

## **Mixed communities in England**

### ***A US perspective on evidence and policy prospects***

*Alan Berube*

This report examines the rationale for British housing policy's renewed interest in 'mixed communities', and its possible implications for policy regarding both new and existing neighbourhoods.

Examining evidence from the United Kingdom and the United States, this study details the trends and consequences associated with long-term growth in economic segregation and concentrated poverty in both countries. In this context, it explores the British government's current goal of building new communities with a greater social and economic mix of residents.

The paper goes on to analyse Britain's approach to assisting severely deprived neighbourhoods, and what role might exist for policies that seek to transform these places both physically and socially into mixed-income communities. Similar US efforts have, in part, animated the British government's recent interest in piloting 'mixed communities' in England's most deprived estates.

The paper concludes with a set of principles that might guide efforts to build, transform, and sustain mixed communities now and in the future.



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*Alan Berube*



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# 1 Introduction – what are mixed communities?

A visitor to the United Kingdom today would be hard-pressed to find a subject nearer and dearer to Britons than housing. Housing occupies a central place in the national consciousness. Nowhere is this more apparent than on television. Depending on the day and time, tuning into one of the nation's major networks might set you to watching one of a seemingly endless number of housing-related programmes, most recording the trials and tribulations of homeowners: *Houses Behaving Badly*, *Homes under the Hammer*, *I Want that Luxury House*, *House Doctor*, *House Busters*, *Hot Property*, *Dream Holiday Home*, *Property Ladder*, *Bricking it* or, if you're lucky, *The 20 Quickest Ways to Make Money on Your Property*.<sup>1</sup>

So it is no surprise that housing looms large on the domestic policy agenda, too. The confluence of several factors in recent years has pushed housing 'up' that agenda. Rising house prices, particularly in London and the South East, have provided current homeowners with fantastic wealth gains, even as they have impeded many households' progress into homeownership. These regional pressures have spilled over into the social housing sector, where demand for affordable units increasingly outstrips supply. The Government's goals to promote cities and urban vitality, and to achieve environmentally sustainable development, have highlighted the critical functions of housing and community planning. And work at the Treasury brought attention to the fundamental links between the structure of the UK housing market, the sensitivity of interest rates and prospects for the nation's adoption of the euro and integration into the European Monetary Union.<sup>2</sup>

As these factors suggest, Government has not observed passively the growing importance of housing for families, communities and the broader economy. It has pursued an aggressive and public agenda to ensure that the operations of the housing market can deliver better outcomes on all these fronts.

- In 2000, the Housing Green Paper articulated strategies for upgrading social housing stock and tenancies, and promoting sustainable and affordable homeownership (DETR, 2000).
- In 2003, the Deputy Prime Minister's Sustainable Communities Plan detailed new policies and spending to address imbalances between housing supply and demand in both the North and South of England, and to improve the condition of social housing throughout the country (ODPM, 2003a).

- In 2004, the Barker *Review of Housing Supply* recommended reforms to the planning system now underway to help improve the responsiveness of UK housing supply to market signals while promoting sustainable development (Barker, 2004).
- Finally, the recent release of the Deputy Prime Minister's Five-year Plan announced major expansions of initiatives to increase homeownership, tackle areas of low housing demand and promote greater tenant choice in the social sector (ODPM, 2005a).

Each of these reports, as well as Government's broader approach towards housing policy, recognises the link between the condition of the housing market – as observed through trends in price, quality, tenure and mobility – and the long-term viability of places.

One common expression of that link is the notion that policy should seek to create more 'mixed' or 'balanced' communities. For instance, the Housing Green Paper states that: 'A joint objective of our planning and housing systems is to encourage mixed and balanced communities' (DETR, 2000). Government's official guidance for planning policy (PPG3) articulates nearly the same objective: 'The government believes that it is important to create mixed and inclusive communities' (ODPM, 2003b).

The Sustainable Communities Plan puts a finer point on the notion of 'mixed communities', noting that key requirements of sustainable communities include: 'A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages, and incomes' (ODPM, 2003a). And the idea is not confined to housing policy statements. In setting out an approach to renewing deprived communities, the Social Exclusion Unit (2000) states that 'communities function best when they contain a broad social mix'.

The notion of achieving 'mix', however, is hardly new. The pursuit of mix and 'social balance' featured prominently in earlier planning visions, such as Joseph Rowntree's New Earswick Village in York, Ebenezer Howard's Garden City movement and George Cadbury's Bourneville Village outside Birmingham. In 1949, Health and Housing Minister Aneurin Bevan articulated the idea that new post-war council housing should include a diverse mix of workers:

... it is entirely undesirable that on modern housing estates only one type of citizen should live. If we are to enable citizens to lead a full life, if they are each to be aware of the problems of their neighbours, then they



should all be drawn from different sections of the community. We should try to introduce what was always the lovely feature of English and Welsh villages, where the doctor, the grocer, the butcher and the farm labourer all lived in the same street ... the living tapestry of a mixed community. (Cited in Cole and Goodchild, 2001)

This paper steps back a little from this long-running conversation, to explore what animates the renewed interest in 'mixed communities' and what pursuit of mixed communities might imply for policy. Three themes seem to recur in policy discussions, public statements and the research literature as to why Government might want to promote mixed communities.<sup>3</sup>

First, by achieving some consistent level of social and/or economic mix, it is hoped that society can avoid creating – and can perhaps eradicate – the concentrations of deprivation that exist in so many parts of the nation. In theory, one could argue that policies should actually *encourage* the concentration of disadvantaged households, in order to deliver assistance to deprived individuals and families in a more efficient manner. But policy makers have implicitly embraced the notion that poor families would be less disadvantaged if they were not forced to overcome uniformly poor neighbourhood conditions. By pursuing more mixed communities, society could avoid creating – and could perhaps actively break up – concentrations of deprivation to improve quality of life and outcomes for disadvantaged people.

Second, some view mixed communities as providing an avenue to achieving other important policy goals. This is closely linked to the first idea and suggests that Government can achieve greater success in delivering on key public services outcomes (e.g. crime, health, education) in mixed communities versus deprived communities. That is, it may be easier for Government to improve school performance, or reduce health inequalities, if people are more socially and economically integrated.

Third, some link the notion of mixed communities with 'sustainability'. More mixed places, the theory goes, may avoid entering a 'cycle of decline' that requires Government to invest in their regeneration down the line, or an upward price spiral that effectively limits neighbourhood options for lower-income households. These communities might also be more 'sustainable' from the household level if they offer a range of housing options for individuals and families as they age, as their household size changes and as their income increases or decreases.

Notwithstanding these high hopes for mixed communities, what exactly constitutes a 'mixed community' remains open to interpretation. Depending on the exact context,

researchers and policy makers have used the word ‘mix’ to capture a blending of household types, ages, ethnicities, incomes, or tenures.<sup>4</sup> Similarly, some use the word ‘community’ to represent a physical space – a street, a development, an electoral ward, or a whole town – while others use it to signify a social network without specific physical boundaries. The multiple ways in which the term is used, and interpreted, have complicated efforts to identify and study the trajectory of mixed places over time.

This study, admittedly, does not put a much finer point on the definition of ‘mixed community’ than previous efforts. Here, the term refers, loosely, to small places that contain some range of households by income. Quantifying the exact level and nature of desired income mix is more difficult, and perhaps inappropriate, since local circumstances inevitably dictate different possibilities in different settings. Former mining towns in the North may never achieve the diverse income, ethnic and household type mix that exists in many inner-London neighbourhoods. Ultimately, though, it may be more important – and more realistic – for policy to prevent communities from taking on a detrimental *non-mix* than to pursue some idealised, Bevan-style mix across the whole of the country.

It may be more important – and more realistic – for policy to prevent detrimental non-mix than to pursue some idealised mix across the whole of the country.

This paper provides a review of relevant economic and policy literature that forms the evidence base for current thinking on mixed communities. It draws on research and practice from both the UK and the United States.

Why look to America? The US lacks any consistent policy commitment to the pursuit of mixed communities. Indeed, examples abound of how skilled the US is at creating *unmixed* communities. Vast swathes of enormous dwellings exclusively for wealthy households can be found in every US metropolis. Upper-income urban and suburban neighbourhoods alike use highly localised planning powers to block the development of affordable housing in their communities. And distressed neighbourhoods that house primarily poor families are a near-permanent fixture of the landscape in many American cities today.

At the same time, however, a greatly decentralised system of governance in the US has created many practical exceptions to these trends. Progressive government officials, private sector leaders and community organisations have successfully created numerous models for mixed-community development. In addition, a large body of American research on the effects of poor neighbourhoods and the prospects

for mixed-income housing informs growing domestic and international efforts to promote more economically integrated communities (Minton, 2002; Katz, 2004).

The paper proceeds as follows. Chapter 2 identifies the economic and spatial trends that have motivated recent interest in mixed communities, most notably the rise in concentrated deprivation. Chapter 3 examines the forces, both market and policy-based, that drive these trends. Chapter 4 describes the consequences of concentrated deprivation for individuals and communities, and sets the context for Government's approach to alleviating those conditions. Chapter 5 examines that approach, and draws on lessons from practical experience in the US, UK and elsewhere that may hold promise for fostering more mixed communities in a variety of settings.

In the end, this paper asserts that mixed communities offer a positive alternative to economically segregated places, but that promoting them through new development alone is insufficient. Government should devote fresh thinking to how housing policies can bring about greater economic integration where concentrations of deprivation now exist, and how local housing and planning agencies can use information to sustain currently mixed communities over time.

## 2 The trends – growing economic segregation and concentrated deprivation

By any measure, the UK has made considerable progress in recent years in alleviating poverty, especially child poverty. In the late 1990s, only the US had a higher proportion of its population living below poverty than the UK among 15 comparable industrialised countries. But, from 1998 to 2001, relative poverty fell faster in the UK than in any other EU member state.<sup>1</sup> With regard to child poverty, a strong economy, paired with policies to provide greater financial support for families with children, reduced the number of children in low-income households by roughly 500,000 over a four-year period. This progress has kept Government broadly on course to meet its goal of eradicating child poverty by 2020 (HM Treasury, 2004).

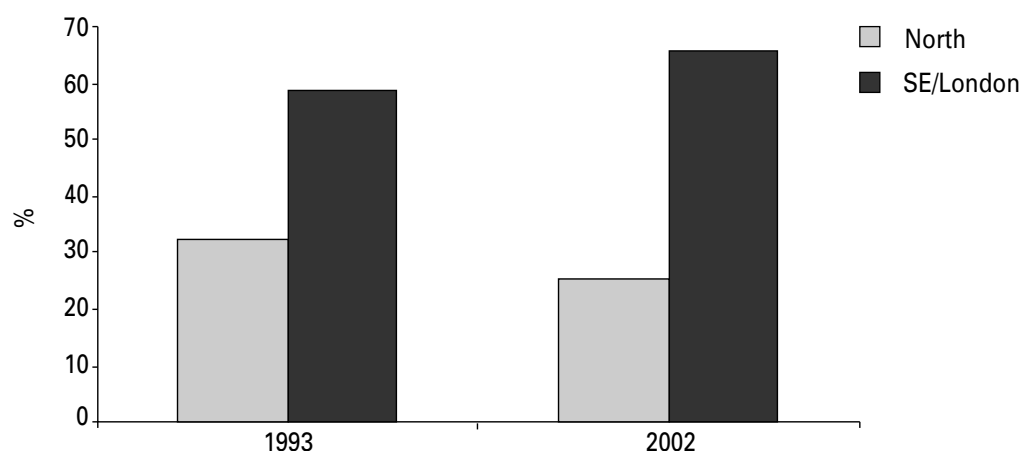
Poverty has an important spatial dimension, too. And, on this count, Britain's performance is more lacklustre. Its households continue to experience significant levels of economic segregation. These differences across places further disadvantage lower-income families who live in areas of high deprivation.

This segregation is visible at several geographic levels. Regionally, significant differences separate the North and South of England.

- Gross Value Added (GVA), a measure of economic productivity, is about 70 per cent higher for London residents than for residents of the North East, and grew 60 per cent faster per annum in London from 1989 to 2000 (Robinson, 2004).
- After taking housing costs into account, 29 per cent of households in London and the South East have incomes in the top quintile nationally, compared to just 13 to 15 per cent in the northern regions (ONS, 2004).
- Even among demographically similar groups, regional differences are stark. The employment rate for young men with no qualifications living in council housing in the South East rose from 58 per cent in 1993 to 65 per cent in 2002. By contrast, employment among the same group in the northern conurbations fell from 32 per cent to 25 per cent over the same period (Faggio and Nickell, 2003) (see Figure 1).

Yet economic segregation reaches beyond a simple North–South divide. At the local authority level, some London boroughs and northern cities and towns share high

**Figure 1 Percentage of young men with no qualifications in council housing who are working, 1993–2002**



Source: Faggio and Nickell (2003).

levels of deprivation associated with limited local job opportunities, and low employability and incomes among the local population. Places in the Manchester, Liverpool and Newcastle conurbations join a number of north-east London boroughs (Newham, Hackney, Tower Hamlets, Haringey) among the most deprived local authorities in the nation today (ODPM, 2004a).

Recent trends have exacerbated these local authority differences. On key measures such as age, ethnicity, wealth and employment, the country became more divided at the local authority level in both the 1980s and 1990s (Dorling and Rees, 2003). In light of this, the same places have tended to remain among the most deprived over time. Between 2000 and 2004, there was a nearly perfect correlation (0.98) across local authorities in their ratings on the Government's deprivation indices.<sup>2</sup> Similarly, the list of local authorities most segregated by education and employment changed little between 1981 and 2001 (Dixon and Meen, 2003).

It is at the neighbourhood level, though, where more pronounced segregation between economic classes is found. Berthoud (2001) finds that 9.8 per cent of the variation between average household incomes can be accounted for by neighbourhood, 5.7 per cent by local authority district and 2.7 per cent by region.<sup>3</sup> Furthermore, analysis of deprived neighbourhoods suggests that poor children tend to be more spatially concentrated than poor adults (Tunstall and Lupton, 2003). The relative segregation of poor people in worse-off neighbourhoods has precipitated much of the research and policy focus on identifying and alleviating conditions in the most deprived small areas.

Of course, the clustering of poor households is not a new phenomenon. Deprived areas have always existed in cities. Charles Dickens' writings and Charles Booth's maps painted stark portraits of nineteenth-century life in London's distressed neighbourhoods, just as Jacob Riis' photographs exposed the hardships of turn-of-the-century immigrant life in New York's Lower East Side tenements. Many of those same neighbourhoods remain highly deprived today. Other areas have suffered more recent economic and social changes that contributed to their current levels of disadvantage. In either case, the continued prosperity enjoyed by some areas alongside decline in other areas signifies that deprived neighbourhoods remain appropriate focal points for study and intervention (Tunstall and Lupton, 2003).

The continued prosperity enjoyed by some areas alongside decline in other areas signifies that deprived neighbourhoods remain appropriate focal points for study and intervention.

The success of the UK economy over the last several years has helped sharpen this focus on deprived areas. Although all of England's regions have benefited recently from low and falling unemployment, not all neighbourhoods have shared equally in its impact. Those neighbourhoods already doing well seem to have made larger improvements than those that were struggling. Between 1995 and 2000, the most deprived neighbourhoods experienced smaller percentage declines in benefits receipt than the least deprived neighbourhoods, widening already large gaps in this measure (Evans *et al.*, 2002).

This growing divide reflects partly that the trajectory of poor neighbourhoods depends on the fortunes of their wider areas. Lupton's study of 12 disadvantaged areas in England and Wales identified a 'repopularisation' in geographically well positioned, deprived, inner-London neighbourhoods in the 1990s. These neighbourhoods experienced population and job growth, and housing price increases. The other neighbourhoods, most located within areas of long-term industrial decline in the North, continued to lose population, suffering from abandonment, crime and poor liveability, despite the efforts of government regeneration programmes in past decades and at the end of the 1990s (Lupton, 2003). Still, concentrated deprivation exists within all areas of the country and regional economic dynamics are only one important factor influencing conditions at the neighbourhood level.

There are some signs that economic segregation is also on the rise at the high end of the income distribution. Though data on the neighbourhood locations of high-income households are generally unavailable, the relatively small but fast-growing

number of gated communities in England provides a clear indication that some economically successful households are voluntarily segregating. About 1,000 such communities exist in England today, home to 100,000 people (Atkinson *et al.*, 2004). These developments, often quite small and containing flats and town houses, differ from their counterparts in the US, which generally feature large numbers of detached single-family homes on significant suburban acreage. Still, survey research indicates that most residents of England's gated communities fit an 'affluent' profile.

The UK was not alone in experiencing growing economic segregation in the latter half of the twentieth century. The US, in particular, experienced increasing separation between the poor and the affluent in metropolitan cities, towns and neighbourhoods over this period (Massey and Fischer, 2003; Swanstrom *et al.*, 2004). Both economic and policy changes contributed to the high degree of economic segregation that exists in the US today.<sup>4</sup>

Some of these factors have fostered economic segregation in England as well, but they have not operated over as long a period, or at the same scale, as in the US (Rogers and Power, 2000). In particular, local control over taxes, public services and land use in the US has contributed heavily to geographic stratification by income (Schill and Wachter, 1995). As a result, most observers agree that Britain today largely lacks the extreme levels of deprivation found in some US inner cities (Friedrichs *et al.*, 2003).

For definitional reasons as well, poor US neighbourhoods exhibit more extreme levels of disadvantage than their UK counterparts. Poverty in the US is measured using an absolute standard developed in 1964, and updated over time for inflation, which today equals roughly 30 per cent of median household income. In the UK, poverty is most often measured using a relative standard of 60 per cent of median income. Thus, neighbourhoods judged to be 'poor' in the US are generally much more materially deprived than those in the UK.

However, if the conditions associated with area-based deprivation – crime, poverty, health, housing – are not as severe in the UK as in the US, poor areas themselves are often quite large in the UK, especially in England's northern cities. For instance, in 2001, about one-quarter of Liverpool's population lived in a neighbourhood in which more than 40 per cent of the population was on benefit. The comparable proportion in Detroit, Michigan, widely recognised as one of America's poorest cities, was 11 per cent (Jargowsky, 2003).<sup>5</sup> The scale of area deprivation in cities like Liverpool likely relates to their much larger concentrations of social housing, which have housed an increasingly poor and workless population over the last 30 years.

Notwithstanding the relative scale of the problem in the two countries, policy makers in England, in contrast to their American counterparts, generally acknowledge that concentrated deprivation is a problem worth addressing. Moreover, the Government has committed significant resources to improving deprived areas. Later chapters will examine those investments in more detail. The next chapter reviews the evidence as to why economic segregation and concentrated deprivation in England have grown in recent decades.



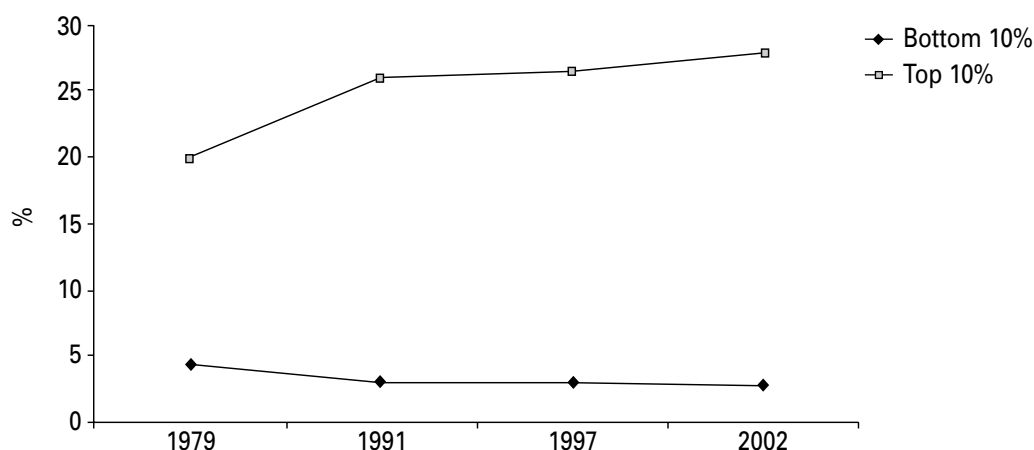
### 3 The drivers – factors contributing to rising economic segregation

What forces have led Britain’s households to segregate by income and have created areas of concentrated deprivation? A review suggests that both broad market forces and government policy choices have produced these significant and persistent geographic divisions. Some concern housing specifically, but a number relate to larger economic forces that are less amenable to policy change.

#### Rising income inequality

Polarisation of incomes generally has made the places where poor individuals live relatively poorer, even as high-income areas have grown relatively richer. Over the past seven years, the UK economy has benefited from strong economic growth, low inflation and rising employment and incomes. But, amid this overall prosperity, it has still witnessed increasing inequality in economic outcomes for individuals. As in most other industrialised nations, in the UK the most well-off households have garnered an increasing share of the country’s income over time. From 1979 to 1995, incomes for the top tenth of individuals rose by 60–68 per cent, even as incomes for the bottom tenth fell by 8 per cent (Hills, 2004a). The gap between rich and poor has grown more slowly in recent years than in previous decades, but income inequality in the UK still reached a 40-year high in 2002–03 (Figure 2).

**Figure 2 Share of income held by top and bottom deciles of household income distribution, 1979–2002**



Source: ONS.

Internationally, the UK stands out for this growing economic divide. In 1999, among 14 industrialised EU nations and the United States, the UK trailed only the United States in the overall extent of income inequality (Smeeding, 2004). Likewise, among the United States, Great Britain, Australia, Canada and Sweden, only Britain and the United States show a metropolitan-level association between income inequality and working-age mortality, suggesting that they meet a 'threshold' at which inequality affects public health (Ross *et al.*, 2004).

The drivers of this growing national income divide are numerous, well recognised and common to North America and northern European countries. Technological innovation and globalisation of trade have raised employers' demand for educated workers relative to lower-skilled workers. As a result, wages for high-skill workers have increased faster. In the mid-1970s, men with a university degree earned 73 per cent more than their counterparts with no qualifications; by the mid-1990s, this divide had grown to 93 per cent. This increase in the returns to higher education occurred despite a proportional increase in the supply of educated workers over that period (Hills, 2004a).

Changes in family structure, especially growth in lone-parent households, have also contributed to the long-term trend. In the early 1960s, lone parents with children made up 5 per cent of those in the bottom income quintile. By 2001–02, they accounted for fully 17 per cent of those households, even though they represented just 9 per cent of total population (Dickens and Ellwood, 2001).

Furthermore, a lack of social mobility reinforces the significance of this income divide. If one's place in the income distribution were a temporary phenomenon, growing income inequality might not pose an important policy problem. Yet, accompanying the UK's long-term labour market and demographic changes, there is some evidence that social mobility has also declined over time. The rates at which individuals and families in Britain have progressed from lower to higher incomes within their lifetimes have dropped over the past 20–25 years (PIU, 2001; Sigle-Rushton, 2004).

Movement within the income distribution grew considerably through most of the twentieth century as the middle class expanded in size (Aldridge, 2004). But, today, individuals and families near the lower end tend not to progress very far 'up the ladder' when their incomes do change. About half of British individuals in the bottom income quintile in 1991 spent the majority of the next ten years in that same bracket (ONS, 2004). Growth in income inequality may thus disadvantage the less well-off, not just temporarily, but also over extended periods of time. International evidence shows that the UK ranks sixth among the EU 15 countries in persistent poverty, behind Ireland and the four southern countries (Portugal, Greece, Italy and Spain)

(Hills, 2004a). These trends have no doubt motivated recent Labour Government pronouncements that social mobility will be a focus of its third-term (Wintour, 2004).

## **Residential choices**

Rising inequality and declining social mobility are part of the 'macro' picture, but 'micro' decisions by households arguably contribute even more directly to economic segregation and deprivation. Low-income households, acting as rational consumers, tend to seek out communities that provide higher social spending and lower-cost housing (Glaeser *et al.*, 2000). High-income households, by contrast, may seek out communities with lower social spending burdens and higher property values and price appreciation in line with other high-income households' demand for housing in the area (Glomm and Lagunoff, 1998). In addition, household movements to maintain or strengthen social ties may contribute to economic segregation, to the degree that these ties exist mainly within – and not across – income groups (Gordon and Monastiriotis, 2003).

This process, often described as 'residential sorting', is arguably the natural tendency in a free market. Moreover, the sorting process is a dynamic one; increased stratification of rich and poor across places may, in turn, accelerate the residential sorting process. As conditions decline in struggling neighbourhoods, the households most able to migrate – those with the necessary means – are more likely to leave and less likely to return.<sup>1</sup>

An evaluation of a 1997 City Challenge training programme in Harlesden in West London revealed that unemployment at the end of the programme was actually higher than at its inception. This was not because of failure of the training itself, but because of residential migration patterns. People who moved out of the neighbourhood during the programme had an unemployment rate of 9 per cent, versus 15 per cent for those who stayed and 21 per cent for those who moved in (Cheshire *et al.*, 2002). Research on the Jobs-Plus programme in the US, a similar place-based employment initiative for public housing residents, reveals that higher mobility among 'successful' residents in some sites has diluted local improvements.<sup>2</sup>

Even among historically disadvantaged groups, residential mobility can contribute to increased economic segregation. In the US, for instance, black households have moved from central cities to metropolitan suburbs at a growing rate in the past few decades. In the process, professional-class black households have typically selected farther-flung locations that include mostly middle- and upper-income residents.

Working-class black households that have left cities, however, have often ended up living in closer-in suburbs with older housing, lower-performing schools and higher poverty rates.<sup>3</sup>

### Housing policies

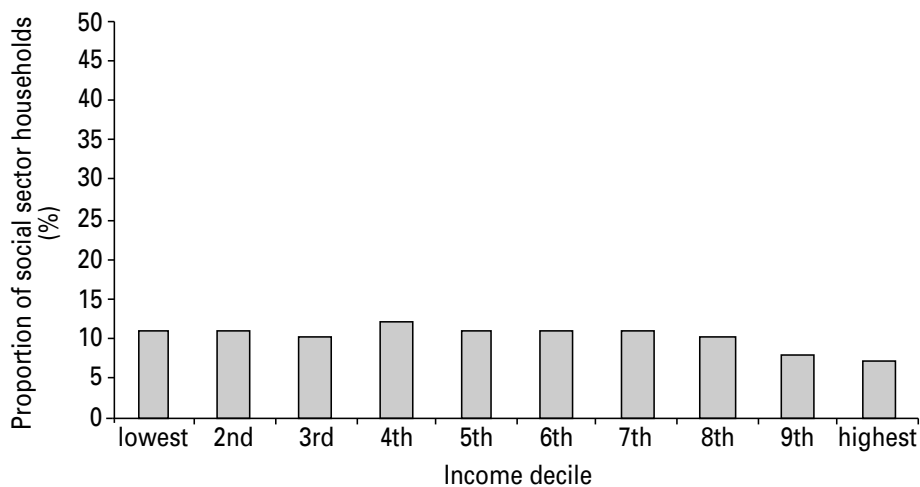
As most of the nation's housing system is market-oriented, market forces such as residential sorting play a lead role in fostering economic segregation. Yet concentrations of deprivation are not the result of consumer choice alone. Some housing policies have stimulated these residential movements, thereby strengthening the links between housing and deprivation. In many cases, these policies have intensified neighbourhood-level deprivation as an unintended consequence. In other cases, the potentially negative neighbourhood effects of housing policies were, in the end, judged less important than achieving other goals, such as serving the neediest households first.

The growing concentration of poverty and disadvantage in Britain has centred in large part on the social housing sector. As David Page (2002) notes, this trend is a marked departure from two to three decades ago, when poor housing conditions and poverty were largely features of the private rented and low-income owner-occupied sectors, and social housing was an 'aspirational tenure'.

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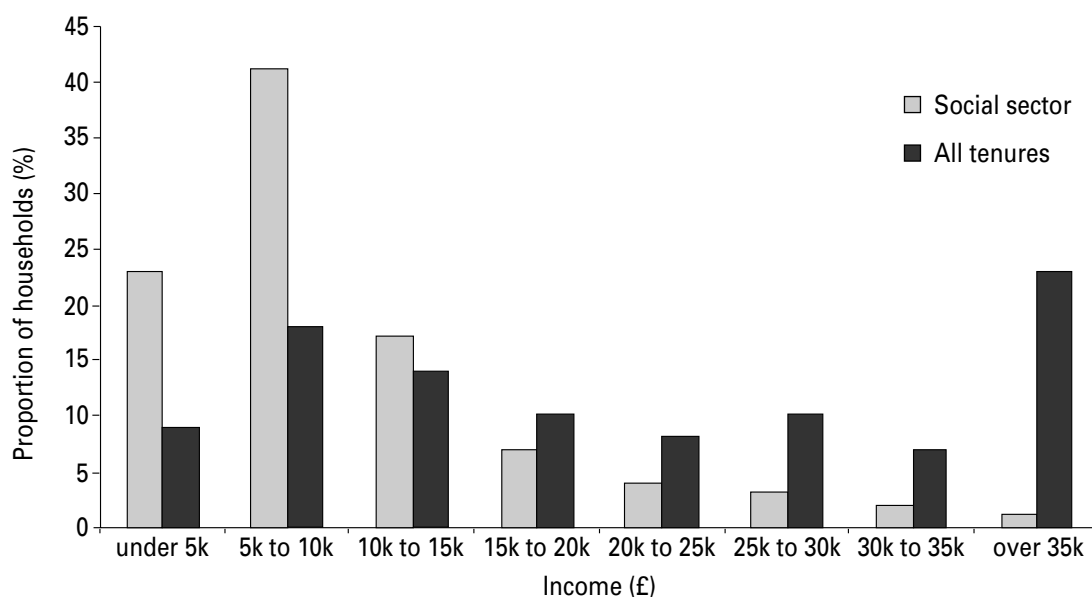
Over time, social sector tenants have grown more disadvantaged, as the economic base of the sector's households has narrowed considerably. Whereas the social sector once housed members of the 'affluent working class', today it contains high concentrations of the poor and workless. In the 1970s, only 11 per cent of households in social housing had no earner; by 2003–04, that proportion had risen to 69 per cent. As a result, the income profile of social tenants shifted dramatically over the same period, such that today about two-thirds of social sector households have incomes in the bottom three deciles nationally (Figures 3 and 4).

**Figure 3 Income profile of social sector households, 1970**



Source: Page (2002).

**Figure 4 Income profile of social sector households, 2003–04**



Source: ODPM, Survey of English Housing Provisional Results: 2003–04.

Residential sorting within the social sector has reinforced these patterns. In 1998, households moving out of social housing had incomes roughly double those for households moving in (£336 vs £167 weekly). Even on new estates, the vast majority of households have low incomes.<sup>4</sup> The growing link between housing tenure and economic inactivity has created pockets of deprivation on housing estates in economically successful regions and widespread disadvantage across large swathes of social housing in economically struggling regions.

Several factors account for this 'residualisation' in the social sector. On the economic side, residents of social housing estates were themselves hit especially hard by restructuring in the 1980s. Blue-collar workers in heavy industries lost their jobs, leading to increased unemployment in the social sector and creating a new demand for 'housing of last resort' among the jobless who were unable to find work.

As well, growth in homeownership siphoned off middle-income households from the social sector. Between 1971 and 2003, the homeownership rate in England rose from 50 to 71 per cent (ODPM, 2004b). This move benefited millions of economically successful families who might otherwise have occupied social housing. Inevitably, however, this trend narrowed the economic profile of the social sector, as it increasingly provided housing only to households who lacked the material resources to achieve homeownership. Over the same period, the share of all households in the social rented sector declined from 30 to 18 per cent.

Beyond economic change alone, several policy choices have facilitated the growing economic marginalisation of social housing tenants.

- The *Right to Buy* programme resulted in better-off social tenants exiting the sector from 1980. Under the programme, tenants could purchase their council homes at discounts based on their length of tenancy. It helped to open up homeownership to some 1.5 million households between 1975 and 2000 (Stephens *et al.*, 2005), and accounted for about half of the growth in overall homeownership in the 1980s and 1990s. At the same time, however, it contributed to the residualisation of the sector, not only from a social and economic standpoint, but also from a housing stock perspective. The highest quality properties in the most popular areas were often the first to be purchased. The properties that remained in the social rented sector were relatively less attractive to economically active households.<sup>5</sup>
- As the Right to Buy removed properties from the social housing stock, *investment in new social housing* declined significantly. Housing starts in the social sector fell from 145,000 in 1975, to 43,000 in 1994/95, to 21,000 in 2002/03 (Barker, 2004; Stephens *et al.*, 2005). Some slowdown was appropriate given an excess of new dwellings over household growth at the time, but the shrinking proportion of properties in the social sector placed pressure on the sector to serve more vulnerable groups.
- The policy decision to address the housing needs of the most disadvantaged families through social housing led local authorities to adopt new *allocations policies* to award preference to these households. In particular, the Homeless

Persons Act required local authorities to house certain groups of homeless households from 1978. But the implementation of these policies often created concentrations of deprivation on the least desirable estates and stigmatised social housing as a tenure of last resort. Today, some social landlords offer vulnerable households just one housing option and/or penalise those who refuse such offers. Residents of a Glasgow housing estate, when asked why they had chosen their particular neighbourhood, were more likely than others to respond that they had no choice in the matter.<sup>6</sup> Often, these lettings policies are driven by other performance targets, such as vacant property turnaround. There is also evidence that some local housing officers concentrate disadvantaged households in order to contain problems like antisocial behaviour (Social Exclusion Unit, 2004). In other cases, however, high local levels of worklessness and needs-based allocations systems leave landlords with little option but to house significant concentrations of deprived households on the same estate.

- The *physical condition* of social housing stock has deteriorated over time, making units less attractive to households who can exercise choice. By 2000, a £22 billion backlog of overdue renovation and modernisation work had built up in the local authority housing sector as a result of under-investment (DETR, 2000). Not surprisingly, much of the under-investment was concentrated on poor, large estates. Over 40 per cent of homes that fail to meet the decent homes standard are located in the 10 per cent most deprived wards nationally (ODPM, 2003a).
- The structure of housing subsidies for social tenants can also act as a work disincentive. Historically, *Housing Benefit* has paid the whole of claimants' rents for those with incomes at Income Support levels. As claimants' incomes rise with a move into paid work, Housing Benefit is withdrawn at 65 pence on the pound. This marginal deduction rate is compounded by the withdrawal of other benefits, such as Income Support and tax credits. Additionally, households must file a new claim for the benefit on entering or re-entering the workforce, which may leave them uncertain about whether they can afford to stay in their current home and may also limit their incentives to move houses for a new job (Stephens *et al.*, 2005).

These policy choices have operated amidst broader changes in the housing marketplace to reinforce economic segregation. In particular, persistent regional imbalances between housing supply and demand have helped contribute to the concentration of deprivation in the social sector.

In the North, homebuilding has outpaced the growth in households, and most new homes are built on greenfield land in suburbs and semi-rural areas. A 'dual housing market' operates in which the new-build suburban market is disconnected from the

inner-city housing market. This has accelerated decline and widespread abandonment in neighbourhoods close to the region's urban cores where social sector housing often dominates. Economically successful households are able to access multiple housing options at the suburban fringe, but housing options in city neighbourhoods are not attractive to these households (Nevin *et al.*, 2001).

In the South, housing supply has failed to keep up with household growth. Constraints on land supply and infrastructure have led to rapidly rising prices for renters and potential owners, and the demand for affordable housing, in particular, has outstripped supply (Barker, 2004). In turn, some of the region's lower-income households have been confined to deprived neighbourhoods, often in substandard and overcrowded accommodation. The number of local authority lettings in England's northern regions dropped by 20 per cent from 1993 to 2003, but those in London dropped by nearly 50 per cent, reflecting mobility constraints associated with the high local demand for housing. Households on inner-city London estates who are dissatisfied with their neighbourhoods are much less likely to move than their northern counterparts (Kearns and Parks, 2003).

Area deprivation is by no means confined to the social housing sector. Research from the 1991 census found that about half the homes in the 10 per cent most deprived small areas in the nation were not owned by local authorities or housing associations (Department of the Environment, 1996). The private rented sector and the owner-occupied sector in some areas of the nation both contain low-income households and concentrations of deprivation.

But the overall picture that emerges is one of significant economic changes that, in combination with policy choices and market inefficiencies, have contributed to growing concentrations of deprivation in the social housing sector. The next chapter explores the implications of this outcome for the people living in deprived areas and for Government's efforts to secure greater opportunity for families and communities.



## 4 The consequences – effects of concentrated deprivation

Economic segregation may be socially and politically harmful in and of itself, to the extent that different economic classes interact less frequently and attitudes become more polarised (Kearns and Forrest, 2000; Solt, 2004). More importantly, however, a decline in economic mixing creates concentrations of deprivation, which negatively affect quality of life and opportunities for people living in such areas. Spatial concentration of poverty may influence local availability of goods and services, employment levels, educational attainment, crime and disorder, and public health. This chapter briefly reviews the UK and US literature on these effects.

Deprived communities, by definition, share many common characteristics: high proportions of lone-parent households, many of them receiving Income Support; high levels of Incapacity Benefit receipt; and most people living in rented accommodation, generally in the social sector (ODPM, 2004a). In areas with the highest concentrations of worklessness, nearly half the working-age population possess no qualifications and nearly half of all households contain one or more people with a limiting long-term illness (Social Exclusion Unit, 2004).

Given these characteristics, deprived areas have received research and policy focus for two reasons. First, it is hoped that, by identifying and assisting these areas, Government can help large numbers of the most disadvantaged individuals and simultaneously achieve economies by targeting its efforts geographically. Second, researchers and practitioners posit that concentrations of deprivation limit the life chances of people living within them, above and beyond their own personal circumstances. Put another way, 'area effects' suggest that a poor individual living in a poor neighbourhood experiences worse outcomes than a demographically and economically identical individual living elsewhere (Ellen and Turner, 1997).

Concentrations of deprivation limit the life chances of people living within them, above and beyond their own personal circumstances.

Much of the 'area effects' literature originates in the United States. In the early 1980s, the extreme levels of deprivation found in US inner cities, particularly in predominantly African-American communities, drew the attention of researchers to the effects these places might exert on their inhabitants (especially children). The

United States has also been more aggressive in testing neighbourhood effects, using experiments to control for unobserved characteristics that may distinguish residents of poor neighbourhoods from residents of middle-class neighbourhoods. In the UK, the Government's focus on disadvantaged communities has more recently encouraged similar (though less 'interventionist') research on how area deprivation may influence a range of social and economic outcomes.

### **Influences that deprived areas may have on their inhabitants**

Research from both countries highlights the potential range of influences that deprived areas may have on their inhabitants.

#### ***Concentrations of deprivation reduce private sector activity and raise prices for the poor***

Large numbers of low-income and low-skilled households living in the same place make a community less attractive to private sector investors and employers. Business site location decision makers in both the US and UK employ off-the-shelf software to identify target communities, and focus primarily on incomes and other demographic characteristics on which low-income neighbourhoods lag (Sabety and Carlson, 2004). In turn, this limits local amenities and job opportunities for residents, and may contribute to a 'spatial mismatch' between neighbourhood residents and the location of employment centres (Ihlanfeldt and Sjoquist, 1998; Houston, 2001). Furthermore, the lack of competition among retailers in these communities, and the lack of accurate consumer information needed to set prices, can result in low-income families paying more than families in middle-income neighbourhoods for basic goods and services like food and insurance (Wrigley, 2002; Fellowes, 2005).

#### ***High levels of worklessness limit job networks and employment ambitions***

The high levels of labour force inactivity among the working-age population in these neighbourhoods are fuelled by low skills or limited work experience, long-term illness and weak local labour demand. Evidence from the UK and elsewhere suggests that individuals living in the most deprived areas are 5 to 15 per cent more likely to be out of work than similar individuals elsewhere (Social Exclusion Unit, 2004). The inactivity may effectively 'cut off' these places from the informal networks crucial to helping workers find jobs and advance in their careers.<sup>1</sup>

Sociologist William Julius Wilson's work from the United States suggests that high levels of local worklessness may also reduce long-term employment outcomes via cultural effects. Children and inactive adults may fail to regard work as a social norm, and under-invest in the skills necessary for labour market success. Alternatively, employers may attach a stigma to poor and workless neighbourhoods that discourages them from hiring local residents (Wilson, 1987, 1997; Atkinson and Kintrea, 2001b). Research from The Netherlands finds that, for those who are already in work, living in a deprived neighbourhood makes it more likely that they will eventually be excluded from the labour market (Musterd *et al.*, 2003).

### ***Schools struggle to educate overwhelmingly poor populations***

Despite expanded school choice since 1997, schools located in and around deprived areas still serve predominantly low-income student populations from their surrounding neighbourhoods. The probability of pupil success at the primary school level is strongly related to intake characteristics and neighbourhood wealth, more so than teacher qualifications and expenditures per pupil (Gibbons, 2002).

Concentrations of low-income pupils at the school level present several potential obstacles to student achievement, some acting through individual student background and others through environmental influences. High numbers of parents may lack the time and motivation to assist their children with schoolwork or become involved in school improvement. Furthermore, parents and teachers may have lower expectations for children from disadvantaged backgrounds, which can lower student aspirations and performance. In turn, this may contribute to an 'anti-achievement' culture among peers, especially boys, that further stifles student success (National Research Council and the Institute of Medicine, 2004).

Low-performing schools may also find it difficult to attract the best teachers and managers; they may lack appropriate resources for lower-ability pupils; and they may endure high rates of student mobility that frustrate classroom stability and educational continuity.<sup>2</sup> The social problems associated with high neighbourhood poverty combine to exert downward pressure on school processes and quality, as teachers and administrators must operate additional systems to manage student behaviour and attendance, while serving additional welfare roles (Lupton, 2004).

At the other end of the spectrum, houses in the catchment areas of high-performing schools now command a price premium, which Cheshire and Sheppard (2003) estimate at 33 per cent for the best primary schools. This may further limit opportunities for low-income parents to expose their children to an economically mixed learning environment.

In response to this evidence, some argue that students' individual socio-economic backgrounds can account for disparities in school-level outcomes. Yet research from the United States finds that the economic composition of a school affects student performance, independent of family background. Controlling for individual ability and family environment, attending a middle-class school was found to reduce a child's chances of poverty in adulthood by more than two-thirds (Century Foundation Task Force on the Common School, 2002). The effects of attending a high-poverty school, then, may be quite large and long-lasting.

Notwithstanding the potential benefits of greater economic integration in schools, students from deprived areas of England have made progress in the last few years in achieving basic levels. The proportion of students achieving more than five GCSEs grade A\*–C in the 88 local authority districts targeted by the Neighbourhood Renewal Fund has improved in the last several years, and the gap between their performance and the performance of students in other districts has narrowed (Prime Minister's Strategy Unit and ODPM, 2005). Still, it is unclear whether lower-performing students in these schools have made similar progress.

### ***Poor neighbourhoods stimulate higher levels of crime and disorder***

Distressed neighbourhoods, especially those in inner cities, exhibit a higher incidence of crime and antisocial behaviour. People living in council estates and low-income areas are roughly twice as likely as others to perceive a high level of disorder in their neighbourhood (Prime Minister's Strategy Unit and ODPM, 2005). Research points to several mechanisms that may result in higher levels of crime in high-poverty communities than individual characteristics alone would predict. The social penalties for criminal activity in deprived areas may be lower; reduced access to jobs or quality schools may depress the opportunity costs of crime; and peer-group effects may contribute to crime and disorder, especially among younger people.<sup>3</sup>

Additional evidence on this question comes from the US Moving to Opportunity (MTO) experiment, which relocated families from high-poverty public housing developments in inner cities to low-poverty suburban neighbourhoods. Compared to their counterparts who remained in public housing, youths from families who relocated to low-poverty neighbourhoods became involved in violent crime at significantly reduced rates (Ludwig *et al.*, 2001).

***Area-based deprivation exacerbates health inequalities***

Perhaps the strongest evidence on area effects regards the negative health implications of living in a high-poverty area. Residents of more deprived neighbourhoods experience inferior health outcomes even after holding their individual circumstances constant (Joshi *et al.*, 2000). Children and adults relocated to low-poverty neighbourhoods as part of the MTO experiment experienced significant improvements in mental health, outcomes that may be attributable to lower violence and disorder or improved community resources (such as schools, housing and parks) (Leventhal and Brooks-Gunn, 2003). The physical characteristics of poor neighbourhoods may contribute to these health deficiencies; higher levels of neighbourhood abandonment in US cities are associated with higher disease rates and premature mortality (Cohen *et al.*, 2003).

**The importance of ‘area effects’**

How important are these ‘area effects’? The literature is not without critics and most arguments focus on the scale of these effects. As Ellen and Turner (1997) note, most research indicates that individual and family characteristics matter more for outcomes than neighbourhood characteristics. As well, a good deal of the research cited here comes from the United States, in large part because the magnitude of the US problem commanded researchers’ attention earlier than in the UK. The extreme levels of deprivation observed in some American inner cities suggest that neighbourhood effects in the UK may not necessarily be as large in magnitude or as persistent over time. Still, it seems that an emerging UK-based literature does signal the importance of such effects. Moreover, the relative scale of area versus individual effects does not suggest that policy should address either one in isolation. Instead, policy should involve balanced efforts to improve outcomes for both disadvantaged people and distressed communities.<sup>4</sup>

Policy should involve balanced efforts to improve outcomes for both disadvantaged people and distressed communities.

Two broad messages from this largely quantitative literature deserve note. First, these analyses, as well as some preliminary evidence from statistical modelling, suggest that interventions must produce real step changes in neighbourhood conditions to significantly improve residents’ life chances. Galster (2002) estimates that, in the US,

replacing very high-poverty neighbourhoods with moderate-poverty neighbourhoods would not do much to bolster outcomes for individuals or communities. That is, the relationship between neighbourhood-level measures of distress and outcomes for individuals may be complicated by 'threshold effects' that point to the need for substantial changes in area conditions. In the MTO demonstration, for instance, educational outcomes for children of movers did not improve significantly, possibly because the new schools those children attended were nearly as troubled as those they left behind (Sanbonmatsu *et al.*, 2004).

Just as importantly, area effects may have greater impacts on the fortunes of young children than on older children or adults. Neighbourhoods probably play a diminishing role over time in shaping attitudes and behaviours, as individuals become socialised and interact with people and institutions across a wider geography.<sup>5</sup> For young children, however, the neighbourhood may effectively represent the world outside their home, so that its characteristics exert larger effects on their development. And, because area effects may be cumulative over time, the ingrained conditions and behaviours resulting from these effects may be difficult for adults to overcome.

To be sure, the quantitative evidence on area effects is far from conclusive. Focusing only on the effects that neighbourhoods exert on future outcomes, though, disregards the historical impacts of concentrated poverty, as well as the day-to-day disadvantages associated with living in a very poor community. As Fitzpatrick (2004) notes, the qualitative evidence on area effects is now quite strong with respect to neighbourhood stigma, limiting social networks and social conflict and disorder. Rather than wait for more definitive calculations of area effects to emerge, or for income inequalities to evaporate by some other means, Government has appropriately acknowledged that poor neighbourhoods represent an added barrier that poor families should not be forced to overcome.

In light of this evidence, the next chapter probes what Government is doing – and what additionally it might do – to ensure that housing policies guard against the concentration of deprivation and give lower-income families access to better neighbourhoods.

## 5 The response – policies to combat concentrated deprivation and promote mixed communities

Housing is by no means the only factor that influences the social and economic make-up of communities. Where households live depends on numerous local features: proximity to work and amenities; quality of nearby schools; local safety; location of family and friends; and aesthetic issues like cleanliness and green space.

In the end, however, housing helps set the context for these other factors, especially as they concern lower-income households. The location of affordable housing largely defines households' 'geography of opportunity' – whether these families will have access to good schools, to safe and clean streets, to local shops and employment options. In turn, then, the people who live in a community help shape the condition and trajectory of these various factors. Because the process effectively begins with housing decisions, it is logical to ask how housing policies are oriented to address the growing problems of economic segregation and concentrated deprivation.

To varying degrees, the UK has recognised that housing policy has a critical role to play in efforts to reverse these trends. If policy makers were to pursue a truly robust agenda on this front, it would include three strands.

- Ensure the availability of affordable housing within new communities and prevent the development of exclusively high- or low-income neighbourhoods.
- Foster a wider mix in existing communities that lack economic diversity, particularly in highly deprived areas.
- Actively monitor neighbourhood conditions to prevent communities that currently have a mix of households from 'tipping' towards a homogeneous make-up.

Each of these three strands embraces the notion that economically integrated places represent a worthy goal for housing policy. Admittedly, the research evidence that mixed communities can deliver on all of the goals outlined in Chapter 1 is more thin than we might hope. In part, a lack of general agreement as to what constitutes a 'mixed community', or an inability to identify such communities within available data, has complicated efforts to study these places and their residents.<sup>1</sup> Studies of mixed-tenure estates generally find that they enjoy better perceptions and less stigma

locally, but that social mixing across tenures is often limited and that lower-income households do not necessarily experience better employment outcomes than their counterparts in mono-tenure communities (Rosenbaum *et al.*, 1998; Jupp, 1999).

Yet it is increasingly clear that policies should act to relieve, and guard against, concentrated deprivation; planning for greater economic mix within communities remains a direct way to achieve this goal. Even if mixed-income development is not a 'silver bullet' to address deep-rooted problems of poverty and employability, there is little question that housing in mixed communities can provide an important platform for addressing social, economic and health inequalities over the longer term – particularly for children.<sup>2</sup> Moreover, emerging practical experience with mixed-income communities in the UK and the US suggests that these places can offer a sustainable model for development, and provide far better opportunities for lower-income families. In this way, strategies to promote greater economic integration are a necessary, if not sufficient, part of the policy suite to reduce poverty and promote social mobility.

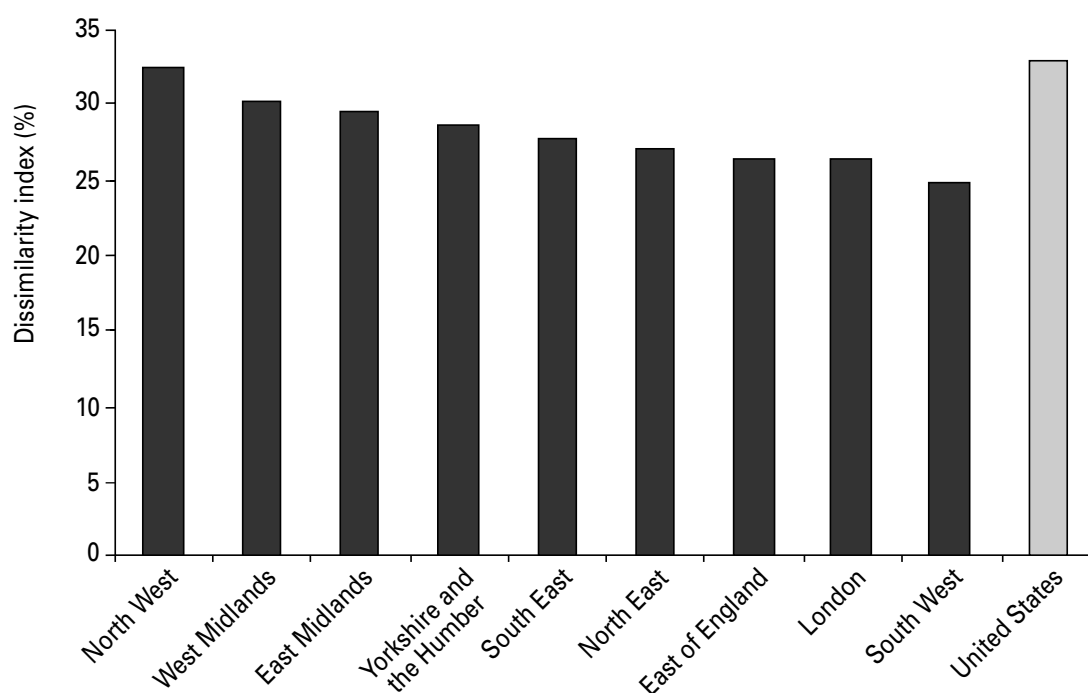
Some argue that residential sorting in the housing market will continue to foster greater economic segregation, so that efforts to create more mixed communities without significant reductions in inequality are unlikely to succeed in the long run (Cheshire and Sheppard, 2004). Undoubtedly, economic segregation will remain part of the residential landscape for the foreseeable future and the wealthiest households may continue to pay ever higher premiums to self-segregate.

But the presence of lower-income households is not always a 'push' factor for families who can exercise housing choice. While economic segregation has grown in recent decades, some parts of the country retain a decidedly mixed-income character. In London and the South West, for instance, households on low incomes are not nearly as segregated at the neighbourhood level as in northern regions (Figure 5).

Furthermore, as Figure 5 shows, in no region is the level of income segregation as high as in the United States.<sup>3</sup> Yet, even in the US, where people generally have a much less positive orientation towards low-income housing than in the UK, property values in neighbourhoods with new mixed-income rental housing have appreciated at the same rate as in other neighbourhoods in recent years (Freeman, 2004). Despite still-common notions that the presence of low-income households reduces a neighbourhood's market value, housing demand in mixed communities seems as healthy as anywhere else in the US. To most Americans, England already looks like a mixed-income country and one well poised to ensure that housing policies continue to promote economic integration.



**Figure 5 Segregation of low-income families by English region and US comparison, 2001**



Source: Author's calculations of ONS and US Census 2000 data.

Notes: Benefits claimants defined as individuals in households claiming Income Support or income-based Job Seeker's Allowance. Index calculated at ward level. Index represents the proportion of either benefits claimants or non-benefits claimants who would have to move across wards in order to be at geographic parity with the other group. For the United States, comparable figure is based on the proportion of individuals at the census tract level who live in families with income below \$30,000, which was roughly 60 per cent of median family income in 1999.

Of course, it is unrealistic to expect all communities to contain a representative cross-section of the nation's population. Yet high levels of economic segregation and severe concentrations of deprivation are far from inevitable, and the effects of policies on community composition deserve special scrutiny. This chapter examines the Government's housing policy approach in each of the three types of places outlined above: new communities, areas of concentrated deprivation and existing mixed communities.

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### Ensuring a mix in new communities

The term 'mixed communities' seems to arise most often in discussions and strategies around new places and new housing. Because governments at the central, regional and local levels together effectively control development rights, the process of granting of those rights represents a key leverage point for the pursuit of policy goals such as mixed communities.

Government has thus acted to ensure that its policies on new build foster the creation of more mixed communities – mixed by income, mixed by household type and mixed by use. Several recent initiatives highlight the priority placed on this approach.

- As noted in Chapter 1, ODPM's planning policy guidance for housing (PPG3) asserts that local planning authorities should 'encourage the development of mixed and balanced communities in order to avoid areas of social exclusion'. Proposed revisions to PPG3, and practice guidance to be published alongside, focus further on how new development should achieve a mix of housing by 'size, type, and affordability' (ODPM, 2003b). Importantly, those revisions would set forth a presumption that affordable housing should form part of any proposed development of 15 or more dwellings.<sup>4</sup>
- Much new affordable housing, while funded through social housing grant and other subsidy programmes, is built as the result of Section 106 agreements and other obligations negotiated through the planning process (Barker, 2004). In this way, social housing and other sub-market units are delivered through the conventional planning process, facilitating their inclusion within communities containing new market-rate housing.
- A related change is that large, mono-tenure social housing developments are no longer being brought forward. As evidence of this, the percentage of small areas (100 to 200 households) in England where social tenants made up 90 per cent or more of all tenures dropped from 1.6 per cent in the 1991 census to under 0.3 per cent in the 2001 census. The Right to Buy has played a key role in this decrease, by mixing tenures on existing estates. Yet the decline may also reflect policy decisions to avoid creating new concentrations of disadvantaged households.<sup>5</sup>
- High-profile new developments supported by Government have underscored its commitment to building mixed communities. The Millennium Villages initiative, organised by English Partnerships, has given rise to new developments that mix social housing with market-rate units for owner-occupiers. The Greenwich

Millennium Village, for instance, is successfully mixing units for social tenants and households in low-cost homeownership schemes throughout its growing community on the Greenwich Peninsula. Each successive development phase has included increasing proportions of affordable units; by completion, the project should feature a mix of close to 70 per cent market, 30 per cent affordable housing. This would include more affordable units than both the existing nationwide tenure mix (about 20 per cent of households live in social housing or shared ownership) and new housing development in England in recent years (of which social housing has accounted for only 11 per cent [ODPM, 2004b]).

The Government's stance with respect to new communities, then, seems quite actively oriented towards creating more economically mixed places. Still, much can be learned from recent research and practice to inform the ongoing development of new mixed communities. The evidence raises several questions for policy makers interested in promoting sustainable development, a few of which are noted here.

### ***Do households with choice want to live in new mixed communities?***

There is some debate as to whether higher-income households actually want to live in mixed communities – a threshold question for policy. Survey research in Scotland found that mixed-tenure communities are judged to be desirable by those who live in them, but that owner-occupiers prefer neighbourhoods in which their tenure dominates (Kearns and Parks, 2002). The Council of Mortgage Lenders (2002) cites a survey for the House Builders' Federation suggesting that homebuyers do not like living in mixed-tenure areas.

These surveys, of course, reflect respondents' individual notions of what constitutes a 'mixed community'. And they leave aside the market success enjoyed by an increasing number of new mixed-income communities that are attracting households who have the means to exercise choice. But they do serve as an important reminder that mixed-income development is still proving itself in the marketplace, among both developers and homebuyers. Local authorities must monitor development to ensure that it achieves affordable housing goals, while adapting a flexible orientation towards 'phasing in' of affordable units in some cases in order to establish market viability.

Moreover, in order to achieve a mix of households, development – especially in the growth areas – should proceed from areas of market strength. Large estates are not likely to attract a true mix if they are placed in peripheral locations far from transport, employment and amenities. The success of places like Greenwich Millennium

Village, which enjoys proximity and good transport links to Canary Wharf and the City, suggests that mixed-community development in the Thames Gateway might focus first on existing built-up areas within the East End of London (Power *et al.*, 2004).

An equally important consideration for attracting households with choice to mixed-income communities is the need for consistency in securing affordable housing in new development. If some new developments include significant levels of social rented and low-cost homeownership units, but others somehow evade these guidelines, market dynamics may drive prospective homebuyers towards mono-tenure communities. In this vein, it is especially important that planning guidance and local housing assessments assume the need for social housing as part of new development, even in areas where such units do not already exist (Atkinson and Kintrea, 2001a; Minton, 2004).

### ***Are tenures and incomes physically mixed in new mixed communities, or are they separated on the same site?***

Section 106 agreements have generally been successful in achieving contributions of affordable housing through the planning process. Yet the degree to which planning gain delivers housing units for low- and moderate-income renters and owners that are spatially mixed with market-rate units on new sites seems to vary quite considerably. In their case studies of affordable housing secured through planning gain, Crook *et al.* (2002) find that, in higher-demand areas of the country, local authorities allow the segregation of affordable units from market units on the same site.

In separating units by tenure, developers may be responding to perceptions that owners do not want to live cheek-by-jowl with social renters or owners of affordable units, as surveys suggest. Social landlords may also seek to maximise managerial efficiency by grouping their units in the same space. Indeed, historically mixed neighbourhoods in London hardly prove that tenures must be ‘pepper potted’ in order for the neighbourhood to function well; the economic status of households within a neighbourhood is often homogeneous at street level. Similarly, putting social rented and owner-occupied households next to one another does not guarantee that their occupants will mix socially.

Yet the dynamics in a brand new community may differ greatly from those in a long-standing community, where social norms stay in place as households arrive and depart. The clustering of low-income households on one side of a new development may give rise to issues around stigma and disorder that trouble many mono-tenure

social housing estates, especially where that clustering gives rise to high child densities.<sup>6</sup> In their case studies of mixed-income housing in the US, Brophy and Smith (1997) find that full integration of units for lower-income and higher-income residents has important positive effects on the overall functioning of developments. While further study of these issues is needed, the physical design of new mixed communities may represent an important trade-off between short-term market viability and longer-term sustainability.

### ***What level of economic mix is appropriate in new mixed communities?***

As discussed above, the ‘phasing in’ of affordable units in new communities may represent an important pathway for proving this type of development to the market. But what is the optimal endgame? Ten per cent affordable? Twenty-five per cent? The Mayor of London (2004) has a 50 per cent affordable housing target. What levels of mix are appropriate for different types of areas?

This is one of the most important issues that new mixed-income development will face, and an area where additional research and revised practice guidance for PPG3 can prove helpful. There are probably no easy answers and practical experience may hold the best lessons for future efforts. Two issues deserve consideration, though, as planners and developers contemplate the nature of household mix.

First, evidence from the US suggests that a wide gap in incomes between subsidised and market-rate households may exacerbate tensions in new mixed-income developments (Brophy and Smith, 1997). Developments that include large proportions of flats for very high-income renters can help subsidise more social housing units, but may also exact a price on community cohesion. New development might thus actively pursue a moderate-income ‘tier’ to de-emphasise differences between the extremes, perhaps by routinely including low-cost homeownership units in new communities.

Second, lower-income families will not realise the full benefits of mixed-income communities if their children remain segregated in low-income schools. New mixed-community development must take account of the need to attract an economically diverse group of *families*, not simply households, in order to create a successful local school that remains attractive to current and future residents (Khadduri *et al.*, 2003; Lupton and Silverman, 2005, forthcoming). This implies that new development should provide a range of home sizes within each tenure.

### ***Other issues***

Several other important issues face the public and private sectors as they pursue the goal of building new mixed communities, including: the future of planning gain; the level of subsidy available for social housing; the relationship between regional spatial strategies and national affordability targets; and overall trends in income and labour market inequality. For now, though, policy seems largely to be on the right track. Greater focus on the issues outlined above may help steer development in an informed, and ultimately more sustainable, direction.

### **Mixed communities and deprived areas**

Strategies to create new mixed communities promise to avoid the mistakes of the past that fostered severe concentrations of poverty. At most, however, new housing construction amounts to a 1 per cent per annum addition to the overall housing stock. Thus, Government's efforts in existing places – especially those struggling with high levels of deprivation – figure at least as importantly to its goal to foster more inclusive communities.

Government's efforts in existing places – especially those struggling with high levels of deprivation – figure at least as importantly to its goal to foster more inclusive communities.

In reviewing the history of neighbourhood poverty alleviation in the United States, Katz (2004) identifies three major policy strands: place-based strategies that seek to 'improve the neighbourhood'; people-based strategies that seek to 'expand opportunity'; and more recent efforts to 'transform' neighbourhoods through a blending of these strategies.

The National Strategy for Neighbourhood Renewal forms the centrepiece of Government's efforts to assist deprived areas and in many ways represents a combination of the first two strands that Katz identifies. While the Strategy focuses on improving outcomes through people-based interventions, it has a place-based frame similar to the 'improve the neighbourhood' strand.<sup>7</sup> It embraces the idea that, with adequate focus and resources, Government can reduce the safety, health, education and employment deficits affecting deprived neighbourhoods. It falls somewhere short, however, of the more recent 'transformative' strand in American policy making, which embraces significant changes to the physical and social make-up of highly impoverished communities.

The Strategy's goal is an ambitious one: to ensure that, 'within 10 to 20 years, no-one should be seriously disadvantaged by where they live' (Social Exclusion Unit, 2001).<sup>8</sup> Progress towards that goal is measured by the gap between deprived areas and the nation as a whole in key areas like employment, crime, education and skills, public health and housing. To achieve progress over time, public services and the departments that deliver them are assessed, not only on their aggregate performance, but also on their performance in the most deprived local authority districts – the degree to which they are 'narrowing the gap'.

The National Strategy focuses on those areas that ranked in the top 10 per cent on the Index of Multiple Deprivation in 2000. New Public Service Agreement targets, as well as ongoing monitoring by Government, seek to improve conditions in these neighbourhoods by 'bending' key public service resources to address the needs of deprived areas.<sup>9</sup> On the ground, the Strategy brings together Local Strategic Partnerships (LSPs) with participants from the public, private, voluntary and community sectors in England's 88 most deprived local authority districts.<sup>10</sup> Today, those LSPs collectively draw on £525 million per annum from the Neighbourhood Renewal Fund to identify local priorities and co-ordinate across agencies to improve outcomes. This 'mainstreaming' puts deprived areas front and centre in government departments' approach to delivering critical public services.

While still quite new, recent evidence suggests that the National Strategy is helping to narrow the gap between deprived areas and the country as a whole on some key indicators. On employment, teen pregnancy and pupils receiving five good passes on GCSEs, the most deprived local authority districts have made greater progress than other districts since 2001 (Prime Minister's Strategy Unit and ODPM, 2005).

On other indicators, however, such as crime, resident health and attainment of lower-achieving pupils, the most deprived districts have made little progress, or have lost ground in recent years. What's more, though local authorities may represent a sensible level of government at which to co-ordinate the delivery of some services, statistics aggregated to the district level inevitably obscure the dynamics of improvement and decline that occur at the neighbourhood level. If district-level progress is solely the result of improvements in better-off neighbourhoods, the Strategy is not succeeding.

To close the gap fully between these places and the rest of the nation is a very tall order, even over a 15-year period. Progress in deprived areas is slow. And place-based strategies alone may overlook the sort of residential dynamics cited earlier, that led to increased unemployment in Harlesden. If families leave the neighbourhood as their economic lot improves, the positive area effects associated

with their progress evaporate.<sup>11</sup> Areas of severe deprivation that families are most eager to 'escape' may be especially vulnerable to these processes.

### ***Transformative strategies – a rationale***

All this serves as a reminder that concentrations of deprivation are not static phenomena that act solely on individuals' life chances. They are key features of the residential landscape that help drive patterns of household location and migration. The bundle of area effects described above may initiate a 'cycle of decline', wherein poor neighbourhood conditions foster out-migration of economically active families, leading to increased abandonment, crime and negative social stigma (Power and Mumford, 1999).

Notably, this is not what classical economics might predict. A fall in neighbourhood house prices, or the price of local labour, should theoretically attract people and employers back into these areas and lead to economic and social recovery. However, in deprived areas, these equilibrating price mechanisms seem unable to overcome the social influences that prevent households from moving back into the area. People are much less likely to move into deprived local authorities. At the same time, individuals already living in these communities are less likely to move out, suggesting that residents of some deprived areas are 'trapped' in the downward spiral (Meen, 2004a).

Is there a point at which this cycle becomes irreversible? This is a difficult question, not only to answer, but also to ask. No one wants to believe that any place – and the people living within it – lay beyond some 'point of no return'. The conventional wisdom seems to suggest that, given the right level and form of investment, any neighbourhood can be regenerated and outcomes for its residents improved.

While the conventional wisdom may be correct, it arguably misses the point. Properly framed, the question is not whether deprived neighbourhoods can be regenerated, but whether society has the resources, expertise and will to bring about the desired level of regeneration in all manner of deprived places. A corollary question regards whether these interventions can achieve true regeneration, in the form of improving conditions, or whether they simply halt or slow a longer-term process of decline.

These questions have led Government to adopt a market-oriented approach to broader regeneration policy. Funding for most programmes aimed at area improvement is available for a relatively short, fixed period. Brief injections of concentrated resources aim to catalyse longer-term processes of improvement

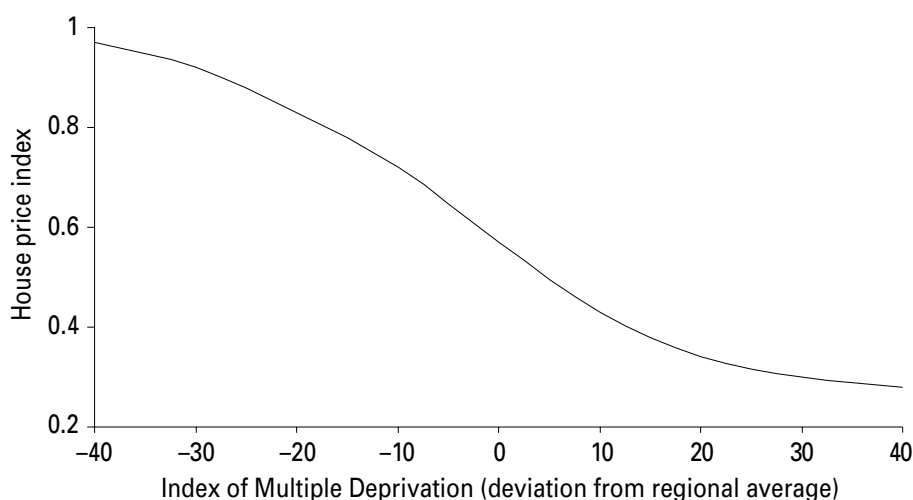


(Evans, 2000). Thus, Government does not provide the entire amount of funding thought necessary to renew these communities, but instead uses public dollars to leverage the market forces that can bring about positive, sustainable long-term change.

Can government investment at least catalyse regeneration in all deprived areas? On this question, Meen (2004b) models the relationship between house prices and the Index of Multiple Deprivation (IMD) in England. Both capture an 'aggregate' of local indicators – the IMD representing cumulative social conditions and house prices representing market values. For most communities, where deprivation levels are low or moderate, Meen finds that a given increase in the Deprivation Index is associated with a relatively constant decline in local house prices. At very high levels of deprivation, however, the relationship appears to be non-linear. There, the same increase in the deprivation is associated with a much smaller decline in house prices than at more moderate deprivation levels (see Figure 6).<sup>12</sup> This is welcome news in one sense – as things get worse in an especially deprived place, the market does not appear to devalue its housing to the degree it would in a less-deprived area, given a similar decline.

But the converse is true as well. Incremental improvements in the social conditions of the most severely deprived communities may produce little market response and may fail to catalyse the broader forces on which regeneration programmes depend. Again, these communities are not necessarily beyond the 'point of no return', but the cost of achieving sustainable improvements in those places, without some more radical intervention, may exceed what society is willing to expend.

**Figure 6 Model of the relationship between house prices and deprivation**



Source: Meen (2004b).

Incremental improvements in severely deprived communities may fail to catalyse the broader market forces on which regeneration programmes depend.

Meen (2004b) finds that communities whose IMD score is at least 40 points higher than their regional average occupy the 'flatter' part of the curve, where reductions in deprivation are associated with only very small increases in house prices. Based on the 2004 Indices of Deprivation, about 1.5 per cent of small areas in England have deprivation scores that are far in excess of their regional averages. These neighbourhoods exist in every English region, but are most prevalent in and around the northern conurbations (especially those in the North West) and the East Midlands (Table 1).<sup>13</sup> Liverpool alone is home to 70 neighbourhoods that exceed the threshold.

In general, the National Strategy for Neighbourhood Renewal focuses on narrowing the gap in outcomes between the 10 per cent most deprived areas in England and the national average. But, just as the top 10 per cent of the income distribution is a diverse lot, with an enormous proportion of income held by the top percentile, so too are extreme conditions concentrated at the top of the deprivation spectrum. Neighbourhoods at this 'deep end' face a challenge of a somewhat different scale than other places targeted by area-based programmes.

Looking more closely at conditions in severely deprived neighbourhoods further highlights this challenge. In the 2 per cent most work-deprived neighbourhoods in the nation, the rate at which adults claim out-of-work benefits is higher by *half* than in the

**Table 1 Extremely deprived neighbourhoods by region, 2004**

Region	Total SOAs	IMD regional average	Extremely deprived SOAs	% SOAs extremely deprived
East Midlands	2,732	20.66	55	2.0
East of England	3,550	14.90	17	0.5
London	4,765	25.15	14	0.3
North East	1,656	30.28	31	1.9
North West	4,459	28.49	190	4.3
South East	5,319	13.22	26	0.5
South West	3,226	17.31	31	1.0
West Midlands	3,482	24.28	53	1.5
Yorkshire and the Humber	3,293	26.38	77	2.3
<b>Total – England</b>	<b>32,482</b>		<b>494</b>	<b>1.5</b>

*Note: Extremely deprived Super Output Areas (SOAs) are those with an Index of Multiple Deprivation (IMD) for 2004 exceeding their regional average by at least 40.*

*Source: English Indices of Deprivation (2004).*

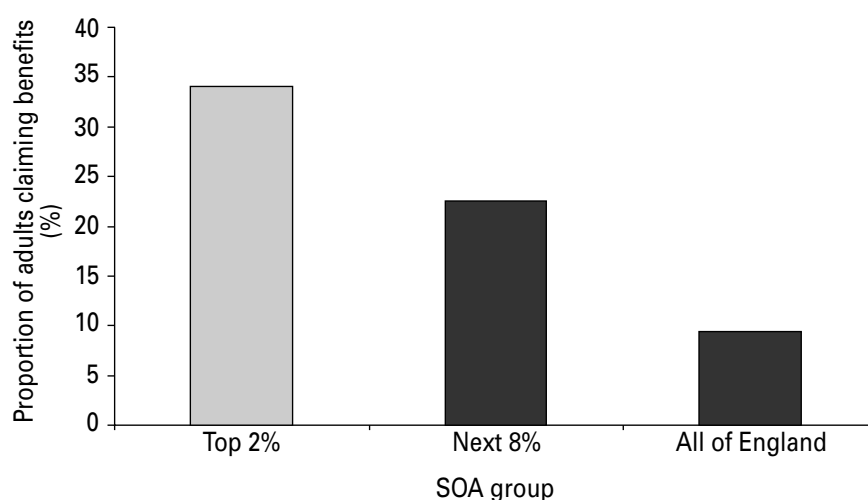
remaining neighbourhoods that make up the top tenth on work deprivation (Figure 7). To close the gap fully between these areas and the national average would require reducing the out-of-work benefits claim rate there by more than 70 per cent, an outcome that not even the most successful employment programmes could attain.<sup>14</sup>

Also striking is the degree to which extreme levels of deprivation are associated with concentrations of social housing. Across the small areas that surpass the 40-point threshold on relative deprivation, 59 per cent of households live in social rented housing, about three-quarters of these in housing that is owned by the local authority. This contrasts with just 18 per cent of households in the remainder of England. This does not mean that social housing itself causes deprivation, but it does indicate that, in the most severely deprived places, social housing is a prominent feature of the landscape.

### ***Implications for renewing deprived areas***

This analysis implies three things for policy. First, it emphasises that, to restore and renew deprived neighbourhoods, a diverse approach befitting diverse places is needed. The scale of deprivation in the most impoverished neighbourhoods far exceeds that in moderately deprived places. In this sense, the National Strategy's approach – providing resources, setting targets and leaving design and execution in the hands of Local Strategic Partnerships – affords local decision makers the flexibility needed to pursue a range of methods for improving neighbourhoods.

**Figure 7 Out-of-work benefits claim rates, SOAs, 2003**



Note: On Job Seeker's Allowance, Invalidity Benefit, Severe Disablement Allowance; lone parents on Income Support excluded. SOAs are ONS geographies with average of 1,500 persons.

Source: Social Exclusion Unit.

Second, some places may not be able to improve individual- and community-level outcomes significantly without a more dramatic change in their underlying characteristics. Just to reach the point at which further reductions in deprivation might begin to catalyse regenerative market forces, many of the most deprived neighbourhoods would need to achieve sizeable reductions in unemployment (Meen, 2004b). This is consistent with evidence that the poorest neighbourhoods and their residents often become stigmatised, keeping potential residents away and local employment rates artificially low (Dean and Hastings, 2000). Striking, visible changes in the physical and social features of these places may be a prerequisite to arresting further decline and achieving lasting regeneration.

To be sure, regenerative investments may produce varied responses in even the most severely deprived communities, based on their local market characteristics. Heavy demand for housing in London suggests that its few neighbourhoods suffering from very high levels of distress could still follow the road to recovery with incremental upturns in their physical and social conditions.

Because the majority of highly deprived neighbourhoods lie outside the strongest housing markets, though, Government's Neighbourhood Renewal Strategy should give greater consideration to policies that actively *break up severe concentrations of deprivation*. Although deprived places will always exist, policy should aim to ensure that no neighbourhoods harbour extreme concentrations of poverty that mute the impacts of regenerative investments.

Government's Neighbourhood Renewal Strategy should give greater consideration to policies that actively break up severe concentrations of deprivation.

Third, the approach to renewing the most deprived neighbourhoods must take account of the role that social housing has played in concentrating disadvantaged households. The analysis above demonstrates that high concentrations of social, mostly local authority-owned, housing characterise neighbourhoods at the extreme end of the deprivation distribution. Certainly, past regeneration efforts have proven that housing strategies alone cannot reverse decline in the worst-off areas. Yet transforming severely deprived places where 60 per cent or more of households live in the social rented sector should force policy makers to confront the housing policies and conditions that have marginalised these communities and their residents. Successful regeneration of highly distressed neighbourhoods requires visible change within, and not just around, their large and unpopular mono-tenure estates.<sup>15</sup>

In the end, evidence on the most deprived places raises an important question for Government. If housing policies embrace the notion of 'mixed communities' for new build, shouldn't they also seek to foster a greater mix in existing communities – especially those with concentrations of deprivation?

### ***Mixed communities and moderately deprived areas***

Efforts have already emerged in several parts of the country, and internationally, to replace high-poverty, mono-tenure social housing estates with more economically integrated communities. Many of these strategies have been deployed to good effect in moderately deprived places, particularly those located in markets with healthy housing demand.

In these areas, social landlords are increasingly recognising that mixing tenures can stem the 'cycle of decline' and actually upgrade community conditions over time. In York's New Earswick village, the Joseph Rowntree Housing Trust saw that, by the mid-1990s, local allocations policies had caused the estate to take on a largely disadvantaged population. Some areas of the village had high levels of benefit dependency and high child densities that contributed to greater disorder (Martin and Watkinson, 2003).

In response, the Trust instituted a policy in 1997 of selling alternate vacant units on the estate (SAVE) to 'break up' concentrations of deprivation and improve the underlying value of the housing. The policy contributed to significant increases in the value of housing units and better perceptions of the village in the wider community. The Trust is using the proceeds of the sales to acquire affordable housing elsewhere in York, so that the policy does not shrink the supply of social housing over time. A recent survey indicates that a significant minority of housing associations and local authorities nationwide are employing a similar approach to mix tenures on existing estates (Martin and Watkinson, 2003).

The notion that mixed communities can improve the value of housing and neighbourhoods, and lead to better outcomes for residents, has also found support in Greater London. There, high demand for housing and land means that considerable equity may be tied up in existing concentrations of social housing. In response, some communities are funding the physical regeneration of deprived estates by rebuilding at higher densities and introducing market-rate units on site (Prime Minister's Strategy Unit, 2004).

In South Kilburn, within the London Borough of Brent, the council and the New Deal for Communities project are funding the demolition of tower blocks built in the 1960s and 1970s, replacing 2,300 council-owned homes with higher-quality units built at higher densities. Roughly half of the 3,000 new homes will be privately owned and will be 'pepper potted' with social housing units throughout the redesigned community (Brent Council, 2004). The sale of these units is expected to fund a substantial portion of the projected £912 million in long-term regeneration costs.

In areas like York and Brent, the high demand for affordable housing works in favour of more mixed-income neighbourhoods. As units in these neighbourhoods are generally more affordable than similar units in wealthy communities, significant numbers of middle-income workers and families, especially younger households just getting onto the property ladder, may be attracted to purchasing in areas that include half social rented housing, half owner-occupied housing. Furthermore, it seems that conditions in both neighbourhoods are still at the level where this sort of regeneration holds the potential to reconnect the community and its residents to the economic and social mainstream.<sup>16</sup> Pursuing a greater mix of incomes and tenures in these neighbourhoods is also a 'preventative' action that may preclude large regeneration expenditures a few years down the line. Thus, there is clearly a place in communities struggling with moderate levels of deprivation for housing strategies that seek to attract more middle-class, working households.

### ***Mixed communities and severe deprivation – a US example***

In severely deprived concentrations of social housing, however, especially those located in somewhat weaker housing markets, the equation is different. The stigma associated with these neighbourhoods, and the 'push' factors associated with concentrated poverty, may be too significant for *in situ* tenure mixing to overcome. As one observer noted, 'How do you attract the right people to live on an estate with an appalling reputation for crime?' (Beveridge, 2003).

Additionally, insufficient demand pressures in the wider housing market may obviate the need for middle-income households to consider living in 'marginal' neighbourhoods, if affordable options are available elsewhere. Building new housing at increased densities, in particular, would fail to strike an appropriate balance between supply and demand.

A more transformative approach may be needed to create truly mixed communities in these places – one that aims to break up severe concentrations of deprived social housing and replace them with higher-quality housing in a more economically

integrated setting. These strategies require a wholesale re-envisioning of communities that introduces dramatic changes in both their physical layout and demographic make-up.

This approach is perhaps best exemplified by the HOPE VI programme in the United States. In 1992, after 18 months of study, a US Congressional Commission concluded that 86,000 units – approximately 6 per cent of the nation's public housing stock – qualified as 'severely distressed'. Residents of these developments were overwhelmingly poor, lived in physically deteriorated buildings and were surrounded by economically and socially distressed neighbourhoods, often exhibiting high rates of violent crime. The Commission recommended a ten-year, \$7.5 billion effort to address the range of issues affecting these communities and their residents.<sup>17</sup>

That effort, later named HOPE VI, initially focused on redeveloping inner-city, high-rise public housing projects into lower-density, higher-quality properties with more economically active families. As the project evolved, however, its central premise changed to reflect a new policy ethos in the United States – that public housing policy should 'deconcentrate' poverty by helping families relocate to better neighbourhoods and should create truly mixed-income communities in place of distressed developments. Indeed, the statutory objectives of the programme include aims to 'provide housing that will avoid or decrease the concentration of very low-income families' and to 'build sustainable communities' (Popkin *et al.*, 2004).

Over the past ten years, the programme has awarded 446 grants in 166 cities across the United States, financing the demolition and redevelopment of more than 80,000 severely distressed units. While most projects are not yet complete, preliminary results from some of the first sites to embrace mixed-communities strategies are impressive.<sup>18</sup> A recent review of changes in HOPE VI neighbourhoods in Atlanta, Louisville, Pittsburgh and St Louis (Turbov and Piper, 2005) finds the following.

- Increases in *median incomes* and *labour force participation* in the neighbourhoods containing HOPE VI projects far outpaced those occurring city wide, or metro area wide, in the 1990s. In Atlanta's Centennial Place neighbourhood, for instance, the percentage of adults in the labour force increased from 36 per cent in 1990 to 69 per cent in 2000.
- Declines in *crime*, especially violent crime, were dramatic, utterly transforming the resident experience in these neighbourhoods. In Louisville's Park DuValle neighbourhood, the average annual rate of overall crime dropped 82 per cent from its staggering level prior to redevelopment.

- In Atlanta and St Louis, where *school improvement* was a cornerstone of HOPE VI strategies, students are making impressive gains. The proportion of students earning ‘advanced’ or ‘proficient’ scores on state exams at Jefferson Elementary School in St Louis’ Murphy Park neighbourhood has risen steadily. Roughly 18 per cent now achieve these scores in maths, and 44 per cent in science, versus just 2 per cent in each subject in 2000.
- Buyers are capitalising the improvements in these neighbourhoods into the prices they are paying for local homes. In Pittsburgh’s Manchester HOPE VI development, *home sales prices* are consistently higher than in the city as a whole and assessed home values have risen 25 per cent from predevelopment levels.

Notably, Louisville, Pittsburgh and St Louis are examples of ‘core cities’ that underwent severe deindustrialisation in the mid-to-late twentieth century (Brophy and Burnett, 2003), and now exhibit areas of low housing demand much like England’s northern cities. The changes occurring in these neighbourhoods and others have radically altered the condition and perception of some of the most distressed places in the United States. The mechanisms used to achieve these improvements included high-quality physical redevelopment, upgraded housing management and local services, and a market orientation to attract additional private investment in regeneration.

The changes occurring in HOPE VI neighbourhoods have radically altered the condition and perception of some of the most distressed places in the United States.

At least as importantly, though, these changes resulted from significant transformation in the local population. The neighbourhood improvements witnessed reflect not only improved outcomes for the former resident population, but also the characteristics of families who moved in after redevelopment. Most HOPE VI projects do not guarantee original residents a ‘right to return’ to the redeveloped community. Because most projects are redeveloped at lower densities, and involve a reduction in public housing units, such a right would be impractical.<sup>19</sup>

More to the point, however, breaking up concentrations of poor public housing residents has emerged as a central feature of the programme’s aim to achieve mixed-income communities. To date, approximately 49,000 residents have been relocated from HOPE VI properties. On average, HOPE VI grantees expect only 46 per cent of original residents to return to the redeveloped sites. The projects do not generally predetermine exactly how many relocated households will return; rather,



several factors help shape the final outcome. These include: high turnover rates that characterise US public housing generally; a reduction in public housing units associated with many projects; stricter screening requirements on new developments to exclude households who had violated rules or engaged in criminal activity; resident satisfaction with neighbourhoods to which they were initially relocated; and the unfortunate failure of some housing authorities to keep track of relocated residents (Popkin *et al.*, 2004).

Residents relocated from HOPE VI public housing developments typically receive some form of ongoing assistance. About half move to other public housing projects. About a third relocate using vouchers that subsidise their rents for private market units. And one in five households moves to other forms of assistance or leaves assistance altogether. Many of those relocated to other public housing are waiting to return to the redeveloped HOPE VI site or to move elsewhere with housing vouchers (Kingsley *et al.*, 2003).

Even in a country like the United States, where housing is generally regarded as a privilege rather than a right, relocation without the right to return is a contentious policy. Memories of urban renewal in the 1960s, the segregation of poor blacks in neighbourhoods targeted for redevelopment and insufficient consultation with residents in some HOPE VI project planning have sown understandable distrust. The programme has engendered considerable controversy among some public housing residents and their advocates (National Housing Law Project, 2002; Venkatesh and Celimli, 2004), who view the programme as a vehicle for gentrifying poor neighbourhoods and disrupting long-standing communities.

For many families, however, the opportunity to 'escape' poor quality housing and neighbourhoods of high crime and economic distress in favour of more stable local environments can outweigh their misgivings about not returning to the redeveloped community (Buron, 2004; Cunningham, 2004). For households in which one or more members have a history of criminal or antisocial behaviour, stricter screening requirements for new developments effectively preclude their return to those sites.

Notably, most households that do leave HOPE VI sites with vouchers end up in better neighbourhoods. The average poverty rate of their new neighbourhood of residence in 2000 was 27 per cent, down from a staggering 61 per cent in their prior neighbourhood.<sup>20</sup> Some cities have done less well in this regard than others, however. And, across all sites, relocatees – the overwhelming majority of whom are African-American – live in racially segregated neighbourhoods (Kingsley *et al.*, 2003). Still, most studies of relocatees' own perceptions point to higher levels of residential satisfaction (Popkin *et al.*, 2004).

This evidence is mirrored in The Netherlands, where the national Urban Renewal Policy is restructuring and diversifying the social housing stock in big cities. Households who are relocated from social housing to make way for redevelopment receive an entitlement to a comparable dwelling, priority certificates to move them ahead of others in the social housing queue and assistance (in the form of money and counselling) in relocating. A study of relocated residents in two cities finds that the majority perceived an improvement in their housing situation and that few actually felt their situation had degraded (Kleinhaus, 2003).

HOPE VI and other mixed-income developments in the United States have adopted widely varying goals in terms of the ultimate 'mix' they seek to achieve. Among the 165 projects funded, 72 will dedicate half or fewer of their revitalised units for public housing, while 21 will be 100 per cent public housing.<sup>21</sup> Some will offer only rental units, while others will include affordable and/or market-rate units for homeownership. In most sites, the final mix strikes a balance between local affordable housing needs, incomes and demand in the wider market, aims to avoid poverty concentration and the various income targeting provisions underlying the programmes financing redevelopment.<sup>22</sup> Thus, there appears to be no one 'right answer' with respect to the mix that works for any given community.<sup>23</sup>

### ***Mixed communities and severe deprivation in England***

Housing policy in England has not traditionally pursued the sort of radical remaking of neighbourhoods embodied in programmes like HOPE VI. Where major physical redevelopment of social housing has occurred, most former residents have returned to redeveloped sites. 'Deconcentrating' poverty to build mixed-income communities has not emerged as an explicit social housing policy goal as it has in the United States.

Yet occasional housing regeneration initiatives in the UK have successfully replaced highly distressed social housing with mixed-income communities. The redevelopment of the Holly Street estate in the London Borough of Hackney in the 1990s, part of the Borough's Comprehensive Estates Initiative, targeted one of London's most crime-ridden, hard-to-let council estates. The project demolished several five-storey and high-rise tower blocks, reduced the total number of units and replaced them with a well-designed mix of council, housing association and private homes and flats. In the end, the £100 million, six-year effort involved as much as a 50 per cent turnover in the estate's residents<sup>24</sup> because of numerous factors: significant vacancies and 'squatting' that characterised Holly Street prior to redevelopment; a phased lettings process that attracted new tenants; and for-sale

properties that integrated new owner-occupiers onto the estate (Jacobs, 2002). The resulting change in the economic status of the area was impressive: employment among working-age adults in the surrounding ward was up 4 per cent from 1991 to 2001, a larger increase than occurred in any other poor Hackney ward over the decade (Berube, 2005).<sup>25</sup>

In Sunderland, the £50 million redevelopment of the Town End Farm estate provides an example of a transformative strategy in a somewhat different market context. At the inception of the estate's regeneration in 1991, it suffered from low demand, high levels of crime, poor physical condition and negative stigma. Under the Estate Action Programme, the estate's 2,000 local authority properties underwent a combination of demolition, refurbishment and modernisation, and were integrated with new-build, affordable homes for sale. The number of social housing units was halved, in recognition of the high initial void rate (23 per cent), and roughly one-third of dwellings on the redeveloped estate were built for owner-occupiers. While a larger proportion of former residents returned to the Town End Farm estate after redevelopment than at Holly Street, some as homeowners, significant improvements occurred in the management and perception of the estate, and in vacancy and crime levels (Jupp, 1999).<sup>26</sup> Furthermore, the employment rate in the surrounding ward rose more than 10 percentage points between 1991 and 2001 (Berube, 2005), reflecting improvements in the wider Sunderland labour market and a more economically active resident base in and around the estate.

Each of these projects benefited from circumstances and approaches that mirror the experience of successful HOPE VI projects. They took place on unpopular council estates with high levels of crime, where residents were open to more ambitious redevelopment and tenure-mixing strategies. Void rates on the estates were high at inception, which lowered the overall degree of displacement, but also enabled real change in the underlying population characteristics after redevelopment. The estates were situated in neighbourhoods that ranked among the top 2 to 3 per cent poorest in the nation before redevelopment, where simply putting more money into public services was unlikely to generate sustainable improvement. The projects engaged residents throughout the process and secured their 'buy-in'. And they were backed by high levels of public funding, helping them to gain the involvement of major private sector developers and achieve real upgrades in housing quality and liveability.

### *Mixed communities in the pathfinder areas*

All of these factors suggest that the need and opportunity for transformative neighbourhood strategies applies to a small number of places, and that success demands a considerable commitment of time and money. Such opportunities may exist in a number of the housing market renewal pathfinder areas. Each of the nine market renewal pathfinders is developing strategies to tackle low demand and abandonment across an entire sub-regional housing market. Most are employing a combination of large-scale demolition and clearance, new building and refurbishment to replace obsolete housing with modern, higher-value accommodation. The sheer scale of these efforts dwarfs that seen in most HOPE VI projects, which aim to transform estates of generally under 1,000 units.

Though the market renewal strategies are locally designed and executed, they share a common goal to 'rebalance' supply and demand in their housing markets. In doing so, they seek to reverse the cycle of decline and abandonment that has helped to create concentrations of deprivation in and around the northern conurbations. So, though it is not always acknowledged explicitly, the pathfinders have a unique chance to re-envision concentrations of poverty as more economically integrated communities.

Though not acknowledged explicitly, the housing market renewal pathfinders have a unique chance to re-envision concentrations of poverty as more economically integrated communities.

Government's approach to the nation's most severely deprived communities and the pathfinders' approach to market renewal are inextricably linked. Each market renewal area (especially the Merseyside, Manchester-Salford and Birmingham-Sandwell pathfinders) contains several neighbourhoods that rank among the extremely deprived areas outlined in Table 1 earlier in this chapter. Altogether, nearly half of the 494 SOAs identified earlier are located in local authority districts involved in the nine market renewal pathfinders (though it should be noted that the renewal areas do not include all portions of these districts). Each pathfinder will need to consider how the physical remaking of these particular communities can contribute to greater socio-economic diversity and longer-term sustainability.

Large-scale demolition and clearance in the pathfinder areas has, of course, raised sensitive issues around the displacement of some long-time residents, much like the HOPE VI programme. However, the UK seems to have made greater commitments than the US to ensure that relocated residents have sufficient financial and counselling support to move to better accommodation in better neighbourhoods.

In designing support for relocating residents, the Government might consider how a wider roll-out of its housing benefit pathfinder scheme could improve mobility and choice. Under the scheme, participating Housing Benefit claimants who rent in the private sector receive a direct payment for their rent, rather than having the rent paid to the landlord. The payment is based on the household's size and prevailing local rents, rather than on the actual rent for the property. The scheme has the potential to bring greater transparency and enhanced mobility to households in the affordable housing sector. Moreover, the delivery mechanism is much closer in nature to the US housing voucher system, a key tool for residents relocating from HOPE VI public housing projects over the past decade (Cunningham, 2004).

Of course, not all deprived neighbourhoods are in need of large-scale demolition. Manchester has renovated old 'two-up, two-down' homes to attract middle-class families back to declining neighbourhoods while retaining existing owner-occupiers (Gill, 2003). In deprived areas with mass amounts of mid-century social housing, however, a drive for economic integration will often coincide with a need for more than refurbishment alone.

Notably, the pathfinder approach to regeneration charts a somewhat different course from the community-led model of regeneration embodied in the New Deal for Communities (NDC) programme.<sup>27</sup> The highly localised focus of NDC partnerships has in many cases led these communities to adopt more 'inward-looking' approaches that aim primarily to meet the housing needs of existing residents. In areas of relatively high housing demand like South Kilburn, redevelopment at higher densities has permitted NDC partnerships to accommodate those residents while attracting a broader economic mix to the neighbourhood. Evidence from Hull, Sheffield and Newcastle, however, suggests that, in some areas of weaker demand, NDC housing strategies have been designed largely to meet current residents' needs, rather than to create a 'neighbourhood of choice' within the broader housing market (Cole *et al.*, 2003).

Linking up the goals and activities of market renewal pathfinders with ongoing renewal strategies, like NDC and Local Strategic Partnerships, will prove critical for delivering high-quality services and better physical environments that can attract a broader range of families to these communities. This joined-up approach, though, must be backed by significant investment in order to truly transform the most severely deprived neighbourhoods. When the National Commission called for the HOPE VI programme in 1992, it recommended spending roughly \$87,000 (£47,000) per unit of severely distressed housing. This would imply the equivalent of a £50 million investment (much like NDC) for each 1,000-unit estate. Government must seek private-sector contributions, as the US has for HOPE VI projects, but it must also commit to these redevelopment efforts a level of resources that ensures true transformation and long-term sustainability.

In the end, Government's hopes to significantly narrow the gap between deprived neighbourhoods and the rest of the nation over 15 years will rest in no small part on the pathfinders' success in taking forward housing strategies that lead to more mixed and sustainable communities, especially in the nation's most deprived corners. Policy makers at the local, regional and national levels should thus ensure that these housing interventions tackle the worst concentrations of poverty, and create neighbourhoods that are accessible and attractive to an economically diverse range of households.

### Assisting existing mixed communities

The previous two sections focus on the need for, and strategies to achieve, mixed communities at the extremes – in new build and in severe concentrations of deprivation. Concentrating on these types of places alone, however, would ignore the innumerable neighbourhoods 'in the middle', which currently possess some level of economic mix. How should housing policies regard these places?

Residential sorting suggests that, left to their own devices, mixed communities may not necessarily remain mixed over time. Extant local circumstances can change, prompting neighbourhoods to move in different directions. Neighbourhoods at the fringe of development can suddenly popularise and subsequent gentrification could limit the ability of lower-income households over time to access housing and other necessities. Conversely, neighbourhoods with a housing stock in decline, or near schools that have suffered a recent drop in the league tables, may see an exodus of better-off households and an attendant rise in concentrated poverty.

Adopting active monitoring of local conditions and policies to retain and promote economic diversity would recognise three key aspects of neighbourhood change.

- The residential composition of neighbourhoods is highly dynamic. About 10 per cent of England's population moved across wards between 2000 and 2001, or from outside the UK altogether.<sup>28</sup> Across several years, then, the majority of a ward's population can 'turn over' and, in some cases, this can lead to significant changes in socio-economic composition. Because neighbourhood change is inevitable, policy must focus on *managing* change for the benefit of current and future residents.
- Policy constantly influences community composition. The location of key government services, levels of resources made available to schools, transport routes, social housing lettings, the granting of planning permission for local

development and myriad other decisions all make huge imprints on who lives in a community. In this way, policies to sustain community mix are no more ‘social engineering’ than most actions governments take on a daily basis.

- The evidence that deprivation effects are non-linear suggests that policy should focus especially on those neighbourhoods that are ‘on the edge’ – where the cycle of decline may put these places past the reach of conventional regeneration. Efforts to guard against increasing economic segregation should thus take into account a wide range of communities that might currently be considered ‘mixed’.

Because neighbourhood change is inevitable, policy must focus on *managing* change for the benefit of current and future residents.

### ***Monitoring local markets***

Information technology, and Government’s efforts to make social and economic data available at ever-lower levels of geography, offer unique opportunities to assess not just the *conditions* of neighbourhoods at any given point in time, but their *trajectory* as well. After all, two communities with the same economic profile, but headed in opposite directions, clearly demand different approaches for sustaining economic diversity.

In the past, such longitudinal monitoring has been complicated by constantly evolving government measures of poverty and constantly shifting local boundaries. For instance, the four measures of local deprivation published since 1991 have employed four different methodologies for deriving the Index and have focused on three different levels of geography (local authorities, wards and Super Output Areas). Each Index refines its predecessor, but makes it very difficult for researchers to compare places over time. That noted, the introduction of SOAs, designed to be of standard size and to remain fairly consistent over time, and the most recent consultation and redesign of the Index, hopefully signal Government’s commitment to providing researchers and policy makers with information that better describes neighbourhood dynamics.<sup>29</sup>

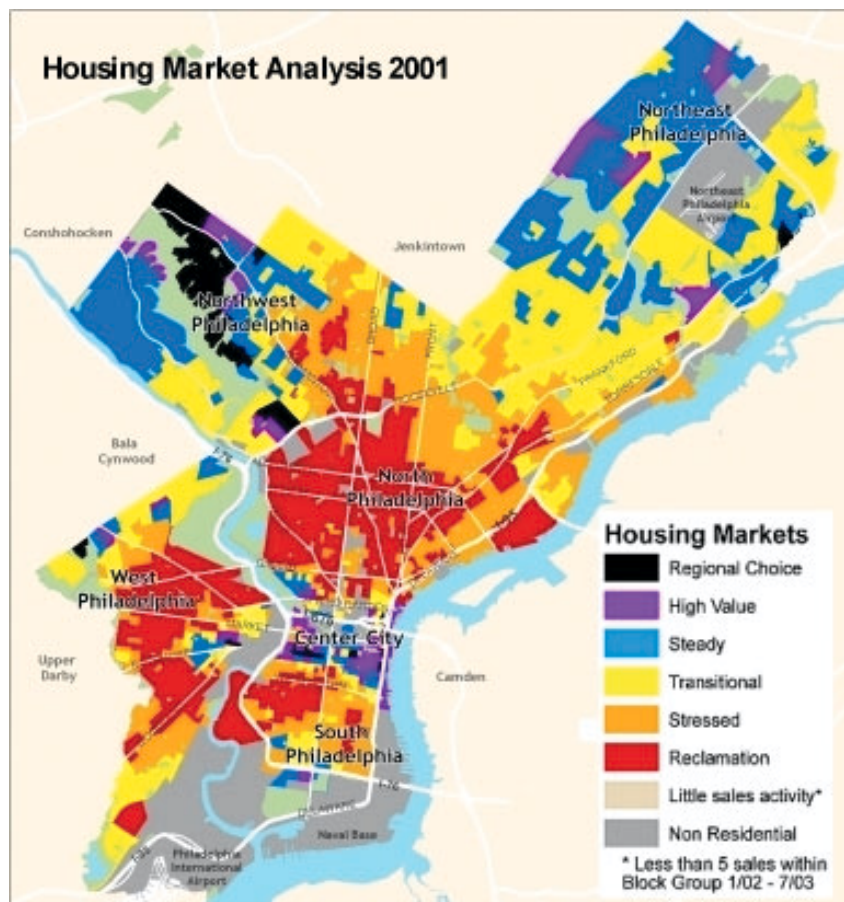
Of course, the Deprivation Index represents only one indicator that local governments could use to assess changing social and economic conditions at the neighbourhood level. Several of the housing market renewal pathfinders have proven especially adept at assembling a rich mix of data from local and national sources to identify low-demand ‘hotspots’ and the factors driving their emergence. The Newcastle-Gateshead pathfinder developed a ‘neighbourhood vitality index’ that employs up-to-date social and market data to categorise its neighbourhoods. The Oldham and Rochdale pathfinder measures neighbourhood ‘market vulnerability’

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through a survey of current residents on their plans to stay in or move out of the area. These data, visually represented through Geographic Information Systems (GIS), help the pathfinders to design and evaluate their interventions, and communicate with local stakeholders (ODPM, 2004c).

Some US cities have gone a step further, marrying government and market data to create neighbourhood 'typologies' that guide their investment decisions (Kromer, 2002). Philadelphia's Neighborhood Transformation Initiative, a programme to reduce that city's high levels of neighbourhood blight and promote reinvestment and redevelopment, uses a market monitoring system to target areas for a range of interventions. The Initiative uses data on tenure, stock condition, commercial and residential sales, and household credit ratings (maintained by private-sector firms) to allocate neighbourhoods to different market clusters. These clusters range from high-value 'regional choice' communities, to 'transitional' neighbourhoods with many homeowners but limited local commercial activity, to 'reclamation' areas ripe for blight elimination (Figure 8).

**Figure 8 Neighbourhood market clusters in Philadelphia**



Source: Philadelphia Neighborhood Transformation Initiative.



The creative and locally driven use of data can provide a crucial evidence base for efforts to retain mixed communities. At the local authority level in the UK, however, not all professionals in areas such as planning, housing and neighbourhood regeneration have access to the expertise or technological capacity to mount such efforts. The Deputy Prime Minister recently commissioned the development of a national computer model to assess housing demand, but the model will gain wide use only if local officials can see its relevance for their own markets (*Inside Housing*, 2005). In light of this, the National Centre for Sustainable Communities Skills, recommended in Sir John Egan's review (ODPM, 2004d) and currently under development, should share best practices from at home and abroad on how local authority professionals can access and deploy market data for neighbourhood monitoring and intervention. In addition, expanded government investment in GIS software and related training can help them make the best strategic use of this information.

The creative and locally driven use of data can provide a crucial evidence base for efforts to retain mixed communities.

### ***Policies for existing mixed communities***

Neighbourhoods 'in the middle' often function in a policy blind spot. They do not attract the attention and concern devoted to severely distressed places. Neither do they benefit from the levels of market investment and appreciation seen in higher-income neighbourhoods. By focusing on the 10 per cent most deprived communities in the nation, the National Strategy for Neighbourhood Renewal has helped some neighbourhoods that arguably exhibit some level of mix. But a broad commitment to fostering mixed and inclusive communities means that neighbourhoods at the 20th and 30th percentiles deserve attention and tailored responses as well.

The exact nature and scale of intervention appropriate for a given community depends on its social, economic and physical characteristics, as well as the direction in which those indicators are heading. Several policy approaches may be suitable.

First, the SAVE policy in York has shown that tenure diversification can promote healthier communities on declining estates. *Local lettings policies* play an important role, too, in making estates and their surrounding neighbourhoods mixed and sustainable places. To retain mixed neighbourhoods, local housing professionals should reject strategies that explicitly concentrate the most economically deprived households on certain estates in order to 'cluster the problem'.

Furthermore, housing agencies should consider using estate profiles that map the characteristics of tenant applications against potential destination neighbourhoods to maintain a more balanced estate character. This approach is no more ‘social engineering’ than is allocating vacancies based on need criteria alone, which simply ‘engineers’ concentrated deprivation and attendant barriers for estate residents.<sup>30</sup> Research suggests that such profiling approaches may work best when they are balanced with policies that introduce greater tenant choice into allocations (Cole *et al.*, 2001). Ultimately, local housing decision makers should acknowledge the importance of letting policies, not just on the worst-off estates, but also across the entire housing and neighbourhood spectrum.

Second, strategies for *homeowners* are especially important in these intermediate neighbourhoods, since home value appreciation is a key barometer for encouraging further residential and commercial investment. In the United States, cities like Baltimore have mounted ‘Healthy Neighbourhoods’ initiatives focused on rebuilding real estate values in areas of the city that are not greatly distressed, but are not obviously thriving. The approach relies on small grants for block-by-block strategies, loans for home purchase and improvement, and resources for neighbourhood marketing. The initiative uses minimal subsidies to support sustainable, visible improvements. Government, lenders and community-based organisations work together with local residents to create a ‘market niche’ for each neighbourhood that appeals to diverse income groups (Boehlke, 2004).

Promoting homeownership itself can also lead to increases in neighbourhood value (Rohe *et al.*, 2002). In this regard, the UK’s robust set of low-cost homeownership (LCHO) policies advantage it relative to the United States, which lacks widespread shared ownership and Homebuy-like schemes targeted to moderate-income buyers.<sup>31</sup> With information on local conditions and dynamics, local authorities and social landlords could deploy LCHO more strategically to assist in the revitalisation of undervalued neighbourhoods and to maintain income diversity in popularising locations.

Third, policies to promote local *commercial development* should ‘synch up’ with housing policies in these in-the-middle neighbourhoods. Many of these areas have significant assets in their local retail centres, but those centres have often deteriorated or fail to offer the services that current and potential residents may need. Using its own set of neighbourhood typologies, Washington, DC solicited bids from local organisations and selected a series of commercial corridors where it is investing in technical and financial assistance for local businesses. These investments are designed not to subsidise retailers in the most distressed communities, but to achieve real near-term change by targeting areas where the city

can leverage emerging market activity (Rivlin, 2003). To attract new retailers to these neighbourhoods, local governments should also focus on mitigating business risk – by providing firms with localised data on land, demographics and crime, and by providing ‘fast-track’ land assembly and development approval in these transitioning areas (Rosen *et al.*, 2003).

As these examples indicate, the task of sustaining currently mixed communities falls largely to local governments. Central government must signal the importance of these neighbourhoods ‘in the middle’ to the broader mixed-communities agenda, but, in the end, it must give local authorities the tools, guidance and flexibility to monitor and maintain the character of these places. Only by paying attention to the dynamics of these thousands of communities will the UK experience neighbourhood growth and change that is both sustainable and inclusive.

## 6 Conclusion

This paper has advanced a rationale, drawing on evidence from both the UK and the US, for housing policies that promote economically mixed communities. In doing so, it has identified several successful policy models and has proposed considerations for their broader application in England. The lessons offered here suggest that, to realise many of the goals associated with mixed communities, three principles should guide ongoing policy development and implementation.

First, if mixed communities are to be an effective response to growing economic segregation, they must represent a policy objective across the full range of places. Focusing on new neighbourhoods to the exclusion of existing neighbourhoods would ignore the overwhelming majority of places where people live today and the dynamics that constantly influence their composition. Efforts to ‘close the gap’ between poor neighbourhoods and the rest of the country should aim to introduce greater economic diversity to these places, while improving public service outcomes for current residents. Likewise, local housing assessments must assume the need for new affordable housing even in areas where none may currently exist. Such a comprehensive approach would advance the notion that no community should be the exclusive province of either the rich or the poor.

Second, the pursuit of mixed communities must be tailored to local market conditions. Communities that currently house an economically diverse population will require different policy approaches based on whether they’re headed ‘up’ or ‘down’. Moderately deprived neighbourhoods with decent and diverse housing may benefit from area-based initiatives that improve local outcomes and attract more upwardly mobile households. Where social housing dominates the landscape, more active interventions such as tenure diversification could help create more economically integrated places. In the most severely deprived places, radical physical and social interventions should aim to transform concentrations of poverty into mixed-income communities. The ultimate ‘mix’ must also reflect market realities; while lower-demand areas might seek a minimum number of economically active households within each community, high-demand neighbourhoods might successfully attract a broader economic cross-section of households.

Third, mixed communities must be a sustainable feature of the Sustainable Communities agenda, not a ‘flavour of the month’. Special initiatives aimed at transforming high concentrations of deprivation might move forward under a ‘mixed communities’ banner (ODPM, 2005b). For the most part, however, success in

achieving and maintaining mixed communities will depend on the routine planning, housing and regeneration decisions made each day by regions, local authorities and communities. If the current interest in mixed communities is supplanted down the road by interest in some other feature of sustainable communities, attention to mixed-community goals will wane. A lasting commitment to the idea is needed in order to ensure that those who stand to benefit the most from mixed-income environments – low-income children – will enjoy access to them.

It seems that England's national obsession with housing has helped engender a vigorous debate about how to create more economically inclusive communities. To an observer from America, where, despite rising housing costs, issues of neighbourhood access and affordability are largely absent from the national policy dialogue, the British scene is a remarkable and promising one. For all the research and experience outlined here that the US might have to offer, England itself has an emerging and unique opportunity to teach the US much about policy, practice and culture regarding mixed-income neighbourhoods. This paper represents a hopeful first step towards advancing that fruitful dialogue.

# Notes

## Chapter 1

- 1 Listings from BBC One, BBC Two, ITV1, Channel 4 and Channel 5, December 2004.
- 2 These five economic tests were designed to help the Government determine whether adoption of the euro would be in the UK's economic interest. See HM Treasury (2003).
- 3 Kearns and Turok (2004) classify the expected positive effects of mixed-tenure housing into four similar areas: economic and service impacts; peer and social effects; community effects; and overcoming social exclusion.
- 4 Mixed tenure is probably the most widely researched form of social mix in the UK, because it may approximate economic mix and because owner-occupation itself is thought by many to induce positive externalities (Tunstall, 2003).

## Chapter 2

- 1 Hills (2004b). Relative poverty is measured as the proportion of population living below 60 per cent of median income nationwide.
- 2 In 1998, this was the Index of Local Deprivation; in 2000, the Index of Multiple Deprivation; and, in 2004, the Indices of Deprivation (ODPM, 2004a).
- 3 Berthoud (2001). His 'neighbourhoods' were postcode sectors, averaging 2,500 households each.
- 4 Several historical and contemporary factors have contributed to the US trend: racial discrimination that excluded low-income minorities from jobs and middle-income communities; the concentration of high-rise social housing in inner cities; banks' policies to restrict lending in inner-city neighbourhoods ('redlining'); the desegregation of schools and resulting 'white flight' from cities and older suburbs; and the rapid decentralisation of metropolitan economies that drained investment, higher-income families and job opportunities from the urban core (Massey and Denton, 1993; Jargowsky, 1997).

- 5 In the United States, Jargowsky (2003) defines poor neighbourhoods as those with more than 40 per cent of the total population living in families with incomes below the applicable federal poverty threshold. High-poverty wards in Liverpool were defined as those with more than 40 per cent of individuals living in families on Income Support or income-based Job Seeker's Allowance (author's calculations of ONS data). The more generous out-of-work benefits available in the UK do, however, mean that material deprivation in high-poverty UK wards is likely to be less severe than in poor US neighbourhoods.

### Chapter 3

- 1 Similarly, higher concentrations of well-off households may keep property prices too high for lower-income households, or seek to minimise the in-migration of such households by restricting affordable homebuilding through so-called Nimby (not in my backyard) policies.
- 2 MDRC evaluation of Jobs-Plus, forthcoming.
- 3 See, for example, Lyddy *et al.* (2005, forthcoming).
- 4 In 1999, two-thirds of households on new estates had incomes in the bottom quintile nationally and only 6 per cent had incomes higher than the national average (Page, 2002).
- 5 While the Right to Buy (RTB) is widely acknowledged as contributing to social sector residualisation, it is also true that many of the tenants who exited the sector through the programme would probably have become homeowners without the RTB and that the programme allowed them to own their homes without leaving their communities. To the extent that RTB resulted in more upwardly mobile households remaining on council estates, it could be credited with cultivating more economically mixed communities. At the same time, the RTB may also have solidified existing differences in the tenant income mix and condition of council properties across local authorities.
- 6 Those in greatest need have little choice but to accept the housing offer made (Atkinson and Kintrea, 2001b). Policies on housing offers are generally more restrictive in high-demand areas (Pawson *et al.*, 2001). However, one-offer policies are increasingly giving way to choice-based letting schemes in some parts of the country and ODPM (2005b) recently announced its expectation that all local authorities will operate such schemes by 2010.

### Chapter 4

- 1 The importance of informal job networks is explored further in Granovetter (1973).
- 2 Bell (2003) finds that teaching quality is higher in local educational authorities with low child poverty rates.
- 3 For evidence that local environmental factors influence school truancy above and beyond individual and family factors, see Burgess *et al.* (2002).
- 4 Atkinson and Kintrea (2001a) propose a research agenda on neighbourhood effects in the UK.
- 5 Note, however, that some research shows that social housing residents, isolated from the broader labour and consumer marketplace, have a tendency to look 'inward' to their neighbourhoods (Atkinson and Kintrea, 2001b).

### Chapter 5

- 1 The Joseph Rowntree Foundation has funded a programme of research into mixed-income communities, which it identifies as places 'where the tenure, and often the social economic group of the occupant, are not easily or readily identifiable by the characteristics of the property or the community in which they live' (<http://www.jrf.org.uk/funding/ppd/programmes/mincs.asp>). Research commissioned under this programme will look at topics such as the trends in and causes of economic segregation in Britain; the experience of planned mixed-tenure communities 20 years on; the experience of families in mixed-income new communities. Related research is investigating property valuation trends in new mixed-tenure housing developments.
- 2 For an excellent review of the evidence on mixed-income housing in the United States, see Smith (2002).
- 3 A note on comparability of segregation measures in the US and England. In England, 'neighbourhoods' represented by electoral wards contain about 6,200 people on average, compared to US census tracts that contain 4,000 people on average. This difference may lead to a slight overstatement of income segregation in the US relative to England, since segregation tends to increase



with decreasing geographic scale. However, census tracts are closer in size to electoral wards than Super Output Areas, which contain fewer than 1,500 people on average.

- 4 Some have critiqued this terminology shift from 'social housing' to 'affordable housing', which generally includes low-cost homeownership schemes designed for households not on the lowest economic rungs. See Minton (2004).
- 5 At the same time, however, mono-tenure development for homeowners remains common; the proportion of small areas where at least 90 per cent of households were owner-occupiers increased from 23 per cent in 1991 to 25 per cent in 2001 (author's calculations of ONS data).
- 6 In a forthcoming study of new mixed communities, Lupton and Silverman (2005) document antisocial behaviour in Britannia Village in London's Docklands, where social rented units for large families are clustered on one side of the development. By contrast, Greenwich Millennium Village, where affordable units are pepper potted throughout the estate and walkways are actively monitored, faces few such problems (although the overall level of social rented housing is lower).
- 7 Many of these place-based interventions in the US have focused heavily on the physical environment, particularly affordable housing, and lack the more comprehensive approach employed in the National Strategy.
- 8 Social Exclusion Unit, 2001. More recently, the vision has been modified slightly to achieve the goal by 2021 (Prime Minister's Strategy Unit and ODPM, 2005).
- 9 Government officials often refer to this strategy as 'mainstreaming' or influencing mainstream services to improve their delivery in deprived areas.
- 10 In 2000, the 88 districts contained 82 per cent of wards in the top 10 per cent most deprived (Social Exclusion Unit, 2001).
- 11 Some housing policies, such as Tenant Incentive Schemes and Homebuy, have actually facilitated upwardly mobile households' 'flight' from deprived estates (Cowans, 1998; Barker, 2004).
- 12 Meen (2004b) notes that this non-linearity at high deprivation levels exists independent of the types of dwellings sold in those communities.

- 13 The 2004 Indices of Deprivation are based on Super Output Areas, small geographies designed by ONS to capture a consistent number of people across the nation – about 1,500 on average. Meen (2004b) estimated the house price function based on the 2000 Index of Multiple Deprivation, which was calculated at the electoral ward level.
- 14 The National Strategy for Neighbourhood Renewal is somewhat vague, of course, on whether its goal is to close the gap fully between deprived areas and the rest of the nation, or simply to narrow the gap to the degree that no one is 'seriously' disadvantaged by where they live. The latter goal would presumably tolerate some difference among communities of an as yet unspecified magnitude.
- 15 Maclennan (2000) notes housing's high visibility and centrality to service delivery in deprived areas.
- 16 On the 2004 Index of Multiple Deprivation, the most deprived sections of the New Earswick ward ranked just outside the top third nationally. The most deprived sections of the Kilburn ward ranked just outside the top 5 per cent in the nation (ODPM, 2004a).
- 17 On this and HOPE VI generally, see Popkin *et al.* (2004). Public housing in the United States is owned and operated by 3,000 public housing authorities, governmental entities established under state laws that play a role similar to local housing agencies in England.
- 18 As of the end of 2002, only 15 of 165 funded HOPE VI projects were complete (Popkin *et al.*, 2004).
- 19 Notably, though, many of these projects had high vacancy rates at redevelopment inception. For example, over one-third of the 1,200 units at the Atlanta site were vacant in 1993 (Turbov and Piper, 2005).
- 20 In 2000, only 0.5 per cent of neighbourhoods in the United States had poverty rates of at least 61 per cent and 13 per cent of neighbourhoods had poverty rates of at least 27 per cent.
- 21 Although public housing residents generally have very low incomes, the 1998 Quality Housing and Work Responsibility Act has facilitated greater income diversity among public housing tenants by dropping federal requirements that public housing authorities favour the admission of the lowest-income families (Solomon, 2005).

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- 22 These may include, among others, federal public housing funds, state and local affordable housing subsidies and the federal Low Income Housing Tax Credit, which provides credits against federal tax to individuals and firms who invest in affordable housing.
- 23 The HOPE VI programme, it should be noted, faces an ongoing threat of elimination in Washington despite its successes. In 2004, Congress enacted legislation providing \$144 million for the HOPE VI programme in 2005, even though President Bush's budget for that year requested no funds for the programme. The administration's budget for 2006 not only requests no funds for HOPE VI, but also requests that the programme funds appropriated for 2005 be rescinded (i.e. returned to the federal coffers before they are obligated).
- 24 Estimate based on personal communication with David Page, 27 October 2004.
- 25 Residents of the Holly Street estate accounted for roughly half the population of the surrounding Queensbridge ward in 1991.
- 26 'Tenure diversification on Town End Farm estate', renewal.net case study, online at <http://www.renewal.net/Documents/RNET/Case%20Study/Townendfarm.DOC> (accessed February 2005).
- 27 Though the New Deal for Communities programme targeted the nation's most deprived estates, housing was not one of the original policy areas to be covered by the programme; it was later incorporated in the delivery plans of the 39 communities selected to receive funding (Cole *et al.*, 2003).
- 28 Author's analysis of ONS data.
- 29 The Neighbourhood Statistics Service (NeSS) also recently began to provide statistics on census topics and New Deal starts at the SOA level, though access remains somewhat complicated. See <http://neighbourhood.statistics.gov.uk> (accessed January 2005).
- 30 The Greater London Authority recently called on local councils and social landlords to integrate more economically active households onto estates, a move some termed 'social engineering' (McDonald, 2004).
- 31 'Shared appreciation mortgages', similar to Homebuy, are available in only some areas of the US and through a very limited number of lenders.

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