

# Location, Location, Location: The Role Neighborhoods Play in Family Wealth and Well-Being

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Richard and Brigitte Thomas, an African American couple with two children, earned a combined income of \$115,000 in 2010. In 2000, they decided to purchase a home to call their own. Their search led them to a newly constructed house with a yard, priced at \$130,000. To them, this appeared to be a great opportunity. They obtained a subprime mortgage—a type of loan frequently targeted towards buyers in neighborhoods of color—and had to refinance multiple times to obtain a mortgage with a fixed interest rate. Like most other houses in the neighborhood, the value of their home has been wildly volatile, swinging from \$172,000 in 2007 to just over \$100,000 in 2011. The combination of the subprime loan and unstable home values has impacted the Thomas family’s ability to build wealth. Despite the variable housing prices, they are mainly happy with the neighborhood because it has all the amenities they originally wanted, except for good schools. Their neighborhood public schools are ranked the lowest possible by a school ranking website.



Michael and Kerry Schwartz, a white family, reside in the same Midwest city as the Thomas’ family. In 1996, Michael and Kerry purchased their home in an upper-class suburban neighborhood for \$380,000. They chose “*a nice stable neighborhood*” that had a solid public school system. All of their children attended the neighborhood public schools, which are ranked the highest possible by a school ranking website. Kerry noted that her children found the schools academically challenging. In 2014, with their house nearly doubling in value, they listed the property for sale at \$740,000.



Nicole Kilroy, an African American woman, is raising her daughter on the East Coast. Between 1998 and 2010, she moved seven times, renting apartments in different neighborhoods within the same city. Each time she moved, it was to escape a bad neighborhood and a poor housing situation. Forced to leave one apartment when the ceiling fell in, she moved again because of an infestation of mice. In addition to these health and safety concerns, she often did not feel safe around her neighbors. While Nicole has finally found a quiet community where she feels comfortable, she is exhausted from the constant moving and hopes to stay in her current apartment and neighborhood long-term.

**Assets/Wealth:** Assets are the tangible resources available to households—financial, personal, institutional, and social (networks of family and friends)—that can be drawn upon in times of need, or can be invested for the future. Examining the change in a family’s wealth over time helps reveal changes in economic security and opportunity for the family as a whole.

**Head Start Assets:** Head start assets are those assets parents provide to their children to help them access opportunities. These assets might include a loan or gift to buy a house, or a savings account to help pay for college.

**Transformative Assets:** Transformative assets are inherited wealth that lifts individuals or families beyond their own direct achievements.

**Net Financial Assets/Liquid Wealth:** Financial assets are those liquid financial resources, such as savings accounts, retirement accounts, children’s college funds, and stocks and bonds, available to a family to draw upon. Net financial assets are the sum of all assets minus the sum of all debts, excluding home equity.

**Net Worth (Total Wealth):** Net worth is a wealth measure that looks at the sum of a family’s assets minus all its debts, including home equity.

**Asset Security:** A family has asset security if, together with three months of unemployment insurance and its own assets, it has sufficient liquid assets to cover 75% of average household consumption for three months.

**Financial Transfers:** These are money from relatives that can be received while a family member is still living—what economists call in-vivo transfers—or when a family member dies—commonly called inheritance.

# Introduction

The opening stories reflect the stark differences in what a neighborhood can offer. Some neighborhoods have access to good schools, low violent crime rates, and a plethora of employment opportunities and services; other neighborhoods have failing schools, high crime rates, and are physically isolated from service and employment centers. In 2012, 5 million more Americans lived in highly distressed neighborhoods than prior to the Great Recession.<sup>1</sup> At the same time, the gap between the kinds of neighborhoods families are living in has widened. This pattern of spatial inequality is highly racialized. Families of color are more likely to live in subpar neighborhoods than white families.<sup>2</sup> This is a result of the United States' long history of residential segregation by race, along with ongoing policies that reinforce these trends.

Disparities in neighborhood opportunity—the quality of public schools, crime rate, or employment availability—create divergent living contexts. People are drawn to neighborhoods for different reasons, including family ties, connections to friends, and attachment to institutions such as places of worship.<sup>3</sup> Nevertheless, families living in high opportunity neighborhoods with good schools and low crime rates see real gains in financial, social, and physical well-being. Meanwhile, those living in low opportunity neighborhoods with poor quality schools and high crime rates face challenge after challenge—less home value appreciation, reduced physical and mental health services, lower educational outcomes—that inhibit their capacity to establish family well-being and gain social and economic mobility. Parents universally express a strong desire to move into safe neighborhoods with good schools, realizing that one's neighborhood can impact life trajectories.

However, many families cannot realize the dream of living in a high opportunity neighborhood. The financial and social resources that a family has access to determine what choices are available in maximizing the quality of a neighborhood. Parents who have few resources are more often stuck in low opportunity neighborhoods and are unable to afford services like schooling or safety in the private market,<sup>4</sup> while other families are able to draw on a rich set of resources permitting them access to high opportunity neighborhoods. These disparities in financial and social resources mean that families are sorted by race and class into different quality neighborhoods.

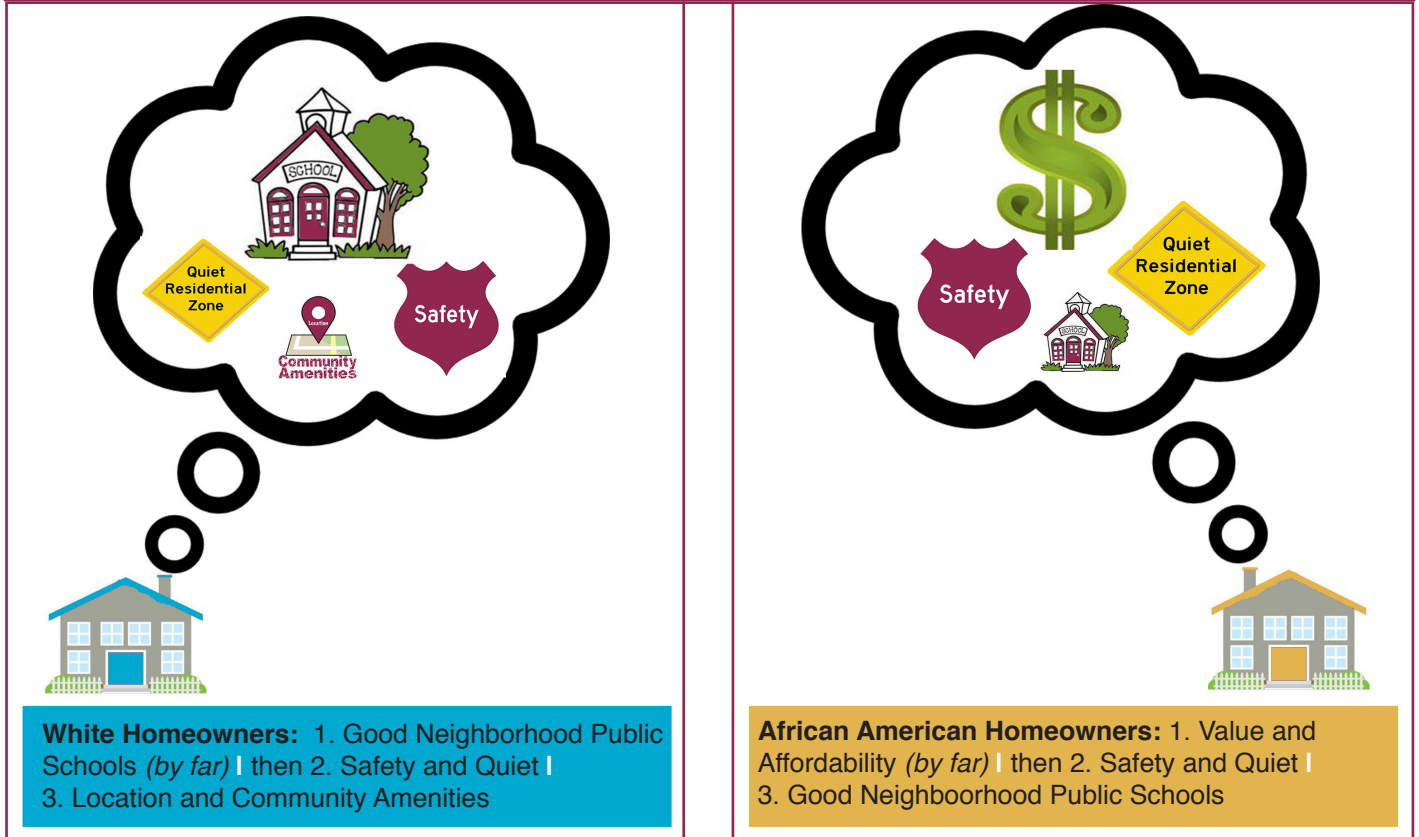
Drawing on longitudinal survey and interview data, this brief seeks to understand how families negotiate the diverse structure of neighborhood opportunity and explores their experiences of living in different types of neighborhoods. National-level longitudinal quantitative data demonstrate the diversity of neighborhood opportunity and the differences by race, illustrating the consequences of where a family lives and highlighting why families place so much emphasis on gaining access to the “right” neighborhood. The *Leveraging Mobility Study* interview data reveal how families negotiate diverse neighborhood opportunity structures and how they use their available resources—financial and social—to maximize the benefits they can derive from the neighborhood amenities available to them. The brief concludes by exploring policy solutions.



# Location Matters: The Diverse Structure of Neighborhood Opportunity

Families in the Leveraging Mobility Study desired very similar neighborhood qualities, often looking for residential opportunities that would benefit their children.

**Figure 1: Top Three Most Frequently Mentioned Qualities of Neighborhood by Homeowners Who Moved Between 1998 and 2010**



Source: Leveraging Mobility Data

There are good reasons why families consider where they live to be important. Research demonstrates that neighborhoods contribute to the life opportunities of their residents. Children living in high poverty neighborhoods within cities are more likely to suffer from chronic illnesses such as asthma<sup>5</sup> and are more likely to attend a high poverty school.<sup>6</sup> Furthermore, evidence indicates that students who attend schools with a high percentage of students in poverty have worse educational outcomes.<sup>7,8</sup> And residents of low opportunity neighborhoods are likely to pay more for services, such as significantly higher auto insurance premiums<sup>9</sup> and higher mortgage rates.<sup>10</sup> While these outcomes are compelling, perceptions of quality and opportunity play an important role in residential choice. As families move, they help to both construct and reinforce the very patterns of neighborhood opportunity they seek to attain (or avoid).<sup>11</sup>

## PSID and Census Data:

To understand the relationship between families and the neighborhood that they live in, two longitudinal data sources were linked: household-level survey data collected in the Panel of Income Dynamics (PSID), and neighborhood-level data from the American Community Survey and the Decennial Census.<sup>12</sup> The sample includes households headed by a working-age adult (ages

25 to 55 in 1999) with children under 18 residing with them. The neighborhoods in which these households resided between 2000 and 2010 were analyzed with a particular focus on how the neighborhood context changed during the time period in which these households were focused on raising their children.

When isolating the neighborhood effect—examining the impact of moving families from a low opportunity neighborhood to a high opportunity neighborhood—research suggests that children and adults who move from low to high opportunity neighborhoods experience increases in mental and physical health, adults find greater employment opportunities and earnings, and children see improved school performance.<sup>13, 14, 15</sup> Although improvements in economic self-sufficiency have not been proven, low-income adults living in high opportunity neighborhoods are more likely to report improvements in physical and mental health.<sup>16</sup>

## Defining Neighborhood Opportunity

To understand the degree of opportunity offered by a neighborhood, the neighborhood characteristics that determine opportunity need to be defined and then examined to understand their distribution among different neighborhoods. In this brief, high opportunity neighborhoods are those that enable families to build well-being.<sup>17</sup> Based on research that has examined questions of the important ways neighborhoods create well-being and opportunity,<sup>18, 19, 20</sup> this brief conceptually defines neighborhood opportunity structure by the following characteristics:

1. **Quality of public schools:** Children that attend high quality public schools are provided with greater opportunities, encouragement, and peer expectations of graduating high school and attending college.
2. **Rates of violent and property crime:** Neighborhoods with low violent and property crime rates reduce the risks of physical and mental harm and/or loss of property.
3. **Stability of property prices:** Neighborhoods with stable or rising property prices increase the likelihood of household wealth growing through home equity.
4. **Range of employment opportunities:** Neighborhoods with employment availability means less time commuting and increased opportunities for work.
5. **Accessibility of neighborhood:** Transportation, whether public or private, ensures that families have easy access to employment and other amenities.

While high opportunity neighborhoods have positive characteristics, low opportunity neighborhoods have fewer positive characteristics. The following analyses use proxies, or measures that are highly correlated with opportunity indicators, such as income and poverty, homeownership, and home value.

## Household and Neighborhood Inequality is Growing

The question of where a family lives has become increasingly important since the start of the twenty-first century. Between 2000 and 2010, the gap between the highest and lowest opportunity neighborhoods grew. One indicator of this trend is the increasing disparity of neighborhood income. Census data reveal that the median income of families residing in the top 10 percent of neighborhoods in the U.S. increased, whereas the median income of families residing in the bottom 10 percent decreased. A consequence of this shift is a growing gap in the opportunities a neighborhood offers a family.

## The Question of Unequal Access to Resources

Families in the *Leveraging Mobility Study* desired very similar neighborhood qualities. But there was one key difference between white and African American families. Amongst homeowner families that moved between 1998 and 2010, African American families most frequently mentioned affordability as a critical factor in choosing their neighborhood. This was not on the list of priorities for many white families. Compared with white families, African American families had significantly fewer household and extended family financial resources at their disposal to realize their aspirations of providing a safe neighborhood with good schools for their children. Thus, African American families had to choose a neighborhood based firstly on price before looking at the other qualities that were important to them: safety and good schools.

Not only is the difference between neighborhoods growing, but the gap in resources that families can use to access those neighborhoods is also widening. Inequality in income and wealth is greater than it has been in nearly a century. Furthermore, the disparity in wealth held by white and African American households is growing.<sup>21, 22, 23</sup> As a result, families are being sorted into different neighborhoods—high opportunity or low opportunity—based on race and class. The following examples use families in the *Leveraging Mobility Study* to illustrate the divergent experiences of living in a high opportunity neighborhood versus a low opportunity neighborhood.

Freda Harmon, a single mother, resides in a low opportunity neighborhood. She has moved six times attempting to find a safer neighborhood in which to raise her three children. At the time of the interview, she was renting in a neighborhood that had regular gang shootings because she was unable to afford anywhere else. Shortly before the interview, her apartment had been burglarized, with some cash and jewelry stolen. Freda feared for the safety of her children, so she rearranged her life. She worked part time at a grocery chain to be home when her children arrived on the school bus. She would not let her children play outside, and she found herself taking precautions out of fear that her children and herself would get shot by a stray bullet. Freda also invested significant time in ensuring that her children received the best education that they could. Without resources to send her children to a private school, she continued to look for additional and alternative resources to the challenged neighborhood public schools. She placed her youngest son into therapy to address poor school performance, attempted to get her daughter enrolled into a program that would help her win a scholarship to a private school, and moved her eldest son to an alternative charter school.

By contrast, Valerie and Patrick Apple reside in a small, middle- to upper-class, predominantly white beach community located close to the downtown of a West Coast city. Valerie describes the community, “*It’s a fabulous community. It’s just, people are great, helpful...the schools were great.*” The Apples have lived in this community for the past 28 years, 22 of which were in the house that they currently own. Originally, they had moved into the neighborhood for the schools, where their three children attended “great” neighborhood public schools. The family purchased their house in the early 1980’s for \$305,000. In 2010, Valerie estimated that it is now worth about a million dollars, crediting the surrounding community as the main driver of this appreciation in home value. The Apples have not had to deal with the challenges faced by Freda and her children. When Valerie spoke extensively about the neighborhood, there was a notable absence of negative comments about it. She said she would rather live in her neighborhood than anywhere else.

## Who Lives Where?

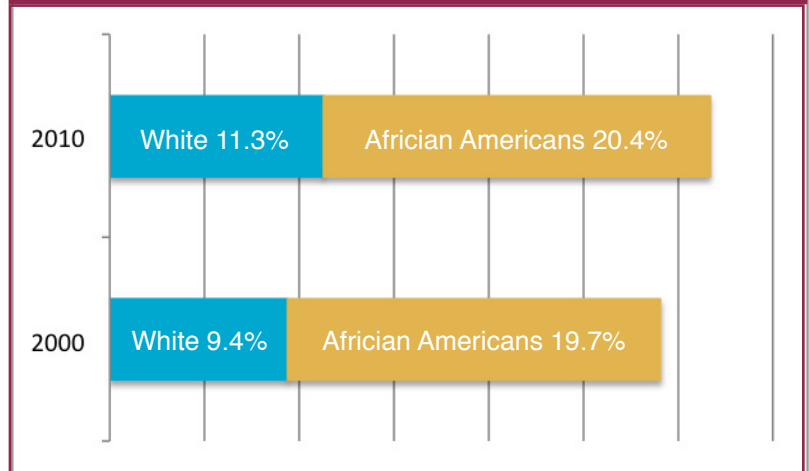
The data presented below reveal that more U.S. households are now living in low opportunity neighborhoods than a decade ago. These households are more likely to be African American and low income. By contrast, white households are more likely to live in high opportunity neighborhoods. This is partly because the average white household has greater resources that they can access for their housing, making it more likely that they will be able to afford to live in a high opportunity neighborhood.<sup>24</sup>

High poverty neighborhoods are typically defined as those where 20 percent or more of the neighborhood's residents live at or below the federal poverty line.<sup>25</sup> We tracked households with children moving into and out of high poverty areas.

### African Americans Households with Children are Located in Worse Neighborhoods than White Households

No matter which indicators of neighborhood opportunity are examined, African American households live in worse neighborhoods than white households in the PSID sample that was tracked over 12 years. Using poverty to assess the quality of a neighborhood, African American households were nearly four times as likely to live in a high poverty neighborhood in 2010 as white households with children. More than one-in-ten white households lived in a high poverty neighborhood in 2010, compared to close to half of all African American households. Using the median family income of the neighborhood as an alternate measure of neighborhood quality, nearly half of white households lived in high opportunity neighborhoods in 2010, as compared to about one-fifth of African American households.<sup>26</sup>

**Figure 2: Percentage of Individuals Living Below Poverty in 2000 and 2010**

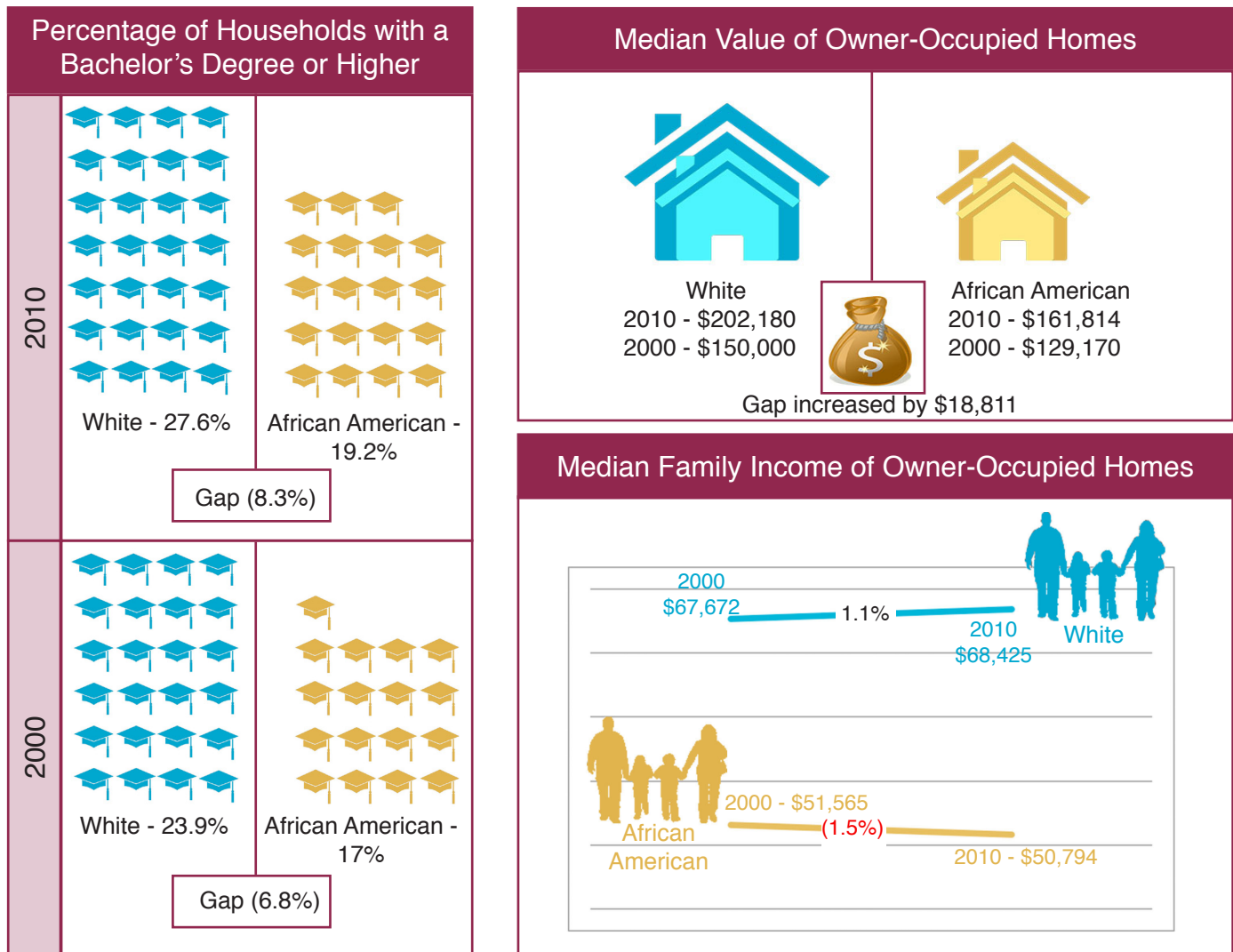


Source: PSID and Census Data.

### Middle-Class African American Households Live in Very Different Neighborhoods than their White Counterparts

Geographic disparities in opportunity by race cannot be explained solely by the income a family makes.<sup>27</sup> Middle-income African American households with children live in very different neighborhoods than comparable white households. In 2000, white households with similar incomes to their African American counterparts lived in neighborhoods with much larger homeownership rates (74 percent versus 57 percent) and higher median home values (\$150,726 versus \$129,170), as well as higher rates of educational attainment (24 percent with a Bachelor's degree or higher versus 17 percent) and higher median family incomes (\$67,672 versus \$51,565). By 2010, the homeownership rate in the neighborhoods of African American households had grown by about 4 percent, reducing the black/white gap. However, the gap in median home value in the neighborhoods of African American and white households had increased from \$21,556 in 2000 to over \$40,000 in 2010.

**Figure 3: Highlights the Different Kinds of Neighborhoods that Middle-Income, White, and African American Households with Children Live In, and the Changes of These Neighborhoods Over A Decade**



Source: PSID and Census Data.

### Living in Low Opportunity Neighborhoods

The stories of families in the *Leveraging Mobility Study* who were unable to choose their preferred neighborhood—instead finding themselves stuck in a low opportunity neighborhood—provides rich detail of the experiences and consequences of living in low opportunity neighborhoods. These families chose their neighborhood based on a number of factors: a relative who had a house they could share or an apartment they could rent at a reduced rate, the availability of public housing or acceptance of Housing Choice Vouchers (formally Section 8), or simply because the housing was affordable for their income. However, these families found themselves worrying about the safety of their children as they managed the daily reality of violent crime around them, while working hard to improve the chances that their children would receive a good education.



Sarina and Bill Bryant, a middle-class African American family, found themselves in a failing school district. Sarina tried to enroll her fifteen-year-old son, James, into a different school district when he started high school. Since so many other parents were trying the same strategy, she was unable to find a school that would accept him. James was struggling in this school district; he had a low GPA and got into fights at school. Because of his reputation, he was blamed for things that he did not do. Sarina counseled him on ways to improve his behavior and encouraged him to think about steps beyond high school but it did not help his academic performance. Since the school district was failing, the school was closed and the children were sent to other schools. Sarina worried about how her son would be perceived at his new school: *“Just like everything else that’s associated with the district...it’s predominantly black... therefore, of course they’re going to be labeled...”* Sarina was concerned about her son’s future, and she was pressuring him to think about learning a trade at a community college. She became frustrated at his lack of direction, but she admitted that there was little encouragement and help from teachers at the school. She hoped that he would become motivated to get *“...a college education with a degree to support, and to be able to go out there, hopefully, and make an honest living for himself. Have...saleable skills to offer, and to have a good life and be able to support himself.”*

The Barrows, living in the family home that Darcie’s sister owns, dreamt of purchasing a house in her mother’s neighborhood, a neighborhood which she described as safer and quieter than where they were living. Darcie’s younger son, Moses, had been impacted by the violence in the neighborhood. At the time of the interview, Moses was suffering from post-traumatic stress disorder after he was robbed on the stairs of their home. Moses had lost several friends to youth violence in the neighborhood. In an attempt to escape a low opportunity neighborhood, the Barrows saved \$40,000 for a down payment on a house. But in recent years they have had to dip into their savings to pay bills, slowing down their ability to find a safer neighborhood in which to raise their family.

## **Neighborhoods More Often Decline Around African American Households with Children than Comparable White Households**

Neighborhoods are not static and individual families cannot completely control changes in quality and opportunity within their neighborhoods. The long-term decisions families make to move into a neighborhood, especially when purchasing a house, is a gamble with profound consequences depending on whether the neighborhood remains stable, improves, or declines. The decision to move into a neighborhood is based on information available at the time of the purchase, as well as financial resources and support from friends and family members.

Some families move into neighborhoods that, at first, have desirable amenities, such as safety and good neighborhood public schools. But as time goes by, those neighborhoods may change for the worse, particularly for African American families. This phenomenon, classically known as “white flight” and documented so often in the latter part of the twentieth century, is a change in a neighborhood accompanied by a decline in services, loss of social capital, and loss of neighborhood housing values.

Neighborhood change can be examined by analyzing the families that stayed in the same house and neighborhood over time. The picture that emerges from the merged PSID and Census data reveals that between 2000 and 2010, white households who did not move were more likely to see their neighborhoods

improve. By contrast, African American households were more likely to see the neighborhoods they live in decline.

Nearly one-in-five of the *Leveraging Mobility Study* families found themselves in a neighborhood that was changing for the worse. The Medinas are one of those families.

India and El, an African American middle-class couple, struggled to get ahead and were held back by the larger trends in their neighborhood. In 1999, using savings and help from El's sister, they purchased a house in the best school district that they could afford. Since then, school quality and home values have declined, and the neighborhood has shifted from owner-occupied homes to more absent landlords renting out to Housing Choice Voucher recipients. India described a process of white flight and the neighborhood "crashing down." She saw a neighbor forced to rent out their house because they could not sell it for what they purchased it for. Despite following all of the rules of wealth-building, India and El lost wealth by owning their home. Furthermore, their decision to refinance their home to pay off credit card debt had unrealized consequences. Due to an expensive subprime loan and the decline in neighborhood home values, after refinancing they owed more than the house was worth. India felt stuck. The decline in India and El's home value mirrors broader trends in communities that have experienced large increases in the black population. Such neighborhoods see lower rates of home value appreciation—and in some cases declines—relative to comparable white communities;<sup>28</sup> these communities are also targeted by subprime mortgage lenders.

India's three stepchildren have also been impacted by the decline in the quality of their neighborhood public schools. After they moved into the neighborhood, the local public schools declined to the point of failing, and the state stepped in. India tried to enroll the children in different schools. The middle stepson, Richard, needed the extra services available in a better high school in the same district, but the school required a doctor's certification. India did not have the social networks to find a doctor that could provide this certification, nor did she have the financial resources to pay for such certification. Unfortunately, Richard did not flourish in the new neighborhood, so he moved back in with his mother. Tragically, while living at his mother's house, he was killed in a street fight. India's stepdaughter, Taletha, performed well academically but was exposed to a violent social scene at the school. She was "jumped" while a teacher stood by and watched until security arrived.



An increasing number of U.S. households find themselves living in a low opportunity neighborhood. The growing inequality in neighborhood opportunity and the increasing cost of housing in high opportunity locales keeps many families from attaining the benefits of a high opportunity neighborhood. However, being stuck in a low opportunity neighborhood does not always mean that a family has to forego all of the benefits offered by high opportunity neighborhoods. The following section describes strategies used by families in the *Leveraging Mobility Study* to access the benefits and services provided by high opportunity neighborhoods.

## Negotiating Access:

### Families in an Unequal Neighborhood Opportunity Structure

When a family has a need for the extensive financial and social resources typically found in high opportunity neighborhoods, that family must use all the resources at their disposal. Families with extensive household and extended family wealth or income typically purchase or rent a home in a high opportunity neighborhood. Others use a range of public and private resources—financial and social—to gain access to high opportunity neighborhood services, while others must go to the private market to purchase equivalent safety and well-being services. Other families find themselves having to compromise one neighborhood quality for another. And for some, there simply is not a good range of options—leaving them at the mercy of the neighborhood services where they live.

#### Families with Household Financial Resources Were Able to Access Preferred Neighborhoods with High Quality Schools

Families with household financial resources, such as personal wealth or high incomes, were able to enter high opportunity neighborhoods—with all the associated services of higher quality public schools and public safety—by buying or renting a home in the desired neighborhood. When families purchased a house in a high opportunity neighborhood, household wealth allowed them to move into a community and “purchase” services there.

Kathleen and Larry Scanlon are a white middle-class couple living in the Midwest. When the family lived in Treewood, their children, Annie and John, attended the neighborhood public schools. The elementary school underwent some administrative changes, so Kathleen wanted to move them to Riverwood School, a school she felt would be better for her kids. The family quickly purchased a house in Riverwood, permitting the children to attend school there.

Household financial resources are not the only critical way to buy into a preferred neighborhood. Extended family wealth is also important. One-third of home-owning families in the *Leveraging Mobility Study* data received assistance with their down payment from extended family resources, allowing them to move into a preferred neighborhood. Just over four-fifths of those families were white. The Clarks offer an example of the ways extended family wealth can play a critical role.

In 1998, Carline and William Clark were living in a neighborhood that had a failing public school district. They sent their children to a private school, avoiding the neighborhood public schools. When they wanted to send their son, Nicholas, to a public school, they decided to move. They chose Cedar School District because “*We wanted a top school district and a central location.*” Cedar School District is ranked second in their state. When asked whether they considered what was affordable to them, Carline said “*No, because my family made it possible for us to be in the house we’re in now.*” Carline’s parents paid for their new house in the Cedar School District.

#### Working in a School District as a Strategy to Access Good Neighborhood Schools

Some parents work in a school district as a teacher or other service provider so their children can access the benefits of a high opportunity neighborhood. Constance Waldinger is one such mother. She wanted her children to go to the high quality schools in the neighborhood bordering where she and her family lived. Constance started working as a teacher for that high performing school district so that her children could attend the public schools. Her job is “*...just answering phone calls from 2:00 to 4:00 in the afternoon. And*

*it literally was so my children could get into the Littleton School District, I got that job.”* Constance’s highly resourced family was in a position for her to take a lower paying job that provided her children access to the school district that she hoped for.

### **Using Public Resources to Gain Access to a Neighborhood’s Benefits**

Some families in the *Leveraging Mobility Study* were part of public programs aimed at desegregation. These programs took students from the inner city’s low opportunity neighborhoods and bussed them to the suburbs’ high opportunity neighborhoods. Ashley Dudley’s story illustrates the struggle to access such programs and the sacrifices her son had to make to participate.

Ashley Dudley is a single, middle-class, African American mother living on the East Coast. While she had concerns about raising her son in the city, Ashley remained in the neighborhood due in large part to existing family ties. She was aware of the reputation of the local public school district and was concerned about her son’s academic future. Ashley signed her son up for the local desegregation bussing program when he was two weeks old. She fought hard to get him into the program for first grade. While Ashley had hoped that she would be able to afford private school for her son in middle school, he remained in the bussing program throughout high school. Facing limited options and financial constraints, she remained committed to helping her son access the best education possible. Being bussed, however, to a “better” suburban public school did not come without a cost. Not only did he have long days and did not know the other children in his own neighborhood, but he also experienced racism when the non-white students in the bussing program were accused for problems such as stealing at the suburban school.

### **Families Meet Core Underlying Neighborhood Safety Needs First**

When a family lives in a neighborhood that threatens individual members’ safety, locating a safe place and ensuring the survival of all family members is a priority of the adult members of the family. African American parents more often find themselves having to make safety-prioritizing moves. The trade-off for parents in such situations often stretches their financial resources to move their children into a safer neighborhood. Carla Herf succinctly stated, “...*I’d rather pay the extra money in living expenses to put her in a public school that was in a safe and decent area than to do the reverse and move into a not-so-safe and decent area and pay for private school.*”

Sarita Stephan is another mother who stretched herself financially to move her family into a safer neighborhood. In 1998, Sarita, an African American mother of two young boys, was living in what she described as “the ghetto.” At first, Sarita had not noticed problems in the neighborhood. But as Sarita started living in the neighborhood, she noticed problems:

*“...it wasn’t until I moved in that I started putting two and two together...It...was just all this shady stuff going on, you know...I can’t say that I saw anybody actually exchanging drugs or buying drugs. But I’ve been around enough people, and enough areas where there’s drugs, dealings, going on to know that that’s what was going on...there’s helicopters at night flying around. There’s gun shots...I was not naïve I knew what was going on...”*

This presented problems for her in parenting:

*“Even though I wouldn’t let them, they would want to ride their bikes. We had a long driveway that I wouldn’t let them ride their bike in the driveway, or I would never let them go in the front...And so that bothered them...”*

Eventually, Sarita decided to buy a house in a “better” neighborhood where her children could play outside without fear for their safety and where she felt good about sending them to the neighborhood public schools. She located a neighborhood that met these criteria and found a small place to buy. She had saved up her down payment working three jobs:

*“And it’s 909 square feet. It’s really small. But it’s in a good neighborhood and so I was able to take the kids out of private school...the neighborhood was good enough that I could put them in public school...but I had a heck of a commute.”*

As a result of the long commute, she was let go by one of her employers, presenting more of a financial challenge. But she made it work because she “...wanted [her] kids to go outside because they couldn’t go outside for two years and play. *So that was a big deal to be able to be in a safe neighborhood...*”

## Accessing Neighborhood Services Through the Private Market

When African American families find a safe neighborhood that is affordable, it is often not in a school district with the highest quality public schools. In some instances, parents used the private market to give their children the quality education that they desired. Investing money into a private education is a trade-off in building other kinds of financial security, such as housing security or retirement security. It is often a strategy used to improve the odds that a child will receive a scholarship, or gain acceptance into a desired four-year college.

Francesca Boucher, an African American mother, raised her daughter with minimal support from her ex-husband. After earning an MBA nearly ten years before, Francesca built up her personal savings, using that money to purchase a two-bedroom home in a gated community on the West Coast. Safety was a top priority in choosing a neighborhood: *“And I really wanted a gated community because...I was away at night a lot of the time...I wanted safety.”* Francesca wished she had been able to afford a house in a neighborhood with good public schools so that she did not have to send her daughter to a private school, an expense that increased from \$6,000 to \$10,000 a year. In addition to the costs associated with private school, Francesca recognized the impact living in such a community was having on her property value:

*“...I figured in a perfect world if I had all the resources in the world I would choose a community based on schools, because you can sell your house for more, you know? But it wasn’t a perfect world and I didn’t have that...luxury to...select those kinds of things.”*

She had to go to the private market for both neighborhood safety and private schools, which has come at a cost for her financially. Describing how she managed the costs of her daughter’s education, she said:

*“...it’s definitely a trying time. You know, school tuition still has to be paid for her... You just add in the expense of preparing for college. It’s really costly.... Yeah. I’m kind of feeling the pinch a little bit.”*

Francesca’s story highlights the challenges that many African American families face in locating neighborhood services such as safety and good schooling. There are clear structural barriers to being able to afford a home in a neighborhood that provides these services in the public realm. The most critical barrier to affording a home in a neighborhood with good public schools is the high demand and cost of housing in those high opportunity neighborhoods. This, coupled with the significantly smaller income and wealth holdings that African American families have on average, makes it harder to afford entering high opportunity neighborhoods. With fewer household resources, the web of wealth<sup>29</sup> is less capable of helping make this opportunity investment. Francesca is a case in point; she had no assistance from her family to purchase her house.



**T**hese stories underscore how families’ resources determine where they are able to live. In the absence of household financial resources that can help families live in their preferred neighborhood, they do find ways to meet some of their needs—for example, safety—and then access the private market for educational needs. Or, they find alternative ways to access their preferred school district, for example by working for the school system or having a child live with a relative in the school district. Other families stretch themselves financially so they can get their family into a safer but more expensive neighborhood, placing their other savings goals and retirement security in jeopardy.

## Policy Implications

High opportunity neighborhoods provide the type of resources that help a child to thrive: safety and good public schooling. By contrast, as demonstrated by the *Leveraging Mobility Study* families, low opportunity neighborhoods can create physical and psychological disruptions that negatively impact a child's life prospects. The income and wealth resources that a family is able to draw on influence their access to a high opportunity neighborhood. Families in the *Leveraging Mobility Study* data used other strategies to access the resources of a high opportunity neighborhood or purchased equivalent services in the private market. Families face real challenges and trade-offs in trying to provide these neighborhood services for their children. Often they have to spend more of their income and wealth that could be used for other purposes, such as retirement or investment in secondary education for their children.

Policy has helped structure the segregation of opportunity by race and class, and so policy clearly has a critical role to play in helping to create a fairer distribution of opportunity by neighborhood. There are two key ways to think about policies that can recalibrate neighborhood opportunity. The first is to open up high opportunity neighborhoods to families who are currently kept out by high housing costs. The second is to make long-term, place-based investments in low opportunity neighborhoods, explicitly building community and individual wealth in those neighborhoods and preventing the displacement of lower-resourced families as neighborhood housing prices increase.

### Access to High Opportunity Neighborhoods

As part of U.S. social policy, the federal government has run small-scale experiments moving low-income families into higher opportunity neighborhoods, with mixed results. In some studies where families moved from low to high opportunity neighborhoods, reductions in neighborhood violence, improvements in social networks, and improvements in health were seen. Yet, the results in earnings and children's educational performance were more mixed.<sup>30</sup> The barriers to entering high opportunity neighborhoods for families with fewer resources need to be removed. Research examining the impact of neighborhood access on household outcomes needs to continue, a focus that will help to further strengthen and inform policies aimed at improving equity in where a family lives. Following are some suggestions of ways to accomplish this.

#### Establish a Federal Minimum Standard of Affordable Housing for All Communities

Policies exist that enable families to access high opportunity neighborhoods. The crux of being able to access a high opportunity neighborhood is being able to afford the cost of housing. Therefore, the development of affordable housing in high opportunity neighborhoods is a critical mechanism in allowing all families to access the benefits of high opportunity neighborhoods. Currently, there are three main ways that affordable housing is developed: (1) inclusionary zoning, (2) the low income housing tax credit, and (3) federal and state government grants and loans. While both the low income housing tax credit and federal and state government grants and loans provide some number of units, these programs tend to be directed to communities that have fewer opportunities because those neighborhoods have cheaper housing stock. To date, the most effective mechanism in developing housing in high opportunity neighborhoods has been inclusionary zoning policies.

Inclusionary zoning policies require or encourage, through development incentives, the construction of a certain number of affordable units whenever a new development of market rate housing units occurs. Policies tend to be statewide (e.g. Massachusetts' Chapter 40B) or at the municipality level. Research has found that the highest production tends to be where inclusionary zoning is mandatory. The durability of affordability (i.e., maintaining the units as affordable) is most effective where the units are maintained as affordable for 99 years, or where mechanisms are in place to re-establish a 30 year or more affordability clause when tenure changes.

In order for a community's affordable housing to avoid becoming exclusionary to outside members, establishing a regional qualifying criteria will ensure that municipalities do not become segregated by race and class.<sup>31</sup>

### **Using the Fair Housing Act as a Policy Framework**

The Fair Housing Act (FHA) of 1968<sup>32</sup> provides a framework to ensure that families have access to equal housing opportunities. Since housing provides the access point to a neighborhood, it logically follows that fair housing practices remain central to a broader commitment of expanding equitable access to high opportunity neighborhoods. Some municipalities have used exclusionary policies to prevent taking in applicants for Housing Choice Vouchers. This process discriminates against some groups, particularly African American families. Such exclusionary policies reduce the options available to families who are seeking to locate to secure and safe housing by moving into a high opportunity neighborhood.<sup>33</sup> To ensure such violations do not occur in the future, the Department of Housing and Urban Development is working to reinforce statutory compliance among grantees obligated to further fair housing provision of the FHA.

### **Tailored Place-Based Investments in Low Opportunity Neighborhoods Creating Community Wealth Without Displacement**

While it is critical that families have access to high opportunity neighborhoods, it is also important that low opportunity neighborhoods are transformed without existing families losing access to them. For some neighborhoods, improvement has meant significant displacement through gentrification. For effective neighborhood change, place-based and long-term investment is necessary. Models of effective place-based and multi-pronged neighborhood investment without displacement include the Dudley Street Neighborhood Initiative in Boston, and the Market Creek Plaza in the Diamond District in San Diego. Both of these initiatives included the development of community ownership in the investments that were taking place. Such ownership creates tangible positive change in the well-being of residents,<sup>34</sup> and signals a commitment to the residents as owners of the neighborhood. Instead of prescribing a specific set of policy recommendations, describing the approaches of these two specific place-based initiatives illustrates how a tailored and place-based investment with community ownership is a long-term and viable strategy to improve the neighborhoods that families live in.

### **Market Creek Plaza, Diamond District, San Diego**

Market Creek Plaza, a community-owned commercial development project in San Diego, started in 1998. The project was a response to 800 neighborhood surveys sent out by the Jacobs Center for Neighborhood Innovation that articulated a desire for a vibrant and creative commercial and cultural hub. Since 2007, this shopping center has been owned in part by the community, purchased by 415 residents through a community development initial public offering (IPO). Investors needed only \$2,000 in net income, and could invest between \$200 and \$10,000. The community also holds a 20 percent ownership share in the company through the non-profit Neighborhood Unity Foundation. Profits are split: one-third of the wealth created through Market Creek goes for personal investor benefit, one-third for community benefit, and the remaining third is for ongoing development of Market Creek. The project has had a significant impact on local residents, creating more than 200 new permanent jobs in the neighborhood, awarding 79 percent of construction contracts to minority and women-owned businesses, and creating a multicultural community art collection estimated at \$570,000. Any profits from Market Creek go first to community residents, building wealth from their initial investment, then to the Neighborhood Unity Foundation.<sup>35</sup>



## **Dudley Street Neighborhood Initiative, Roxbury, Boston**

Dudley Street Neighborhood Initiative (DSNI) has been investing in the Dudley Street neighborhood of Roxbury in Boston for thirty years. This inner-city neighborhood is one of the poorest in Boston, with a poverty rate approaching 27 percent in 2010. And yet, as a result of DSNI, it is developing a vibrant set of opportunities for residents built through the long-term presence of the organization. Formed in 1984, DSNI emerged from community members organizing to stop the dumping of trash on vacant land in the Dudley Street area of Roxbury. Over the next two years, a community planning process resulted in the City of Boston giving DSNI eminent domain authority for a triangle of land in the Dudley Street area. For the subsequent thirty years, DSNI has been engaged in long-term and place-based urban programming to develop people, land, and institutions without displacement. DSNI has developed affordable housing using the community land trust model; the community holds the land and the family owns the house. Based on this shared equity model, the house's value appreciates at only a certain rate per year. This ensures that gentrification does not occur and that affordable properties remain in the Dudley Street area. It also encourages homeowners to stay in the neighborhood, since they have opted out of the model of using their house as an investment vehicle. DSNI is active in developing and investing in community institutions. The organization is structured to engage area residents, reserving 17 of the 34 board seats for residents and standing seats for youth and community institutions. The current executive director and the director of operations grew up on Dudley Street and were engaged as young people in the organization, a good indicator of the project's ability to develop its community members.

These case studies demonstrate that, with long-term and community-led investments, real benefits can be accrued by neighborhood residents as the neighborhood improves. Federal agencies such as the Department of Housing and Urban Development and the Community Development Financial Institutions Fund can be at the forefront of developing long-term investment strategies in partnership with philanthropic organizations and municipalities. Resident involvement and leadership in such projects is critical to ensure that a base is built. But funding is currently lacking in any sustained and community driven way. While such investments may look expensive, they pale in comparison to the costs of a continued neglect of such neighborhoods, or the funds invested in middle-class communities through such programs as the home mortgage interest deduction and federal transportation subsidies.

## **Conclusion**

The history of racial segregation in the United States has laid the foundation for ongoing neighborhood opportunity segregation. The unequal distribution of household and public resources generates and maintains inequitable opportunities for low-income families and households of color. To address this opportunity inequality, policy will have to make sweeping changes in not only addressing fair access to neighborhoods by providing a range of housing options, but also by restructuring zoning codes. Public investments, such as the mortgage interest deduction (amounting to \$1.2 trillion of public resources every five years), primarily benefit those at the very top of the income distribution and the communities they reside in. The scale of funding for community block grant programs (\$3 billion) designated to help low-income communities to stabilize neighborhoods, develop decent housing, build a suitable living environment, and expand economic opportunities, represents just over 1 percent of the public investment in homeownership for affluent families.

If we truly wish to work towards a more equitable distribution of place-based opportunity—where low- and moderate-income families and families of color share equally in accessing neighborhood opportunity—we need to ensure that current housing, transportation, infrastructure, and education policies do not inequitably distribute opportunity to the most affluent. Public policy strategies can ensure the equitable distribution of opportunities through investment in low- and middle-income neighborhoods, especially historically deprived communities, so that the promise of the land of opportunity can finally be realized.

## End Notes

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<sup>2</sup>Sharkey, P. (2013). *Stuck in Place: Urban Neighborhoods and the End of Progress Toward Racial Equality*. Chicago: The University of Chicago Press.

<sup>3</sup>Data from the 2011 American Housing Survey finds high levels of neighborhood satisfaction, even among households that fall below the poverty line.

<sup>4</sup>Sharkey, P. (2013). *Stuck in Place: Urban Neighborhoods and the End of Progress Toward Racial Equality*. Chicago: The University of Chicago Press.

<sup>5</sup>Das, A. (2007). The Asthma Crisis in Low-Income Communities of Color: Using the Law as a Tool for Promoting Public Health. *New York University Review of Law and Social Change*, 31(2), 273-314.

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<sup>9</sup>Brobeck, S., & Hunter, J. R. (2012). *Lower-Income Households and the Auto Insurance Marketplace: Challenges and Opportunities*. Washington, D.C.: Consumer Federation of America. Retrieved September 29, 2014, from <http://www.consumerfed.org/news/450>.

<sup>10</sup>Thompson, C. (2013). *Disparate Impact and Fair Housing: Seven Cases You Should Know*. ProPublica. Retrieved from <http://www.propublica.org/article/disparate-impact-and-fair-housing-seven-cases-you-should-know>.

<sup>11</sup>Lareau, A., & Goyette, K. (Eds.). (2014). *Choosing Homes, Choosing Schools*. New York: Russell Sage Foundation.

<sup>12</sup>Census tracts are used as proxies for neighborhoods. Census tracts are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment; they generally have between 1,500 and 8,000 people, with an optimum size of 4,000 inhabitants. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other nonvisible features; they always nest within counties. For further discussion, see: *Census 2000 Summary File 3 Technical Documentation*, U.S. Census Bureau.

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- <sup>25</sup>For example, see: Bishaw, A. (2011). *Areas with Concentrated Poverty: 2006-2010 (American Community Survey Brief ACSBR/10-17)*. Washington, D.C.: U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau.
- <sup>26</sup>High opportunity neighborhoods are those in the top third of the median family income distribution among all U.S. census tracts in 2010.
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- <sup>31</sup>*Crystal Carter and the Connecticut Fair Housing Center, Plaintiffs, vs. Housing Authority of the Town of Winchester*, Case No.: 3:12-cv-01108 (WWE) Consent Decree.
- <sup>32</sup>Sec. 800. [42 U.S.C. 3601 note]. Retrieved from <http://www.justice.gov/crt/about/hce/title8.php>.
- <sup>33</sup>HUD Letter of Finding of Non-compliance, Civil Rights Compliance Review of the City of Dubuque's CDBG and Section 8 programs. Title VI review no: 07-11-R001-6.
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## About the Institute on Assets and Social Policy

The Institute on Assets and Social Policy (IASP) is dedicated to advancing economic opportunity, security and equity for individuals and families, particularly those left out of the economic mainstream. Our work is premised on the understanding that assets provide the tangible resources that help individuals move out of and stay out of poverty, as well as inspiring effective individual, community, state and national actions through the belief that security, stability, and upward mobility are indeed possible.

This brief is the fifth in the *Leveraging Mobility* series. Earlier briefs include:

- Leveraging Mobility: Building Wealth, Security and Opportunity for Family Well-Being
- Employment Capital: How Work Builds and Protects Family Wealth and Security
- Keeping Dreams Alive: The Lane-Changer Costs of Financial Disruptions
- The Web of Wealth: Resiliency and Opportunity or Driver of Inequality?

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