means that the welfare impacts of public housing demolitions could have been more positive if authorities had engaged in more intensive redevelopment efforts. This may also be true for other major U.S. cities such as Atlanta and Washington, DC, which also received substantial HOPE VI funding.

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NO. 2022-163 · DECEMBER 2022

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ABOUT OUR SCHOLAR



Milena Almagro

Assistant Professor, Chicago Booth

[chicagobooth.edu/faculty/directory/a/](https://chicagobooth.edu/faculty/directory/a/milena-almagro)

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