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Neighborhoods of Choice and Connection:
The Evolution of American Neighborhood Policy and What It Means for the United Kingdom

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"A true rebirth of distressed areas will only occur if we make these places neighborhoods of choice and connection."

This paper prepared for delivery as the Joseph Rowntree Foundation's Centenary Event in London surveys the contours of American neighborhood policy since the 1960s and proposes a new goal for such work in the U.S. and U.K.: the creation of "neighborhoods of choice and connection." The paper opens with an overview of the nature of American neighborhood distress and how leaders have responded to it in recent decades. This section contends that three distinct sets of neighborhood policies have emerged over time and that there are strengths and limitations to each. Drawing on this analysis of the American experience, the paper then provides a series of observations on how community leaders and policymakers on both sides of the Atlantic can embrace a new neighborhood paradigm that seeks to attract residents of all strata while linking them also to good-quality education, training, and other routes to economic opportunity.

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 programs, these communities seem strangely out of place in this 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 neighborhoods 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 programs. And yet, the impact of these efforts—amounting to tens of billions of dollars over several decades—remains decidedly mixed. To be sure, some neighborhoods 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 blush, the American neighborhood experience and American neighborhood policy appear far removed from the demographic, market, development, social, and governance realities of Britain. Neighborhood conditions in the U.S. 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 like health care and child care. American metropolitan economies are dispersed and decentralized, leaving inner-city neighborhoods isolated and remote from the new locus of economic activity. And America's central government—despite its array of neighborhood interventions—remains mostly hostile or indifferent, and leaves most urban neighborhoods (and cities, for that matter) to fend for themselves.

And yet, there is much to learn from the American experience, in part because U.S. neighborhood 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 neighborhoods of high poverty be revitalized if their socioeconomic composition, their concentrated levels of poverty, remains the same? What neighborhood 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 organizations in revitalizing neighborhoods and regenerating markets? What is the role of the private sector?

In fact, the most advanced American neighborhood policies are now trying to do exactly what the British philanthropist Joseph Rowntree intended for his foundations to do: to "…search out the under-lying 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 U.S. 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 neighborhoods of choice for individuals and families with a broad range of incomes and neighborhoods of connection that are fully linked to metropolitan opportunities.

For Britain and America alike, this thesis fundamentally challenges neighborhood policies which, under the guise of "revitalizing communities," reinforce patterns of concentrated poverty—the root cause of neighborhood distress. It also demands that neighborhood 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 suggest the broader context for areas of deprivation in the U.S. The section will set the basis for later policy discussion by providing a basic overview of who lives in these neighborhoods, 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 neighborhood policies.

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

Finally, the paper will discuss "what this means" for U.K. neighborhood 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: Neighborhoods of Concentrated Poverty

Since the 1960s, the study of urban neighborhoods in the U.S. 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's been ignored—on a generation of policymakers and programs.

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 central cities? Is it more prevalent in one region of the country? What is the impact of these places on families? Do neighborhoods matter? Why do these places exist? What can be done about them?

Several major conclusions emerge from the literature.

First, concentrated poverty is the most common way of identifying and describing areas of deprivation in the United States. Neighborhoods 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 neighborhoods 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.

"Deprivation most commonly stems from concentrations of poverty."

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 U.S. 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 neighborhoods where 40 percent of the residents have incomes below the poverty line "high poverty."[3] Tom Kingsley and Kathleen Pettit of the Urban Institute, by contrast, deem a 30-percent poverty rate "high poverty" and label areas with a 40-percent rate as "extreme poverty" neighborhoods.[4] There is even some thinking that the negative impacts of concentrated poverty may emerge at much lower levels—say, 20 percent.

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 neighborhood trends using those standards.

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 U.S., 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 U.S. metropolitan areas remained virtually constant (11 to 12 percent) 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 harbor a disproportionate share of metropolitan areas' families below the poverty line. In 2000, for example, the poverty rate in central cities (18.4 percent) was more than twice that in the suburbs (8.3 percent).[6]

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

According to the 2000 census, 3.1 million poor people—12 percent of the metropolitan poor—lived in extreme poverty neighborhoods in 2000. During the same year, a disturbing 6.7 million poor people—26 percent of the metropolitan poor—lived in high-poverty neighborhoods.

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

Why such dramatic change in such a short period of time? Clearly, the strong economy and substantial increases in labor 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 neighborhoods are more likely to live in female-headed households and have less formal education than residents of other neighborhoods. As Kingsley and Pettit recently concluded:

> The share of all families with children headed by single females is 54 percent for the extreme poverty [areas] and 49 percent for the high-poverty [places], compared with an all-metropolitan average of 24 percent. Likewise, the share of adults without a high school degree is 45 percent for the extreme poverty areas and 43 percent for the high-poverty areas, compared with the all-metropolitan average of 19 percent.[7]

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

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

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

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 neighborhoods and in the number of people (poor and non-poor) living in these areas. This accounts in large part for the decline in neighborhoods 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 neighborhoods that are dominated by Hispanics.

If all this sounds complicated, that is the point. Concentrated poverty in the U.S. 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.

Third, concentrated poverty is not an inevitable phenomenon; government policies have helped create it. The empirical evidence discusses concentrated poverty at the neighborhood level. Yet neighborhoods 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 U.S. has undergone profound demographic and market change—substantial population growth, waves of new immigration, deindustrialization—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 decentralization 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 central cities and older suburbs. In the largest metropolitan areas, the rate of population growth for suburbs was more than three times that of central cities—60.3 percent versus 17.2 percent—between 1970 and 2000.

The central-city share of the largest metropolitan areas declined steadily throughout this period and by 2000 the central 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]

"Concentrated poverty is not inevitable; government policies have helped create it."

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 centers 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 percent of the population works within three miles of the city center. In cities like Chicago, Atlanta, and Detroit, employment patterns have radically altered, with more than 60 percent of the regional employment now located more than 10 miles from the city center.[9]

In the midst of these broad decentralizing patterns, most metropolitan areas in the U.S. 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, D.C. metropolis, 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, it should be stressed, are not accidental; they have been deeply influenced by the politics of racial and ethnic exclusion that are practiced by suburbs throughout the country. These policies have exacerbated the concentration of racial and ethnic poverty in central cities (and increasingly inner suburbs) and helped construct the metropolitan dividing lines that separate areas of wealth and opportunity from areas of poverty and distress. As John Powell has written, "Concentrated poverty should be understood as racial and economic segregation combined. It is the segregation of poor people of color from opportunity and resources."[11]

These unbalanced growth patterns are also not inevitable. They are fundamentally shaped by a complicated mix of federal and state spending programs, tax expenditures, regulatory practices, and administrative policies. Federal and state policies, taken together, set "rules of the development game" that tend to facilitate the decentralization of the economy and the concentration of urban poverty.[12]

Some historic policies had profound effects. The federal Interstate Highway Act, for example, literally paved the way for the "exit ramp" economy.[13] Until the 1960s, the Federal Housing Administration "red-lined" many inner-city neighborhoods, denying these places the private-sector capital needed to fuel housing markets.[14] As William Julius Wilson first noted, even civil rights laws played a role by enabling the suburbanization of middle-class blacks and other minorities.[15]

Yet many policies continue to subsidize sprawl, undermine cities, and isolate the minority poor. Federal and state transportation policies, for example, continue to generally support the expansion of road capacity at the fringe of metropolitan areas and beyond, enabling people and businesses to live miles from urban centers but still benefit from metropolitan life.[16] 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 favors suburban communities, particularly those with higher-income residents.[17] 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 neighborhoods.[18] More than half of public-housing residents still live in high poverty neighborhoods; only 7 percent live in low poverty neighborhoods, where fewer than 10 percent of residents are poor.[19] State policy also plays a central role, empowering wealthier suburbs to practice exclusionary zoning and limit affordable housing within their borders.[20]

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).[21]

Neighborhoods of concentrated poverty, then do not arise simply as byproducts 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.

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."[22] A growing "neighborhood effects" literature in the U.S. concludes that neighborhoods of concentrated poverty have a negative impact on the health and life opportunities of low-income families.[23]

Research has consistently shown, for example, that children who live in poor urban neighborhoods (and generally attend neighborhood schools) are at greater risk for school failure as expressed by poor standardized 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 neighborhoods do so. Only about one-third achieve basic levels in math and science—half the fraction of suburban students.[24]

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 U.S. 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."[25]

Why do low-income students perform better in majority-middle-class schools? A recent Task Force on the Common School (organized 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."[26] 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.[27]

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 decentralization 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 central cities. But persistent residential racial discrimination and a lack of affordable suburban housing effectively cut many inner-city minorities off from regional labor 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.[28]

The evidence is also mounting that living in high-poverty neighborhoods has negative health implications, partly owing to the stress of being poor and marginalized and partly owing to one's life transpiring in a deprived environment of dilapidated housing and run-down neighborhoods.[29] 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 neighborhoods of high poverty and high crime. As crime rises, for example, 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 neighborhoods and a greater frequency of heart ailments, cancer, and diabetes. The relationships between neighborhoods, poverty, and health are not completely understood but, as Helen Epstein recently concluded in the *New York Times Magazine:* "These [segregated] neighborhoods, by concentrating the poor, also concentrated the mysterious, as yet poorly understood, factors that make them sick."[30]

Concentrated poverty also affects the broader economic life and fiscal capacity of central cities. Often, high-poverty neighborhoods 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 check-cashing) at exorbitantly high prices.[31] In addition, the concentration of poverty generates high costs for local government—for elevated welfare case loads, for high loads of indigents 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.[32]

The "neighborhood effects" literature has its limitations. As Ingrid Ellen and Margery Turner concluded after an exhaustive review, "neighborhood effects are generally much smaller than the effects of observed family characteristics (such as parents' income, socioeconomic status, or educational attainment."[33] In addition, the existing research has focused principally on the "traditional" African American, high-poverty neighborhoods 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."[34]

Finally, the neighborhood effects literature probably underestimates the economic and social assets of these communities.[35] 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 supports to neighborhood 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 neighborhoods. Its causes are complex, but owe 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.

"The federal government has over the years pursued three distinct sets of strategies to address distressed communities."

The dominant strategy—which I will call the **"improving the neighborhood"** 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 neighborhood as a given and seeks to spark revitalization by improving the physical stock and commercial quality of the community. This is also, by design, a community-based strategy that gives neighborhood institutions a central role in the planning and implementation of revitalization efforts.

The second strategy—which I will call the **"expanding opportunity"** strategy—focuses on giving the individual residents of distressed neighborhoods 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 neighborhood"** strategy—is the most recent and, in many respects, the most ambitious. It focuses on fundamentally altering the socio-economic mix of distressed neighborhoods 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 neighborhoods of choice and to smooth low-income residents' access to opportunity through housing mobility and services that support work.

We will discuss each of these strategies in greater detail. At the outset, however, it is important to note the distinct origins (and perspectives) of these three strategies.

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 central cities economically in the metropolis. The quintessential urban renewal project occurred in Southwest Washington, D.C. where tens of thousands of substandard but affordable homes were razed to make way for the Southwest Freeway and the new modernist office complexes of an expanding federal bureaucracy—including the U. S. Department of Housing and Urban Development!

As some observers have noted, neighborhood improvement inverts the approach taken by urban renewal. Neighborhood improvement reflects a heavy distrust of centralized planning and a strong belief in bottoms-up community planning and response. It focuses inward on the neighborhood 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 such as the undervalued purchasing power of residents.[36]

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 favor as a market-oriented (and even conservative) alternative to the development driven programs 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—characterized 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 neighborhoods since the discrediting of urban renewal.

Given this background, it is not surprising that each of the strategies holds to a different theory of change and, to a large extent, hews to a different conception of the origins and nature of the challenges facing distressed urban neighborhoods. They have, for example, different perceptions of "distress;" while the transformation strategy, by design, focuses on the most distressed communities, the improvement and opportunity strategies often serve communities with moderate as well as high levels of concentrated poverty. They also have vastly different conceptions of the geography of the relevant "community" and how neighborhoods do and should interact with the broader metropolitan region.

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 Neighborhood: 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 neighborhood improvement and revitalization. Support for these community-based efforts draws from a fairly sophisticated web of federal spending, tax, and regulatory programs and policies for financing and subsidizing affordable housing.

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

The *Government-Sponsored Enterprises* (GSE) *modernization 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 neighborhoods.

The *Community Development Block Grant* (CDBG) program, 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) program, 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 program allows developers to serve individuals and families with incomes slightly higher than those served by traditional public housing programs and gives special preference to proposals for development in neighborhoods of moderate and high poverty.

The *HOME Investment Partnership Program,* 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 program requires states and localities to set aside 15 percent of the program for community housing development organizations.

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 revitalize neighborhoods.

An *empowerment zone* and enterprise community program, 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.

"Neighborhood improvement is a place-based strategy."

A *community development financial institution program,* enacted in 1993, supports nonprofit 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 neighborhood improvement represents an interesting blend of theories of community empowerment, corporate social responsibility, and market engagement. It applies a public-private partnership model at the neighborhood level. Nonprofit community organizations become adept at performing functions (e.g., 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 organizational capacity, and private-sector mortgage finance.

Assessing the impact of these efforts on neighborhoods of high poverty and the people who live there is complicated for several reasons. The programs and policies described above serve a broader range of neighborhoods—in cities and suburbs alike—than the distressed communities described in the prior section. They also have, as mentioned above, the ability to serve "working poor" families as well as the very poor families served by traditional public housing efforts.

In addition, the research to date on the impact of these programs and policies remains incomplete. Evaluations have tended to focus more on housing outputs than on broad social outcomes. Beyond that, data on the tenant composition of newer subsidized housing efforts like the low income housing tax credit program is fairly limited, hindering the kind of rigorous research that is quite common in the public housing arena.

With those caveats, we do know the following: These federal programs 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 and neighborhood vitality. According to the Harvard Joint Center for Housing Studies, "Lower-income neighborhoods targeted by CRA appear to have more rapid price increases and higher property sales rates than other neighborhoods, a finding consistent with the proposition that CRA has expanded access to mortgage capital in these neighborhoods."[37]

On the production side, the Low-Income Housing Tax Credit (LIHTC) program has created over 1 million units of affordable rental housing since its inception. The HOME program, often used in conjunction with the low-income housing tax credits, committed close to $13 billion between 1992 and 2003 and supported over 750,000 affordable units of housing. Significantly, state and local governments reserved during the period 19 percent of their funds for housing activity by nonprofit organizations.[38]

At the neighborhood level, the location of LIHTC developments, in particular, represent a significant improvement over the historic record of public and other assisted housing efforts. A recent analysis of the tax credit program's performance in the 1990s revealed that tax-credit neighborhoods in 2000 had an average poverty rate of 19 percent overall, 24.3 percent in central cities.[39] These neighborhoods are not as disadvantaged as the neighborhoods that house other federally assisted housing (average poverty rate of 28.9 percent) but they are more disadvantaged than other metropolitan neighborhoods (average poverty rate of 13.1 percent).

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).[40]

The impact of these efforts extends beyond simple output measures of housing production and institution building. Neighborhood improvement efforts deserve credit for bringing private and public sector resources back to places that have endured decades of disinvestment. The presence of new capital and quality housing sends a strong signal to other investors—for-profit developers, financial institutions, small business owners—that distressed neighborhoods are worth re-examining. There are also some early signs of a positive impact on property values and other indicators of neighborhood vitality.[41]

Despite these signs of accomplishment, there are some cautionary signs that bear heeding.

First, as Jeremy Nowak has discussed, neighborhood improvement strategies "confuse the linkages between the revitalization of a neighborhood and the alleviation of poverty." According to Nowak:

> Neighborhood development strategies can reinforce the segregation of the poor by building housing in the worst employment markets. In low-income neighborhoods, 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 neighborhood development often regards locality in strategic isolation from the rest of the economy.[42]

Recent evidence on the location of LIHTC developments, though generally encouraging, provides some support for Nowak's concerns. During the 1990s, central cities received a disproportionate share of the LIHTC units built in metropolitan areas. According to Lance Freeman, cities housed 58 percent of all metropolitan tax credit units built during the 1990s despite the fact that they contain only 38 percent of metropolitan residents.[43] This occurred even though, as described above, poverty rates in cities are much higher than the national or suburban average and the bulk of the population and job growth in the nation occurred outside central cities.

In addition, one out of every seven LIHTC projects sited in a central city rose in a neighborhood of extreme poverty—where poverty rates are 40 percent or more. This is particularly troubling given the demonstrated impact of these communities on childhood education, adult employment prospects and family health.

Second, it has become increasingly clear that the neighborhood improvement field sorely needs consolidation and streamlining. Many cities have dozens of community development corporations and related organizations, each vying for their share of the housing and redevelopment pie, many fairly small in size and undercapitalized. 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 metrics by which neighborhood improvement is assessed rarely take into account the broader goals of poverty alleviation and access to opportunity. *Output* evidence abounds on neighborhood improvement, particularly as pertains to housing production. And, as described above, there is some evidence on *outcomes*, particularly as they involve appreciating property values and catalyzed market investment. But little analysis addresses how neighborhood improvement affects school poverty and school performance or, for that matter, the labor market participation of people living in subsidized housing.[44]

Thus, the jury is still out on the impact of community-based, neighborhood-improvement strategies in the United States. These efforts are clearly improving the quality of affordable housing in deprived areas and appear to be revitalizing neighborhood real estate markets to some extent. Yet the extensive focus on producing affordable housing—understandable given the federal government's substantial investment in this area—may not be the best method of improving the life opportunities of residents in these communities. In the worst case scenario—and in the most distressed communities—community builders are consigning low-income families to neighborhoods that do not offer what most middle-class consumers seek in their housing: good schools, proximity to quality jobs, and quality services.

Expanding Opportunity: Putting People First

"The opportunity strategy is a people-based approach."

Like neighborhood 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 neighborhoods of the city or metropolis. Workforce programs have been used to connect residents who remain in the neighborhood to jobs through skill training, child care, transportation, and so forth. School-choice programs have also been used to give residents who remain in the neighborhood educational choices beyond the neighborhood school.

Of these efforts, housing vouchers proven the most sustainable and have demonstrated the most success. Vouchers have emerged as the most substantial subsidized housing program in the U.S. 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 percent 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 programs 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 neighborhoods. According to a 1997 study by Sandra Newman and Anne Schnare, only 14.8 percent of Section 8 recipients live in high-poverty neighborhoods (neighborhoods that are more than 30 percent poor), compared to 53.6 percent of public housing residents.[45]

The housing voucher program—by helping families relocate from high-poverty neighborhoods to low-poverty neighborhoods—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.[46]

Findings from Chicago's Gautreaux initiative, a judicially ordered program that relocated housing project residents, indicate that the opportunity to use housing vouchers to move away from a distressed, high-poverty neighborhood 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 neighborhoods. 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 neighborhoods with high levels of education were less likely to be on welfare.[47]

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 neighborhoods 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.[48] 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 labeled their findings "Moving to Opportunity and Tranquility."

Despite this strong evidence of success, the voucher program 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 counseling.

First, housing vouchers do not provide equal access to low-poverty and low-minority neighborhoods for all poor households. The neighborhood 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 central-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 neighborhoods relative to the availability of potentially affordable rental housing. Vouchers still consistently outperform public housing, even in central 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.[49]

Second, voucher-program administration remains highly fragmented and insular. Since the inception of the program, 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.[50]

The absence of competition for voucher administration has also, arguably, stifled innovation and accountability. Public housing agencies essentially operate this program 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.[51]

Finally, moving out of original neighborhoods may put a strain on some families. A study of the MTO program in Baltimore found that program 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 neighborhoods. There is also emerging evidence that residents who move to low-poverty neighborhoods are hampered by the lack of access to services (such as child care) that support work.[52]

Transforming Distressed Neighborhoods: Demolition, Redevelopment, and Mobility

The final neighborhood strategy—transformation—is best reflected in a remarkable 10-year, $5-billion effort in the U.S. 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 neighborhoods and city economies. Called the HOPE VI program, the transformation effort also included funding for supportive services to help former residents who return 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 program are striking, given the checkered history of large-scale neighborhood interventions in the U.S. 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 centers are being sited. Instead of housing built, owned and managed by public entities, partnerships with for profit and nonprofit developers are being forged. Instead of housing built for the poorest of the poor, economically integrated communities are being created.

"The transformation strategy is best reflected in the HOPE VI program."

Almost a decade later, the initial jury on HOPE VI is generally favorable, but tempered by the newness of the program. Although 165 revitalization 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.[53]

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 neighborhoods.

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 neighborhoods 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 neighborhood 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 (e.g., 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 modernize 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 neighborhood crime and unemployment and substantial increases in neighborhood income, property values and market investment. In several high-profile developments, it has also catalyzed 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's 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 revitalization, though, nagging questions persist about the impact of HOPE VI on the original residents of the public housing slated for demolition.

From the very beginning of the program, it was assumed that many residents would not return to the revitalized 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 neighborhood 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 percent of the households surveyed were living in a revitalized development, 29 percent were living in other public housing properties, 33 percent were renting units using housing vouchers, and 18 percent had left assisted housing altogether.[54] 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 percent of residents to return.[55]

The evidence on residents who decided, for whatever reason, not to return to revitalized sites is also mixed. In general, residents who received vouchers were able to move to neighborhoods of much lower poverty. On average, the census-tract poverty rate for voucher recipients dropped from 67 percent to 27 percent. 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 of "what happened to the original tenants" promises to remain a central part of the debate over the future of HOPE VI and similar neighborhood transformation schemes in the United States.

A Case Study

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.[56] 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 neighborhood has all the hallmarks signs of distress. In 2000, the population of 3,000 individuals was 97-percent minority (almost entirely African American), 46-percent poor with a median income of only $14,636. The homeownership rate in the community languished at an abysmal 7 percent.

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

> Every school system has a direct impact on its neighborhoods. 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.[57]

Working closely with residents of the neighborhood, Baron engineered a complete overhaul of the local school, Jefferson Elementary. He raised $5 million from corporate and philanthropic interests to modernize 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 program of smaller classes, new curriculum, teacher continuity and year-round schooling. He also raised funds for a host of after school programs, particularly centered 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 program. Thirty-one percent of the residents have incomes below $10,000 and 44 percent 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 percent of the residents have incomes between $30,000 and $50,000. Another 10 percent of the residents make more than $50,000.

The development is also spurring positive movement in a range of neighborhood indicators.

- The median household income in the area surrounding the development rose by 18 percent between 1989 and 1999. By contrast, median household income rose by just 4 percent in the city and region during the same period.
- Unemployment in the area surrounding the development fell by 35 percent from 1989 to 1999. By contrast, unemployment in the city rose just 3.7 percent during this period.
- Property values in the Murphy Park neighborhood appreciated substantially between 1990 and 2000. The median home value went up 131 percent. The lower-quartile home value went up 123 percent and the upper-quartile home value went up 219 percent. 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 neighborhood. 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 percent of the neighborhood's children. Before the redevelopment, many children in the neighborhood were bused outside the neighborhood to both city and county schools, as part of a broader desegregation decree.
- The new curriculum's focus on math and science has borne fruit. In 1999, only 1.6 percent of third graders were categorized as "advanced and proficient" in science. By 2003, 44.4 percent of the students were so categorized, nearly reaching the state average of 47.8 percent.

- In 1999, only 2.5 percent of the fourth graders were categorized as "advanced and proficient" in math; by 2003, that number had risen to 18.2 percent, a dramatic improvement but still half of the state average of 37.2 percent.

The Murphy Park experience shows the potential power of the transformation strategy to, in a relatively short period, reshape the physical, economic, and social landscape in neighborhoods 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 percent of the students in the entire city.

Where U.S. Neighborhood Policy Is Heading: Neighborhoods of Choice and Connection

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 neighborhood policies. For one thing, we actually know a lot about what works in American neighborhoods—and what doesn't work—and we should adjust policies to reflect that. The relationship between high poverty neighborhoods, 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 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 program that would reduce its scope and effectiveness.

Finally, the strategies are beginning to blend with each other. Most significantly, many community development corporations are beginning to practice a form of neighborhood improvement that includes elements of both the opportunity and transformation approaches. The more mature community organizations are, for example, moving beyond housing and becoming involved in business attraction initiatives, educational reform efforts as well as the provision of services, like child care, that support work. They are also beginning to embrace economic integration as a key vehicle towards neighborhood revitalization. Many are using the low income housing tax credit program to serve families with a greater mix of incomes than traditional public housing efforts; some have even become partners in HOPE VI transformational efforts.

Given these factors, I believe that the United States is gradually moving towards a new, unified framework for neighborhood policy: **Creating Neighborhoods of Choice and Connection.**

Neighborhoods 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 neighborhood and housing policy. It also requires a dynamic, market-driven notion of neighborhood change, rather than any "community control" vision dedicated to maintaining the status quo.

Neighborhoods of connection are communities which link families to opportunity, wherever that opportunity is located. This requires a new, profound, and sustained commitment to

"Neighborhoods of choice provide people of all income levels a place to start and stay. Neighborhoods of connection link families to opportunity, wherever it is."

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 policymakers simply focus on improving housing stock and do not alter the socio-economic mix in neighborhoods, then the opportunities of residents and their children may be constrained, particularly if school assignments track neighborhood residence. On the other hand, if policymakers simply focus on improving the job prospects of individuals without addressing neighborhood conditions, then people will simply move up and out as they gain jobs and income. The hard fact is that any successful neighborhood intervention will have both people and place components.

So how do we create neighborhoods 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 neighborhood policies will need to embrace at least five central principles if the promise of choice and connection is to be achieved.

First, neighborhoods and neighborhood policy need to be set within a metropolitan context

We have seen that a "new metropolitan reality" has emerged in the U.S. over the past half century. Housing markets are metropolitan. Labor 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 neighborhood strategy—the neighborhood improvement strategy—has operated, until recently, mostly outside the metropolitan and regional context. This strategy has tended to take the administrative boundary of a neighborhood—often quite limited—as its geography of intervention and looked internally rather than externally to set its agenda and implement its programs.

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 favor a neighborhood focus because it fits their size, administrative capacity, and political base."

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

For that reason the first tenet of a complete neighborhood policy is fairly straightforward. Neighborhood interventions need to operate in and relate to the metropolitan geography—the true geography of housing markets, of labor markets, of educational opportunity. Practitioners need to treat the borders of neighborhoods as porous boundaries rather than fixed barriers.

The corollary to this notion, of course, is that neighborhoods 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 decentralized radically, leaving the central city economically devastated and potential inner-city workers spatially isolated from job opportunities in the suburbs. In Detroit, for example, only 5 percent of the metropolitan jobs are located within 3 miles of the central business district; incredibly, 78 percent of the jobs are located more than 10 miles from the central business area.[58] The housing markets in these cities are often characterized 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 central city continues to thrive economically despite decentralization, making housing affordability a top concern for inner-city residents who live near plentiful city jobs. Denver, for example, remains a fairly centralized metropolis; 18 percent of its jobs lie within 3 miles of the central business district and 67 percent are located within 10 miles.[59] 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 labor markets, governance patterns and transit connections, employment and educational opportunities vary considerably across neighborhoods, cities, and metropolitan areas. Thus, neighborhood policies need to be flexible enough to allow local actors to adapt strategies to the distinct market and spatial realities of their larger communities. And delivery agents (e.g., community development corporations, for-profit developers, workforce intermediaries) need to be knowledgeable enough to understand the difference between places and embrace the programs' flexibility so as to design and implement tailored interventions.

In recent years, urban leaders and neighborhood practitioners have begun to position their neighborhoods 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.[60] In 2001, the city of Philadelphia launched an innovative citywide planning effort called the Neighborhood Transformation Initiative (NTI). The goal of NTI is to tailor housing and other strategies to the distinct market conditions of disparate neighborhoods. 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" neighborhoods 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" neighborhoods with a strong cadre 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.[61]

Similar diagnostic tools are being created to help achieve the second goal of linkage and connection. In Cleveland, for example, 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 rerouting of a number of transit lines to better connect the central city and inner suburban welfare households to 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 programs to ease access to growing jobs centers.[62]

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

"In the end, neighborhoods are not islands unto themselves."

Second, broader national, state, and local policies need to align with the goals of neighborhood policy

At the end of the day, neighborhood 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 decentralization and concentrating poverty. To a large extent, then, neighborhood policies have been swimming against a strong tide.

The success of neighborhood policies, therefore, depends 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 neighborhoods of choice and connection.

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

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 neighborhood 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 centers (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, D.C. 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, neighborhood 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 organizations, thereby aligning the geography of transportation decisionmaking 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 neighborhoods of poverty.[63]

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 revitalization.

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 neighborhood policies will become part of more integrated approaches to urban revitalization 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 organizations—workforce intermediaries—that have sprouted up in metropolitan areas across America. Acting as a liaison between the needs of employers and employees, these organizations 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.[64]

In Wisconsin, for example, 125 firms and 100,000 workers recently formed a workforce intermediary partnership to cooperatively address current skill shortages and to plan for future labor market modernization. As a result of this partnership, employers have already invested over $25 million to upgrade the skill sets 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 two times the minimum wage.

Even workers who find decent jobs, however, often struggle to keep up with the rising costs of housing, health care, child care, transportation, and other necessities. Urban neighborhoods, therefore, have an undeniable stake in national policies that are designed to make work pay, such as the earned income tax credit (EITC) and subsidized 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.

Programs like these are also substantial investments in places through people. Annual spending on the EITC should soon surpass that of all the programs of the U.S. 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 percent of all residents receiving the credit.[65]

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

Third, neighborhood policy needs to embrace economic and demographic diversity in both cities and suburbs

Embracing the notion of neighborhoods of choice and connection also requires an acceptance of economic integration and economic diversity as a critical objective of neighborhood and even metropolitan policy. The task before us, then, is to expand housing opportunities for middle-class families in the city (and particularly neighborhoods of deprivation) while creating more affordable housing near job centers.

At the neighborhood 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 neighborhood to neighborhood.

Achieving economic integration will require changes in policy and attitude. Federal housing policy will need to give for-profit and nonprofit 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 homeownership 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 reexamine 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 the ones created in Minnesota, Cuyahoga County, and Cook County. To make it easier to increase densities, states should permit—and localities should adopt—programs that allow the transfer of development rights from greenfields to urban communities.

Yet attitudes, particularly among many community activists in inner-city neighborhood, 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 metropoli-

"Embracing the notion of neighborhoods of choice and connection requires accepting economic integration and demographic diversity."

tan 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 neighborhood 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 neighborhood. 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 Detroits and Clevelands 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 neighborhood revival in the U.S.—the Pilsen neighborhood 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 reestablishing 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 labor, housing, and financial markets.

The jury on these recent city attraction strategies is still out. They may or may not succeed. Immigrant gateways, obviously, emerge or decline for various reasons, ranging from the thickness of their labor 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 neighborhood leaders; some are not.

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

Fourth, neighborhood policy needs a new mix of private- and community-sector action, in both cities and suburbs

Neighborhoods of choice and connection will not emerge solely through the actions of nonprofit community entities. It is simply fanciful to believe that there are a sufficient number of capable, community-based organizations 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 neighborhoods 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, bankers, or other mainstream financial institutions—in the transformation of urban neighborhoods and in the expansion of opportunity for low-income Americans.

Engaging the private-sector fully in neighborhood transformation will require government at all levels to create the conditions for private investment and economic growth. Private-sector leaders in the U.S. 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 program structure and design so that they can efficiently blend public and private-sector investments. 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 neighborhood transformation will also require a change in attitude on the part of many community-based organizations and neighborhood advocates. Too often, neighborhood 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 neighborhood 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 neighborhoods is an expansion of the role of these institutions—in a structured, supported, consistent way—beyond the production or preservation of affordable housing.

American neighborhoods, for example, desperately need labor 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 neighborhood 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 neighborhoods desperately need financial-services intermediaries that can work to bring mainstream financial institutions to areas of deprivation. Neighborhoods will never be places of choice and connection until there is regular access to mainstream banking and until the role of the "parasitic economy" (e.g., check cashers, rent-to-own stores, payday lenders, and consumer finance companies) is greatly diminished.

American neighborhoods desperately need school intermediaries that can act as conduits for investment in neighborhood schools—as in the Murphy Park example—and advocate for quality and excellence in education. In the end, true revitalization is not about new housing units or appreciating property values or even declining crime rates. Neighborhoods 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 nonprofit entities cannot be confined to central cities and urban neighborhoods. The almost exclusive focus of policy and institutions on cities and neighborhoods misses the prevailing decentralization of economic and residential life over the past several generations. As we have seen, the metropolis—not the neighborhood—must become the focus of neighborhood 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, leveling 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.[66]

As in central cities, nonprofit housing corporations can play a pioneering, catalytic role in the production of affordable rental housing and homeownership in the suburbs. The logical evolution of community development corporations would be to transform themselves into regional housing corporations. Regional entities can fill an organizational 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

"Neighborhood policy needs to fully engage with the private sector."

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.

In the end, however, the private sector will be the main engine of suburban affordable housing production, just as it should be in central cities. The ultimate goal of neighborhood 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.

Finally, neighborhood policy needs to be implemented in an integrated, accountable and sustainable fashion

Even the best neighborhood strategy will fail if it is not effectively implemented. The history of neighborhood policy in the U.S. is replete with examples of well-intentioned programs that failed to reach their true potential.

The first element of effective implementation is *integration*. Creating and maintaining neighborhoods 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 neighborhood or local residents) but they respond to different programs, 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."[67] 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 organizations 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 nonprofit counseling organizations and fair housing advocates to link housing vouchers with effective housing search assistance and mobility counseling. Voucher recipients have received not only demand-side housing assistance, but also hands-on help in finding suitable units in thriving neighborhoods, and counseling to prepare them to succeed in the private housing market.[68] Many community development corporations have also graduated to a "neighborhood-broker" role. They have sought to integrate disparate neighborhood services (e.g., health, education, public safety, employment, and small business support) while marketing the economic potential of the neighborhood, 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 U.S. 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 neighborhood programs take on the characteristics of a factory assembly line, stamping out uniform products, trying safe solutions, checking performance boxes, fairly oblivious to what might be happening beyond the neighborhood borders, let alone across the metropolitan area.

Successful neighborhood strategies require that local agencies and neighborhood 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 neighborhood policies intend to change over the long term. Short-term indicators may include more immediate measures of program 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 nonprofit organizations 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. Neighborhood practitioners need to be fluent in markets rather than programs, 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 neighborhoods 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 U.S., neighborhood policies have often been characterized by numerous starts and stops, lurches and reversals, partly due to the change in federal administrations, partly due to the natural evolution of policy. The regeneration field in both countries is littered with failed programs 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 programs, chase grants, and manipulate new performance measures rather than focus on long-term sustainable change.

To have a meaningful impact, national neighborhood 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 program 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 programs and policies according to the "flavor of the month" and idea of the moment. In the end, program instability undermines attempts to build a sustainable field of practitioners who learn continuously.

"To have a meaningful impact, neighborhood policies need to be simple in design, continuous in application, and sustainable over time."

What U.S. Neighborhood Policy Can Teach the U.K.

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 neighborhood 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 neighborhood goals and policies (such as the New Deal for Communities and Neighborhood Renewal) initiated by the Labor government since 1997.

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

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

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

Is U.K. policy grappling with these broader questions of consumer choice and competition? The record appears mixed. Several recent neighborhood efforts—including the housing market renewal pathfinders—appear to embrace a dynamic, market-oriented vision of neighborhood change. Yet 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 labor markets or understandable given the rights of existing residents. Yet, the policy ultimately may undercut the broader national effort to ensure 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 neighborhoods. Such responses might include the kinds of demolition and redevelopment efforts now underway in the U.S.—and that will require a more substantial capital investment than is now apparent under the New Deal for Communities and other initiatives.

The broader spatial context looms as a second challenge. Are U.K. neighborhood 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 U.S., 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 organizations (MPOs), for example, now take part in transportation decisionmaking. In the U.K., 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 labor markets, fairly sizable spatial gaps set neighborhoods 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 neighborhood interventions are to relate to the real geography of the economy.

On the other hand, U.K. policy has begun to recognize the disparate nature of metropolitan economies and tailor responses to distinct market realities. Neighborhood 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, U.K. policy has much to teach the burgeoning "weak market city" movement in the United States.

A third challenge is that of the broader policy context. Are broader national policies aligned with the goals of neighborhood regeneration and resident opportunity? Here, American advocates for cities and neighborhoods 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 U.K. commitment to rewarding work surpasses the heady rhetoric, but relatively anemic 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 U.S. 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 (let's say) city-center revival to subsidize revitalization in a broader set of urban neighborhoods. In Britain, the tax benefits of city-center revival accrue to the national rather than local government, making this local cross-subsidization 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 programs and policies.

Fourth, there is the challenge of economic and demographic diversity. Is Britain embracing economic integration and immigration as keys to revitalizing 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 neighborhood 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 neighborhood transformation relates to broader societal impulses and issues. The United States, in rhetoric and reality, is a nation of immigrants and the liberalizing of immigration rules has met with broad cultural receptivity. Thus, it is a natural extension to apply immigration attraction strategies to the neighborhood 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 neighborhood strategies around enhancing demographic diversity in Britain will be a systemic solution until that broader debate is resolved.

A fifth challenge is that of engaging the private sector and reframing the mission and roles of the nonprofit sector. To what extent are profit-making enterprises parts of the U.K. recipe for neighborhood transformation? Certainly, clear efforts (such as the Local Strategic Partnerships) have been made in the U.K. 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 the 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 neighborhood oriented action. In most places, cultural expectation demands that business leaders will be community leaders. In Cleveland, for example, the main business organization and the two major foundations are major investors in Neighborhood Progress Inc., a local intermediary that services the city's community-based organizations.

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 neighborhood residents? These broader, market-oriented relationships are clearly the most important measure of success for neighborhood interventions.

And, finally, there remains the challenge of implementation. Here too, the record varies. U.K. policy seems more intent on "joining up" disparate services than does the United States'—with similar, thorny barriers to bureaucratic cooperation and coordination. 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 actors. In addition, the U.S. approach has produced a policy framework that, though flawed, has shown remarkable continuity and consistency. The housing voucher program has been in place 30 years; the Community Reinvestment Act, 27 years; the low-income housing tax credit, 18 years; the HOME program, 14 years; and so on. This program stability—now threatened by the Bush Administration—has helped nurture a field of dedicated and knowledgeable practitioners who engage in continuous learning and improvement.

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

This critique of U.K. neighborhood 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 decentralization, 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). Neighborhood 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 programs and policies need to be constant and predictable. More power and responsibility should be devolved to locally elected officials.

Most importantly, neighborhood 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 neighborhood efforts—dilapidated housing, deteriorating town centers, 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 animate the neighborhood policies of both our countries in the coming decades. It is this basic understanding that can drive a new, firm, sustainable commitment to "neighborhoods 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 neighborhoods 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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