

POVERTY AND PLACE: POLICIES FOR TOMORROW

Neighbourhoods of choice and connection

The evolution of American neighbourhood policy
and what it means for the United Kingdom

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Author's biography

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Introduction

Casual visitors to America's great cities are often struck by the vast areas of deprivation that abut vibrant downtowns, major freeways, urban rail yards, and once-grand commercial corridors.

In a suburban nation that treasures the 'new', these places stand out for their visible poverty and often dilapidated, sometimes vacant housing and commercial structures. Bearing the mark of a succession of government programmes, these communities seem strangely out of place in our prosperous country - a grim reminder of the racial, ethnic, and class divisions that persist beneath celebrations of the American dream.

Since the 1960s, such run-down neighbourhoods have held a fascination for scholars and journalists, conservative theorists and liberal thinkers. These precincts have been the laboratories for a plethora of foundation experiments, government demonstrations, and federal policies and programmes. And yet, the impact of these efforts - amounting to tens of billions of dollars over several decades - remains decidedly mixed. To be sure, some neighbourhoods can point to real improvements. But many initiatives - despite the best of intentions - have failed to alleviate, and in some cases have exacerbated, the deteriorating economic and social conditions in inner cities.

What do these forlorn scenes have to do with similar ones in the United Kingdom? At first sight, the American neighbourhood experience and American neighbourhood policy appear far removed from the demographic, market, development, social, and governance realities of Britain. Neighbourhood conditions in the US seem much harsher and racially-driven than those in Britain. The American 'safety net' has frayed, leaving working families incapable of meeting basic family needs such as health care and child care. American metropolitan economies are dispersed and decentralised, leaving inner-city neighbourhoods isolated and remote from the new locus of economic activity. And America's central government - despite its array of neighbourhood interventions - remains mostly hostile or indifferent, and leaves most urban neighbourhoods (and cities, for that matter) to fend for themselves.

And yet, there is much to learn from the American experience, in part because US neighbourhood policies - heavily influenced by the work of scholars like William Julius Wilson - are beginning to work out the answers to probing, fundamental questions about the origins and impact of deprived areas. Can neighbourhoods of extreme poverty be revitalised if their socio-economic composition, their concentrated levels of poverty, remains the same? What neighbourhood strategies make sense in weak markets of population loss, economic stagnation, low housing demand, and high vacancy rates? What is the appropriate role of community-based organisations in revitalising neighbourhoods and regenerating markets? What is the role of the private sector?

In fact, the most advanced American neighbourhood policies are now trying to do exactly what Joseph Rowntree intended for his foundations: to '...search out the underlying causes of weakness or evil in the community, rather than ...[remedy] their most superficial manifestations ...'

This paper will therefore examine the American response to areas of deprivation over the past several decades, in hopes of distilling policy and programmatic lessons for both Britain and the US. Its central thesis is simple but far-reaching:

A true rebirth of distressed areas (and the cities in which they are located) will only occur if we make these places neighbourhoods of choice for individuals and families with a broad range of incomes, and neighbourhoods of connection that are fully linked to metropolitan opportunities.

For Britain and America alike, this thesis fundamentally challenges neighbourhood policies which, under the guise of 'revitalising communities,' reinforce patterns of concentrated poverty - a root cause of neighbourhood distress. It also demands that neighbourhood actions operate within the broader metropolitan 'geography of opportunity' rather than the insular, fixed borders of deprived areas.¹

The paper will proceed along four lines.

First, the paper will discuss 'where we are' and provide the broader context for areas of deprivation in the US. The section will set the basis for later policy discussion by providing a basic overview of who lives in these neighbourhoods, where they are located, what are their impacts and why they exist.

Second, the paper will discuss 'how we have responded' and describe the various ways in which the federal government has responded to areas of deprivation. This section will discuss the strengths and limitations of three distinct sets of neighbourhood policies.

Third, the paper will describe 'where we are going' and discuss the ongoing evolution of American neighbourhood policy. It will argue that American policymakers should embrace a new paradigm of 'neighbourhoods of choice and connection.'

Finally, the paper will discuss 'what this means' for UK neighbourhood policy. This is a propitious time for such a discussion, given the burst of intellectual and programmatic energy around areas of deprivation over the past half decade.

Setting the context: neighbourhoods of concentrated poverty

Since the 1960s, the study of urban neighbourhoods in the US has become a central focus of a wide range of disciplines, ranging from economics, sociology, and demography to political science. The result is a rich and varied academic literature that has had a mixed influence - sometimes it has been embraced, sometimes it has been ignored - on a generation of policymakers and programmes.

To a substantial degree, research has provided policymakers with a helpful guide to the shifting fortunes of inner-city America: What are areas of deprivation (or 'distressed communities' in American parlance)? How many are there? Who lives in these places? Is the problem getting worse or better? Is it only a problem in cities? Is it more prevalent in one region of the country? What is the impact of these places on families? Do neighbourhoods matter? Why do these places exist? What can be done about them?

Several major conclusions emerge from the literature.

Concentrated poverty and deprivation

First, concentrated poverty is the most common way of identifying and describing areas of deprivation in the United States. Neighbourhoods of deprivation have multiple characteristics and there could, in theory, be many different (and defensible) ways of defining them. In the United States, the 1987 publication of *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* by William Julius Wilson spawned an intense examination of inner-city neighbourhoods and their residents.² Since then, scholars and increasingly practitioners have gravitated towards using one indicator - the concentration of poverty - as the principal means of identifying distressed communities.

This indicator offers several advantages. Because the federal government sets the poverty standard for the nation, concentrated poverty can be measured in a uniform way across the nation as a whole. Beyond that, it also appears to be a good proxy for a range of social and economic indicators including education, employment, public assistance, and household type.

Like any uniform standard, the measure is not perfect. The poverty standard remains very low in the US and does not reflect the fact that the true cost of living varies dramatically across the country. In addition, it is not clear at what poverty level the negative effects of its concentration kick in. Paul Jargowsky, the author of an influential 1997 treatise on the subject, deems neighbourhoods where 40 per cent of the residents have incomes below the poverty line 'high poverty'.³ Tom Kingsley and Kathleen Pettit of the Urban Institute, by contrast, take a 30 per cent poverty rate as their measure of 'high poverty' and label areas with a 40 per cent poverty rate as 'extreme poverty' neighbourhoods.⁴ There is even some thinking that the negative impacts of concentrated poverty may emerge at much lower levels - say, 20 per cent.

This paper will not dwell on these internal debates in the concentrated poverty literature nor discuss

alternative methods of defining areas of deprivation. It will simply use the Kingsley/Pettit definitions as the standard and describe neighbourhood trends using those standards.

Concentrated poverty is dynamic

Second, concentrated poverty is dynamic. It has shifted over time, rising substantially in the country in the 1970s and 1980s, but then declining in the 1990s. And it has shifted across regions of the US, falling precipitously in Midwest cities, for example, during the 1990s while rising in many Western cities during the same period.

Recent analysis of the 2000 census provides a good overview of these diverse trends.⁵

Overall, the poverty rate in US metropolitan areas remained virtually constant (11 to 12 per cent) from 1980 to 2000. As the nation's metropolitan population grew, however, the number of poor people increased from 19.3 million in 1980 to 23.1 million in 1990 and 25.8 million in 2000.

Nor is poverty distributed evenly across the metropolitan landscape. Cities harbour a disproportionate share of metropolitan area families below the poverty line. In 2000, for example, the poverty rate in cities (18.4 per cent) was more than twice that in the suburbs (8.3 per cent).⁶

More troubling, a disturbing number of the metropolitan poor live in 'high-poverty' neighbourhoods (where 30 per cent of the residents have incomes below the federal poverty line) or 'extreme poverty' neighbourhoods (where 40 per cent of the residents have incomes below the federal poverty line).

According to the 2000 census, 3.1 million poor people - 12 per cent of the metropolitan poor - lived in extreme poverty neighbourhoods in 2000. During the same year, a disturbing 6.7 million poor people - 26 per cent of the metropolitan poor - lived in 'high-poverty' neighbourhoods.

Incredibly, those numbers represent positive change. In 1990, for example, close to 4 million poor people - 17 per cent of the metropolitan poor - lived in 'extreme poverty' neighbourhoods. During the same year, 7.1 million poor people - 31 per cent of the metropolitan poor - lived in 'high-poverty' neighbourhoods.

Why such dramatic change in such a short period of time? Clearly, the strong economy and substantial increases in labour market participation, particularly among minority females, played a substantial role. So did smart federal policies on work and housing.

Still, the 2000 census confirms that concentrated poverty provides a fairly good indicator of social and economic distress. People living in these neighbourhoods are more likely to live in female-headed households and have less formal education than residents of other neighbourhoods. As Tom Kingsley and Kathryn Pettit recently concluded:

The share of all families with children headed by single females is 54 per cent for the extreme poverty [areas] and 49 per cent for the high-poverty [places], compared with an

all-metropolitan average of 24 per cent. Likewise, the share of adults without a high school degree is 45 per cent for the extreme poverty areas and 43 per cent for the high-poverty areas, compared with the all-metropolitan average of 19 per cent.⁷

Yet the 2000 census has told us still more about the shifting spatial pattern of concentrated poverty.

Neighbourhoods of concentrated poverty are still located primarily in the cities of the nation's top 100 metropolitan areas, but that is gradually changing. In 2000, 62 per cent of high poverty areas were located in these cities, down from 67 per cent in 1990. Significantly, the share of high poverty neighbourhoods in the suburbs of large metros increased during the 1990s, from 11 per cent to 15 per cent.

The racial and ethnic composition of neighbourhoods of concentrated poverty is also changing. In 1980, for example, African Americans were the predominant race (more than 60 per cent of the total population) in almost half of America's high poverty areas. Those neighbourhoods encompassed more than half (54 per cent) of the nation's poor population living in high poverty areas. By 2000, the high poverty neighbourhoods dominated by African Americans encompassed only a third of the total and housed just 39 per cent of the poor population in these places. What happened? There was a substantial rise in the share of high poverty neighbourhoods either dominated by Hispanics (from 13 to 20 per cent of the total) or with no dominant racial or ethnic group (from 21 to 26 per cent).

These shifting racial and ethnic trends in concentrated poverty reflect, in part, starkly diverse regional stories in the United States. During the 1990s, Midwestern cities like Cleveland, Detroit, Milwaukee, St. Louis, and Chicago (which mostly continued to lose population) experienced sharp declines in the number of their high-poverty neighbourhoods and in the number of people (poor and non-poor) living in these areas. This accounts in large part for the decline in neighbourhoods of high poverty dominated by the African American poor.

At the same time, many Western metropolitan communities, particularly in the rapidly growing Central Valley area of California, experienced large increases in concentrated poverty during the past decade. This, in turn, accounts for the growing share of high poverty neighbourhoods that are dominated by Hispanics.

If all this sounds complicated, that is the point. Concentrated poverty in the US is neither static nor uniform nor, given the experience of the past decade, intractable. As discussed below, these shifting patterns require policymakers and practitioners to understand the complicated context and tailor responses to meet the distinct market, demographic, and social realities of different places.

Poverty and government policy

Third, concentrated poverty is not an inevitable phenomenon; government policies have helped create it. The empirical evidence discusses concentrated poverty at the neighbourhood level. Yet neighbourhoods exist as part of broader metropolitan communities and their development and change must be assessed against the backdrop of broader national and metropolitan trends - and

the government policies which ultimately shape those trends spatially.

At the national level, the US has undergone profound demographic and market change - substantial population growth, waves of new immigration, and de-industrialisation - over the past 30 years. These powerful forces did not play out evenly across the physical and social landscape of the country. Since World War II, the decentralisation of economic and residential life has been the dominant fact of metropolitan growth in the United States. In place after place, explosive sprawl where farmland once reigned has been matched by decline or slower growth in the cities and older suburbs. In the largest metropolitan areas, the rate of population growth for suburbs was more than three times that of cities - 60.3 per cent versus 17.2 per cent - between 1970 and 2000.

The central city share of the largest metropolitan areas declined steadily throughout this period and by 2000 the cities were only a quarter of the population in the top 100 metros. Suburban growth, moreover, outpaced city growth irrespective of whether a city's population was falling like Baltimore or staying stable like Kansas City or rising rapidly like Denver. Remarkably, even Sun-Belt cities like Phoenix, Dallas, and Houston grew more slowly than their red-hot suburbs.⁸

As people went, so did jobs. Consequently, the suburbs now dominate employment growth and are no longer just bedroom communities for workers commuting to traditional downtowns. Rather, they are strong employment centres serving a variety of functions in their regional economies. The result is that the American economy has essentially become an 'exit-ramp' economy, with office, commercial, and retail facilities increasingly located along suburban freeways. So a new spatial geography of work and opportunity has emerged in metropolitan America. Across the largest 100 metro areas, on average, only 22 per cent of the population works within three miles of the city centre. In cities like Chicago, Atlanta, and Detroit, employment patterns have radically altered, with more than 60 per cent of the regional employment now located more than 10 miles from the city centre.⁹

In the midst of these broad decentralising patterns, most metropolitan areas in the US remain sharply divided along racial, ethnic, and class lines. In many metropolitan areas, African American and Hispanic residents are increasingly living 'on the wrong side of the region', away from areas of employment growth and educational opportunity. In the Washington, DC metropolitan area, for example, wealth, prosperity, and opportunity tend to reside on the western side of the region (where few African American and Hispanic residents live). By contrast, the eastern side of the region struggles with lower employment growth, lower levels of investment and business formation, and increasing concentrations of poverty in the schools.¹⁰

These unbalanced growth patterns are not inevitable. They are fundamentally shaped by a complicated mix of federal and state spending programmes, tax expenditures, regulatory practices, and administrative policies. Federal and state policies, taken together, set 'rules of the development game' that tend to facilitate the decentralisation of the economy and the concentration of urban poverty.¹¹

Some historic policies had profound effects. The federal Interstate Highway Act, for example, literally paved the way for the 'exit ramp' economy.¹² Until the 1960s, the Federal Housing

Administration 'red-lined' many inner-city neighbourhoods, denying these places the private-sector capital needed to fuel housing markets.¹³ As William Julius Wilson first noted, even civil rights laws played a role by enabling the suburbanisation of middle-class blacks and other minorities.¹⁴

Yet many policies continue to subsidise sprawl, undermine cities, and isolate the minority poor. Federal and state transportation policies, for example, continue generally to support the expansion of road capacity at the fringe of metropolitan areas and beyond, enabling people and businesses to live miles from urban centres but still benefit from metropolitan life.¹⁵ Tax and regulatory policies have given added impetus to people's choices to move further and further out. The deductibility under state and federal incomes taxes for mortgage interest and property taxes appears spatially neutral but in practice favours suburban communities, particularly those with higher income residents.¹⁶ Major environmental policies have made the redevelopment of urban land prohibitively expensive and cumbersome, increasing the attraction of suburban land.

Other federal and state policies have concentrated poverty rather than enhancing access to opportunity. Until recently, for example, federal public housing catered almost exclusively to the very poor by housing them in special units concentrated in isolated neighbourhoods.¹⁷ More than half of public-housing residents still live in high poverty neighbourhoods; only 7 per cent live in low poverty neighbourhoods, where fewer than 10 per cent of residents are poor.¹⁸ State policy also plays a central role, empowering wealthier suburbs to practice exclusionary zoning and limit affordable housing within their borders.¹⁹

Even fundamental local-government structures (again set in place by state law) play a role. According to a 2001 Brookings report:

Metropolitan areas with myriad small local governments sprawl more than those with larger units of local government. . . . In such a situation, local governments compete with one another to gain desirable land uses (retail and other non-polluting business uses that yield high property or sales taxes while demanding few services) and to avoid less desirable ones (high density and affordable housing, which yields lower property taxes and demands more services, especially education).²⁰

Neighbourhoods of concentrated poverty, then, do not arise simply as by-products of inexorable demographic or market forces or consumer choice and selection. Government policies - federal, state, regional, and local - have helped create them and, therefore, can be part of their dissolution.

The costs of poverty

Finally, concentrated poverty has exacted significant costs, particularly on children. As Paul Jargowsky has written 'The concentration of poor families in high poverty ghettos, barrios, and slums magnifies the problems faced by the poor.'²¹ A growing 'neighbourhood effects' literature in the US concludes that neighbourhoods of concentrated poverty have a negative impact on the health and life opportunities of low-income families.²²

Research has shown consistently, for example, that children who live in poor urban neighbourhoods

(and generally attend neighbourhood schools) are at greater risk for school failure as expressed by poor standardised test results, grade retention and high drop out rates. Although nearly two-thirds of suburban children achieve 'basic' levels in reading, less than one-quarter of children from high poverty neighbourhoods do so. Only about one-third achieve basic levels in maths and science - half the fraction of suburban students.²³

By contrast, research has demonstrated that all children - middle-class, poor, black, white, Asian, and Latino - perform better in integrated, middle-class schools than in schools of concentrated poverty. A 1999 US Department of Education study, for example, found that 'poor students in high poverty schools are doubly at risk, with lower achievement levels than poor students in low-poverty schools'.²⁴

Why do low-income students perform better in majority-middle-class schools? A recent Task Force on the Common School (organised by The Century Foundation), found that 'schools with a core of middle-class families are marked by higher expectations, higher-quality teachers, more motivated students, more financial resources, and greater parental involvement'. As the task force concluded, peer effects are particularly critical:

Middle-class children come to school with a vocabulary that is four times the size of [that of] low income children, on average; so low-income children attending middle-class schools are exposed to and benefit from a much richer vocabulary in the classroom and on the playground. Likewise, middle-class children are about half as likely to engage in disruptive behavior in school as low income children, in large measure because the life experience of middle-class students is more supportive of the notion that educational achievement will pay off.²⁵

Beyond educational achievement, research shows that adults and teenagers who live in areas of concentrated poverty face real barriers to participation in the workplace. These barriers owe partly to the emergence of a 'spatial mismatch' between inner-city residents and jobs associated with the decentralisation of employment. In suburbs, entry-level jobs abound in manufacturing, wholesale trade, and retailing. All offer opportunities for people with limited education and skills, and many pay higher wages than similar positions in the city centres.

But persistent residential racial discrimination and a lack of affordable suburban housing effectively cut many inner-city minorities off from regional labour markets. Low rates of car ownership and inadequate public transit keep job seekers in the core from reaching the jobs at the fringe. Often, inner-city workers, hobbled by poor information networks, do not even know these jobs exist. The problem is particularly acute for welfare recipients who are now compelled to find work or otherwise lose their federal welfare benefits.²⁶

The evidence is also mounting that living in high-poverty neighbourhoods has negative health implications, partly owing to the stress of being poor and marginalised and partly owing to one's life transpiring in a deprived environment of dilapidated housing and run-down neighbourhoods.²⁷ Recent studies, for example, have correlated the troubling rise in the asthma rates of minority poor children, as well as rates of obesity and diabetes, with neighbourhoods of high poverty and high

crime. As crime rises, parents are more likely to keep their children indoors, which reduces their ability to exercise, and exposes them to a battery of indoor pollutants.

Other research findings show a relationship between living in disadvantaged neighbourhoods and the frequency of heart ailments, cancer and diabetes. The relationships between neighbourhoods, poverty, and health are not completely understood but, as Helen Epstein recently concluded in the *New York Times Magazine*: 'These [segregated] neighbourhoods, by concentrating the poor, also concentrated the mysterious, as yet poorly understood, factors that make them sick'.²⁸

Concentrated poverty also affects the broader economic life and fiscal capacity of city centres. Often, high-poverty neighbourhoods do not contain the businesses and civic institutions that are essential for a healthy community. Where businesses do exist, they often provide lower-quality goods or basic services (such as cheque-cashing) at exorbitantly high prices.²⁹ In addition, the concentration of poverty generates high costs for local government - for elevated welfare case loads, for high loads of people in severe poverty at hospitals and other public health services, for extra policing - that can divert resources from the provision of other public services or raise the tax burdens on local businesses and non-poor residents.³⁰

The 'neighbourhood effects' literature has its limitations. As Ingrid Ellen and Margery Turner concluded, after an exhaustive review of the literature, 'neighbourhood effects are generally much smaller than the effects of observed family characteristics (such as parents' income, socio-economic status, or educational attainment'.³¹ In addition, the existing research has focused principally on the 'traditional' African American, high-poverty neighbourhoods in the Midwest and Northeast but relatively little on Hispanic inner-city barrios in Western cities. As Paul Jargowsky has postulated, 'with their substantial immigrant populations, Western inner-city barrios could represent more of a 'gateway' to residential and economic mobility than inner-city ghettos in other parts of the country'.³²

Finally, the neighbourhood effects literature probably underestimates the economic and social assets of these communities.³³ Proximity to nodes of employment and key infrastructure, as well as the existence of such key institutions as community groups, churches and informal support networks, likely provide important support to neighbourhood residents that have yet to be fully assessed.

In the end, though, we know plenty about concentrated poverty. And we know enough to inform a wide range of policies that focus on inner-city areas and the people who live there.

The American response: shifting policies, changing philosophies

The concentration of poverty, then, looms as the distinctive feature of American areas of deprivation. This clustering of very poor families in the same communities has been found to have a range of negative impacts on children, families, and on neighbourhoods. Its causes are complex, but are due, substantially, to major government policies.

Against this backdrop, the federal government has - over the course of the past several decades - pursued three distinct sets of strategies to address the challenges of distressed communities and the families who live there.

Federal strategies

The dominant strategy - which I will call the 'improving the neighbourhood' strategy - focuses on making urban communities quality places in which to live. This is a place-based strategy that generally takes the socio-economic composition of a neighbourhood as a given and seeks to spark revitalisation by improving the physical stock and commercial quality of the community. This is also, by design, a community-based strategy that gives neighbourhood institutions a central role in the planning and implementation of revitalisation efforts; in fact, the strategy is often referred to as 'community development' in the United States.

The second strategy - which I will call the 'expanding opportunity' strategy - focuses on giving the individual residents of distressed neighbourhoods greater access to quality jobs and good schools in the broader metropolis, wherever they may be. This is a people-based strategy that seeks, by either moving residents to areas of lower poverty or by linking them to employment and educational opportunity in the metropolitan area, to improve, first and foremost, family outcomes.

The final strategy - which I will call the 'transforming the neighbourhood' strategy - is the most recent and, in many respects, the most ambitious. It focuses on fundamentally altering the socio-economic mix of distressed neighbourhoods and creating communities that are economically integrated and attractive to a broad range of households. This strategy has both place- and people-based components, and it works simultaneously to create neighbourhoods of choice and to smooth low-income residents' access to opportunity through housing mobility and services that support work.

We will soon discuss each of these strategies in greater detail. However, at the outset it is important to note that the three strategies are highly distinctive and often compete with each other for political attention and resources.

Each of the strategies, for example, holds to a different theory of change and, to a large extent, adheres to a different conception of the origins and nature of the challenges facing distressed urban neighbourhoods. They also have different perceptions of 'distress': while the transformation strategy, by design, is focused on the most distressed communities, the improvement and opportunity strategies often serve communities with moderate as well as high levels of

concentrated poverty. Finally, they have vastly different conceptions of the geography of the relevant 'community' and how neighbourhoods do and should interact with the broader metropolitan region.

The improvement strategy, in many respects, was a response to the excesses of the urban renewal movement in the United States. Urban renewal, which flourished from 1930 to 1970, used large-scale housing demolition, slum removal and major infrastructure projects to reposition cities economically in the metropolis. The quintessential urban renewal project occurred in Southwest Washington, DC where tens of thousands of substandard but affordable homes were demolished to make way for the Southwest Freeway and the new modernist office complexes of an expanding federal bureaucracy - including the US Department of Housing and Urban Development!

As some observers have noted, neighbourhood improvement inverts the approach taken by urban renewal. Neighbourhood improvement reflects a heavy distrust of centralised planning and a strong belief in bottom-up community planning and response. It focuses inward on the neighbourhood rather than outward on the metropolis. The ultimate goal is to benefit residents of distressed communities in their place - whether through the construction of new housing, the creation of a new park, or the attraction of new businesses. Over time, the strategy has evolved to embrace and build upon the 'hidden assets' of distressed communities: informal networks, social capital, church and other civic institutions, even market potential like the undervalued purchasing power of residents.³⁴

The opportunity strategy, by contrast, reflects the intense drive towards desegregation - in schools, in housing, in the workplace - that originated with the general civil rights movement. This drive took on extraordinary power in the aftermath of the 1967 and 1968 riots, the enactment of the Fair Housing Act following the death of Martin Luther King, and the active engagement of the judiciary in remedying education and housing segregation. Housing mobility strategies (and housing vouchers in particular) also gained favour as a market-oriented (and even conservative) alternative to the development-driven programmes of the 1960s and 1970s. To a large extent, the philosophy of this strategy was captured in the 'Moving to Opportunity' demonstration proposed by the Republican Housing and Urban Development Secretary Jack Kemp in the early 1990s.

If the renewal and opportunity strategies had their origins in the 1960s, the transformation strategy emerged as a viable alternative in the late 1980s. This period - characterised by intense urban gang violence and drug activity - witnessed an explosion of powerful academic and popular exposes of inner-city poverty. In 1987, William Wilson published *The Truly Disadvantaged*. Soon after, Nicholas Lemann's *The Promised Land* and Alex Kotlowitz's *There Are No Children Here* appeared, painting searing pictures of life in Chicago public housing. These efforts locked in the negative image of concentrated poverty and emboldened policymakers to consider the most extensive reshaping of inner-city neighbourhoods since the discrediting of urban renewal.

Assessing what works

So what has been accomplished under these disparate strategies? A closer examination of each - and particularly their housing components - reveals impressive achievements, but inherent limitations and deficiencies.

Improving the neighbourhood: quality housing as the instrument of change

Over the past 20 years, federal policy has used the production of community-based affordable housing as the nation's principal vehicle for neighbourhood improvement and revitalisation. In doing so, Washington has created a fairly sophisticated web of spending, tax, and regulatory programmes and policies for financing and subsidising affordable housing, particularly in areas of deprivation:

The *Community Reinvestment Act (CRA)*, enacted in 1977, requires federally insured finance institutions to meet the credit needs of the communities in which they are chartered, including low- and moderate-income neighbourhoods.

The *Government-Sponsored Enterprises (GSE) modernisation law*, enacted in 1992, challenges the secondary mortgage market entities - Fannie Mae and Freddie Mac - with specific goals for meeting the credit needs of low- and moderate-income borrowers as well as low-income and high-minority neighbourhoods.

The *Community Development Block Grant (CDBG)* programme, created in 1974, provides flexible resources to state and local governments for a range of economic and community development activities.

The *Low-Income Housing Tax Credit (LIHTC)* programme, in place since 1986, transfers to the states annual allotments of tax credits, which they allocate to private developers who build or rehabilitate housing at low to moderate rent levels. The programme gives special preference to proposals for development in lower-income neighbourhoods.

The *HOME Investment Partnership Programme*, in place since 1992, provides flexible funds by formula to state and local governments, which can use the money to finance the acquisition, construction, and rehabilitation of housing affordable to renters and homeowners. The programme requires states and localities to set aside 15 per cent of the programme for community housing development organisations.

The *National Community Development Initiative*, in place since 1992, focuses on building the capacity of community development corporations and the national intermediaries - the Local Initiatives Support Corporation and the Enterprise Foundation - that support them. The initiative is a joint effort between large philanthropic foundations, major financial institutions, and the federal government.

During the 1990s, the federal government gave local government and community development institutions additional tools to revitalise neighbourhoods.

An *empowerment zone and enterprise community programme*, enacted in 1993, provided an array of grants and tax credits to a select group of communities to stimulate business investment and provide related supportive services.

A community development financial institution programme, enacted in 1993, supports not-for-profit institutions that serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions.

A new markets tax credit, enacted in 2000, provides tax incentives to stimulate the location of businesses in distressed communities.

American-style neighbourhood improvement, therefore, represents an interesting blend of theories of community empowerment, corporate social responsibility, and market engagement. It applies a public-private partnership model at the neighbourhood level. Not-for-profit community organisations become adept at performing functions (eg, building affordable housing, making home loans) that are normally carried out by for-profit institutions. They are financed in these endeavors, not only by government grants, but by private equity raised through syndications of tax credits, large-scale philanthropic investment in organisational capacity, and private-sector mortgage finance.

These federal programmes and policies have been very successful at expanding access to mortgage capital for lower-income families and communities and stimulating the production of community-based housing.

The Community Reinvestment Act, for example, has had a positive impact on mortgage lending. According to the Harvard Joint Center for Housing Studies, 'lower-income neighbourhoods targeted by CRA appear to have more rapid price increases and higher property sales rates than other neighbourhoods, a finding consistent with the proposition that CRA has expanded access to mortgage capital in these neighbourhoods'.³⁵

On the production side, the Low-Income Housing Tax Credit (LIHTC) programme has created more than 1 million units of affordable rental housing since its inception. The HOME programme, often used in conjunction with the low-income housing tax credits, committed close to \$13 billion between 1992 and 2003 and supported more than 750,000 affordable units of housing. Significantly, state and local governments reserved during the period 19 per cent of their funds for housing activity by not-for-profit organisations.³⁶

HOME and the tax credits have also helped build and sustain a national network of community development corporations (CDCs) with increasing proficiency in the production, preservation and management of affordable housing. According to a 1998 national census, some 3,600 CDCs in the country have produced some 550,000 units of affordable housing (about one-fifth of which were located in rural communities).³⁷

Despite these signs of accomplishment, the neighbourhood improvement strategy has been criticised on several grounds.

First, as Jeremy Nowak has discussed, the improvement strategy suffers from limitations of 'scale and perspective'.³⁸ The limitation of scale relates to the magnitude of the challenge. The entire

Chicago metropolis, for example, has one million rental units; by contrast, just 16,000 tax-credit units were built during the 1990s. At that rate, the restoration of many distressed communities - as well as the equally important goal of building more affordable rental housing near growing suburban job centres - will take decades.

The limitation of perspective relates to the orientation of many community development organisations. As Nowak notes: 'The neighbourhood development model, organised around place and community, has tended to consider neighbourhoods in terms of constituent service rather than in economic terms. ... Far too little attention has been paid to the core issues of household poverty as defined by access to good jobs and the accumulation of wealth'.

Nowak believes that neighbourhood improvement 'confuses the linkages between the revitalisation of a neighbourhood and the alleviation of poverty'. He provides the following caution:

Neighbourhood development strategies can reinforce the segregation of the poor by building housing in the worst employment markets. In low-income neighbourhoods, the attention of civic associations and politicians to highly symbolic commercial and residential restoration projects often far outweighs the benefits of the project to residents. The community control ideology of neighbourhood development often regards locality in strategic isolation from the rest of the economy.

Second, troubling signs suggest that the production of affordable rental housing is reinforcing concentrated poverty in inner-city neighbourhoods - though at much lower levels than in prior public and assisted housing programmes. A recent analysis of the tax credit programme's performance in the 1990s revealed that cities (where, again, poverty rates are much higher than the national or suburban average) received a disproportionate share of the units. Cities housed 58 per cent of all metropolitan tax credit units built during the 1990s despite the fact that they contain only 38 per cent of metropolitan residents.³⁹

The location decisions of tax credit developers at the neighbourhood level present a mixed picture. On one hand, tax credit neighbourhoods in 2000 had a poverty rate of 19 per cent overall, 24.3 per cent in cities. These neighbourhoods are not as disadvantaged as the neighbourhoods that house other federally assisted housing (average poverty rate of 28.9 per cent) but they are more disadvantaged than other metropolitan neighbourhoods (average poverty rate of 13.1 per cent). In addition, one out of every seven tax credit projects sited in a city rose in a neighbourhood of extreme poverty.

These figures should not be surprising. In the end, community development corporations build affordable rental housing in their neighbourhoods because that is what the federal government pays for and because they believe that housing production stimulates neighbourhood revitalisation. Significantly, they rarely question the legitimacy of consigning low-income families to neighbourhoods that do not offer what most middle class consumers seek in their housing: good schools, proximity to quality jobs, and quality services.

Third, it has become increasingly clear that the neighbourhood improvement sector sorely needs consolidation and streamlining. Many cities have dozens of community development corporations and related organisations, each vying for their share of the housing and redevelopment pie, many fairly small in size and undercapitalised. This undermines the ability of cities to target funds in a fiscally effective way and merely leads to the production of multiple 'boutique' projects, each too small to have any systemic impact in their community.

Finally, the measures by which neighbourhood improvement is assessed rarely take into account the broader goals of poverty alleviation and access to opportunity. *Output* evidence abounds on neighbourhood improvement, particularly as pertains to housing production. And some evidence exists on *outcomes*, particularly as they involve appreciating property values, catalysed market investment, and lower crime. But little analysis addresses how neighbourhood improvement affects school poverty and school performance or, for that matter, the labour market participation of people living in subsidised housing.⁴⁰

Expanding opportunity: putting people first

Like neighbourhood improvement, the opportunity strategy has used a variety of tools to achieve its ends. Housing vouchers have been used to enable low income families to choose private rental housing in other neighbourhoods of the city or metropolis. Workforce programmes have been used to connect residents who remain in the neighbourhood to jobs through skill training, child care, transportation, and so forth. School choice programmes have also been used to give residents who remain in the neighbourhood educational choices beyond the neighbourhood school.

Of these efforts, housing vouchers proven the most sustainable and have demonstrated the most success. Vouchers have emerged as the most substantial subsidised housing programme in the US. They now serve some 2.1 million households; by contrast, there are only 1.3 million traditional public housing units. In general, housing vouchers pay the difference between 30 per cent of a recipient's income and the rent of a qualifying, moderately priced apartment.

The performance of housing vouchers has been extensively studied. What emerges is a mixed picture.

On the positive side, vouchers are unique among federal housing programmes in that they allow the recipient rather than the developer to decide where the low-income resident will live. Voucher recipients can receive their assistance in one jurisdiction and take it to another as they search for housing that best fits their family needs. Not surprisingly, many voucher recipients exercise this choice and are dramatically less likely than public housing residents to settle in high poverty neighbourhoods. According to a 1997 study by Sandra Newman and Anne Schnare, only 14.8 per cent of Section 8 recipients live in high poverty neighbourhoods (neighbourhoods that are more than 30 per cent poor), compared to 53.6 per cent of public housing residents.⁴¹

The housing voucher programme - by helping families relocate from high-poverty neighbourhoods to low-poverty neighbourhoods - has shown success in improving family health. Other benefits include reductions in the rates of juvenile delinquency, improved educational achievement among children, and higher rates of employment for their parents.⁴²

Findings from Chicago's Gautreaux initiative, a judicially-ordered programme that relocated housing project residents, indicate that the opportunity to use housing vouchers to move away from a distressed, high-poverty neighbourhood can provide a route to economic independence. Participants who relocated to middle-income white suburbs were more likely to have jobs than their counterparts placed in low-income black neighbourhoods. Improved safety and greater job availability were primary factors in suburban movers securing employment. Children of residents who relocated to the suburbs were less likely to drop out of school and more likely to enroll in college than their urban counterparts. Families who moved to neighbourhoods with high levels of education were less likely to be on welfare.⁴³

Emerging evidence from the recent Moving to Opportunity (MTO) demonstration is equally compelling. Under MTO, residents of high-poverty public housing projects who volunteered to participate were divided into several groups: experimental households, who were given vouchers but were only allowed to move to neighbourhoods of low poverty; households who received a standard voucher and could move to any apartment of their choice; and in-place households, who remained in public housing.

As with Gautreaux, there have been significant findings on a wide range of educational, welfare, and quality of life indicators. The health findings have been particularly striking. In Boston, for example, there were substantially fewer severe asthma attacks among the children of families who moved to areas of low poverty. In New York and elsewhere, the improvements in the mental health of adults who moved to such areas were so dramatic that researchers labelled their findings '*Moving to Opportunity and Tranquility*'.

Despite this strong evidence of success, the voucher programme is not perfect and has been hindered by the exclusionary nature of rental housing markets, fragmented delivery systems, and the lack of supportive services like counselling.

First, housing vouchers do not provide equal access to low-poverty and low-minority neighbourhoods for all poor households. The neighbourhood outcomes described above are not uniform across racial and ethnic groups, jurisdictions, and household types. Research tells us that vouchers produce better locational outcomes for suburban recipients than for city residents, for white recipients than for African Americans and Hispanics, and for the elderly than for non-elderly families and disabled people. Research also tells us that voucher holders appear to be significantly under-represented in low-poverty neighbourhoods relative to the availability of potentially affordable rental housing. Vouchers still consistently outperform public housing, even in cities, even among African Americans and Hispanics, and even among families and disabled recipients. But they clearly have the potential to offer better locational outcomes for these groups.⁴⁵

Second, voucher programme administration remains highly fragmented and insular. Since the inception of the programme, local public housing authorities (PHAs) have enjoyed a near monopoly over voucher administration. Rarely does the administrative geography of PHAs match the metropolitan geography of rental markets. As Mark Alan Hughes has shown, the fragmentation of voucher administration is quite severe in particular metropolitan areas. In the Detroit metropolitan

area, for example, 31 separate authorities administer public housing; in Philadelphia, 19 do; in Chicago, the number is 15. In these and other metropolitan markets, 'too much' devolution has made it difficult for low-income families to know about suburban housing vacancies and exercise choice in a metropolitan housing market.⁴⁶

The absence of competition for voucher administration has also, arguably, stifled innovation and accountability. Public housing agencies essentially operate this programme in a closed system, where high performance is rarely rewarded and bad performance is rarely punished. Voucher administration has, therefore, failed to realize the benefits of competition that have influenced other areas of domestic policy - such as education or welfare - where administrative responsibilities have been opened up to a wide array of public, non-profit, and for-profit entities.⁴⁷

Finally, moving out of original neighbourhoods may put a strain on some families. A study of the MTO programme in Baltimore found that programme participation may have increased the number of single-parent households. Another study found that adults in participating households reported feelings of isolation in their new neighbourhoods. There is also emerging evidence that residents who move to low-poverty neighbourhoods are hampered by the lack of access to services (such as child care) that support work.⁴⁸

Transforming distressed neighbourhoods: demolition, redevelopment, and mobility

The final neighbourhood strategy - transformation - is best reflected in a remarkable 10-year, \$5 billion effort in the US to demolish the worst public housing blocks in the country and replace them with housing that is economically integrated, less dense, better-designed, and fundamentally integrated into the fabric of local neighbourhoods and city economies. Called the HOPE VI programme, the transformation effort also included funding for supportive services to help former residents who return to make the transition to work. Congress also appropriated funds for a separate pool of housing vouchers to aid the relocation of residents who choose to move.

The ambitions of the HOPE VI programme are striking, given the chequered history of large scale neighbourhood interventions in the US. As the Department of Housing and Urban Development (HUD) stated in 1995:

A new form of public housing is being tested with HOPE VI Instead of the superblocks of Cabrini Green, Richard Allen, and other public housing projects, traditional street grids are being designed. Instead of mammoth apartment buildings, small-scale, townhouse style housing is being constructed. Instead of acres devoted exclusively to housing, commercial activities are being encouraged. Instead of large, open pedestrian areas, small parks and squares as well as civic buildings like police, and fire stations and day care centres are being sited. Instead of housing built, owned and managed by public entities, partnerships with for profit and not-for-profit developers are being forged. Instead of housing built for the poorest of the poor, economically integrated communities are being created.

Almost a decade later, the initial jury on HOPE VI is generally favourable, but tempered by the newness of the programme. Although 165 revitalisation grants have been awarded, only 15

developments have been completed and are fully occupied. The research has therefore consisted mostly of case studies of individual developments rather than any systemic analyses.

Still, the initial conclusions from these case studies - with one overriding caveat - are encouraging.⁴⁹

HOPE VI is stimulating the construction of a new form of affordable housing and, in the process, helping to transform the physical and social landscape of some of America's most distressed neighbourhoods.

According to the Brookings Institution and the Urban Institute, the new developments share some common characteristics. They are well-designed and well-constructed and have successfully applied 'new urbanism' and 'defensible space' - the latest thinking on housing and community design - to the inner city. Many of the newly constructed developments, therefore, employ reduced density; offer improved security through smarter building lay-outs (many provide private entrances that face the street, for example); relate better than the earlier projects to their neighbourhoods through introduction of sidewalks and street grids; and provide improved exteriors, including such features as front porches.

Economic integration has become a central feature at HOPE VI sites across the country. The expectation is that properties that have to attract and retain higher-income tenants will be better managed and maintained over time, and that a mix of income levels creates a healthier social environment and brings better services - especially schools - to the surrounding neighbourhood from both local government and the private retail sector. Some developments are even experimenting with mixed tenure approaches, with a portion of the new housing reserved for homeowners rather than renters.

The new developments are leveraging substantial resources from the public, private and philanthropic sectors - resources that were virtually absent (and, in some cases, prohibited) with former public housing developments. These resources include other federal funds (eg, HOME funds and housing tax credits); state and local funds (such as investments in capital improvements); revenues from innovative financing (tax increment financing districts, for example) and private-sector debt and equity. The resources are being deployed to modernise local schools and rebuild local infrastructure, parks, and libraries.

Finally, the new developments are experimenting with a range of management approaches. They are often managed by private sector firms on site (and at risk) rather than remote public agencies. And these firms are routinely using basic management techniques - lease enforcement, enhanced screening procedures, improved amenities - to attract and retain a broad spectrum range of residents.

The quality of the new developments is, in turn, sparking significant improvements in a range of economic and social indicators. The case study reports almost uniformly show substantial declines in neighbourhood crime and unemployment, and substantial increases in neighbourhood income, property values and market investment. In several high-profile developments, it has also catalysed

significant improvements in the quality of the local school and the educational performance of low-income children.

With some of these findings, of course, cause-and-effect is not entirely clear. It is as yet hard to tell how much of the precipitous decline in crime, for example, owes primarily to the demolition of the dilapidated public housing projects rather than the construction of the new, economically integrated developments. Only the passage of time will enable these more nuanced questions to be fully answered.

Against the promising signs of reconstruction and revitalisation, though, nagging questions persist about the impact of HOPE VI on the original residents of the public housing which is scheduled for demolition.

From the very beginning of the programme, it was assumed that many residents would not return to the revitalised sites whether because of the reduced numbers of public housing units available there or because they chose to receive vouchers and move out of the neighbourhood, or because they were not capable of meeting the tightened screening procedures in the new developments.

The evidence on tenant return - a very contentious issue currently - is mixed. The most comprehensive tracking report on tenant outcomes from eight early HOPE VI sites found that 19 per cent of the households surveyed were living in a revitalised development, 29 per cent were living in other public housing properties, 33 per cent were renting units using housing vouchers, and 18 per cent had left assisted housing altogether.⁵⁰ A recent GAO study using data from the 165 project applications reported a wide variance of expectations regarding the return of existing residents, with applicants expecting, on average, 46 per cent of residents to return.⁵¹

The evidence on residents who decided, for whatever reason, not to return to revitalised sites is also mixed. In general, residents who received vouchers were able to move to neighbourhoods of much lower poverty. On average, the census-tract poverty rate for voucher recipients dropped from 67 per cent to 27 per cent. Yet many housing authorities failed to plan adequately for relocation or provide sufficient support to residents (with vouchers and without vouchers) during the process. Particular concern surrounds the treatment of 'hard to house' families who often cannot meet the screening criteria in the new developments and often end up in distressed public housing or outside the system entirely. These families include custodial grandparents, large families, and 'multi-problem' households (those families with members who have mental and physical illnesses, substance abuse problems, or criminal records).

The question 'what happened to the original tenants' promises to remain a central part of the debate over the future of HOPE VI and similar neighbourhood transformation schemes in the United States.

A case study: Murphy Park, St Louis

The promise of the transformation strategy can be glimpsed in Murphy Park, a new community of townhouses, garden apartments, and single-family homes on the near north side of St. Louis.⁵² The

413-unit development replaced the much larger (656-unit) Vaughn public housing project, a collection of four nine-story buildings that were typical of the high rise public housing towers constructed in the 1950s as part of urban renewal.

The development is centrally located in St. Louis, in close proximity to the traditional downtown. Yet like much of the Northside, the neighbourhood has all the hallmarks signs of distress. In 2000, the population of 3,000 individuals was 97 per cent minority (almost entirely African American), and 46 per cent poor with a median income of only \$14,636. The home ownership rate in the community languishes at an abysmal 7 per cent.

Significantly, the centrepiece of the new Murphy Park development is not the attractive housing, but a reconstituted neighbourhood school. The developer Richard Baron has been an articulate spokesperson for school-centred housing development:

Every school system has a direct impact on its neighbourhoods. Schools affect housing markets. They affect home values. They affect the success of marketing newly developed housing. They affect the ability to retain residents in a particular school system or local community.⁵³

Working closely with residents of the neighbourhood, Baron engineered a complete overhaul of the local school, Jefferson Elementary. He raised \$5 million from corporate and philanthropic interests to modernise the school, making it one of the most technologically advanced educational facilities in the region. He lobbied the local school board to appoint a new principal and allow her to implement an instructional programme of smaller classes, new curriculum, teacher continuity and year-round schooling. He also raised funds for a host of after school programmes, particularly centred around the arts.

By all accounts and against many odds, Murphy Park has been an unqualified success.

The development has succeeded in attracting a mix of incomes. For the most part, the development is serving poor and working-poor households, the target clientele of the traditional public housing programme. Thirty-one per cent of the residents have incomes below \$10,000 and 44 per cent of the residents have incomes between \$10,000 and \$30,000. Yet the development is attracting moderate and even middle-income residents as well. Sixteen per cent of the residents have incomes between \$30,000 and \$50,000. Another 10 per cent of the residents make more than \$50,000.

The development is also spurring positive movement in a range of neighbourhood indicators:

- The median household income in the area surrounding the development rose by 18 per cent between 1989 and 1999. By contrast, median household income rose by just 4 per cent in the city and region during the same period.
- Unemployment in the area surrounding the development fell by 35 per cent from 1989 to 1999. By contrast, unemployment in the city rose just 3.7 per cent during this period.

- Property values in the Murphy Park neighbourhood appreciated substantially between 1990 and 2000. The median home value went up 131 per cent. The lower-quartile home value went up 123 per cent and the upper-quartile home value went up 219 per cent. These trends totally buck the larger experience in St. Louis, where city home values fell in all three categories.
- The development is serving as a catalyst for private sector investment in the adjoining neighbourhood. A private developer built, with few direct subsidies, 100 units of for-sale housing near Murphy Park. In addition, a new retail strip was built near the development with a convenience grocery store, laundry facility and dry cleaner. Two new commercial warehouses were built two blocks from the site, taking advantage of the proximity to the central business district. Other local businesses have announced their intentions to expand.

Finally, the community's intervention in Jefferson Elementary School has yielded some astonishing results:

- The school now attracts 75 per cent of the neighbourhood's children. Before the redevelopment, many children in the neighbourhood were bussed outside the neighbourhood to both city and county schools, as part of a broader desegregation decree.
- The new curriculum's focus on maths and science has borne fruit. In 1999, only 1.6 per cent of third graders were categorised as 'advanced and proficient' in science. By 2003, 44.4 per cent of the students were so categorised, nearly reaching the state average of 47.8 per cent.
- In 1999, only 2.5 per cent of the fourth graders were categorised as 'advanced and proficient' in maths; by 2003, that number had risen to 18.2 per cent, a dramatic improvement but still half of the state average of 37.2 per cent.

The Murphy Park experience shows the potential power of the transformation strategy, in a relatively short period, to reshape the physical, economic and social landscape in neighbourhoods of deprivation and distress. The catalytic role of these investments cannot be underestimated. The success at Jefferson Elementary, for example, has influenced a broader effort to transform the elementary, middle schools, and high school in the Northside area of St. Louis. Once completed, the 'Vashon Compact' (named for the local high school that serves the area) will serve almost 10 per cent of the students in the entire city.

Where US neighbourhood policy is heading

So the 'American approach' to areas of high poverty turns out to be not a single approach but at least three strategies: those of improvement, opportunity, and transformation. Each strategy has taken a distinctive approach to the challenge of distressed communities. Each has shown remarkable resiliency, transcending both economic cycles as well as political changes in the presidency and Congress.

And yet, for several reasons, the time has come in America to move beyond the three strands of response to bring more coherence and unified purpose to neighbourhood policies. For one thing, we actually know a lot about what works in American neighbourhoods - and what doesn't work - and we should adjust policies to reflect that. The relationship between high poverty neighbourhoods, failing schools, and poor health is incontrovertible and demands an adjustment in policies, especially affordable housing policies, which merely reinforce negative patterns and trends.

For another thing, the multiplicity and separateness of efforts undermines broader efforts at neighbourhood revitalisation. One can visit a distressed neighbourhood in any American city and witness numerous well-intentioned efforts acting completely independent of each other and often at cross-purposes. A given neighbourhood might harbour a major public housing redevelopment, several smaller rental housing developments built by community development corporations, and targeted financing for rehabilitation of single family, owner-occupied homes - with all of it taking place in isolation from the whole.

In fact, it often seems that distressed neighbourhoods are akin to an ailing patient who receives distinct diagnoses and treatments from an array of doctors who specialise in different disciplines. One doctor tries to alleviate the symptoms of distress; another doctor tries to identify and alter the causes. One doctor uses traditional medications; another doctor uses homeopathic medication or acupuncture; still another doctor tries to change the environmental surroundings of the patient. If the patient revives, it often occurs despite the absence of any conscious, integrated strategy.

Finally, the tight fiscal environment at the federal level will compel hard choices in the coming years, irrespective of who is president and which party controls Congress. To some extent, tomorrow has already arrived. President Bush, for ideological and budgetary reasons, has called for the termination of HOPE VI and for reforms in the voucher programme that would reduce its scope and effectiveness.

In short, American neighbourhood policy stands at a crossroads. One possible path - the least preferred in my estimate - would be to 'muddle through' and maintain each of these separate strategies (with all of their strengths and shortcomings) at lower levels of funding and diminished levels of impact. Another path - the ideal one - would be to seize on this difficult moment to remake neighbourhood policy, using our accumulated knowledge from decades of experience.

I believe the central defining principle of this second path should be a new, unified goal for neighbourhood policy in the United States: **Creating neighbourhoods of choice and connection.**

Neighbourhoods of choice are communities in which people of lower incomes can both find a place to start and, as their incomes rise, a place to stay. They are also communities to which people of higher incomes can move, for their distinctiveness or amenities or location. This requires, first and foremost, an acceptance of economic integration as a goal of neighbourhood and housing policy. It also requires a dynamic, market-driven notion of neighbourhood change, rather than any 'community control' vision dedicated to maintaining the status quo.

Neighbourhoods of connection are communities which link families to opportunity, wherever that opportunity is located. This requires a new, profound and sustained commitment to improving the 'educational offer' in these communities and the cities in which they are largely located. It also requires a new, mature and pragmatic vision of the changing 'geography of opportunity,' particularly with regard to jobs and other housing choices.

Put the parts together, and this new vision treats people and place policies as fundamentally intertwined and mutually reinforcing. Moreover, the new vision seeks to complete the project of its predecessors. For example, if policy makers simply focus on improving housing stock and do not alter the socio-economic mix in neighbourhoods, then the opportunities of residents and their children may be constrained, particularly if the allocation of school places is simply based on local residence and proximity.

On the other hand, if policymakers simply focus on improving the job prospects of individuals without addressing neighbourhood conditions, then people will simply move up and out as they gain jobs and income. The hard fact is that any successful neighbourhood intervention will have both people and place components.

So how do we create neighbourhoods of choice and connection? What will it take in design and implementation? How can strategies be tailored to local and metropolitan realities that are radically different?

I believe that a new generation of neighbourhood policies will need to embrace at least five central principles if the promise of choice and connection is to be achieved.

The metropolitan context

First, neighbourhoods and neighbourhood policy need to be set within a metropolitan context. We have seen that a 'new metropolitan reality' has emerged in the US over the past half century. Housing markets are metropolitan. Labour markets are metropolitan. Business networks are metropolitan. Commuting patterns are metropolitan. The metropolitan area, in short, sets the 'geography of opportunity' within which places, families, and businesses exist, live, and operate.

Despite this new reality, however, the dominant neighbourhood strategy - the neighbourhood improvement strategy - has operated, until recently, mostly outside the metropolitan and regional context. This strategy has tended to take the administrative boundary of a neighbourhood - often quite limited - as its geography of intervention and looked internally rather than externally to set its agenda and implement its programmes.

This narrow vision is perfectly understandable given the central role played by community-based institutions. As the California scholars Manuel Pastor, Peter Dreier, and Gene Grigsby have noted 'Most community development groups have tended to favour a neighbourhood focus because it fits their size, administrative capacity, and political base'.

In the end, however, neighbourhoods are not islands unto themselves. They exist as part of broader metropolitan communities and economies. They operate as labour markets, since their residents invariably work throughout the broader region, often in key sectors.

For that reason the first tenet of a complete neighbourhood policy is fairly straightforward. Neighbourhood interventions need to operate in and relate to the metropolitan geography - the true geography of housing markets, of labour markets, of educational opportunity. Practitioners need to treat the borders of neighbourhoods as porous boundaries rather than fixed barriers.

The corollary to this notion, of course, is that neighbourhoods need to understand their own metropolitan context and their position in the metro area.

American metropolitan areas are highly diverse. Some, like Detroit and Philadelphia, have decentralised radically, leaving the city centre economically devastated and potential inner-city workers spatially isolated from job opportunities in the suburbs.

In Detroit, for example, only 5 per cent of the metropolitan jobs are located within 3 miles of the central business district; incredibly, 78 per cent of the jobs are located more than 10 miles from the central business area.⁵⁴ The housing markets in these cities are often characterised by both low demand (high vacancy rates distinguish them) and low supplies of the kind of housing that can compete for key workers and other household types in the metro area.

In other metropolitan areas, like Denver and Phoenix, the city centre continues to thrive economically despite decentralisation, making housing affordability a top concern for inner-city residents who live near plentiful city jobs. Denver, for example, is a fairly centralised metropolis; 18 per cent of its jobs lie within 3 miles of the central business district and 67 per cent are located within 10 miles.⁵⁵ In these markets, the issue may not be so much spatial access to employment as much as basic education and skills training.

In the end, housing and labour markets, governance patterns and transit connections, employment and educational opportunities vary considerably across neighbourhoods, cities, and metropolitan areas. Thus, neighbourhood policies need to be flexible enough to allow local players to adapt strategies to the distinct market and spatial realities of their larger communities. And delivery agents (eg, community development corporations, for-profit developers, workforce intermediaries) need to be knowledgeable enough to understand the difference between places and embrace the flexibility of programmes so as to design and implement tailored interventions.

In recent years, urban leaders and neighbourhood practitioners have begun to position their neighbourhoods within the broader metropolitan landscape as well as to link residents to the broader geography of opportunity.

Several 'weak market cities,' for example, have begun to question the wisdom of simply following the improvement strategy and expanding the supply of affordable rental housing in soft markets.⁵⁶ In 2001, the city of Philadelphia launched an innovative city-wide planning effort called the Neighbourhood Transformation Initiative (NTI). The goal of NTI is to tailor housing and other strategies to the distinct market conditions of disparate neighbourhoods. To that end, the city has divided the city into six market clusters and is using this 'typology' to vary and sharpen its strategies.

In 'reclamation' neighbourhoods with substantial population loss, very low property values, and very high rates of vacancy and physical deterioration, the city - hoping to create the conditions for market rebirth - is focusing on demolishing dangerous vacant buildings, removing abandoned cars, and 'greening' vacant lots.

In 'transitioning' neighbourhoods with a strong nucleus of elderly homeowners but growing signs of property deterioration and decline, the city is focusing on providing below-market rehabilitation loans and discouraging predatory lending practices and speculative purchases of properties by non-occupant investors.⁵⁷

Similar diagnostic tools are being created to help achieve the second goal of linkage and connection. For example in Cleveland, researchers at Case Western Reserve University have mapped the residential locations of welfare recipients, entry-level job opportunities and public transit systems. This research has resulted in the re-routing of a number of transit lines to provide better connections between the city and inner suburban welfare households and the outer suburban entry level employment. In other metropolitan areas, the same research yields a different result: support for ride-sharing or even car ownership programmes to ease access to growing jobs centres.⁵⁸

The bottom line is this: successful neighbourhood efforts must be nested in metropolitan space and, given the diversity of metropolitan areas, must be tailored to the distinctive realities of disparate places.

Aligning policies

Second, broader national, state, and local policies need to align with the goals of neighbourhood policy. At the end of the day, neighbourhood policies remain fairly 'micro' and marginal, in both scale and potential impact. But at the same time, we have seen that broad federal, state and local policies have helped create areas of deprivation by facilitating decentralisation and concentrating poverty. To a large extent, then, neighbourhood policies have been swimming against a strong tide.

The success of neighbourhood policies, therefore, is dependent upon the extent to which they are acting in concert with broader demographic and market forces – and larger governmental policies.

Three sets of policy reforms are essential to achieving neighbourhoods of choice and connection.

First, local governments must *fix the basics*. More than any neighbourhood policy, the fundamentals - good schools, safe streets, competitive services, timely real estate transactions - dictate residential location choices and business investments in the US.

In the past, however, many of these fundamentals were ignored as local political and corporate leaders almost uniformly followed (and in many cases continue to pursue) 'Starbucks and stadia' strategies of neighbourhood and economic renewal. These strategies tend to turn on attracting creative workers (generally a good strategy) and building mega-projects like new sports facilities and convention centres (generally a fiscally wasteful strategy).

Fortunately, signs abound of a 'back to basics' movement in cities across the country. The role of local governments and elected officials here is paramount. During the past decade, mayors in New York City and Boston proved that innovative policing strategies and crack downs on lesser criminal activity could produce safe and orderly cities. Mayors in Chicago and Cleveland assumed responsibility for the schools as part of comprehensive school reform initiatives.

Mayors in Indianapolis and Washington, DC brought sound fiscal management and market discipline back to City Hall. Mayors in Cleveland and Philadelphia have made the removal of blight (such as abandoned cars) a high priority. All these efforts entail a dramatic break from past practices and reflect the fact that local elected officials increasingly view 'fixing the basics' as a prime focus of their jobs. If these efforts continue, neighbourhood policies will have a stronger chance of succeeding.

Second, the federal and state governments must *adopt smart growth policies* to promote balanced growth and reinvestment in cities and older suburbs. Again, signs abound that states and regions are beginning to reconsider the traditional policy tilt towards greenfield development. Since the early 1990s, for example, federal transportation laws have started slowly to level the playing field between highways and alternative transportation strategies and between older and newer communities. Federal laws have devolved greater responsibility for planning and implementation to metropolitan planning organisations, thereby aligning the geography of transportation decision-making with the geography of regional economies, commuting patterns, and social reality.

At the same time, the newer laws have introduced greater flexibility in the spending of federal highway and transit funds, allowing states and metropolitan areas to shift portions of their highway funds to transit purposes and vice versa. Both of these reforms have the potential to curb sprawl, promote reinvestment in older communities, and, consequently, stimulate the revival and transformation of neighbourhoods of poverty.⁵⁹

Several states have begun to target direct spending and tax incentives to communities where infrastructure is already in place. In 1997, for example, Maryland enacted laws to steer state road, sewer, and school monies away from farms and open spaces to 'priority funding areas'. Some of these zones are designated in the law: for example, Baltimore City and certain areas within the Baltimore and Washington beltways. Other priority funding areas may be designated by individual counties if they meet certain guidelines. More recently, other states - Pennsylvania, Michigan - have begun making 'fix it first' the central focus of their transportation decisions.

Several states are experimenting with efforts to stimulate redevelopment of older urban areas. New Jersey, for example, has adopted 'smart codes' that place the renovation of existing buildings on a

level playing field with new construction. Michigan has altered the rules governing the disposition of foreclosed properties, enabling cities and their community allies to expedite the sale and renovation of blighted properties. Minnesota has passed 'livable communities' legislation to provide greater incentives for balancing growth. Vermont has clearly become a leader in downtown revitalisation.

As with fixing the basics, these federal and state efforts are early, uneven, and subject to political vagaries. Still, they hold out the promise that neighbourhood policies will become part of more integrated approaches to urban revitalisation and reinvestment.

Finally, the federal and state policies need to *connect low-income families to employment opportunities* and *embrace policies that build income and reward work*.

One promising mechanism for bridging the home-work divide can be found in a growing group of organisations - workforce intermediaries - that have sprouted up in metropolitan areas across America. Acting as a liaison between the needs of employers and employees, these organisations help businesses and job opportunities grow by acting as entrepreneurs to develop the workforce. Almost all offer job training services; some also focus on alternative transportation strategies and necessary work supports like child care.⁶⁰

In Wisconsin, for example, 125 firms and 100,000 workers recently formed a workforce intermediary partnership to address current skill shortages co-operatively and to plan for future labour market modernisation. As a result of this partnership, employers have already invested over \$25 million to upgrade the skills of 6,000 current workers. The partnership has also extended job-training for prospective employees, which has enabled 1,400 jobseekers to find entry-level jobs that pay nearly twice the minimum wage.

However, even workers who find decent jobs often struggle to keep up with the rising costs of housing, health care, child care, transportation, and other necessities. Urban neighbourhoods, therefore, have an undeniable stake in national policies that are designed to make work pay, such as the earned income tax credit (EITC) and subsidised health insurance and child care. Funding for such policies was dramatically increased during the 1990s and has proven to be broadly effective in alleviating poverty and supporting work.

Programmes like these are also substantial investments in places through people. Annual spending on the EITC should soon surpass that of all the programmes of the US Department of Housing and Urban Development. And the impact on local economies is significant. In 2000, for example, the EITC brought \$253 million of additional income into the city of Philadelphia, with 24 per cent of all residents receiving the credit.⁶¹

The future of these important work investments, however, remains unclear. The Bush administration's fiscal policies could compel deep cuts in a series of programmes - housing vouchers, Medicaid, supplemental health insurance, nutrition assistance, welfare - that help working families make ends meet and provide the firm foundation for neighbourhood transformation.

Embracing economic and demographic diversity

Third, neighbourhood policy needs to embrace economic and demographic diversity in both cities and suburbs. Embracing the notion of neighbourhoods of change and connection also requires an acceptance of economic integration and economic diversity as a critical objective of neighbourhood and even metropolitan policy. The task before us, then, is to expand housing opportunities for middle-class families in the city (and particularly neighbourhoods of deprivation) while creating more affordable housing near centres of employment.

At the neighbourhood level, the HOPE VI model has demonstrated the power of income mixing to leverage private and public investments, regenerate local markets, and support school reform. As it does with HOPE VI, the extent of economic integration will vary considerably from neighbourhood to neighbourhood.

Achieving economic integration will require changes in policy and attitude. Federal housing policy will need to give for-profit and not-for-profit developers that build in areas of concentrated poverty more latitude in the selection of residents. Efforts like HOPE VI will need to continue, and grow to include not only distressed public housing but other privately-owned, federally-assisted housing projects. A new home ownership tax credit targeted for distressed communities - supported by a bipartisan group of congressional leaders - would be a welcome addition to the housing tools already in place.

City policies will also need to change if economically mixed housing is going to happen at any scale. To make it easier to build housing in older communities, for example, cities will need to re-examine and revise local zoning rules for downtown areas, as well as commercial and even industrial areas in cities and older suburbs.

To make it easier to rehabilitate older buildings, states and localities will need to change their building codes. To make it easier to renovate older homes, particularly in the inner suburban areas of the region, cities, older counties, and the states need to consider special loan funds like those created in Minnesota, Cuyahoga County, and Cook County. To make it easier to increase densities, states should permit - and localities should adopt - programmes that allow the transfer of development rights from greenfields to urban communities.

Yet attitudes, particularly among many community activists in inner-city neighbourhoods, will also need to change. The resistance to higher-income residents in inner-city areas strangely mirrors the suburban resistance to low-income residents. Homogeneity may be safe and even politically useful, but, in the long run, it is self-defeating.

With change may come some wanted and unwanted results. In healthy cities and metropolitan areas, property values and even rents will rise in communities that attract and retain a broader residential mix. As places become more desirable, existing businesses that serve the community will expand their services and new businesses will enter the fray.

For the current residents who own homes or otherwise own property, these neighbourhood changes will be mostly welcome. They will enable these families, in essence, to gain access to the principal means - appreciating home equity - by which most American families build wealth for their future.

For other residents, however, such changes may pose a threat to their continued presence in the neighbourhood. Cities and communities can respond to this challenge in numerous ways: by creating a trust fund for affordable housing (as Los Angeles has done) or by requiring developers in changing markets to set aside a portion of their new units for low-income residents (as New York City is considering).

For many communities, however, the threat of gentrification is a long way off. For these places - the Detroit and Cleveland of the world - the problem is more the continued drift out of population than any rapid appreciation in housing prices. For these cities, simply mimicking the housing strategies of 'hot markets' is the wrong strategy and may exacerbate the problems of isolated poverty.

These places may need to entertain a different kind of diversity as a long-run solution - one derived from the nation's profound demographic change, particularly through immigration. Note that some of the best examples of neighbourhood revival in the US - the Pilsen neighbourhood in Chicago, the South Bronx in New York - have occurred by virtue of large influxes of new residents from other countries. These immigrants have been responsible for supporting local businesses, starting their own enterprises, buying and fixing up dilapidated housing.

So increasingly, 'weak market' cities like Baltimore and Pittsburgh are trying to emulate these success stories by re-establishing themselves as immigrant gateways. These cities regard immigration as a necessity, not a luxury, for their future economic, fiscal, and social health. They are experimenting with a range of strategies to attract immigrants to their cities and help recent arrivals negotiate their way through local school systems as well as labour, housing, and financial markets.

The jury is still out on these recent city attraction strategies. They may or may not succeed. Immigrant gateways, obviously, emerge or decline for various reasons, ranging from the robustness of their labour markets, historic social networks, or the reputation of these places for tolerance and receptivity. Some of these factors are within the control of city and neighbourhood leaders; some are not.

But the main point is this: no broad revival of neighbourhoods - particularly within cities that are struggling economically - will likely occur without substantial attention being given to stimulating and leveraging the right demographics.

Private and community sector action

Fourth, neighbourhood policy needs a new mix of private and community sector action, in both cities and suburbs. Neighbourhoods of choice and connection will not emerge solely through the actions of not-for-profit community entities. It is simply fanciful to believe that there are a sufficient number of capable, community-based organisations in enough American cities to accomplish the

restructuring of the housing inventory that is needed to make these places competitive in a regional marketplace. More significantly, it would simply be wrong to maintain a needs-driven and social-service driven housing system in urban neighbourhoods and a completely different, market- and choice-oriented system for the rest of America.

For that reason, neighborhood policy needs to fully engage the private sector - whether it be employers, retailers, small businesses, homebuilders, realtors (estate agents), bankers, or other mainstream financial institutions - in the transformation of urban neighbourhoods and in the expansion of opportunity for low-income Americans.

Engaging the private sector fully in neighbourhood transformation will require government at all levels to create the conditions for private investment and economic growth. Private sector leaders in the US demand several things from the public sector.

They want predictability in the rules governing real estate acquisition and redevelopment so that they can act in a timely, efficient, and profitable manner and not be subject to arbitrary government decisions. They want certainty, stability, and flexibility in programme structure and design so that they can blend public and private-sector investments efficiently. They want transparency in market information so that they can understand the potential of urban markets and leverage competitive assets.

Engaging the private sector in neighbourhood transformation will also require a change in attitude on the part of many community-based organisations and neighbourhood advocates. Too often, neighbourhood renewal efforts have crossed over into struggles over 'community control,' where private firms and individuals are actively discouraged from making the routine and regular kinds of investments (whether in new homes or new businesses) that occur every day in middle class, suburban communities. The fact is that these investments are a sign of success, not failure, of neighbourhood policies and need to be welcomed and encouraged.

Engagement of the private sector, however, does not diminish the role of community-based institutions. In fact, what is desperately needed in many urban neighbourhoods is an expansion of the role of these institutions - in a structured, supported, consistent way - beyond the production or preservation of affordable housing.

American neighbourhoods, for example, desperately need labour market intermediaries that act as bridges between communities of low-income workers and employment clusters, wherever they are. That will entail identifying employers, suburban or urban, that have the right kinds of jobs for neighbourhood workers; tailoring skills training efforts to the needs of employers; and working with local government and others on alternative transportation strategies and necessary work supports like child care.

American neighbourhoods desperately need financial services intermediaries that can work to bring mainstream financial institutions to areas of deprivation. Neighbourhoods will never be places of choice and connection until there is regular access to mainstream banking and until the role of the

'parasitic economy' (eg., cheque cashers, rent-to-own stores, payday lenders, and consumer finance companies) is greatly diminished.

American neighbourhoods desperately need school intermediaries that can act as conduits for investment in neighbourhood schools - as in the Murphy Park example - and advocate for quality and excellence in education. In the end, true revitalisation is not about new housing units or appreciating property values or even declining crime rates. Neighbourhoods will never be places of choice or connection unless and until children can receive a decent education, plain and simple.

Yet the role of private and not-for-profit entities cannot be confined to cities and urban neighbourhoods. The almost exclusive focus of policy and institutions on cities and neighbourhoods misses the prevailing decentralisation of economic and residential life over the past several generations. As we have seen, the metropolis - not the neighbourhood - must become the focus of neighbourhood policy going forward.

What does that mean in practical terms? It means that new affordable housing will need to be constructed in fast-growing suburban areas where jobs increasingly proliferate. Yet this will require changes in the rules. The federal and state governments should consider, for example, levelling the allocation of low income housing tax credits, and placing equal emphasis on areas of growing employment as well as on areas of distress and poverty. In addition, fast-growing counties should consider adopting inclusionary zoning ordinances that require a portion of all major subdivision developments to be affordable to low- and moderate-income renters. Excellent examples include ordinances in counties like Montgomery County in Maryland and King County in Washington State.⁶²

As in cities, not-for-profit housing corporations can play a pioneering, catalytic role in the production of affordable rental housing and home ownership in the suburbs. The logical evolution of community development corporations would be to transform themselves into regional housing corporations. Regional entities can fill an organisational vacuum in the suburbs by advocating for progressive policies like inclusionary zoning; working closely with employers on housing that serves the needs of their employees; working closely with churches, synagogues, and mosques to lower the resistance of affordable housing; and, where necessary, producing affordable housing to illustrate what needs to be done and how to do it.

However, in the end the private sector will be the main engine of suburban affordable housing production, just as it should be in cities. The ultimate goal of neighbourhood and metropolitan policies must be to make the production of affordable housing - for renters and homeowners - a routine part of the suburban housing machine. Only then will poor families in general and inner-city residents in specific obtain the range of housing choices they deserve and need.

Integration, accountability, and sustainability

Finally, neighbourhood policy needs to be implemented in an integrated, accountable, and sustainable fashion. Even the best neighbourhood strategy will fail if it is not effectively implemented. The history of neighbourhood policy in the US is replete with examples of well intentioned programmes that failed to reach their true potential.

The first element of effective implementation is integration. Creating and maintaining neighbourhoods of choice and connection will require connected, synergistic efforts among disparate housing policies and between housing policies and other essential interventions such as public safety, education, and economic development policies, just to name a few.

This will be challenging since the delivery of housing and other services tends to be done through separate 'silos' and 'stovepipes'. Practitioners on the ground, therefore, may have similar clients (whether it be the neighbourhood or local residents) but they respond to different programmes, administrators, and incentives.

So where will integration come from? As developer Richard Baron likes to say: 'While the dollars flow vertically, the intervention has to happen horizontally'.⁶³ The most likely source of integration, therefore, will not be federal or state agencies - they remain far removed from the action on the ground - but partnerships between local organisations with complementary strengths and a mix of diverse skills and experience.

Examples of integration abound throughout the country. The example of Murphy Park in St. Louis illustrates the sort of partnerships between housing developers and local school boards now emerging. In Chicago and Omaha, local housing authorities have collaborated with not-for-profit counselling organisations and fair housing advocates to link housing vouchers with effective housing search assistance and mobility counselling. Voucher recipients have received not only demand-side housing assistance, but also hands-on help in finding suitable units in thriving neighbourhoods, and counseling to prepare them to succeed in the private housing market.⁶⁴

Many community development corporations have also graduated to a 'neighbourhood-broker' role. They have sought to integrate disparate neighbourhood services (eg, health, education, public safety, employment, and small business support) while marketing the economic potential of the neighbourhood, whether by lobbying for bank branches or campaigning to attract new retail enterprises.

National policy needs to support these local efforts, both by rewarding efforts at integration and, where appropriate, getting 'out of the way' by changing restrictive rules that impede cooperation and the creative use of government funds.

The second element of effective implementation is *accountability for performance*. The current state of performance accountability in the US is fairly dismal. The federal government routinely invests resources without any clear expectations of outputs, let alone outcomes. Major federal efforts are often initiated without any plans for evaluation or even the uniform collection of data and information.

At the delivery end, many neighbourhood programmes take on the characteristics of a factory assembly line, stamping out uniform products, trying safe solutions, ticking performance boxes, fairly oblivious to what might be happening beyond the neighbourhood borders, let alone across the metropolitan area.

Successful neighbourhood strategies require that local agencies and neighbourhood entities be held accountable for performance. Clearly defined performance measures and systematic performance monitoring can strengthen implementation. For key goals, a set of short- and long-term indicators can be created. Long-term indicators can measure the community-wide conditions (such as the concentration of poverty) that neighbourhood policies intend to change over the long term. Short-term indicators may include more immediate measures of programme accomplishments (such as the number of new mixed-income housing units produced by the project). Over time, short-term results should translate into long-term gains.

Policymakers can choose from several alternative strategies to hold agencies accountable. Sometimes, simply requiring that performance data be collected and published on a regular basis creates strong incentives for effective performance. But communities can also enter into performance-based contracts with public agencies, private companies and/or not-for-profit organisations through which payments, bonuses, and or contract duration are explicitly tied to the achievement of measurable performance targets.

To the greatest extent possible, policymakers should also embrace market incentives as a separate vehicle for accountability. The goal of mixed-income housing, in a sense, is a market incentive since developers need to take more responsibility for design, management and even school performance if they want to keep higher-income residents.

True accountability, then, will require a change in the perspective and performance of the field. Neighbourhood practitioners need to be fluent in markets rather than programmes, outcomes rather than outputs. They need to embrace innovation, and experiment with distinct and tailored approaches. They need to operate according to market intelligence that is empirically grounded and real time. They need to think regionally and act locally, working to position their neighbourhoods in the broader metropolitan arena. And they need to adopt a holistic vision through which they align their efforts with those of practitioners in the same field (community development corporations working with public housing agencies) as well as in other fields.

The final element of effective implementation is *sustainable, dependable, and predictable regeneration policies*. In both Britain and the US, neighbourhood policies have often been characterised by numerous starts and stops, lurches and reversals, partly due to the change in political administrations, partly due to the natural evolution of policy. The regeneration field in both countries is littered with failed programmes and dead acronyms.

These policy gyrations do have the potential to promote and capture innovation. But they also have the potential to exhaust the field and require practitioners to constantly learn new programmes, chase grants, and manipulate new performance measures rather than focus on long-term sustainable change.

To have a meaningful impact, national neighbourhood policies need to be simple in design, continuous in application, and sustainable over time. This will require national policymakers to: set clear visions; communicate in clear language; provide flexible funding that allows localities to tailor

solutions to their places; impose performance measures that are reasonably related to programme interventions; and construct accountability systems that rely as much on market incentives as compliance with micro goals.

This will also require national policymakers to temper their impatience and the natural urge to constantly invent and reinvent programmes and policies according to the 'flavour of the month' and idea of the moment. In the end, programme instability undermines attempts to build a sustainable field of practitioners who learn continuously.

What US neighbourhood policy can teach the UK

In recent years, the United Kingdom has proven itself adept at tailoring American policy innovations to its own particular challenges. A sizable number of initiatives - Sure Start, Working Family Tax Credits, Employment Zones, Welfare to Work, zero tolerance policing - build upon (and often improve upon) American policy advances.

To some extent, adaptation has occurred in the neighbourhood realm. William Julius Wilson and other American scholars, for example, have clearly influenced British research on area-based effects and area-based policies. Such research, in turn, has clearly informed the ambitious set of neighbourhood goals and policies (such as the New Deal for Communities and Neighbourhood Renewal) initiated by the Labour government since 1997.

Yet the logic and thrust of this paper - with its insistence on neighbourhoods of choice and connection - demands more of traditional and recent neighbourhood policies in both America and Britain.

So how do policies in the UK hold up in the light of the new vision of American neighbourhood policy I have proposed? What are the outstanding challenges facing British policymakers?

Perspective and approach

First, there is the challenge of perspective and approach. As discussed above, the dominant neighbourhood policy in the US - neighbourhood improvement - has mostly tackled the question of how best to expand affordable housing for people living in distressed places. However, creating neighbourhoods of choice and connection wrestles with a different set of questions - how best to position a neighbourhood in the broader market; and how best to link residents to employment and educational opportunities, independent of neighbourhood boundaries.

Is UK policy grappling with these broader questions of consumer choice and competition? The record appears mixed. Several recent neighbourhood efforts - including the housing market renewal pathfinders - appear to embrace a dynamic, market-oriented vision of neighbourhood change. At the same time mainstream policy appears to accept the concentration of social housing (and the concomitant concentration of poverty) as a given. That may be defensible given the spatial dimensions of labour markets or understandable given the rights of existing residents. Yet the policy ultimately may undercut the broader national commitment to ensuring that 'no one is disadvantaged by where they live' within the next two decades.

Two possible shifts in policy should be considered. First, every effort should be made to avoid the large-scale development of new social housing that concentrates and isolates poor families. The pressure to build new housing, particularly in the southeast, cannot become an excuse to replicate the mistakes of the past.

Second, a special effort should be made to identify and respond to the most pronounced concentrations of poverty in existing housing estates and neighbourhoods. Such responses might include the kinds of demolition and redevelopment efforts now underway in the US - and that will

require a more substantial capital investment than is now apparent under the New Deal for Communities and other initiatives.

Know the context

The broader spatial context looms as a second challenge. Are UK neighbourhood policies set within the broader metropolitan context and, if so, are policies tailored to the distinct market realities of disparate places? The record here also appears mixed.

In the US, the word 'metropolis' has an economic and statistical meaning - it reflects the real geography of commuter patterns and economic connections. It also has an increasing administrative reality - metropolitan planning organisations (MPOs), for example, now take part in transportation decision-making. In the UK, by contrast, several useful analogues to the metropolitan scale exist ('Travel to work areas' and the former metropolitan counties are two), but the 'metropolitan' sphere appears more a subject of academic research than a functional means for delivering services or setting policy.

At the same time, British 'regions' have received increased powers and responsibilities over the past several years. But since British regions do not generally reflect housing and labour markets, fairly sizable spatial gaps set neighbourhoods and regions apart, complicating the connection of inner-city residents to suburban opportunities. It appears that enhanced efforts at the 'sub-regional' scale, through planning or other means, will be necessary if neighbourhood interventions are to relate to the real geography of the economy.

On the other hand, UK policy has begun to recognise the disparate nature of metropolitan economies and tailor responses to distinct market realities. Neighbourhood interventions in the low-demand areas of northern cities like Sheffield, Liverpool, and Newcastle - particularly the large scale demolition of obsolete housing - now appear to be qualitatively different than the responses in London and the southeast. In this regard, UK policy has much to teach the burgeoning 'weak market city' movement in the United States.

Align policies

A third challenge is that of the broader policy context. Are broader national policies aligned with the goals of neighbourhood regeneration and resident opportunity? Here, American advocates for cities and neighbourhoods must envy British national policy. Recent years have seen a marked focus on reinvestment in the United Kingdom, as seen by the ambitious targets set on brownfield redevelopment and the substantial investments made in urban infrastructure and cultural institutions as well as schools and health care. In addition, the strong UK commitment to rewarding work surpasses the heady rhetoric, but relatively anaemic policies, of the American welfare state.

If America has anything to teach Britain on the broader policy front, then, it is in the realm of local governance. Local governments in the US have powerful responsibilities - education, law enforcement, land regulation - and the ability to raise local funds (within limitations) to carry them out.

This has created an entrepreneurial culture within local government and a climate of experimentation and innovation. This has also created a natural system for using the fiscal benefits of, say, city centre revival to subsidise revitalisation in a broader set of urban neighbourhoods. In Britain, the tax benefits of city centre revival accrue to the national rather than local government, making this local cross-subsidisation difficult to execute.

For this reason, devolving more powers - including the power to tax - to local entities appears necessary if the kind of tailored solutions described in this paper are going to be devised as a matter of course, rather than as a product of central dictates. Happily, such devolution appears fully consistent with the practice of 'conditional devolution' in Britain, by which well-performing authorities are given more flexibility in the implementation of government programmes and policies.

Embrace diversity

Fourth, there is the challenge of economic and demographic diversity. Is Britain embracing economic integration and immigration as keys to revitalising communities? No doubt, the 'weak market city' efforts - as well as the nation's growing policy support for mixed-use, mixed-income, mixed-tenure development - embody healthy signs of attention to economic integration. The key is to make these burgeoning efforts the norm in neighbourhood and housing policy over the next decade. In this regard, the practices and lessons of HOPE VI - and the broader American debate over economic integration - seem particularly appropriate and timely.

Yet the acceptance of immigration as a strategy for neighbourhood transformation relates to broader societal impulses and issues. The United States, in rhetoric and reality, is a nation of immigrants and the liberalising of immigration rules has met with broad cultural receptivity. Thus, it is a natural extension to apply immigration attraction strategies to the neighbourhood realm in America.

In Britain, the broader legitimacy and acceptance of immigration remains a matter of national and societal debate. It is difficult to imagine that neighbourhood strategies around enhancing demographic diversity in Britain will be a systemic solution until that broader debate is resolved.

Engage both the private and not-for-profit sectors

A fifth challenge is that of engaging the private sector and reframing the mission and roles of the not-for-profit sector. To what extent are profit-making enterprises parts of the UK recipe for neighbourhood transformation? Certainly, clear efforts (such as the Local Strategic Partnerships) have been made in the UK to involve participants from many disparate sectors, including the private sector, in planning activities that were once the realm of central agencies or local government.

We should expect, however, that the extent of private sector engagement will be largely determined by the power of local government - the more powerful the local entities, the more likely that private sector players and others will fully engage in 'community visioning'.

The American experience, meanwhile, is as much about action as process. Most cities have one or more business leadership groups (as well as local philanthropies) that often invest substantial time,

effort, and resources in neighbourhood-oriented action. In most places, cultural expectation demands that business leaders will be community leaders. In Cleveland, for example, the main business organisation and the two major foundations are major investors in Neighbourhood Progress Inc, a local intermediary that services the city's community-based organisations.

The real gauge of private sector engagement is the market. To what extent are private sector individuals and firms investors in affordable housing, managers of mixed-income developments, and owners of local and regional businesses employing neighbourhood residents? These broader, market-oriented relationships are clearly the most important measure of success for neighbourhood interventions.

Strengthen implementation

And, finally, there remains the challenge of implementation. Here, too, the record varies. UK policy seems more intent on 'joining up' disparate services than does that of the United States - with similar, thorny barriers to bureaucratic co-operation and co-ordination. The British commitment to performance accountability is also light years ahead of the American system.

On the other hand, the emphasis on accountability has the potential to constrain the flexibility of local players, as discussed above. In addition, the US approach has produced a policy framework that, though flawed, has shown remarkable continuity and consistency. The housing voucher programme has been in place 30 years; the Community Reinvestment Act, 27 years; the low-income housing tax credit, 18 years; the HOME programme, 14 years; and so on. This stability in programme has helped nurture a field of dedicated and knowledgeable practitioners who engage in continuous learning and improvement.

While some British neighbourhood policies and programmes are long-standing, many are quite new. A key test of UK policy in the coming years will be its ability to evolve neighbourhood policy in ways that support and sustain energetic, professional, and imaginative practice.

This critique of UK neighbourhood policy, of course, remains preliminary. It is more a product of observations gleaned from visits and discussions with scholars and national and local policymakers than rigorous analysis and evaluation. And it is offered in clear recognition that our two countries have different starting points on a host of issues - governmental structures, residential mobility, tenant rights, metropolitan decentralisation, racial and ethnic relations - that ultimately shape any effort to share learning on policy.

Yet, despite those differences, the lessons offered here seem to transcend borders (and oceans). Neighbourhood policies in inner cities cannot ignore the basic forces of choice and competition that drive business and residential decisions in the rest of society. Such policies must nest within and connect to the broader metropolitan geography of opportunity. The private sector needs to be engaged early and often in the setting of local priorities and in the rebuilding of local markets. Urban regeneration programmes and policies need to be constant and predictable. More power and responsibility should be devolved to locally elected officials.

Most importantly, neighbourhood policies need to grapple with the negative social and economic implications of concentrated poverty. In the end, concentrated poverty is the 'underlying cause of weakness or evil in the community' that Joseph Rowntree was so concerned about 100 years ago. By contrast, the focus of most neighbourhood efforts - dilapidated housing, deteriorating town centres, poor educational performance - remain 'superficial manifestations' of these urban settlement patterns.

It is this basic understanding - more than any clever financing tool or delivery mechanism or accountability scheme - that needs to inform and energise the neighbourhood policies of both our countries in the coming decades. It is this basic understanding that can drive a new, firm, sustainable commitment to 'neighbourhoods of choice and connection' and to true opportunity for people and places now left behind.

And so, as we go forward, much potential for productive transatlantic learning lies ahead of us. Britain and the United States - because of our shared language, history, culture and values - have always engaged in the adoption and adaptation of policy ideas and practices. The regeneration of our most distressed neighbourhoods seems to hold out a fine opportunity for policy exchange as we enter this new century. We have much to learn from and teach each other.

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