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Mixed-Income Housing as Pre-Commitment Strategy

*Jeff Leslie*¹

Crowding poor people together, isolating them from mainstream opportunities, and providing substandard policing, education, and other services constitute bad public policy. Decades of experience with public housing projects that featured just this constellation of attributes have provided ample evidence. It might then seem plausible that we should take the opposite tack. If the poor are evenly distributed across locales, are no longer isolated from mainstream social networks and opportunity structures, and are provided with the same levels of security, civic order, and other amenities that upper income groups enjoy, then surely this would improve the lives of the poor and even help them escape poverty. If concentrations of poverty are bad, then mixing of income groups must be good.

The intuitive appeal of this idea drives affordable housing policy, which has fixed on mixed-income housing as the preferred strategy for housing the nation's poor. Three of the biggest housing policy initiatives since the 1980s—the low-income housing tax credit program, the HOPE VI program for redevelopment of severely distressed public housing developments, and housing voucher programs—are all predicated on mixed-income housing. But the implementation of mixed-income housing has outpaced the development of solid rationales explaining why, and under what conditions, this strategy will be successful in alleviating poverty. In this essay, I want to examine one rationale that shows the most promise as an explanation for why mixed-income housing may help alleviate poverty, and then to point out some of its very significant limitations.

A brief summary of the three programs that most directly promote mixed-income housing is in order. The low-income housing tax credit program, which began in 1986, facilitates private investment in affordable housing projects by offering federal tax credits to owners of affordable rental projects who meet the program's restrictions on rent levels and tenant incomes. The program is designed to facilitate mixed-income properties. As many as eighty percent of the units in a tax-credit assisted project can be market rate, though it is more common to see much lower percentages of market rate units in order to maximize the tax credits generated by the project. The low-income housing tax credit has become by far the dominant program for financing the production of new affordable housing units.

The HOPE VI program was instituted in 1992 to provide federal funding for the redevelopment of severely distressed public housing developments. The program provides large federal grants to fund the demolition of old public housing high-rises and their replacement with new, low-rise developments designed in New Urbanist style to fit in with surrounding buildings and existing street grids. By integrating the new developments into the surrounding neighborhood, designers aim to ensure that low-income units will be indistinguishable from other housing stock in the area, at least from the outside. HOPE VI redevelopments are mixed-income, usually comprised of a combination of public housing units, low-to-moderate income units financed by low-income housing tax credits, and market rate units. As of 2004, HOPE VI grants had been awarded for 95,100 replacement units, including completed units and units in the pipeline.²

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² Susan Popkin et al., *A DECADE OF HOPE VI: RESEARCH FINDINGS AND POLICY CHALLENGES*, at 21 (Urban Institute, 2004), *available at* http://www.urban.org/UploadedPDF/411002_HOPEVI.pdf.

The housing voucher program began as an experiment in 1983 and was made permanent by Congress in 1987. A voucher recipient leases a unit in the private rental market and contributes thirty percent of her income towards rent; the voucher pays the rest. There are upward limits on how expensive a unit can be and still qualify for voucher assistance, but within this general constraint voucher holders can lease units in economically integrated areas. Unfortunately, as a practical matter, the voucher program has achieved less economic integration than might be hoped due to housing discrimination, the reluctance of low-income voucher holders to relocate far from their current neighborhoods and social networks, and program restrictions that rule out large portions of the rental market as too expensive to qualify for vouchers.³ Over the years, federal spending on vouchers has increased as spending on production programs has declined, so that by 1999 over half of the federal budget for all active affordable housing programs went to fund housing vouchers.⁴

In addition to the standard voucher program, two enhanced voucher programs have more actively promoted income mixing by helping low-income households relocate to affluent suburban areas. The Gautreaux voucher program was instituted as part of the settlement of a 1960s-era civil rights lawsuit against the Chicago Housing Authority, and involved the relocation of inner city housing voucher holders to affluent, majority-white suburbs in the Chicago metro area. Pre- and post-relocation counseling was provided for the families to help them adjust to their new surroundings. 7,100 families participated in that program before it was completed in 1998.⁵ The second program, the federal Moving to Opportunity (MTO) program, was a five-city controlled experiment involving just over 4,600 families. In the study, voucher holders were relocated to higher income areas and compared over time with two groups: voucher holders renting in low-income areas and families who did not receive vouchers. Results from the MTO study are still under analysis.⁶

Mixed-income housing has become the dominant paradigm, but advocates of this approach have been criticized for defining its benefits only negatively—that is, as not creating concentrations of poverty. However, there has been a push to develop a more positive account. A recent literature review articulated four possible accounts for how mixed-income housing benefits the poor: (1) creation of social networks and social capital for low-income residents that help them find jobs; (2) implementation of informal social control by higher income residents, especially homeowners, who will insist on accountability to norms and rules, thereby increasing order and safety for all residents; (3) adaptation by low-income residents of more socially acceptable and constructive behavior in place of the destructive, antisocial habits (i.e., the culture of poverty) that currently exists among low-income residents; and (4) generation of new

³ Rolf Pendall, *Why Voucher and Certificate Users Live in Distressed Neighborhoods*, 11 House. Pol'y Debate 881, 904-07 (2000), available at http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1104_pendall.pdf.

⁴ United States Government Accounting Office, *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, GAO-02-76, at 6, available at <http://www.gao.gov/new.items/d0276.pdf>.

⁵ Leonard Rubinowitz & James Rosenbaum, *CROSSING THE CLASS AND COLOR LINES: FROM PUBLIC HOUSING TO WHITE SUBURBIA* 66 (Univ. Chicago Press 2000).

⁶ See generally John Goering, *Expanding Housing Choice and Integrating Neighborhoods: The MTO Experiment*, in *THE GEOGRAPHY OF OPPORTUNITY* 127-49 (ed. Xavier de Souza Briggs 2005).

market demand and political pressure by higher income residents, leading to higher-quality goods and services available to all residents within the community.⁷

Much could be said, and needs to be said, about each of these accounts, particularly the paternalism lurking in the first and third on this list. However, I want to focus the remainder of this essay on the fourth account on the list, both because it (along with the second account) arguably has the most empirical support⁸ and because it suggests some interesting lessons for thinking about anti-poverty strategies generally and for framing those policies in a way that is less paternalistic towards low-income residents.

The idea behind the fourth account is that the introduction of higher income renters and homeowners to low-income neighborhoods will lead to better quality policing, schools, infrastructure, and other municipal services for the entire neighborhood. In the voucher context, introduction of low-income residents to higher income neighborhoods allows the low-income residents to enjoy the higher level of amenities already present in those communities. Higher income residents feel more empowered to complain to local elected officials when services are not to their liking, to participate in civic organizations, and to vote. They command the attention of local officials through voice and participation in ways that low-income residents often do not.

Harnessing the political power of higher income residents to procure better civic services for the poor can be seen as a form of pre-commitment strategy. Creation of mixed-income neighborhoods serves to constrain the behavior of local decision-makers in the future, so that they are more likely to provide adequate services to the low-income residents of those neighborhoods. Given our sorry history of disinvestment in low-income neighborhoods, we need such a strategy to give poor people access to good services in a political system otherwise more inclined to isolate and contain poor residents than to devote resources to helping the poor become more upwardly mobile. Policies that tie the fates of the poor to those of the middle class so that they stand or fall together often stand the best chance of effectively helping the poor.

Long-time, low-income residents of areas converting to mixed-income housing sometimes resent the timing of the introduction of new services and amenities that accompany redevelopment. A stronger policing presence, reconstruction of streets and sidewalks, construction of a new school or park: all of these are used as tools to attract and retain higher income residents to an area. It is understandable that there would be resentment, for it often appears that the resources for improving the neighborhood were always there but were withheld pending the arrival of more deserving citizens. The view of mixed-income housing as pre-commitment strategy, however, suggests a different way of looking at the infusion of new services and amenities: as a future-oriented tactic to help keep local actors honest in making sure those areas, and the low-income residents within them, get adequate attention in budgeting and service distribution decisions.

There are real problems with mixed-income housing as an anti-poverty strategy that should not go unmentioned. Although theoretically higher income groups could be introduced to low-income areas with minimal displacement of low-income residents, in practice, large numbers of

⁷ Mark Joseph, *Is Mixed-Income Development an Antidote to Urban Poverty?*, 17 Housing Pol'y Debate 209, 213-216 (2006), available online at http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1702_joseph.pdf.

⁸ *Id.* at 221-22.

poor people are moved out for good to make way for the new arrivals.⁹ These former residents receive none of the benefits of the new development and generally move (often with vouchers) to other low-income neighborhoods, further concentrating poverty in new areas.¹⁰ The Gautreaux and MTO-style voucher programs largely avoid this kind of displacement problem but we lack the political will (so far, at least) to try these programs on a large-scale, much less national, basis. Also, a healthy mix of incomes through a voucher program is difficult to maintain over time. In the Gautreaux and MTO voucher programs, it was a challenge to keep low-income relocated families in their more affluent neighborhoods and many quickly moved back to low-income areas.¹¹

Given all of these deficiencies, mixed-income housing is no panacea for the problem of concentrated poverty. But our continuing experiment with mixed-income housing may hold some lessons that can help inform the next generation of housing policy innovations. Strategies that structure incentives in a progressive way so that the fates of low-income residents are tied to the fates of higher income groups may show the most promise in crafting sustainable strategies for helping the poor.

⁹ National Housing Law Project et al., FALSE HOPE: A CRITICAL ASSESSMENT OF THE HOPE VI PUBLIC HOUSING REDEVELOPMENT PROGRAM, at iii (June 2002) (estimating that only 11.4% of public housing residents have returned or expect to return to HOPE VI sites after redevelopment), *available at* <http://www.nhlp.org/html/pubhsg/FalseHOPE.pdf>.

¹⁰ Pendall, *supra* note 3, at 901.

¹¹ Xavier de Souza Briggs & Margery Austin Turner, *Assisted Housing Mobility and the Success of Low-Income Minority Families: Lessons for Policy, Practice and Future Research*, 1 Nw. J.L. & Soc. Pol'y 25 (2006), *available at* <http://www.law.northwestern.edu/journals/njls/v1/n1/2/2Briggs.pdf>.