

## Transatlantic perspectives on mixed communities

**The idea that new communities should accommodate a mix of tenures, incomes, ages and household types animates housing and planning policy in Britain today. However, efforts to promote economic integration are less prominent in government strategies for improving deprived neighbourhoods or supporting existing communities. A review of research evidence and policy experience from the United States and the United Kingdom demonstrates that:**

- Economic segregation has grown in Britain over the past few decades. Rising income inequality, residential ‘sorting’ by economic status and housing policy have helped to create area concentrations of wealth and deprivation.
- Research studies from both the US and UK indicate that concentrated poverty limits opportunities for people above and beyond their own personal circumstances. Area deprivation reduces local private sector activity, limits local job networks and employment ambitions, exerts downward pressures on school quality, stimulates high levels of crime and disorder, and exacerbates health inequalities.
- The Government’s approach to building new communities embraces social and economic mix as an alternative to the negative effects of concentrated wealth and deprivation. Evidence suggests that these efforts should proceed from areas of market strength, avoid extreme physical segregation of subsidised and market-rate households, and include a moderate-income ‘tier’ of households to reduce differences between the extremes.
- Incremental improvements in the most severely deprived neighbourhoods may fail to catalyse the broader market forces on which regeneration programmes depend. Approaches like the HOPE VI programme in the United States, which replaces the nation’s most distressed social housing with well-designed, economically integrated communities, may have lessons for strategies aimed at narrowing the wide gap between these places and the rest of the nation.
- Pursuing mix in new communities and severely deprived communities alone could overlook the residential dynamics that tip existing mixed neighbourhoods towards concentrated wealth or poverty. Local housing and planning agencies in the US are developing tools to monitor neighbourhoods over time, and deploying policy to sustain them as inclusive, healthy places.



## Introduction

Compared with the United States, housing is clearly higher up the agenda in Britain. Although both countries confront issues around housing affordability, quality, and balancing hot and cold markets, only Britain has truly highlighted the important links between the condition of the housing market and the long-term health of its places.

An increasingly common theme in Britain, though not a new one, is that housing policy should seek to create 'mixed' or 'balanced' communities. It is hoped that a more consistent social/economic mix at the local level will avoid creating concentrations of deprivation, deliver higher quality public services, and promote sustainable places that offer residents a variety of housing options.

Drawing on research and practice from both the UK and the United States, this paper provides a review of relevant economic and policy literature that provides the evidence for the current interest in mixed communities. Although the US lacks a national commitment to the pursuit of mixed communities, and exhibits greater economic segregation than the UK, its greatly decentralised system of governance has produced some successful models of mixed community development that could inform similar efforts in Britain.

## Motivating trends

Whilst the UK has made considerable recent progress in alleviating poverty, especially child poverty, there are still significant levels of economic segregation between households. At the regional and local authority levels, the country became more divided in the 1980s and 1990s. The most pronounced segregation between economic classes occurs at the neighbourhood level. This has animated recent policies aimed at alleviating area-based deprivation. There is some concern that, left unchecked, increasing economic segregation could bring about the severe levels of concentrated poverty that have plagued US inner-city neighbourhoods for several decades.

Both broad market forces and government policy choices have given rise to these persistent economic differences across communities in the UK. Increasing income inequality and declining social mobility, especially through the 1980s and first half of the 1990s, widened the gap between rich and poor places. Meanwhile, 'sorting' of different economic groups within the housing market (whereby households with similar incomes tend to become congregated) accelerated the decline of struggling neighbourhoods and propelled the rise of wealthy communities. Some housing policies stimulated these residential movements. In particular, the Right to Buy, declining investment and deteriorating conditions in social housing - and the resulting allocation of homes to the neediest households - helped to create large areas of concentrated deprivation in the social housing sector.

## The effects of concentrated deprivation

Deprived areas have received significant research and policy focus in both the UK and the US. Researchers and practitioners posit that concentrations of deprivation limit opportunities for people living within them, above and beyond their own personal circumstances. Evidence from both countries, including experimental studies from the US, points to a range of negative influences that deprived areas may have on their inhabitants:

- Reductions in local private sector activity can raise prices for residents, and create a 'spatial mismatch' between local workers and centres of employment.
- High levels of labour force inactivity can limit the formal and informal networks on which jobseekers depend, and create a 'culture of worklessness' that affects residents' employment ambitions and dissuades employers from hiring them.
- Local schools struggle to attract high-quality teachers and managers, secure the resources needed to instruct lower ability pupils, and overcome the downward pressures that social problems exert on school processes and quality.
- High levels of crime and disorder plague deprived neighbourhoods, fostered by peer-group effects among younger people, and reduced social penalties and opportunity costs associated with criminal activity.
- Residents' health suffers, due to the stress of living in a dangerous neighbourhood and the environmental effects of abandoned and low-quality housing.

Most research finds that individual and family characteristics have more impact on outcomes than neighbourhood characteristics. Nevertheless, the existence of 'area effects' signals that policy should involve balanced efforts to improve outcomes for both disadvantaged people and distressed communities. Importantly, the literature also indicates that area-based interventions must produce real changes in neighbourhood conditions to improve residents' life chances significantly, and that the impacts may be greater on the fortunes of young children than on older children or adults.

## Mixed communities as a response

While housing is by no means the only factor that influences the social and economic make-up of communities, its location defines the 'geography of opportunity' - access to good schools, safe and clean streets, local shops and employment options. To varying degrees, the UK has recognised that planning for greater economic mix within communities can improve the

geography of opportunity for lower income people and places.

Some scepticism surrounds efforts to promote more mixed communities. Studies of mixed tenure estates find that their lower income households do not necessarily enjoy better employment outcomes. Others argue that residential sorting in the housing market will inevitably frustrate attempts to reduce economic segregation.

Even if mixed income development is not a 'silver bullet' for solving deep-rooted problems of poverty, however, it can provide an important platform for addressing social, economic and health inequalities over the longer term. Moreover, whilst mixed communities will certainly not end economic segregation, longstanding mixed communities in several parts of the country suggest that the presence of lower income households will not always push out families who can exercise housing choice. Indeed, to most Americans, the UK already looks like a mixed income country, one well poised to ensure that its housing policies continue to promote economic integration.

### Ensuring a mix in new communities

The term 'mixed communities' seems to arise most often in discussions and strategies relating to new places and new housing. The Government's commitment to creating a mix in new communities is evident in several areas: revised planning guidance for housing (PPG3); the delivery of social housing through negotiations in the planning process (Section 106); high-profile mixed community developments like the Millennium Villages; and fewer new, single tenure social housing developments being brought forward.

Greater focus on a few issues related to new mixed community development may help steer it in an informed, and ultimately more sustainable, direction. First, mixed income development continues to prove itself in the marketplace, among both developers and homebuyers. It seems that in order to achieve a mix of households, development - especially in the growth areas - should proceed from areas of market strength, nearby employment, amenities and infrastructure. At the same time, local housing assessments should assume the need for social housing as part of new development.

Second, the physical arrangement of affordable and market-rate units can affect a development's long-term viability. The clustering of low-income households on one side of a new mixed community development may give rise to issues around stigma and disorder that trouble many single tenure social housing estates. While further study of the issue is needed, preliminary case studies from the US find that full integration of homes for lower income and higher income residents can have important positive effects on the overall functioning of developments.

Third, local authorities face important decisions regarding the ultimate mix of incomes and tenures they seek to achieve market-wide and in each new development. In weighing the options, decision-makers might actively pursue a moderate income 'tier' to reduce differences between the extremes, perhaps by routinely including low-cost homeownership in new communities. In addition, new development should aim to provide a range of home sizes within each tenure, in order to attract an economically diverse group of families and enhance economic integration in local schools.

### Box 1: One US approach - the HOPE VI programme

Over the past ten years, the HOPE VI programme has financed the demolition, radical redesign and redevelopment of the nation's most severely distressed public housing projects. The changes occurring in neighbourhoods redeveloped under the programme - increased incomes and employment, reduced crime, improved school performance, and rising home prices - have radically altered the condition and perception of some of the most distressed places in the country. Importantly, the programme has achieved these improvements by explicitly breaking up concentrations of the poorest public housing residents, and attracting middle-income, economically active households to the redeveloped community. On average, only about half the original residents of HOPE VI projects live in the new communities; relocated residents receive housing assistance at another estate or through vouchers that subsidise private market rents.

### Mixed communities and high-poverty areas

The National Strategy for Neighbourhood Renewal is the centrepiece of the Government's efforts to assist deprived areas. It aims to ensure that by 2021 no one is seriously disadvantaged by where they live. However, the gap between the most severely deprived communities and the rest of the nation is enormous. In the 2 per cent most deprived, small areas, for instance, the rate of worklessness is 50 per cent higher than in the next 8 per cent of neighbourhoods, and more than three-and-a-half times the national average.

These communities may lie beyond the reach of traditional regeneration approaches. Research on the relationship between area deprivation and house prices suggests that incremental improvements in the most severely deprived communities may fail to catalyse the broader forces on which regeneration programmes depend. The challenges facing this small minority of places suggest that 'mixed communities' should represent a policy goal not just for new housing but for existing concentrations of deprivation.

Efforts have already emerged in some moderately deprived neighbourhoods in the UK to foster the integration of lower and higher income households within redeveloped estates. However, more work may be needed to replace severe concentrations of poverty on deprived estates with high quality housing in an economically integrated setting (see Box 1 for a possible model from the US).

'Deconcentrating' poverty to build mixed income communities has not emerged as an explicit goal for social housing policy in the UK as it has in the United States. Yet occasional housing regeneration initiatives in the UK have replaced highly distressed social housing with mixed income communities, though not necessarily as part of a larger policy directive. Many of the Housing Market Renewal Pathfinders, in particular, will need to grapple with these severe concentrations of poverty in social housing. Significantly narrowing the gap between deprived neighbourhoods and the rest of the nation over 15 years may require strategies that transform these communities into economically integrated places.

### **Assisting existing mixed communities**

Policies to promote mixed communities in new and deprived places alone, however, threaten to ignore innumerable neighbourhoods 'in the middle', where residential dynamics could upset their current economic mix. Popularisation and gentrification can 'tip' a neighbourhood towards concentrated wealth, whilst declining local housing stock could contribute to a rise in concentrated poverty. Because neighbourhood change is inevitable, policy must focus on managing change for the benefit of current and future residents.

Local governments can use information to assess changing social and economic conditions at the neighbourhood level. Several of the Housing Market Renewal Pathfinders have proven especially adept at assembling a rich mix of data from local and national sources to identify low-demand 'hotspots' and the factors driving their emergence. Some US cities, such as Philadelphia and Washington, have gone a step further, marrying government and market data to create neighbourhood typologies that guide their investment decisions. Providing professionals in areas such as planning, housing, and neighbourhood regeneration with the evidence base necessary to monitor mixed communities would require increased government investment in training and technology.

Though they often function in a policy blind spot, neighbourhoods 'in the middle' are a critical focal point for efforts to promote mixed communities. Local authorities in the US and UK have used local lettings policies, small subsidies to support home purchase and improvement, and technical and financial assistance for local commercial corridors to sustain the long-term viability of existing neighbourhoods. The researcher concludes that central government must signal the importance of currently mixed neighbourhoods to its broader mixed communities agenda, but in the end local authorities will need the tools, guidance, and flexibility to monitor and maintain the character of these places.

### **About the project**

Alan Berube, a fellow in Metropolitan Policy at the Brookings Institution in Washington, DC, conducted the research for this report while on an Atlantic Fellowship in Public Policy at HM Treasury in Autumn 2004. The project involved a review of relevant literature from the US and UK, original analysis of social and economic data, and interviews with experts in the governmental, academic, and non-profit sectors in both countries.

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### **For more information**

The full report is a joint publication of the Joseph Rowntree Foundation and the Brookings Institution.

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