
Deconcentration: What Do We Mean? What Do We Want?

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The term *deconcentration* has become central to Federal housing policy, with a variety of meanings:

- | Creating income diversity within public housing developments that continue to be owned and operated by public housing authorities under the rules of the public housing program.
- | Creating income diversity in new or redeveloped housing projects, including former public housing projects redeveloped under the HOPE VI program.
- | Encouraging the use of tenant-based housing vouchers for families to relocate to neighborhoods that will improve the life opportunities of family members.

But to which neighborhoods should we encourage families using vouchers to move, and what do we actually mean by income diversity within a housing development? Neither policy nor research has yet provided clear answers to these two questions, which will be the focus of this article.

To What Sort of Neighborhoods Should Voucher Families Move?

This question has several dimensions:

- | What types of neighborhoods provide increased opportunities for adults and children in poor households?
- | How good a proxy for neighborhood quality is percentage of persons in poverty? Should a neighborhood have income diversity as well as a relatively low level of poverty? Are there other dimensions besides income that should be taken into account, in particular, race?
- | Should we think of neighborhood quality in absolute or comparative terms? Is any improvement an improvement or are there thresholds that must be crossed before neighborhood quality makes a difference?
- | What are the tradeoffs between neighborhoods defined by Federal policy through use of consistent and available data such as census data and neighborhoods defined by local implementers of deconcentration policies?

- ‡ Should some families be encouraged to change neighborhoods in small steps rather than moving immediately to a much better neighborhood?
- ‡ Are some neighborhoods too vulnerable to sustain even a small increase in the number of poor households?

What Does Neighborhood Quality Mean for Poor Families and Their Children?

Much of the analysis of neighborhood quality to date has focused on the most distressed neighborhoods (Jargowsky, 1997), rather than on how to define a neighborhood that has positive effects on poor adults and children. Ingrid Ellen and Margery Turner have provided us with the best outline to date, setting forth hypotheses about why neighborhood might make a difference based on the research literature regarding environmental influences on behavior at various life stages (Ellen and Turner, 1997). According to Ellen and Turner, desirable neighborhood characteristics include:

- ‡ Access to good services, especially to good schools.
- ‡ Presence of adults who can serve as role models for acceptable behavior.
- ‡ Absence of negative influence from peers, especially for teenagers.
- ‡ Informal networks through which to gain access to services and employment.
- ‡ Low levels of crime and violence.
- ‡ Physical access to jobs.

Low Poverty: Absolute Levels

Most operational definitions of neighborhood quality have focused on the poverty rate as a proxy for other dimensions of neighborhood quality that can be measured by the census, and implicitly for dimensions that cannot. Sandra Newman and Ann Schnare compare the poverty rate with other census-based measures and find that poverty is a reasonable proxy for other indicators.¹ Paul Jargowsky argues strongly for poverty alone, rather than combining poverty with unemployment, welfare dependency, and other indicators of social dysfunction (Jargowsky, 1997; pp. 23–26). These analysts, however, are focusing on what makes a truly dysfunctional neighborhood—a slum or a ghetto—rather than on what makes a neighborhood with positive influences on families and their children.

Most analysts follow Jargowsky and use 40-percent poverty as the level above which a neighborhood is clearly a ghetto, slum, or “underclass” neighborhood.² By the early

1990s, HUD already was using this rule of thumb, for example, in a proposed site and neighborhood regulation that would have prohibited the construction of new assisted housing projects in such areas. Neighborhoods with poverty rates greater than 30 percent sometimes are classified as high-poverty neighborhoods (for example, Cunningham et al., 2000).

At the other end of the spectrum, the target neighborhoods under the Moving to Opportunity (MTO) demonstration—the neighborhoods to which MTO experimental families must move—have poverty rates below 10 percent. This threshold was chosen because the national poverty rate is approximately 10 percent. The designers of MTO wanted to make sure that the neighborhoods to which families moved would be very different from their original neighborhoods, so that the core research question—whether neighborhood matters at all—could be answered unambiguously. It was not intended to be used for the mainstream voucher program or to imply that neighborhoods with poverty rates between 10 and 20 percent, or even 30 percent, were undesirable.

That range of neighborhoods—with poverty rates between 10 and 30 percent—is precisely the range within which most housing policy operates. And it operates without much knowledge about what intermediate poverty rates—10 to 20 percent, 20 to 25 percent, and so forth—imply for neighborhood quality.

For a national benchmark against which to assess the performance of the voucher program as a whole, HUD has chosen a 20-percent poverty rate, on the assumption that neighborhoods with between 10 and 20 percent of their population in poverty still basically function as middle-income neighborhoods.³ Analysts rating the neighborhoods in which public and assisted housing units are located go along with this assessment without subjecting it to much scrutiny (Khadduri et al., 1996).⁴ This definition of a neighborhood providing opportunities for poor families and their children passes the weak test that no one has objected strongly by pointing out real-life contrary examples.

What about neighborhoods in the intermediate range: 20- to 30-percent poverty? This is the most difficult area. Jargowsky (1997; p. 11), citing his earlier field research with Mary Jo Bane, describes neighborhoods with poverty rates in that range as “working-class or lower-middle-class communities,” but only on the basis of their visual appearance and the fact that local informants did not include them on lists of

“slums.”⁵ Some 20 million people live inside metropolitan areas in census tracts within this range of poverty; these are neighborhoods in which a large number of housing units within the voucher program’s fair market rents (FMRs) often are located.

We need to develop more systematic knowledge about neighborhoods with poverty rates in the range of 10 to 30 percent, asking at least the following questions:

- | How do neighborhoods at different levels of poverty and with other easily measurable characteristics typically perform against the hypotheses laid out by Ellen and Turner about what constitutes a good neighborhood?
- | At what level of poverty, and with what other characteristics, is a neighborhood likely to be undergoing rapid change—either improvement or deterioration—so that a classification based on a decennial census poverty rate is likely to be wrong?
- | Should definitions of neighborhood quality take race as well as poverty into account? Should they always do so, or only for some metropolitan areas or some parts of the country?

Fortunately, the MTO demonstration may help answer some of these questions, particularly how neighborhoods perform for families against the Ellen and Turner hypotheses. While MTO experimental families are required to move to neighborhoods with poverty rates of less than 10 percent, one of the demonstration’s two control groups consists of families who received regular vouchers, unrestricted as to location. Many of the families in this Section 8 control group used their vouchers to move to neighborhoods with poverty rates in the 10- to 30-percent range. The interim evaluation of MTO, which was just getting under way at the end of 2000, will study the influence of neighborhood characteristics, informal and formal support networks, social norms, and institutional resources on these families approximately 5 years after they joined the program.⁶

Analysis of the processes through which members of poor families interact with neighbors and neighborhood-based institutions may show that the income diversity within a census tract is more important than either the poverty rate or the average income in the tract. Two different census tracts with average poverty rates of 25 percent can be imagined. One is fairly homogeneous, with most households just above the poverty line. The other is more diverse and includes substantial numbers of middle-income households. These neighborhoods could present quite different

opportunities. For example, the more diverse neighborhood could provide better access to high-quality services and better networks for finding out about jobs. Conversely, the more homogeneous neighborhood might have more social cohesiveness.

The question about the interaction between poverty levels and race is particularly important. Should highly segregated neighborhoods—in particular those in which virtually all residents are African-American—be held to a different standard? The hypothesis is that neighborhoods marked by this kind of racial isolation will provide fewer opportunities at a given poverty rate than racially mixed or largely nonminority neighborhoods because of weaker ability to access services and weaker employment networks.⁷

Regional differences may exist in the degree to which predominantly African-American neighborhoods are isolated and disenfranchised. For example, Jargowsky (1997; p. 133) shows regional differences in the percentage of the African-American poor who live in census tracts with more than 40-percent poverty rates, ranging from 12 percent in Ft. Lauderdale to 45 percent in Chicago despite similar overall African-American poverty rates in the two cities. In some parts of the country, therefore, a double test—percentage poor and percentage nonminority or non-African-American—may be needed, while in other parts of the country it is not.

In Chicago, the contract between the Chicago Housing Authority and the private company managing Chicago's voucher program provides financial incentives for increasing the number of families with children located in neighborhoods with a poverty rate of less than 23.49 percent. This cutoff reflects the average poverty rate of census tracts in Chicago that are accessible within the voucher program's maximum rent levels. Believing that predominantly African-American census tracts with poverty rates in the 20s do not have access to good public services, the counseling agencies helping families relocate from distressed public housing use a double test for defining an "opportunity neighborhood." The census tract also must have a population that is less than 30-percent African-American.

Low Poverty Relative to Local Poverty

Without a well-developed body of knowledge on the neighborhood quality represented by different levels of poverty below 40 percent, HUD policymakers have taken a relativistic approach. The assumption is that lower poverty is better than

higher poverty, and that the voucher program has, on the face of it, not been doing as well as it could in providing opportunities to live in low-poverty neighborhoods. Incremental improvement should be expected and rewarded.

The key policy tool in effect across the voucher program is the Section 8 Management Assessment Program (SEMAP) that soon will begin to rate program administrators as high, medium, and low performers. SEMAP already is taken seriously by program administrators because of the implicit threat that ratings will affect competition for additional vouchers and other resources.⁸ After much internal deliberation and consultation with public housing authorities (PHAs) administering the voucher program, HUD included in the SEMAP rating system a five-point bonus available to PHAs that score well on a fairly complicated measure of deconcentration.⁹

SEMAP defines a low-poverty area as an area with lower than average poverty for the geographical area in which the PHA operates.¹⁰ PHAs can get five bonus points by presenting evidence that shows that at least one-half of program participants with children already live in low-poverty tracts or that the percentage is increasing.¹¹

The SEMAP deconcentration measure has taken on increased importance very recently. HUD has just announced its intention to permit substantial increases in the fair market rents (FMRs) that govern the maximum subsidy level in the voucher program (from the current 40th percentile local rent to the 50th percentile). Among the places for which these increases are permitted are large metropolitan areas in which voucher users are concentrated in a small number of census tracts, and in which 70 percent or fewer of the census tracts in the metropolitan area are “accessible” to voucher holders at the current FMR.¹² PHAs that qualify for higher FMRs on this basis and elect to use them will be required to use the SEMAP deconcentration measure as part of their basic SEMAP score (2000).

By focusing on the relative poverty level within a PHA’s service area, the SEMAP deconcentration measure sidesteps the question of what to do about a jurisdiction with a very high overall poverty rate. The reality of the administration of the Section 8 program is that it is local rather than regional, and the designers of the SEMAP standard felt they had to live with that reality. But there are doubtless more than a few jurisdictions in which census tracts with a poverty rate below but close to the average poverty rate are not provided with access to good schools, job networks, and so forth. By pushing the definition of a neighborhood that provides opportunities into the 20- to 30-percent poverty range for jurisdictions with a relatively high level of poverty,

they make the need for more sophisticated analyses of what makes a good neighborhood even more acute.

Definitions Based on Local Information

Basing definitions of *opportunity neighborhoods* on census data has clear advantages for program administration: eligibility thresholds can be set, programs can be monitored, and performance can be measured. Census data, however, has well-known limitations. It ages and is less useful at the end of a decade than at the beginning, which may be a greater problem in the very census tracts about which we are most concerned: those in the middle ranges between clear concentrated poverty and clear affluence. In addition, functional boundaries of neighborhoods may not always coincide well with census tract boundaries.

Most important, census tracts that look the same by income, demographic characteristics, rents or house prices, or other elements measurable by the census may provide very different opportunities. For quality of education, the relevant area may be much larger than the census tract, and this may differ greatly from place to place depending on how the schools are organized geographically and administered locally. Access to a transportation net with reasonable commuting times to job centers cannot be measured through census data. The level of social cohesion, the strength of community-based institutions, and whether public and private investment are increasing or decreasing can be measured only through local information.

This all implies that the definition of opportunity neighborhoods should be made locally. However, the experience of the Regional Opportunities Counseling (ROC) program suggests caution about leaving the definition of opportunity neighborhoods entirely up to local program designers. For ROC, definitions of low-poverty areas range from 5 percent or fewer households in poverty to just under 40 percent of persons in poverty. This large range of definitions does not mirror real differences in local housing markets or neighborhood dynamics, but appears related instead to differences in how seriously the ROC site took the objective of moving to a lower poverty neighborhood (Quadel Consulting Corporation, 2000).

We need to think more about how to design a system that encourages definitions that are matched to local conditions, but does not result in local program designs that are even less well-grounded in understanding the dynamics of poverty and neighborhoods than are imperfect Federal rules.

Incremental Changes for Families

It is important to set goals and to measure performance against benchmarks for the voucher program both nationally and for individual PHAs. However, this does not mean that a move to a low-poverty neighborhood is the right decision for every individual family. How to relate goals for deconcentration to individual family needs has become a particularly pressing issue with the widespread use of housing vouchers to relocate families from distressed public housing developments that then are removed from the regular public housing program, either through demolition or through HOPE VI redevelopment.

It is possible to take an incrementalist approach to setting goals for particular families in two ways.

First, one can posit that differences in neighborhood quality are linear and that any reduction in neighborhood poverty for a particular family is an improvement.

Second, some families may want to, or be prepared to, change neighborhoods in stages, rather than immediately moving from very high poverty to low poverty. This may depend on the context. Perhaps our expectations for families moving out of distressed public housing developments should be different from our expectations for other families using vouchers. Families relocating from public housing are more likely than other families to face extreme discrimination in the private rental market and to have multiple family problems.¹³ Compared with public housing developments that have more than a 70-percent poverty rate, a private rental unit in a neighborhood with a poverty rate between 30 and 40 percent may be a real improvement even if it does not meet an ideal definition of neighborhood quality.

We already have some limited evidence in support of this notion idea. Early analysis of the experience of MTO families in Boston found that even those in the control group who use regular vouchers and move to neighborhoods with fairly high poverty levels have improved their psychological and physical health, because their exposure to violent crime and environmental health hazards has decreased (Katz et al., 2000).

But can we take a completely relativist position or are there thresholds of poverty and distress beyond which degrees of poverty concentration as measured by the census make no real difference (Jargowsky, 1997; p. 23)? Analysis of the effect of neighborhood on the educational attainment of children by Newman et al. (1998; pp.

23–24) suggests that, at least below the level of a 40-percent poverty rate, there are no thresholds for the particular outcome of staying in school: “There appears to be a linear relationship between educational attainment and average neighborhood poverty experienced from birth to age 15.” For children ages 6 to 10, “each 10 percentage point increase in neighborhood poverty [reduces] completed schooling by one-fourth of a grade.”

Many mobility counseling programs are focusing on recruiting families from among those who already have used a housing voucher for at least 1 year. This may be a sensible way of structuring deconcentration efforts so that they are sensitive to the needs of individual families. In particular, it enables the counseling agency to separate the imperative of helping the family to use a voucher within the time allotted by the PHA from efforts to help the family move to a better neighborhood (Quadel Consulting Corporation, 2000).

Are Some Neighborhoods Too Fragile?

Some families—especially those moving from distressed public housing—may change the character of their neighborhood only modestly and still be much better off than they were before. Some families may succeed in moving out of concentrated poverty by incremental steps. It is important, however, to pay attention to the effect of such moves on the receiving neighborhood.

Placing certain neighborhoods off limits to any additional voucher leases is too sweeping. It would be unfair to families who already live in the neighborhood, get a voucher and do not want to move. It also would be unfair to families who for reasons of family ties or access to services want to move into a particular neighborhood. Furthermore, from the housing allowance experiments of the 1970s to the most recent studies of mobility patterns in the voucher program, evidence suggests that families use vouchers to improve the quality of their neighborhoods by moving to areas that have lower poverty and are more racially diverse but are only a short distance from where they lived before.¹⁴

Nonetheless, we have had growing evidence since the mid-1980s that the pure family choice model of how the voucher program works is not how it really works. In many places, the voucher program operates on the basis of submarkets of owners who make renting to voucher holders their regular line of business (Finkel and Kennedy, 1992). This may be exacerbated by administrative practices, such as giving families lists of

willing landlords, or even by mobility counseling programs if those programs focus on a limited network of housing providers.

It is possible for a neighborhood to experience a rapid influx of voucher families, and this is something that self-conscious program administrators should watch. Every housing authority that administers the voucher program should be mapping the locations of units under contract and tracking how the pattern changes, differentiating between new voucher families who have rented their preprogram unit and families who have used a voucher to move into a housing unit. When a large number of movers choose housing in a certain neighborhood, it is important for the housing authority—and counseling agencies working with voucher families—to analyze what is happening in the neighborhood. Is this simply a neighborhood with large numbers of units that can be rented within the program's fair market rents? Or is it a neighborhood that has been destabilized by rapid racial transition or that is fragile in other ways?

We have evidence from the MTO demonstration only for a small number of relocating public housing families in Baltimore. But that evidence suggests that a very large percentage of families relocating from Baltimore public housing have indeed moved to the northern tier of Patterson Park. This inference is drawn from the MTO control group families, who used vouchers without mobility counseling and without a requirement that they move to low-poverty census tracts.

Racial transition occurs in city neighborhoods for reasons that are beyond anything that the voucher program could cause. Furthermore, without racial change, poverty concentrations or ghettos may expand as households without vouchers move across census tract borders to adjacent neighborhoods with the same racial composition. For example, Jargowsky's analysis of Milwaukee suggests that adjacent border tracts, with 20- to 40-percent poverty rates, may be receiving most of the population outflow from tracts that are more than 40 percent poor and have declining populations (Jargowsky, 1997; p. 52). *But where these processes are occurring, the voucher program should not be augmenting the trend, either in appearance or in reality.*

This does not mean that neighborhoods of a mixed racial character should be avoided. Most African-Americans say that, given a choice, they would live in racially mixed neighborhoods (Rosenbaum et al., 1999; p. 12). Given the demonstrated

importance of same-race role models, especially for male teenagers, an all-White neighborhood may not be an ideal *opportunity neighborhood* for African-American families (Ellen and Turner, 1997; p. 857).

Nor is it the case that every neighborhood that raises complaints about the voucher program is a neighborhood to be avoided. In many such places—perhaps most such places—the neighborhood is not undergoing rapid racial transition or on the borderline of ghetto expansion. In these places, basic sound and community-conscious administration of the voucher program is all that is needed.¹⁵

What is needed are analytical tools to help PHAs and counseling agencies distinguish the truly fragile neighborhoods and manage their programs in a way that discourages families from moving to those neighborhoods without imposing an out-and-out prohibition. A good start would be to provide HUD's Community 2020 mapping software to all PHAs along with guidance on how to use it in connection with the PHAs' administrative data on participating households.

What Do We Mean by Mixed-Income Housing?

The transformation of public housing has fundamentally altered the discussion of income diversity in individual housing developments. Analysts of mixed-income housing no longer insist that it include middle-income households (Epp, 1996). Discussion of mixed-income housing is now explicitly put in the same intellectual framework as the discussion of neighborhood quality: that is, what are the potential benefits for households with incomes below the poverty line, and especially households that include children (Brophy and Smith, 1997; pp. 5–6; Khadduri and Martin, 1997; pp. 34–37)?

Advantages of Mixed-Income Housing

The case for mixed-income housing that includes families with children living below the poverty line has many of the same elements as the case for such families moving to low-poverty neighborhoods: role models, absence (or reduction) of negative peer influences, networks that lead to jobs and services, and low levels of crime and violence. The case is not precisely the same, however, nor can it be. Housing developments are located in particular neighborhoods, so the benefits of an economically diverse community will be constrained or enhanced by the character of the surrounding area. The advantages of a mixed-income development will be most

clear-cut when it provides an opportunity for poor families and their children to live in a neighborhood from which they otherwise would be excluded by economic or other barriers.

For example, the argument about access to good services and good schools works somewhat differently for mixed-income projects than for neighborhoods. Even if the mixed-income project is in a fairly high-poverty neighborhood, it may be that exposure to families with relatively higher incomes will help families in poverty gain access to better services than they otherwise would be able to do. For example, in a neighborhood with inferior or dangerous schools, poor families in a mixed-income development may be more likely to enroll their children in magnet schools or to join their somewhat better-off neighbors in demanding better performance from the neighborhood school.

Mixed-income housing is thought to have another advantage not explicitly considered by the Ellen and Turner characterization of good neighborhoods. This advantage focuses on the quality of the housing itself, arguing that households with real choices among housing units will not tolerate poor management. This argument has been used in the past in support of the notion that a mixed-income development had to include market rate or middle-income families. Extensive use of the Low-Income Housing Tax Credit (LIHTC), for example, in HOPE VI mixed-finance developments, will test whether this is the case. Do households with incomes between 50 and 60 percent of area median income have sufficient alternatives to insist that their development be well-maintained or else move?¹⁶

Given these objectives for income mixing, what sort of operational definitions of mixed-income housing make sense? What do we know from examples of mixed-income housing that include poor families with children?

Defining Mixed-Income Housing

Most analyses of mixed-income rental housing, as well as efforts aimed at creating such housing, have used *bands* of income levels into which residents of the development are sorted: for example, below 30 percent of area median income, 30 to 50 percent, 50 to 80 percent, and above 80 percent. While there have been various rules of thumb about the maximum percentage of households in the lowest income tier compatible with marketing units to households with relatively higher incomes, no one really knows what is feasible in different types of neighborhoods and housing

markets (Brophy and Smith, 1997; pp. 25–36). Nor do we have much evidence so far on how diverse the incomes of households in a development need to be in order to attain the social benefits hypothesized for poor families and their children.

Attempting to identify examples of mixed-income housing within the privately owned HUD-subsidized multifamily housing stock, Marge Martin and I used a definition constrained by the limitations of our data set, which indicated where each household's income fell within fixed dollar bands (Khadduri and Martin, 1997; pp. 41–44). We considered a project to have a mixed-income character if:

- | At least 20 percent of the households had annual incomes below \$10,000 (a proxy for the poverty level), *and either*
- | At least 20 percent of the households had annual incomes greater than \$20,000, *or*
- | At least 70 percent of the households had wages as their primary source of income.¹⁷

|
When we visited projects, we found that these definitions appeared to work fairly well. The projects we defined as mixed-income appeared to be well-managed, had no visible signs of distress, and the onsite managers confirmed that working was the norm and few families had serious behavioral problems. Even though these were fairly large developments, exposure to criminal activity and violence appeared to depend on the character of the surrounding neighborhood rather than on the project itself. But we were unable to learn about the nature of neighboring, role models, peer group influences, and networks linking families to services and jobs.

Case Studies of Mixed-Income Housing That Includes Poor Families With Children

Paul Brophy and Rhonda Smith conducted more intensive site visits to mixed-income rental developments meeting no prior definition for percentages of households within various income bands. They concluded that due to low levels of neighboring, “the mere physical integration of tenants with mixed incomes is unlikely to produce the intended results [for the behavior of low-income residents]. Social services and upward mobility programs will also be necessary” (Brophy and Smith, 1997; pp. 6, 9, 12, 16, 25). Interestingly, the development to which they give highest marks in these dimensions also had the fewest households with an income above 50 percent of area median income.

Lake Parc Place in Chicago combines households from two income tiers—0 to 50 percent of area median income and 50 to 80 percent of area median income—in a development that is operated as public housing by the Chicago Housing Authority. All households in Lake Parc Place are African-American. Based on a survey of residents taken 1 year after Lake Parc Place was reoccupied as a mixed-income development, James Rosenbaum and his colleagues found a fairly high degree of interaction among households from the two income bands. They found that Lake Parc Place was a strongly managed development in which residents felt safe, despite living in a high-poverty and high-crime neighborhood. However, it was too early to detect whether this model of mixed-income housing would have any effect on the self-sufficiency of households in the lower income tier (Rosenbaum et al., 1998; pp. 732–735).

As HOPE VI developments are completed and occupied, we will have more evidence on a variety of mixed-income housing models. All HOPE VI developments are to be reoccupied in part by previous residents of the public housing project that was redeveloped. Some will have a broader range of incomes than has been typical in big city public housing in recent years, but few residents will have incomes greater than 50 percent of area median income. Other HOPE VI sites will be mixed-finance developments that depend on LIHTC for the upper tier or nonpublic housing part of the development. That group will have incomes up to 60 percent of area median income, probably between 40 and 60 percent of median. Still other HOPE VI developments will have some households paying unconstrained market rents, with incomes around median income or even higher.

Hillside Terrace in Milwaukee, Wisconsin, is a HOPE VI development that remained 100-percent public housing when it was reoccupied in 1998. However, the housing authority put households with incomes above the project's former median income at the top of the waiting list and required prospective new residents to meet with a resident screening committee and to sign a lease addendum agreeing to meet several standards for family responsibility.¹⁸ Combined with the attraction of a redesigned project, the result is a very different profile of tenants, even though 94 percent have incomes below 50 percent of area median income and half of the residents lived at Hillside before the redevelopment. Households with extremely low incomes (below 30 percent of median) dropped from 90 to 66 percent. The percentage receiving public assistance dropped from 83 percent to 18 percent, while the percentage with earned

income increased from 17 to 58 percent. The residents are still close to 100-percent African-American (Baker et al., 2000; pp. 15–17, 21–25).

Hillside might be considered another model for income diversity, with a broader range of incomes and a higher percentage of working households than is typical of Milwaukee or other big city public housing. A combination of physical redesign, explicit security measures, and occupancy policies appears to have dramatically reduced crime at the development (Baker et al., 2000; pp. 48–50). A high degree of community cohesiveness and neighboring exists (Baker et al., 2000; pp. 28–29). Hillside remains in a very poor neighborhood, however, and sustained funding of social services at the development is open to question (Baker et al., 2000; p. 55). Researchers will return to Hillside in a few years for additional data collection, including another survey of residents. That study will help us determine whether a development with this modest degree of income diversity *and* without the advantages of location in a low-poverty area can achieve the presumed benefits of mixed-income housing.

Later this year, my colleagues at Abt Associates Inc. will begin to analyze survey results of residents of other reoccupied HOPE VI developments with a greater degree of income mixing. Those surveys will begin to tell us about interactions among households with greater differences in income levels and greater racial diversity.

Deconcentrating Mainstream Public Housing

The entire public housing program now has greater flexibility to attract households with a broader range of incomes. Under the Quality Housing and Work Responsibility Act of 1998 (QHWRA), 40 percent of households newly admitted to public housing must have incomes below 30 percent of area median income, but the remainder of new admissions can have incomes as high as 80 percent of median. QHWRA also permits public housing authorities (PHAs) to establish ceiling rents at a level that makes public housing attractive to relatively higher income households and to apply disregards of earned income that should encourage relatively higher income households to live in public housing.

QHWRA also contains a provision requiring PHAs to “bring higher income tenants into lower income projects and lower income tenants into higher income projects.”¹⁹ The regulation that will implement this provision again uses the concept of bands. In this case, the purpose of the bands is to define a middle range of developments to

which the QHWRA provision need not imply. The PHA must have a “deconcentration policy” for any developments with an average income greater than 115 percent or less than 85 percent of the average income for all developments. Projects for the elderly and disabled are excluded, and the PHA may apply for exemptions for other projects in which it is carrying out special policies. PHAs have broad discretion to choose strategies to bring about deconcentration, including marketing, rent incentives, capital improvements, admission preferences, and skipping families on the waiting list to find a lower (or higher) income family.²⁰

What the QHWRA provision and the deconcentration rule are seeking to avoid are admissions practices under the new, more flexible income targeting and rent setting of QHWRA that create or perpetuate a dual system described in the introduction to the rule. “In some cases, relatively higher income families may have been directed to higher income, ‘better’ buildings in better neighborhoods, or similar discrimination might have been practiced on the basis of racial or ethnic background.”²¹

There is indeed evidence that the public housing program contains some high-end projects in which few households have incomes below the poverty line, and that those projects are much more likely than others to be in low-poverty neighborhoods (U.S. Department of Housing and Urban Development, 1998; p. 26). The greater flexibility provided by QHWRA creates the risk that the number of such developments could increase, unless PHAs are required to analyze the occupancy patterns of their developments in a self-conscious and transparent way.

What neither QHWRA nor the deconcentration rule provides is a standard for what we mean by mixed-income housing: not simply whether the development is high-end or low-end within the PHA’s overall occupancy patterns, but what fractions of poor families with children make sense within housing developments and in what circumstances. The fact is that we do not know, because we are only beginning to study the dynamics and results of mixed-income housing,²² just as we are only beginning to study the positive effects of neighborhoods on families and their children. And once again, one of the issues about which we need to know more is the effect of racial and ethnic patterns as well as income patterns.

The limited information that we have from case studies and from the literature on role models implies that racially and ethnically diverse developments may have some real

advantages when the diversity occurs across income groups in a development (Brophy and Smith, 1997; pp. 10–12). Developments comprised of one racial or ethnic group in a lower income tier and a different group in a relatively higher income tier, however, should not be dismissed as unsuccessful mixed-income housing without the further study that more experience, especially more experience with HOPE VI, will permit.

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Endnotes

¹ Newman and Schnare use a number of census-based indicators of neighborhood quality: median income, median gross rent, percentage households on welfare, and percentage in underclass tracts as defined by Sawhill and Ricketts (Newman and Schnare, 1997).

² Jargowsky and Mary Jo Bane (Jargowsky, 1997; pp. 10–11) found that “neighborhoods selected using a 40-percent poverty rate came closest to matching those that were subjectively identified by knowledgeable local individuals.”

³ Jargowsky and Bane (1991) provide weak support for this assumption.

⁴ At the same time they appear to accept census tracts below 20-percent poor as providing “neighborhood quality,” Newman and Schnare classify middle-income neighborhoods as those with median income above \$30,000 in 1990, which appears closer to the 10-percent poverty level. They note the failure of all housing assistance programs, even vouchers, to locate families in such census tracts at rates any higher than the rate at which the welfare population lives in such tracts. They cite studies that have concluded that having neighbors with incomes above that level is associated with increased years of school completed by neighborhood children (Newman and Schnare, 1997; pp. 705–706).

⁵ Jargowsky applies this characterization even to neighborhoods in the 30- to 40-percent poverty range. The Jargowsky and Bane fieldwork was limited to eight large cities and a number of smaller cities (Jargowsky and Bane, 1991; p. 239).

⁶ Findings about these families will not be as conclusive as one might hope. They will be subject both to limitations of sample size and to the fact that experimental counterparts to these families in the other two study groups (the experimentals and the control group that did not receive vouchers but remained in public housing) cannot be identified.

⁷ Ellen and Turner (1997; p. 841) cite a theory by J.H. Braddock suggesting that isolation from other races in youth will have a negative effect on jobseeking behavior by African-Americans in later life. John Iceland and David R. Harris (1998; pp. 5–6ff) develop empirical evidence that firms seek to locate away from African-American neighborhoods.

⁸ In addition, scores affect the professional reputation of program administrators and their ability to compete for resources within housing authorities or other parent institutions.

⁹ *Federal Register*, September 10, 1998, pp. 48, 550–48, 551, 48,557–48,558.

¹⁰ A low-poverty area also is defined as an area with less than 10-percent poverty for jurisdictions with average poverty lower than 10 percent.

¹¹ A group of researchers at the Urban Institute led by Christopher Walker compared the extent to which all poor households in a jurisdiction live in low-poverty census tracts with the extent to which units subsidized by the HOME program are located in low-poverty census tracts. This approach to a relativistic standard may be better than using the average percent poverty in the jurisdiction because it uses the performance of the private housing market as a benchmark (1999).

¹² To be considered accessible, at least 30 percent of two-bedroom rental units in the census tract must have rents below the 40th percentile FMR.

¹³ Again, much of the focus on this issue has involved Chicago, and that is where our best information comes from (Popkin et al., 2000).

¹⁴ Cite from Housing Allowance Demand Experiment (Atkinson et al., 1980; Cunningham et al., 2000; pp. 23–30).

¹⁵ Abt Associates Inc. is conducting a study for HUD of neighborhoods in which controversy has erupted at some point about the tenant-based Section 8 program. The study will be completed at the end of 2000, and its products will include a guidebook for PHAs on how to manage neighborhood issues.

¹⁶ Within the public housing context, it has sometimes been argued that greater income diversity is needed for financial reasons, because at some point the Federal Government will stop paying subsidies based on the difference between a cost standard and the actual incomes of public housing tenants. Now that QHWRA has been enacted and the public housing-negotiated rulemaking committee has had its deliberations, this argument has less force. It is a different issue in any case, and has nothing to do with what benefits poor families and their children.

¹⁷ We omitted from the study projects serving primarily elderly and disabled households.

¹⁸ One example is enrolling children in supervised activities.

¹⁹ S.16(a)(3)(B)(i) of the U.S. Housing Act of 1937.

²⁰ The final version of the rule had not been published as of this writing. This description is based on HUD staff accounts reported in *Housing and Development Reporter*, November 13, 2000, volume 28, no. 28, pp. 419–420.

²¹ *Federal Register*, April 17, 2000, p. 20,686.

²² It is remarkable that most studies of mixed income housing still cite as one of the major sources a modest survey of residents of mixed income housing developments in Massachusetts from the early 1970s (Ryan et al., 1974).

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