Attainability of Mixed-Income Neighborhoods

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How attainable is a dense, stable, mixed-income neighborhood—one with high population density, a low poverty level, and a relatively large percentage of middle-income households—in the United States? And do neighborhoods that have achieved these characteristics maintain them over time? In 2017, researchers from Capital Impact Partners (Capital Impact), a national nonprofit Community Development Financial Institution (CDFI), and Data Driven Detroit (D3), metro Detroit's community data hub, reviewed housing and population trends in eight metro areas to address those questions. Metro areas included Atlanta, Baltimore, Cleveland, Detroit, Memphis, New Orleans, Oakland, and Pittsburgh—cities selected because Capital Impact was active there at the time of the initial study, and/or the city's economic trajectory and demographics were historically similar to Detroit's. Our study of residential and job density and income mix found that very few metropolitan statistical area (MSA) tracts are able to reach a high urban density and a balanced income mix, and even fewer are able to maintain those thresholds over time.

Our analysis' focus on residential and job density and income mix at the neighborhood level is grounded in a large body of research, including Raj Chetty, et al.'s June 2014 report suggesting that the five factors most associated with upward mobility are segregation, income inequality, quality of K-12 education, social capital, and prevalence of single-parent households.[1] Capital Impact had previously explored how neighborhoods in Detroit could increase density and achieve a balanced income mix by adding new market-rate and affordable housing.[2] Our analysis further explored two findings from this research base:

- Higher residential and job density, when combined with good planning and design, can foster healthy, interactive, walkable areas with concentrations of services and amenities that support households across the income spectrum. Higher density of people generally supports the development of retail, services, health care and other facilities, and schools. As density increases, so does transit ridership, particularly once the density of residents and employees combined surpasses 30 people per acre, leading to increased access to jobs and housing for all residents.[3] And residential densities above 15 housing units per acre encourage people to walk more, leading to public health benefits.[4]

- Measures of household and per capita income can be telling indicators of a neighborhood's well-being and overall trajectory. Median household income is a common measure; others include ratios of aggregate income by quartile or quintile, or measures of evenness and diversity across income categories. While there are limits to what we can extrapolate about neighborhood health from income data, evenness across
- proportions of lower-, middle-, and higher-income households generally is thought to affect neighborhoods positively. Some research suggests that the healthiest

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[1] Raj Chetty et al., "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," *Quarterly Journal of Economics.*129 (4) (2014). http://www.equality-of-opportunity.org/assets/documents/mobility_geo.pdf.

[2] "Toward Inclusive Growth in Detroit" (Detroit, MI: Capital Impact Partners, October 2015. Available at https://www.capitalimpact.org/wp-content/uploads/2015/10/2015-Towards-Inclusive-Growth-in-Detroit.pdf.

[3] "Transit-Supportive Densities and Land Uses." (Seattle, WA: Puget Sound Regional Council, February 2015) https://www.psrc.org/sites/default/files/tsdluguidancepaper.pdf.

[4] Anne Vernez Moudon et al. "Operational Definitions of Walkable Neighborhood: Theoretical and Empirical Insights."*Journal of Physical Activity and Health,* 3 (1), (2006), 99-117.

neighborhoods avoid high concentrations of extremes (wealth or poverty) and lower-income populations generally benefit more from proximity to middle-income households than from proximity to high-income households.[5]

Fig. 1:
MIXED-INCOME ATTAINABILITY ANALYSIS'
DENSITY AND INCOME MIX THRESHOLDS

Research has shown that:
- When 10 percent or more of households earn less than the poverty level, housing markets can begin to devalue.
- When 20 percent or more of households fall below the poverty level, (i.e., a Census-defined "poverty area" or a Brookings Institution-defined "high-poverty neighborhood") there can be negative impacts, such as school leaving (e.g., drop-outs and truancy) and crime.
- When 40 percent or more of households are below the poverty level, the Census defines that area as a "Category IV" (highest) area of concentrated poverty, and Brookings defines it as a "distressed neighborhood." (See: *https://www.brookings.edu/research/u-s-concentrated-poverty-in-the-wake-of-the-great-recession/)*

Originally, we set neighborhood income mix goals of (a) at least 40 percent of households earning middle incomes at between 50 percent and 120 percent of the Area Median Income (AMI) and (b) fewer than 10 percent of individuals sitting below the federal poverty line. (The U.S. Census collects data at the individual and household level. We used individual-level data for the second indicator because it was most representative and correlated well with household data.)

After a first pass, we lowered the threshold for the percentage of households earning between 50 percent and 120 percent AMI to **31 percent** to accommodate tracts in all metro areas, using the national average of 34.9 percent as a guide. Additionally, we increased the poverty rate threshold to **20 percent**, using the national average of 15.6 percent as a guide.

We also decreased the threshold of residential and job density to 20 residents plus jobs per acre and added a criterion of at least **10 households** per acre in order to ensure we were looking at residential or mixed-use neighborhoods, as opposed to job centers.

The criteria for selecting tracts initially included three primary measures of density and income mix and dozens of additional contextual measures. After the first thresholds proved either too limiting or misleading, however, we adjusted them (see Fig. 1) to identify at least one census tract in each metro area that appeared to describe the type of neighborhood we hoped to learn about.[6] In fact, the task of setting density and income mix thresholds for this analysis revealed that the thresholds used to frame some policy approaches are, perhaps not surprisingly, unreasonable for built environments in automobile-centric, lower-density, and weaker-market cities like Detroit and Memphis.

Across all selected metropolitan areas, under 1 percent of all tracts (0.6 percent, or 34 of 5,572) met the established thresholds for density and income mix.

To understand whether the 34 selected tracts were able to maintain a dense, mixed-income profile over time, we examined the 22 that met density and income mix thresholds in both 2000 and 2014 (in eight cases, comparisons over time were unavailable because the U.S. Census redrew tract boundaries during the time period). It is possible that significant shifts in population and/or demographics occurred in those places, but we cannot say without further research and analysis.

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[5] Laura Tach et al. "Income Mixing across Scales Rationale, Trends, Policies, Practice, and Research for More Inclusive Neighborhoods and Metropolitan Areas." (Washington, DC: What Works Collaborative and Urban Institute, January 2014), https://www.urban.org/sites/default/files/publication/22226/412998-income-mixing-across-scales-rationale-trends-policies-practice-and-research-for-more-inclusive-neighborhoods-and-metropolitan-areas.pdf.
[6] In Oakland, only areas within the East Bay portion of the Oakland MSA were included. In Memphis, household density levels prevented any tracts from qualifying as dense, mixed-income tracts, though they remained in the analysis.

Fig. 2: SAMPLE TRACTS IN THE STUDY

Cleveland's single qualifying tract (39035160601) is located along the southern shore of Lake Erie in Lakewood, Ohio. The racial composition is predominantly non-Hispanic white (81.2% of households). Bordering the northwest edge of the city, this tract contains a number of high-rise multifamily structures that are visible from downtown. There is no subsidized housing in this tract. Widely known as the "Lakewood Gold Coast," in 2014 there was grassroots opposition to the demolition of the historic Fifth Church of Christ Scientist, which eventually was razed to make way for a large-scale mixed-use development including high-end townhomes and a "supermarket district express." Homeownership rates stayed relatively steady, as did rental rates, between 2000 and 2014.

> Analysis Criteria:
> - o Population density/income mix: 31.5 residents plus jobs per acre, 24.8 households per acre
> - o Income: 32.7% of households earn between 50% and 120% of the Area Median Income (AMI). Individual poverty rate is 7.9% -- one of the lowest poverty rates in the study.
>
> Stability: The Cleveland tract saw a decrease in density at both the residents plus jobs and household levels; a large decrease in the percentage of households earning between 50% and 120% AMI from 56.6% to 32.7%; and a slight drop in poverty rate, and the predominant race remained non-Hispanic white.

Detroit's qualifying tract (26163517000) lies just east of the city's greater downtown in the Lafayette Park neighborhood, home to a unique combination of high-rise apartments, condominiums, and cooperatively owned townhomes. The racial composition is predominantly non-Hispanic black (70.8%), the only such tract in the study. The area is visibly distinct from Detroit's primary makeup of single-family neighborhoods. Fewer than one quarter of households (22.6%) own their homes, compared to a 68.4% rate at the MSA level. Nearly half of households (48.1%) experience a housing cost burden—the third highest proportion of all tracts that qualified for the study, and more than one-third of households (36.2%) earn less than $25,000/year – the highest percentage of all tracts that qualified as having attained a mixed-income profile in this analysis. There are no subsidized affordable housing within the tract. Between 2000 and 2014, owner occupancy decreased along with median home values, whereas its median gross rental rate increased by 10%.

> Analysis Criteria:
> - o Population density/income mix: 21.4 residents plus jobs per acre, 13.6 households per acre.
> - o Income: 32.1% of households earn between 50% and 120% of the AMI. Individual poverty rate is 17.6%.
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> Stability: The Detroit tract saw a slight decrease in job density balanced out by an increase in household density. Like Cleveland, it also saw a large decrease in the percentage of households earning between 50% and 120% AMI (from 50.9% to 32.1%) and a 0.3% increase in poverty rate.

A number of **Oakland's** qualifying tracts are located near Lake Merritt in the center city. One of these tracts (06001405200) roughly corresponds with the Bella Vista neighborhood just east of the lake; housing values have increased on the west side of the tract adjacent to the lake, whereas values on the east side remained markedly lower at the time of the study. This was one of five qualifying tracts in the study—all of which are located in the East Bay MSA—with a predominant race that changed between 2000 and 2014. In this case, the predominant race changed from non-Hispanic Asian to non-Hispanic white. Its Herfindahl index of racial/ethnic diversity, the third highest of all tracts, increased between 2000-2014 from 0.72 to 0.75. Between 2000 and 2014, this tract's median home value increased by over 60%, and median gross rental rate increased by over 30%.

> Analysis Criteria:
> - o Population density/income mix: 23.5 residents plus jobs per acre, 11.1 households per acre.
> - o Income: 37.2% of households earn between 50% and 120% of the AMI. Individual poverty rate is one of the lowest in the study, at 6.3%.
>
> Stability: This tract saw limited changes in density and poverty rate, but a large drop in the percentage of households earning between 50 and 120% AMI, from 60% to 37.2%.

Findings

Density/Income Mix. Just 34 tracts – or less than one percent of all tracts in the selected MSAs--exhibited both a high urban density and a balanced income mix, based on the most recent data available when this analysis was conducted. Of that number, over half (19) are located in the East Bay area of the Oakland MSA. Filtering for any one of the criteria yielded more tracts, however: about 9 percent of tracts met the density criterion of having at least 20 residents plus

jobs per acre and about 2 percent had at least 10 households per acre, while 62 percent of tracts met the income criterion of having at least 31 percent middle-income households and 24 percent had fewer than 20 percent of individuals below the poverty line. The universal density and poverty thresholds were more limiting than the middle-income threshold, which was contextual to each MSA.

While we were initially surprised by the small number of tracts meeting *all* criteria, their shared characteristics may offer valuable lessons for our understanding of the attainability of dense, mixed-income neighborhoods. For instance:

- The majority fall within the boundaries of the MSA's urban center, putting them near job centers, including central business districts, and anchor institutions like universities and hospitals.
- They are generally more racially/ethnically diverse than the MSAs in which they are located, measured by the Herfindahl Index of Race/Ethnicity. All—with the exception of one predominantly black/African-American[7] tract in Detroit and five predominantly Asian tracts in Oakland—are home to a predominant percentage of white residents, though the average percentage of white residents across qualifying tracts (56 percent) is lower than the national population average in 2014 (73 percent).
- Homeownership rates are lower, often by multiple measures, than homeownership rates nationwide and at the MSA level.
- They contain a lower percentage of subsidized affordable housing than the average census tract, despite large percentages of households earning less than $25,000/year. In many cases they are geographically adjacent to tracts containing at least some subsidized affordable housing.
- In some cases, they comprise housing stock that is distinct from the surrounding tracts, such as high-rise apartments or townhomes in predominantly single-family metropolitan areas.

Stability of Density/Income Mix Over Time. The 22 "stable" tracts, i.e. those that met all density and income mix criteria in both 2000 and 2014, offer additional context for our understanding of mixed-income neighborhoods. They comprise just under two thirds (64 percent) of all qualifying tracts, which suggests that stability of density and income mix is more attainable than not. From 2000 to 2014, on average, the stable tracts experienced the following trends:

- Job density increased from an average of 11.3 jobs/acre in 2002 to 13.6 jobs/acre in 2014.
- Household density decreased at a slower rate between 2000 and 2014 than in non-stable qualifying tracts (from an average of 14.5 households/acre in 2000 to 14.2 households/acre in 2014, compared to a change from 16.0 to 13.3 in non-stable tracts).
- The percentage of middle-income households earning between 50 percent and 120 percent AMI) decreased, from an average of 56 percent in 2000 to 37 percent in 2014. Two tracts in Pittsburgh were the only areas in which this percentage increased.
- The average poverty rate in stable tracts remained below the rate in nonstable tracts, despite smaller decreases.
- The predominant racial composition remained the same, in most tracts. The exceptions were in the East Bay Area of the Oakland MSA, where five measurable shifts occurred (twice from black/African-American to white, twice from white to Asian, and once from Asian to white). The non-stable tracts did not see any shifts in the predominant racial composition, and no tracts shifted to black/African-American, suggesting that that the

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[7] Editor's note: All references in this essay to black/African-American, white, or Asian populations refer to non-Hispanic/Latinx individuals unless otherwise noted.

black/African-American presence and in-migration is largely excluded from these measures of stable, high density, mixed-income communities.

- Homeownership rates remained generally stable at an average rate of 31 percent, although there does not appear to be a consistent trend at a tract-by-tract basis. Pittsburgh tracts were more likely to experience a decrease in homeownership, while Baltimore tracts were more likely to experience an increase in homeownership. Overall, homeownership rates in these tracts is less than half of the all-tract, eight-MSA average of 64 percent.

Summary

Our analysis is predicated on the assumption that stable, high-density, mixed-income neighborhoods offer economic and quality-of-life benefits to those who live there—and particularly to low-income residents. To that end, we explored how attainable it is for neighborhoods across the country to achieve strong urban densities and balanced income mixes over time. The short answer is that it is incredibly difficult for neighborhoods in large metropolitan areas to achieve these ideals, though neighborhoods that achieve them appear more likely to retain them than not—at least over the timespan of a decade and a half. And, perhaps not surprisingly, this less-than-one-percent of neighborhoods exhibit profiles that are relatively distinct from each other, reflecting their respective regions' economic and demographic trends more than their similarities. This uniqueness suggests that the most pragmatic policies to support dense, mixed-income, stable neighborhoods must be highly localized, at least in the short term. Those policies will need to explore how the national trends we observed are affected and can be changed by state, local, and hyper-local (i.e., neighborhood) dynamics. For instance, how can current and historic local zoning and housing policies explain why many mixed-income tracts are close to center cities, predominantly white, and limited in having subsidized housing in a particular place? We challenge practitioners and residents to seek to change those trends if they are deemed exclusionary, while retaining long-term outcomes that recognize the potential benefits of density and income mix at the neighborhood level.

Implications

Implications for Policy. Local, state, and national policies all play a role in the attainability of stable, dense, mixed-income communities. Local policymakers and neighborhood-level practitioners are the likely leaders in promoting attainability. These actors must work to understand the dynamics of density and income mixing in their communities, and designate locally contextualized short- and long-term planning goals to improve them. Dynamic housing and zoning policies emerge as the most likely tools to further local density and income-mix goals, with their potential to yield highly accessible residential and job centers that offer residents tools to access economic mobility. The most successful local policies will leverage local expertise and experience to take into account how factors such as race and ethnicity, property ownership dynamics, school quality, and other neighborhood features can work to best improve outcomes for residents, particularly low-income residents of color.

Implications for Research and Evaluation. We know that higher density and a balanced income mix can benefit residents across the income spectrum in a number of ways, but there are additional questions to explore. How have residents—specifically, low-income residents of color—fared economically in comparison to the population at large in any one of the "stable, qualifying" tracts we analyzed? Why are homeownership rates so low in these tracts (compared to national/MSA trends), and what are the implications for how residents access opportunity in mixed-income areas while also gaining wealth and passing it on to future generations? Are

homeownership rates simply lower in higher-density areas, and is this trend changing at all? How do these trends play out in other MSAs, and what can we learn from other cities that our analysis did not explore?

Implications for Development and Investment. We were surprised by the finding that many qualifying mixed-income tracts have low homeownership rates, relative to their MSAs, and lack subsidized affordable rental housing; we had assumed that the presence of these two housing metrics would contribute to income stability at the tract level. To some degree, this outcome could largely be a factor of the thresholds used in the analysis, as higher-density areas in the United States generally have low homeownership rates. However, we must recognize that resident turnover rates in these neighborhoods may be relatively high even as household economic measures remain steady. This set of findings also raises questions about the impact of subsidized rental housing on neighborhood stability. One development-related finding worth noting is that our qualitative research suggested that some of the dense, mixed-income tracts in this study appear to contain concentrations of housing that are unique to the metro areas in which they are located, including concentrations of cooperatives and high-rises in predominantly single-family metro areas. Developers and investors in affordable housing should seek to better understand the impacts of these relatively distinct housing structures on neighborhood trends and, where appropriate, create projects that offer residents neighborhood features that are unique at the metropolitan level.

Implications for Residents and Community Members. Residents and neighborhood-level practitioners in the 22 stable, mixed-income tracts identified through this analysis are encouraged to share how they perceive the changes in their communities in the past 20 years. Do their neighborhoods "feel" stable, and do residents perceive a benefit to the dense, mixed-income profile that we assume to be positive? Neighborhood-level practitioners and resident leaders elsewhere might look at how their neighborhood metrics compare to the density, income mix, and stability thresholds we used to conduct this analysis, and discuss whether they offer direction or opportunity for their neighborhoods.