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# Land and the City

Edited by George W. McCarthy, Gregory K. Ingram, and Samuel A. Moody

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# PREFACE

The majority of the world's population now lives in urban areas and depends on urban systems for housing and social and economic goods and services. This number will only increase as cities blossom and expand to accommodate new residents, particularly in developing nations. What remains unchanged, however, is the key role of cities as engines of economic growth, social activity, and cultural exchange. In an effort to support the success and sustainability of cities, this volume explores how policies regarding land use and taxation affect issues as diverse as the sustainability of local government revenues, the impacts of the foreclosure crisis, and urban resilience to climate change.

This collection, based on the Lincoln Institute of Land Policy's 2014 annual land policy conference, addresses the policies that underlie the organization, financing, and development of the world's cities. It is the final volume in the Institute's land policy conference series. Over the years, these meetings have addressed land policy as it relates to a range of topics, including local education, property rights, municipal revenues, climate change, and infrastructure.

We thank Armando Carbonell, Martim Smolka, and Joan Youngman for their advice on the selection of topics and on program design. The conference was organized by our exceptional event team, comprising Brooke Burgess, Sharon Novick, and Melissa Abraham. Our special thanks go to Emily McKeigue for her exemplary management of the production of this volume, to Peter Blaiwas for the cover design, to Nancy Benjamin for maintaining the publication schedule, and to Barbara Jatkola for her tireless and reliable copyediting.

George W. McCarthy
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# 11

# *The Relationship Between the Rise of Private Communities and Increasing Socioeconomic Stratification*

Evan McKenzie

In 1991, Robert Reich argued that the rise of private communities represented the "secession of the successful." The "fortunate fifth" of the income distribution "have in effect withdrawn their dollars from the support of public spaces and institutions shared by all and dedicated the savings to their own private services." Private communities, he contended, "undertake work that financially strapped local governments can no longer afford to do well—maintaining roads, mending sidewalks, pruning trees, repairing street lights, cleaning swimming pools, paying for lifeguards and, notably, hiring security guards to protect life and property" (Reich 1991, 16). For Reich, there was a physical and institutional secession going on, and private communities were at the heart of that process.

Private communities, many featuring relatively high levels of security that distinguish them from their surroundings, have become a visible symbol of residential segregation by income. Although it is unclear exactly what the relationship between the rise in private communities and increasing social stratification is, numerous studies shed light on this complex relationship.

Certain facts are beyond serious dispute. From the early 1970s to the present, two trends have been well documented in metropolitan areas across the United States. The first is an increase in residential segregation by income and wealth in many parts of the nation. The second is an increase in income inequality. The growing gap between upper- and middle-income earners is the most dramatic aspect of that trend. It is widely believed that increasing income inequality is

**Table 11.1**
Increase in Private Communities, 1970–2012

| Year | Number of Communities | Number of Housing Units (millions) | Number of Residents (millions) |
|---|---|---|---|
| 1970 | 10,000 | 0.701 | 2.1 |
| 1980 | 36,000 | 3.6 | 9.6 |
| 1990 | 130,000 | 11.6 | 29.6 |
| 2000 | 222,500 | 17.8 | 45.2 |
| 2002 | 240,000 | 19.2 | 48.0 |
| 2004 | 260,000 | 20.8 | 51.8 |
| 2006 | 286,000 | 23.1 | 57.0 |
| 2008 | 300,800 | 24.1 | 59.5 |
| 2010 | 309,600 | 24.8 | 62.0 |
| 2012 | 323,600 | 25.9 | 63.4 |

Source: CAI (2014).

an important contributor to residential socioeconomic segregation. As people's economic fortunes diverge, their opportunities grow or shrink, and they find themselves living in different neighborhoods with different lifestyles. Research supports the existence of this relationship.

A third trend that may more fully explain the growing segregation by income and wealth is the rise in the number of common interest developments (CIDs). Most notable among these are new suburban and exurban subdivisions run by private homeowners' associations, and urban condominium and townhome developments. In 1970, there were only about 10,000 private communities in the United States, with an estimated population of 2.1 million. Today, there are nearly 324,000 communities, with more than 63 million residents (table 11.1).

Private communities offer developers a variety of tools that facilitate the segregation of people into neighborhoods with residents who have similar socioeconomic characteristics. These tools include private governments that offer a range of exclusive services and amenities to those who can afford them; master planning; targeted marketing strategies; and the enforcement of elaborate property-oriented rules by community associations.

This chapter explores the existing literature on the relationship between the spread of private communities and the trend toward residential segregation by income. It explains what CID housing is, provides an overview of major theoretical perspectives suggesting how and why people might become segregated by income, and discusses the evidence documenting increasing residential segregation by income since 1970. The chapter then considers possible explanations for or causes of that trend, including increasing income inequality, real estate development practices, and CIDs themselves. It ends with a discussion of case studies, which are grouped into two categories: those concluding that CIDs contribute to residential segregation by income and those that found the opposite.

## *What Is Common Interest Development Housing?*

Common interest development, or CID, housing is a form of residential real estate in which owners acquire two property interests. One is a common interest, or share in the "common elements" of the project, that links all owners together as co-owners of the real estate. The other is an individual interest, which the owner can call his or her own. All owners become mandatory members of a private association that either owns or manages the commonly owned property, and that association has quasi-governmental power over them.

There are three different ways to arrange CID housing: homeowners' associations, condominiums, and housing cooperatives. In *homeowners' associations*, the individual interest is typically a single-family home, and the common interest is the "common areas" of a planned subdivision, which might include private streets, water features, recreation centers, parks, private sewer and water systems, and other things that municipalities would otherwise provide. A private homeowners' association elected by the owners owns the common elements, collects assessments that are the equivalent of property taxes, and governs the subdivision.

*Condominiums* are a form of property ownership typically found in multifamily construction. The individual interest is just the space within each owner's apartment, which is called a unit. The entire physical building is owned in common by the unit owners and managed by the condominium association. Condominium units are sold individually, as if they were separate property interests. Many condominium documents state that the board has the right of first refusal when an owner wants to sell a unit, but this right is not often exercised because few associations have the means or the desire to purchase units.

In *housing cooperatives*, each owner has a corporate share interest in the building or buildings and a lease that grants him or her the exclusive right to occupy a particular unit. The governing board typically requires that potential new owners submit to an interview with the board, which has the power to deny permission for a sale without the cooperative being required to purchase the unit. The purpose of the interview is to determine whether the prospective purchaser would be a suitable addition to the cooperative. One critical factor is whether the purchaser can afford the unit, and screenings probably result in fewer foreclosures than in comparable condominiums (Stellin 2012). There is some evidence that this power to block a sale has on occasion been exercised to exclude racial and other groups that are protected by fair housing statutes (Maldonado and Rose 1996; Strahilevitz 2006). Income discrimination is not covered by fair housing laws, however. It is conceivable that the screening procedure could also contribute to greater income segregation than in condominiums, but no empirical study directly comparing condominiums and cooperatives on this dimension came to light during this research.

All three forms of CID housing have common property ownership, private governing documents, and mandatory membership associations that function as private governments. Many also have some degree of master planning and some degree of security (McKenzie 2011).

The institutional features of CID housing can be conducive to creating segregated development patterns, if that is the developer's intent, but local governments and consumers also are involved. CIDs are created by real estate developers with the approval of local governments and have the potential to cater to a wide range of consumer preferences. Developers can, however, offer residents certain amenities, including security measures, that residents must pay for in addition to paying real estate taxes to the local government for similar services. This suggests that there are additional costs associated with living in private communities—costs that presumably only the relatively affluent can afford. In some places, local governments mandate that all new residential construction must be in private communities, seeking the tax windfall that will result from having residents pay taxes for public services and amenities they do not use (Siegel 2006). This might cut against the argument that such developments increase income segregation.

## *Theoretical Perspectives on Residential Segregation and Sorting*

Segregation takes place in a social, political, and economic context that has been studied for decades. There are a number of well-known theoretical perspectives suggesting the likelihood that over time people are sorted into relatively homogeneous neighborhoods, with income being one of the factors that contributes to this sorting. Among the most relevant theories are Charles Tiebout's model of residential sorting (Tiebout 1956); Thomas Schelling's "tipping point" model (Schelling 1971); Anthony Downs's analysis of the "trickle down" dynamic in the housing market (Downs 1975); and the "homophily" literature, which focuses on the "birds of a feather" dynamic (McPherson, Smith-Lovin, and Cook 2001).

Based on theories of microeconomics, Tiebout's seminal article was a response to Paul Samuelson's theoretical demonstration that government decisions about taxing and spending for public goods always lead to overproduction, because there is no market mechanism operating in these decisions and therefore they are made with insufficient information about people's preferences (Samuelson 1954). Tiebout asserted that this would not hold true for local governments under a particular set of conditions. If the residents of a metropolitan area were viewed as mobile consumers with varying preferences who could "vote with their feet" without high transaction costs; if there were many municipalities offering different packages of services and different tax burdens; and if consumers had full information about the differences, a residential sorting process could take place that would produce a sort of equilibrium and efficiency. Consumers would be able to maximize their own preferences (Tiebout 1956).

Tiebout's model has been influential among academic advocates of CID housing because they believe that private communities are even better participants in this process than municipalities. Private organizations are free of constitutional restraints and are created by contract, so they can offer a greater range of choices. Presumably, this could lead to greater efficiency and satisfaction (Nelson 2005). To the extent that people have a preference for living with others of similar income and socioeconomic status, developers could offer communities that meet that preference. As economist Tara Watson has observed, "The simplest form of the Tiebout model implies that residential segregation by income should be complete" (Watson 2009, 822).

Game theorist Thomas Schelling developed a "checkerboard" or "tipping point" model demonstrating how relatively small differences in individual preferences for neighborhood composition could lead to rapid segregation (Schelling 1971). Once a sorting process based on a salient characteristic begins, he argued, it will accelerate until total or near-total segregation results. That is, when residents with the greatest preference for homogeneity move in response to diversity in their neighborhood, the neighborhood becomes more diverse, which triggers those with the next-greatest preference for homogeneity to move, and so on. While this model is most often used in the context of racial segregation, it could apply to income segregation as well, with similar results.

In the 1970s, economist Anthony Downs described a "filtering" or "trickle down" process that leads to economic segregation, especially in the context of suburbanization. He argued that "nearly all new housing units in the United States . . . are too expensive for low- and moderate-income households to occupy—and even for many middle-income households. There is nothing 'natural' about this condition. Rather it results from legally preventing landowners from building whatever types of new dwelling units they desire on their land. But it has profound consequences for the entire urban development process" (Downs 1975, 3). New neighborhoods, he observed, typically comprise a cluster of similar houses, which are priced the same and built by a single developer or group of developers, and aimed at one target market. This housing, he wrote, "is initially occupied by households in the upper half of the national income distribution, because lower income households cannot afford to live there" (3). Over time, however, these houses become older, less fashionable, and less desirable; the occupants who are most economically successful move out; and the neighborhood becomes occupied by less affluent people. Then deterioration sets in, and eventually the neighborhood "trickles down" to "the lowest income groups in society and falls into extreme disrepair" (4).

Twenty years later, Downs referred to a "self-reinforcing hierarchy" among suburbs that is facilitated by fragmented government and suburban separatism. The hierarchy contributes to "an increasing geographic separation of socioeconomic groups" (Downs 1994, 47).

> To the extent that each suburban income group segregates itself from others with notably lower incomes, it creates a hierarchy based on income levels; high-income households cluster in high-prestige areas, middle-income in middling-prestige areas, and so forth. But low-income households are compelled to gather in low-prestige areas because they cannot afford any alternatives. This produces neighborhood conditions reasonably congenial to all except the poorest. Of course, there is some heterogeneity in all communities, but such a socioeconomic hierarchy exists in most metropolitan areas. At the top are a few high-prestige communities with expensive homes; at the bottom are a larger number of low-prestige communities of often deteriorated housing in the central cities or close-in suburbs. (22)

Sociologists have developed a theory that is relevant to residential sorting by income and other characteristics. Homophily is the tendency for "birds of a feather" to flock together. "Since people generally only have significant contact with others like themselves, any quality tends to become localized in sociodemographic space. . . . Homophily is the principle that a contact among similar people occurs at a higher rate than among dissimilar people" (McPherson, Smith-Lovin, and Cook 2001, 415–416). The social dynamic of homophily suggests that people would prefer to live and socialize with other people of similar socioeconomic status. If it is true that CID housing facilitates sorting by income, that would allow for easier operation of homophily.

## *Increasing Residential Segregation by Income*

The theories outlined in the previous section suggest that long before the spread of CID housing, there were forces at work that could facilitate residential sorting by income. It has been well documented that there has been a significant increase in residential segregation by income in the United States since the 1970s. Many studies have focused on the period from 1980 on (Fischer 2003; Fry and Taylor 2012; Massey 1996; Massey, Rothwell, and Domina 2009). Typically, these studies have used census data at the tract or block group level, and their results have varied depending on the data source, the way the income distribution was sliced, and the statistical measure of segregation used.

According to Rey and Folch (2011), several indices have been used to evaluate these data, including the dissimilarity index, which is more often used to measure racial segregation; Jargowsky's neighborhood sorting index (Jargowsky 1995); and Watson's Centile Gap Index, or CGI (Watson 2009). The dissimilarity index shows the relative segregation of groups in neighborhoods or other subunits of a larger area such as a city or metropolitan area. The neighborhood sorting index is better adapted to income segregation, as it is expressed as the square root of the ratio of the income variance between tract income to the total variance in income of the larger area. The CGI "estimates how far the average family income within a tract deviates in percentile terms from the median family income in the tract, compared to how far it would deviate under perfect integration" (Watson 2006, 14). In a metropolitan area that was completely integrated by income, every census tract would contain the entire income distribution, and it would have a CGI of 0. A city consisting entirely of economically homogeneous neighborhoods segregated by income, in which every neighborhood contained only one income level, would have a CGI of 1.0.

However segregation is measured, the consensus is that in recent decades, Americans have become increasingly segregated by income. According to one major study, "Residential segregation by income has increased during the past three decades across the United States and in 27 of the nation's 30 largest major metropolitan areas," with 28 percent of lower-income households being located in majority lower-income census tracts, and 18 percent of upper-income households being located in majority upper-income tracts in 2010. The corresponding figures for 1980 were 23 percent and 9 percent, respectively (Fry and Taylor 2012).

Another large-scale study focusing on the decline of middle-income neighborhoods concluded:

> Middle-income neighborhoods as a proportion of all metropolitan neighborhoods declined from 58 percent in 1970 to 41 percent in 2000. . . . Between 1970 and 2000, lower-income families became more likely to live in lower-income neighborhoods, and higher-income families in higher-income neighborhoods. Only 37 percent of lower-income families lived in middle-income neighborhoods in 2000, down from 55 percent in 1970. The proportion of neighborhoods that were middle-income shrank faster than the proportion of families that were middle-income in each of 12 large metropolitan areas examined. . . . Only 23 percent of central-city neighborhoods in the 12 large metropolitan areas had a middle-income profile in 2000, down from 45 percent in 1970. (Booza, Cutsinger, and Galster 2006, 1)

Jargowsky (1995) found that although economic segregation increased during the 1970s and 1980s for whites, blacks, and Hispanics, it increased more for blacks and Hispanics than for whites during the 1980s. Massey, Rothwell, and Domina (2009, 74) found that "during the last third of the twentieth century, the United States moved toward a new regime of residential segregation characterized by moderating racial-ethnic segregation and rising class segregation," and they emphasized that segregation today may be less the result of prejudice and actual discrimination, and more the result of land use decisions.

Comparing 1970 and 2009, Reardon and Bischoff (2011, 1) found that

> mixed income neighborhoods have grown rarer, while affluent and poor neighborhoods have grown much more common. In fact, the share of the population in large and moderate-sized metropolitan areas who live in the poorest and most affluent neighborhoods has more than doubled since 1970, while the share of families living in middle-income neighborhoods

> dropped from 65 percent to 44 percent. The residential isolation of both poor and affluent families has grown over the last four decades, though affluent families have been generally more residentially isolated than poor families during this period.

It is clear from the literature that Americans are increasingly living in economically homogeneous neighborhoods. This may be a dangerous trend because the characteristics and behaviors of neighbors and schoolmates impact children's chances for success in school and in the economy. It also may be true that this form of residential sorting increases the likelihood of spatial mismatches between affordable housing for the poor and the jobs they can hope to find. Moreover, neighborhoods with concentrated poverty may have lower-quality schools and public services, as spatial separation of the affluent and the poor may contribute to declining political support for public services upon which poor people depend (Watson 2007).

## *Rising Income Inequality and Income Segregation*

Those seeking to explain rising income segregation in the United States tend to identify increasing income inequality as a leading cause. Income inequality is generally measured using the Gini coefficient. This coefficient is based on the Lorenz curve, which plots on its x-axis the cumulative percentage of a nation's population, and on its y-axis the cumulative share of the income earned by each percentage of the population. The lower the Gini coefficient is, the greater the nation's income equality; the higher the Gini coefficient, the greater the inequality. A Gini coefficient of 0 equals perfect equality of income, with every member of the population having the same income, and a coefficient of 1 equals perfect inequality, with one person receiving all the nation's income and the rest of the population receiving none.

Between 1967 and 2012, the Gini coefficient for all U.S. households rose from 0.397 to 0.477 (U.S. Census Bureau 2014b). The level of income inequality in the United States is among the highest of the 34 nations that belong to the Organisation for Economic Co-operation and Development (OECD), an organization consisting of nations with developed market economies and systems of representative democracy. The increase in the United States started earlier and has been greater than in nearly all the OECD nations, although there is also a broader trend toward rising income inequality among these nations. As one OECD report notes,

> [Income inequality] first started to increase in the late 1970s and early 1980s in some English-speaking countries, notably the United Kingdom and the United States, but also in Israel. From the late 1980s, the increase in income inequality became more widespread. The latest trends in the 2000s showed a widening gap between rich and poor not only in some of the already high inequality countries like Israel and the United States, but

> also—for the first time—in traditionally low-inequality countries, such as Germany, Denmark, and Sweden (and other Nordic countries), where inequality grew more than anywhere else in the 2000s. (OECD 2011, 22)

This change can be quantified with U.S. households divided into quintiles. In 1967, the poorest one-fifth of the population earned 4 percent of the national aggregate income, and the wealthiest one-fifth earned 17.2 percent. By 2012, the poorest one-fifth took home only 3.2 percent of the aggregate income, and the top one-fifth earned 22.3 percent (U.S. Census Bureau 2104a).

The rise in income inequality, its causes, and its consequences have recently become the subject of considerable academic and political discussion. Doing justice to that literature is beyond the scope of this chapter. However, some findings have special relevance to the relationship between rising income inequality and increasing segregation by income.

There are different ways that income inequality can increase. For example, those at the bottom of the income distribution could fall further behind, those at the top could race further ahead, or both top and bottom could move further from the middle. In the United States, the most significant trend seems to be a shift in income in favor of those at the top. According to Watson (2007, 2), "Between 1973 and 2000, the inflation-adjusted income of the bottom one-fifth of American families rose by about 12 percent, while that of the top one-fifth grew by about 67 percent."

The most significant increases in income inequality are not within the top 20 percent, however, but the top 1 percent. Economist Emmanuel Saez analyzed income data from 1917 to 2012 and found that the top percentile has outpaced the rest.

> Interestingly, the income composition pattern at the very top has changed considerably over the century. The share of wage and salary income has increased sharply from the 1920s to the present, and especially since the 1970s. Therefore, a significant fraction of the surge in top incomes since 1970 is due to an explosion of top wages and salaries. Indeed, estimates based purely on wages and salaries show that the share of total wages and salaries earned by the top 1 percent [of wage earners] has jumped from 5.1 percent in 1970 to 12.4 percent in 2007. (Saez 2013, 5)

It seems clear that the rise in U.S. income inequality has been driven largely by an increasing income share in the top 1 percent of the income distribution (Saez 2010). Several macro-level causes of this shift have been suggested. Globalization has brought with it changing demands for labor that markedly favor better-educated and higher-skilled workers. Technological transformations have contributed in the sense that an economy that relies heavily on increasingly sophisticated information technology favors those with higher skill levels. And in the United States and elsewhere, the years since 1980 have brought public policies and economic transformations concerning taxation, unions, part-time work, deindustrialization, pensions, healthcare, bankruptcy, and other aspects of life that may benefit top income earners over others. The interactions among these variables are complex, however, and there are some aspects of these changes that have *reduced* inequality in some places (OECD 2011, 24).

## *Real Estate Development Practices and Income Segregation*

Certain features of the housing market also appear to be related to income segregation. Watson examined that relationship and found that "growing income inequality within a metropolitan area changes the residential location of rich and poor families in ways that cause neighborhoods to become more segregated by income" (Watson 2007, 2).

The overall increase in income inequality in the United States varies among regions, states, and metropolitan areas. Watson explored these variations. While finding "rapidly growing segregation by income," she also showed that there were major differences among the nation's metropolitan areas in the nature of income segregation and that they could be sorted into four categories based on population growth and economic growth from 1960 to 2000. "Distressed" areas were in the bottom one-third of metro areas in both types of growth. "Non-distressed" areas included those that were "supply-constrained," with strong economic growth and housing price increases that exceeded population growth. "Rapidly growing" areas were in the top third of population growth, and "other non-distressed" areas had moderate growth and some degree of distress (Watson 2007). Although both distressed and non-distressed areas experienced rapid growth in income segregation, Watson found that in distressed areas, greater income segregation was associated with excess housing construction, or overbuilding.

Watson's analysis began with the Tiebout model. If it is simply assumed that all households have the same preferences for neighborhood characteristics—good schools, low crime, scenic views, and so forth—and that some neighborhoods are more desirable than others with respect to those characteristics, then income segregation would occur because the wealthy could outbid the less affluent to live in the better neighborhoods. The poor would be priced out of the better neighborhoods. Moreover, "as inequality increases, it becomes less likely that rich and poor households are willing to pay similar amounts to live in a given neighborhood. In this sense, income inequality is a primary determinant of the market pressure for segregation. In addition, the income distribution may affect residential sorting by differentially changing neighborhood quality and thereby changing the relative price of a high-quality neighborhood" (Watson 2006, 5).

Watson argues that income inequality leads to overbuilding, which in turn contributes to rising income segregation. She models the relationship this way:

> Rising income inequality creates pressure for income sorting in residential markets. In rapidly growing metropolitan areas, changing preferences are rapidly reflected in the housing stock and in the level of segregation. In

> slowly growing metropolitan areas, however, the housing stock reflects the preferences of previous generations of residents. If existing housing costs less than the price of new construction or retrofitting (which may be the case in severely depressed areas), there is little incentive for construction or renovation. Rising segregation occurs in slow growth areas only if the change in market pressure for segregation is sufficient to overcome the costs of retrofitting or new construction. A key feature of the model is that changes to the housing stock are necessary to allow the resorting of income groups. (Watson 2006, 3)

What happens in rapidly growing areas is especially relevant to understanding the role of CID housing as a contributor to income segregation. CID housing is a large and increasing share of the new housing stock. In locations that are growing rapidly, a great deal of the suburban housing growth is in planned developments with homeowners' associations; in redeveloping urban areas, new condominium and townhome developments are the norm. If there is overbuilding in these areas, it is an overbuilding of CID housing. Watson found that "booming new construction is expected in places with rapid employment and population growth, such as Las Vegas and Tucson. . . . New housing is constructed to respond to the influx of new residents. If income inequality is rising as the metropolitan area is built, new neighborhoods will tend to be homogeneous, reflecting market pressures for segregation by income" (Watson 2007, 3).

In distressed metro areas such as Detroit, where there is little population or economic growth, Watson found that "land prices are low, making it relatively inexpensive to build new housing. Therefore, when the rich want to segregate themselves from the poor, they move into new high-income neighborhoods. . . . Market pressure for income segregation leads to new housing construction in excess of what would be expected given population growth alone" (Watson 2007, 3). According to Watson, this overbuilding of new urban housing, which largely comprises condominiums and other CIDs, can accelerate neighborhood decline.

## *Common Interest Housing Characteristics and Income Segregation*

Clearly, housing industry practices are related in complex ways to income segregation. But how can the impact of CID housing be isolated from the many other factors involved, such as volume, location, and pricing? Put differently, what is the significance of the fact that CID housing has accounted for much of the new construction since about 1980? CIDs have certain characteristics that could contribute to residential segregation by income and wealth. Two of the most significant are the use of master planning and targeted marketing to build and sell homes in subdivisions that cater to narrow slices of the income distribution and particular household types, and the use of security features to create so-called gated communities.

## MASTER PLANNING AND TARGETED MARKETING

Before the rise of CID housing, many residential neighborhoods were constructed with comparatively little planning. Municipalities laid out streets, ran utility lines, set up zoning and building codes, and issued building permits. Housing was then constructed either by home builders, who sold them to the public, or by homeowners, who bought lots and plans and hired contractors to build homes for them. Neighborhoods grew up in a relatively organic fashion, with different housing types, sizes, color schemes, and other features chosen by owners in accordance with their preferences. By contrast, CIDs always involve some degree of master planning. Typically, the plan involves multiple construction phases, a set of housing plans that owners can choose from, a set of price ranges for each type of home, a color palette, and detailed arrangements for paying for private amenities and utilities. Thought is given to how people will live in the development, where they will play, how they will meet one another, and above all who they will be. In other words, CID housing is typically marketed to particular demographic groups, based on careful consideration of their socioeconomic characteristics.

CID housing has been a preferred tool for large-scale residential developers since the 1970s, and leading industry publications continue to explain how to set up homeowners' associations as a critical part of the development process. These associations, the publications explain, are part of the marketing process and are essential to long-term governance of the project. The publications also emphasize the importance of understanding the income ranges of the "target market" and show how to focus on increasingly smaller "niches" of the market. Associations have become the enforcement tool for making sure that a developer's vision is carried forward and the project looks and functions as it was set up. In this way, associations are intended in part to maintain whatever segregation by income, household type, or other characteristics the developer originally put in place during the marketing phase.

The Urban Land Institute is the leading educational and research organization in the real estate development field. Its *Residential Development Handbook*, first published in 1978, has long been widely used by developers. The 1990 revision of the handbook emphasizes the importance of understanding the income ranges in the target market in order to set prices at exactly the right levels.

> An analysis of median household income within the target market area indicates the economic welfare of the region and provides valuable insight into the scope and magnitude of the available purchasing power for housing. . . . This part of the analysis involves tracking historic changes and projections in median and average household income for the primary, intermediate, and regional target market areas, including the rate at which incomes rise and the number of households in each income bracket. . . . Such information is invaluable in determining a range of prices that a significant portion of the population can afford. . . . In residential development, income of consumers is a most important factor in demand. As incomes rise, people generally demand and can pay for larger, customized

> houses in neighborhoods with more amenities. (Urban Land Institute 1990, 22–23)

That year's handbook also documents the trend that began in the 1980s toward increasingly specialized niche markets.

> A trend that developed during the 1980s and is expected to continue into the 1990s is the specialization of housing products designed for very specific markets (often referred to as "niche markets"). Such niches include houses for first-time buyers, "move up" houses for second- or third-time buyers, housing for the elderly, housing for low- and moderate-income households, and second-home or resort-oriented products. . . . In the years ahead, designing for particular market niches is likely to become much more complex. (166)

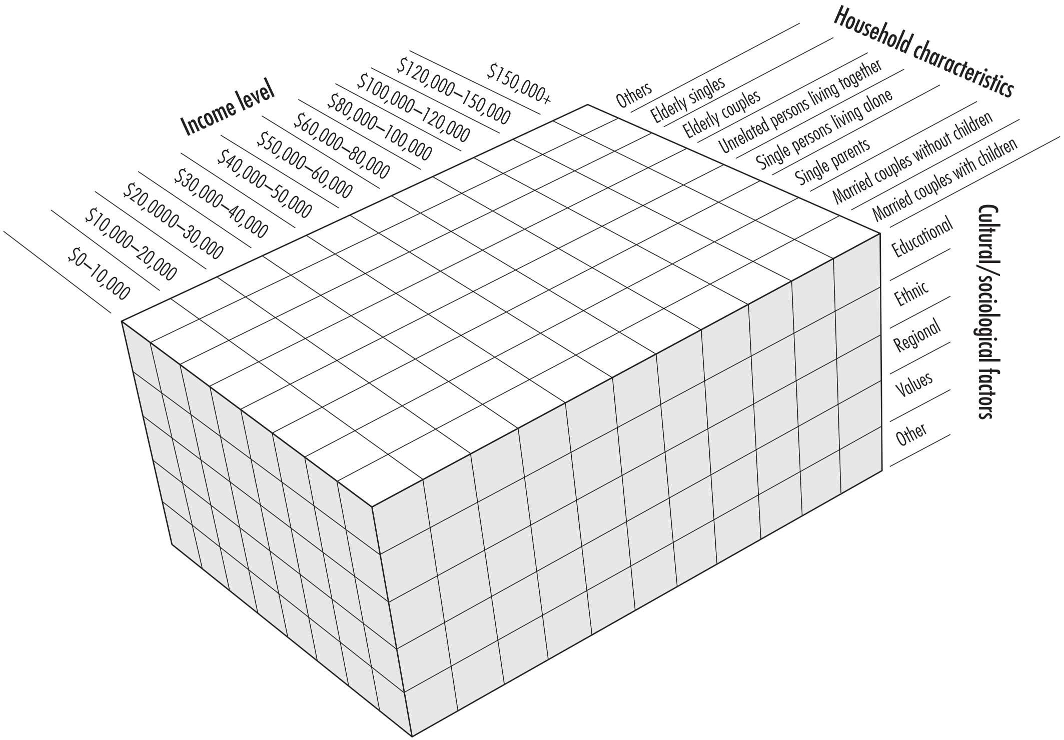
Looking into the future in 1990, the Urban Land Institute anticipated increasingly sophisticated targeting of potential buyers, using characteristics such as income range to market a neighborhood precisely to a clearly defined demographic.

> During the 1990s and beyond, residential markets will become increasingly segmented. In the past, developers targeted their products to market niches based on a two-dimensional matrix—one matrix consisting of income levels and the other consisting of household characteristics. In the future, however, consideration of a third matrix accounting for diverse sociological and cultural characteristics will also need to be considered. The number of "cells" or market niches is thus increased dramatically. Successful marketing will require careful targeting to specific cells within the matrix. (370)

The 1990 handbook includes a three-dimensional matrix (figure 11.1) in which one axis depicts eleven different income levels; a second depicts eight household characteristics, such as "married couples with children" and "elderly singles"; and a third depicts cultural/sociological factors, including the categories "educational," "ethnic," "regional," "values," and "other" (370).

In the 2004 handbook, the emphasis on research into income ranges in the area of the planned development was renewed. "Demographic trends and projections form the basis for determining the demand for housing. Four demographic factors are of primary importance in analyzing the market potential for a project: employment, population, households, and income" (Urban Land Institute 2004, 42). The handbook explains why developments must be targeted to specific characteristics of the area, emphasizing the essential nature of real estate: "Real estate is different from other consumer products in that it cannot be moved to the consumer: the consumer must move to the product. Location is real estate's primary characteristic. Most projects must be custom tailored to the local market and cannot be mass produced for all markets. Because housing markets are so

**Figure 11.1**
Real Estate Market Segmentation




Source: Urban Land Institute (1990, 370).

localized, the demographic data must be for the local area" (Urban Land Institute 2004, 43).

Each version of the handbook contains a chapter on "community governance," which discusses creating a community association. The Urban Land Institute has been a strong advocate for creating such associations since the early 1960s, when it published the first handbook for creating homeowners' associations (Urban Land Institute 1964). The institute's 1990 handbook presents associations as part of the "stewardship of the land," explaining,

> A more formal mechanism for the maintenance of the development is the creation of an organization that can assume responsibility for governance, maintenance, and provision of services necessary to the development. Such organizations are generally grouped under the category of "community associations." . . . The association forms the basis of governance that preserves the architectural integrity, maintains the common open space, and protects the development's property values. (Urban Land Institute 1990, 289)

According to that year's handbook, the association is a selling point to be used in marketing the project to its intended niche. "A well-conceived program for community governance and maintenance can be a strong selling feature for a new residential community. Prospective property owners will be interested in preserving the quality of the neighborhood while they live there and in the potential appreciation of property values that can accrue to a well-planned and well-maintained community" (290). The heavy emphasis on creating associations continued through the 2004 edition: "Governance is frequently the last thing a developer wants to consider or spend time addressing; in many ways, however, governance is one of the most important parts of project planning and execution" (Urban Land Institute 2004, 185).

According to the Urban Land Institute, the association's enforcement functions are central to maintaining a project's unique characteristics. "It should be recognized that if a residential development is to have a distinctive quality and character, it is highly likely that at least one or more special protective covenants will be needed to assist in the preservation and maintenance of its special characteristics. If reasonably and diligently enforced, CC&Rs [covenants, conditions, and restrictions] are in many ways stronger and more effective than zoning or other publicly enforced land use controls" (Urban Land Institute 1990, 299). The handbook goes on to explain:

> Unless adequate machinery is set up initially for proper enforcement, covenants may become ineffective through nonobservance and conscious violation. CC&Rs are typically enforced by the community association, although they can also be enforced by private individuals. Enforcement of suitable CC&Rs assures each owner that no other owner within the development can use property in a way that will destroy values, change the character of the neighborhood, or create a nuisance. Strict enforcement of

> the CC&Rs, however, can best be assured by the creation of a viable community association. (300)

This advice is carefully phrased to portray strict covenant enforcement as a universal, uncontroversial public good. However, the handbook's suggested list of "typical items subject to use restrictions"—that is, things that the CC&Rs would prohibit and the association would enforce—includes behaviors that connote issues of social class. The association is tasked with enforcing guidelines based on the aesthetic tastes of upper-income groups. For example, "prohibited activities and objects" include parking "boats, trailers, motor homes, or vehicles being repaired" in front of the house; clotheslines; visible outdoor and garage storage of building materials and maintenance equipment; operating a business from the home; and "excessive ornamentation." ("Driftwood, statues, animal skulls, wagon wheels, windmills, etc., in areas visible to your neighbors are not allowed") (301).

Examination of publications such as the Urban Land Institute's handbooks suggests that CID housing reflects a vast housing industry consensus that residential developments should be targeted to very specific segments of the population. Income is one of the most crucial components of that segmentation. The effort to achieve market segmentation includes enforcing in perpetuity a set of governing documents that are aimed primarily at protecting property values. This approach, however, is based on the assumption that property values are enhanced by architectural sameness and the prohibition of certain behaviors often associated with lower social classes.

Recalling Anthony Downs's explanation of how housing "trickles down" the income distribution, it appears that in CID housing, the industry has found a way to counter the forces involved in that process. On the whole, CIDs do not tend to descend down the income distribution. And to the extent that a given CID began its life as a homogeneous neighborhood that was marketed to a small slice of the income distribution and a particular household type, it would tend to stay that way. This could be seen as contributing to long-term neighborhood homogeneity.

## SECURITY FEATURES: GATED COMMUNITIES AND THE SEARCH FOR SECURITY THROUGH SEPARATION

Virtually all gated communities are CIDs, and for that reason the entire conversation about gated communities can be viewed as representative of the larger conversation about privately governed residential communities. Gated communities are hard to define precisely, because many, if not most, CIDs have some private security features, and deciding at what point the "gated community" label applies is somewhat arbitrary. There are three main types of security offered: entry controls, such as gates and guardhouses (with or without guards); hardened perimeters, including fences, walls, and natural barriers such as water features; and internal surveillance, such as video cameras, roving security personnel, and neighborhood watch volunteers.

Blakely and Snyder (1997) define gated communities as "residential areas with restricted access in which normally public spaces are privatized. They are security developments with designated perimeters, usually walls or fences, and controlled entrances that are intended to prevent penetration by nonresidents" (2). These authors contend that gated communities should be viewed as part of an effort by upper-income Americans to separate themselves from the poor and other perceived negative conditions of urban American life. Gated communities, they argue, are visible symbols of a campaign for separation that includes other tools as well. "Gates, fences, and private security guards, like exclusionary land-use policies, development regulations, and an assortment of other planning tools, are means of control, used to restrict or limit access to residential, commercial, and public spaces" (2). They "exist to wall out crime or traffic or strangers as well as to lock in economic position. Greater control over the neighborhood is presumed to mean greater stability in property values" (154). The authors argue that the boom in gating that occurred in the 1980s and 1990s was a response to increasing diversity, particularly in suburbia. At that time, it became clear that

> poverty and economic inequality are no longer limited to the inner cities. . . . Flight to the suburbs has not meant avoiding all the aspects of poverty associated with the urban core. The Los Angeles area is the new archetype of metropolitan spatial segregation, in which poverty is no longer concentrated in the central city but is suburbanizing, racing farther and farther out from the metropolitan center. The demand for gates and walls is created and encouraged by these new social changes. (145)

## *Case Studies of Private Communities*

The literature on private communities, with or without security features, includes a large number of case studies. Some focus on particular subdivisions, while others deal with part or all of a metropolitan area. Many of these studies are part of a growing international literature that examines urban and suburban areas in Europe, Asia, Africa, Australia, New Zealand, and the Americas. These studies almost always use the term *gated community*, which is useful in that it provides a rubric under which many scholars can share their research. However, it is not sufficiently precise for social scientific studies.

The word *gated* is used to characterize many different types and levels of security: residential neighborhoods of single-family homes with walls and real gates that are opened and closed by security personnel; electronically controlled entry systems with gates that open or arms that go up and down; places that have a perpetually empty guardhouse at the entrance but no actual physical barrier; urban condominium buildings with card-key access or doormen; and all sorts of other variations on the theme of private residential security. The word *community* is one of the most imprecise terms in the social sciences. It can be used in everything from the oxymoron "international community" to a planned subdivision or condominium building, or even to a single census tract or block group.

When the two words are put together, especially when they are used in different national contexts, the new term can mean a number of different things. On balance, however, there is more to be gained by grouping these studies under the *gated community* rubric than would be lost by trying to come up with another term.

Common themes among studies of CIDs include the design and marketing of projects and the segregative nature or impact of the developments; segregation by income or class in different social contexts; and the physical, "gated" nature of developments, which seems a novelty in some countries. Many scholars focus on the last concept in their own national contexts, in some cases not examining the institutional elements as closely as perhaps they should. Property laws also vary across cultures, which can make international comparisons of gated communities difficult. However, in general there are enough similarities that these international authors regard themselves as being engaged in writing about the same basic phenomenon, and they publish in the same journals and meet in specialized conferences to present their research.

Case studies of gated communities can be grouped into two broad categories: those concluding that these communities contribute to residential segregation by income, and those concluding that they do not contribute to such segregation. Most of the studies highlight the segregative attributes and impacts of private communities. Other studies argue that the impacts of private communities are more complicated and that in some ways these communities make it possible for upper-income people to live in closer proximity to those of lesser means.

## STUDIES CONCLUDING THAT PRIVATE COMMUNITIES CONTRIBUTE TO INCOME SEGREGATION

There is no shortage of studies of private communities, both gated and non-gated, that claim to demonstrate the communities' potential for creating income segregation, and in many cases their substantial contribution to segregating cities and suburbs by income or class. In a widely cited study of approximately one thousand gated communities in the United Kingdom, Atkinson and Flint (2004) concluded:

> Gated communities [GCs] provide a refuge that is attached to social networks, leisure, schooling and the workplace via paths which are used to avoid unwanted social contact. Our argument is that each of these spaces more or less segregates its occupants from social contact with different social groups, leading us to suggest that the impact of such residential division resembles a seam of partition running spatially and temporally through cities, what we term time-space trajectories of segregation. (877)

These authors conducted interviews with residents and officials and found concerns about the communities' segregative effects that go beyond income.

> Many expressed concern that GCs were not adequately integrated, physically or socially, into the local area. As one planning officer put it: "Gated communities are separated and isolated from the rest of the community. They are clearly not part of the fabric of their local areas." The case study GCs were viewed as exclusive, both by residents within the developments, and by the residents of surrounding neighbourhoods, who largely viewed the residents of the gated communities, in the word of the Chair of one local residents' association, as "those people behind the gates." This lack of integration was partly the result of the exclusive nature of the gated communities, and this distinction, in the view of many respondents, was deliberately generated by both developers and the residents of the communities. (884)

Interestingly, the authors noted that residents of gated communities were generally supportive of this perspective, citing lack of contact with, and disengagement from, their neighborhood surroundings.

Atkinson and Flint ultimately characterized gated communities as "secessionary spaces" (889). But they also acknowledged that the picture is more complex than this.

> Arguably gated communities and current urban policy seek similar ends, namely the promotion of the city as a place to live for the middle classes. In this the small scale and number of GCs helps in a case for their immunity from wider planning frameworks. It is possible to argue that they cater for an elite fraction who need security by virtue of their status and that security is a right to which freedom of choice should be ascribed. However, our case studies suggest that GCs range from off-street fiatted units in small northern towns to feudal fortresses on huge sites implying a much wider market appeal and that a wider demographic is seeking this kind of spatial withdrawal. (890)

Blinnikov and colleagues (2006) studied the spread of gated communities in the suburbs of Moscow. They found 260 private communities, most of them having security features such as gates and walls, and concluded that these communities showed significant income segregation.

> It is clear with the average asking price for homes in the neighbourhood of $300,000 in 2004 (prices have risen 30–40 percent in 2005) and an average household income (family of three) in Moscow in July of 2004 of about $24,000 per year, that it would require more than an average salary to afford any suburban detached housing. In fact, only so-called "very rich" and "simply rich" . . . would be able to afford such individual homes ("cottages"). Some in the "upper middle class" will be able to afford condos and newer, larger apartments in the city, but not individual houses in any of the developments discussed here. (76)

These authors also stress the significance of the privatized infrastructure and services as one aspect of this form of segregation.

> Most of them exist as self-contained gated enclaves with complete infrastructure to promote U.S.-inspired car-oriented commuter lifestyle quite disconnected from the reality outside the secured and gated perimeter. . . . Many such developments now begin to include schools and churches in addition to shops and gyms suggesting that the long-term occupation by families is the desired goal. This ensures that the current pattern of increasing segregation based on income and relational capital will continue to be perpetuated well into the middle of this century, just as the last wild patches of suburban Moscow forest succumb to another successful experiment in creating [a] socially fragmented consumer society. (80)

Almatarneh and Mansour (2012) studied the marketing of gated communities in Cairo, Egypt. In looking at this form of housing in an international context, they observed that although private communities were originally intended for high-income buyers, in recent years they have been aimed at middle-income groups as well. In Cairo, they found that these communities were marketed to young families "who shared the same socio-economic status. Thus, affluence, health, vitality, and age were uniformly portrayed" (514). These authors see private communities and their marketing as part of a "global culture of consumption" in which "exclusivity, prestige, privacy, shared identity, privilege, homogeneity, companionship, luxury, and security . . . [are] achieved through gates and walls" (515). In the Cairo housing market, they write,

> gated communities are offered as a modern urban alternative lifestyle that provide[s] privileged living spaces for individuals in the upper and upper-middle classes of the social hierarchy in terms of their economic and cultural capital. As such, these developments are promoted as homogeneous places in comparison to the heterogeneity of the open city. The fact that gated communities offer privileges to a certain segment of the society is often criticized because it causes separation in the spatial and social structure of the city. However, our findings indicate that developers of gated communities establish their marketing strategies based on exactly this factor, thus marketing the gated communities under the claim that they offer "a privileged exclusive lifestyle." (526)

Renaud Le Goix (2005) and Elena Vesselinov (2008) have separately studied the impact of private communities on segregation and found evidence of an effect. In 2013, they undertook together an empirical study of Southern California gated communities, comparing them with similar non-gated tracts (Le Goix and Vesselinov 2013). They found a complicated relationship between gating and property values.

> First, GCs are very heterogeneous and diverse in kind, ranging from average standardized products for the middle class to high-end coastal

> communities. It is significant that gated communities were more likely than non-gated communities to have experienced either "recent depreciation" in the wake of the foreclosure crisis, or "constant growth." But on average, the wealthier the area, the more GCs contributed to fuelling price growth, as these GCs offer better rent-gap opportunities and are situated in more desired locations in metropolitan areas. There is a significant correlation between gating and securing a neighborhood and price growth trends at the census tract level. (2141)

When comparing gated and non-gated neighborhoods, they found that gated communities contribute to housing price inequality: "GCs are more likely to be found in local contexts that introduce greater heterogeneity and instability in price patterns, thereby contributing to a local increase in price inequality that destabilizes price patterns at [the] neighborhood level, compared with non-gated communities" (2144). A number of factors were involved here. For example, they found that creation of a gated neighborhood causes a spillover of crime into nearby neighborhoods.

Ultimately, Le Goix and Vesselinov concluded that gating CIDs enhances their segregative effects.

> Gated communities are more likely to generate inequalities than non-gated CIDs, and are indeed more likely to produce a filtering of residents, which has a profound impact on segregation patterns. The dynamics of prices in gated communities show that homeowners are more likely to profit from price bubble periods, and more likely to resist a sudden drop in value during downturns, such as the foreclosure crisis, at the same time contributing not only status and "snob value" but also providing a means to differentiate themselves from others economically. . . . Price premiums for GCs are detrimental to property values in nearby non-gated developments and demonstrate a long-standing hypothesis about the unfavorable effects of gated communities on the value of properties located outside GCs' walls. (2146)

Other studies finding or suggesting that private communities promote some type of income or class segregation include Caldeira (2001); Dinzey-Flores (2013); Graves (2010); Kovács and Hegedüs (2014); Low (2001); Marcuse (1997); Roitman (2005); Schill and Wachter (1995); Smigiel (2013); Vesselinov (2008, 2012); Vesselinov, Cazessus, and Falk (2007); and Vesselinov and Le Goix (2009).

## STUDIES CONCLUDING THAT PRIVATE COMMUNITIES DO NOT CONTRIBUTE TO INCOME SEGREGATION

A number of empirical and theoretical studies have offered a very different view of the relationship between private communities, both gated and non-gated, and income segregation.

Csefalvay and Webster (2012, 294) ask why there are so many gated communities in some countries and none in others. "If gated communities constitute a successful model, why have they become a widespread global phenomenon only in the last few decades and why are they missing in the majority of European countries?" They acknowledge the most common explanations—fear of crime, rising individualism, growing social and economic polarization—but then go on to argue that the rise of gated communities may be a response to a demand for a way to escape from centralized city government decision making that is inefficient and overly regulatory. They argue that gated communities offer residents the ability to share club goods and thus more efficiently satisfy their preferences, while conceding that this explanation alone is also insufficient.

These authors explain that gated communities have a more complex relationship with income segregation than is often acknowledged.

> Residents of gated communities are . . . taxed twice for civic goods—once by the local municipalities and again through residents' contributions to their own micro-government. The affluent classes find this easy to cope with, although the fees for lower-income gated developments will tend to reflect residents' willingness to pay for shared goods and services—which are more basic. Club developments tend, therefore, to foster housing market segregation, but often at a finer spatial scale than found in conventional open neighbourhoods. This may yield positive social and economic benefits as income groups can live spatially closer than in the typical city where they are segregated by distance rather than by membership and gates. (296)

Gordon (2004) presents a careful empirical analysis of the contribution of planned residential developments with community associations to racial and income segregation in California. Based on 1990 U.S. Census and real estate data, she found "support for the contention that planned developments are more homogeneous than other neighborhoods with respect to race. They are more heterogeneous than other neighborhoods due to greater representation of middle- to high-income categories" (456). She found that the planned developments had fewer black and Hispanic residents compared with comparable non-planned development areas. But on the issue of income diversity, she used an entropy measure that was not sensitive to equal representation at the top and bottom of the income distribution. Consequently, the apparent greater income diversity in planned developments was due to the fact that the planned developments included more people in the upper-income categories than the non-planned development suburban block groups.

Gordon concludes that the overall contribution of planned developments to segregation was minor when the many other relevant factors were taken into account. She emphasizes, however, that because she used 1990 data, the overall proportion of planned developments in the housing stock was relatively low. The rapidly rising share of such developments after 1990 means that "the effects of these communities on residential segregation may become more pronounced" (456).

Manzi and Smith-Bowers (2005) challenged what they saw as a standard perception of gated communities as institutions that promote social separation and benefit the wealthy to the detriment of the rest of society. They note that these perceptions have informed public policies: "Central and local governments in the UK have . . . attempted to prevent a replication of the spatial polarisation of North American inner cities, by discouraging gated developments, restricting planning approval and encouraging neighbourhood renewal schemes based on more 'traditional' design layouts" (346).

But their study, using economist James Buchanan's "club goods" theoretical model (Buchanan 1965) and two case studies of housing developments—one in outer London and the other in inner London—supports different conclusions. They dispute the notion that there is necessarily an antipodal relationship between gated communities and social cohesion and demonstrate that gated communities are not just for the wealthy. On the contrary, they argue, "whilst formerly associated with elite groups who could afford the luxury of these kinds of purchases, rising real incomes and the comparative fall in security and monitoring costs are bringing these goods within the budgets of middle-income households" (Manzi and Smith-Bowers 2005, 348). Through interviews with residents, officials, and others, they document that the security features of these communities enable homeowners to live in neighborhoods that would otherwise have been exclusively occupied by lower-income renters. In that sense, an admittedly homogeneous gated community can facilitate the creation of a mixed-income, mixed-tenure neighborhood. "This case study suggests that one way to promote mixed tenure developments in areas of deprivation is to acknowledge community members' concerns for safety and security. The study suggests this can be done by developing gated sub-subsections in the neighbourhood" (354).

Moreover, these authors argue, the use of gates and other security measures is often a rational response to genuine fear of crime rather than an irrational response to a "culture of fear." Security measures are a club good, and the private community structure allows residents to solve this and other problems collectively in ways that are neither fully public nor fully private. Therefore, while such communities admittedly separate people into "beneficiaries" and "non-beneficiaries" of the club goods they provide, they do not necessarily foster income segregation and in fact "help to reduce residential segregation in areas that otherwise would have accommodated either multi-deprived households exclusively or have been used for other purposes" (357).

A comparative study of gated communities in Canada and Israel examined the complexity of the social separations that private communities engender, going beyond the notion of simple segregation of races or social classes (Rosen and Grant 2011). According to the authors of this study,

> Physical mechanisms for managing and reproducing social difference persist both in political contexts that celebrate diversity (such as Canada) and in political circumstances that seek to manage conflict rooted in difference

> (such as Israel). An examination of gated communities in differing cultural and historic contexts demonstrates the ways in which culture and politics mediate how this urban form is implemented and interpreted, and contributes to ongoing efforts to develop theory to explain the phenomenon. (790)

The authors highlight the many different functions that gated communities can perform in different cultural contexts. These functions include keeping "the other" out, or in; keeping factions or social classes apart; empowering or giving advantages to certain social groups over others; and creating community identity and cohesion for some groups. Developers also use gated communities to target particular populations. They note that "in societies where categories of individuals (for example, single women, elderly persons) feel vulnerable in mixed neighbourhoods, security systems may provide a substitute for social networks" (790).

In a study often cited by those who challenge the dominant view of gated communities, Sanchez, Lang, and Dhavale (2005) used U.S. Census data to show that the common perceptions of these locations as enclaves for the exclusionary wealthy are not necessarily supported by the data.

> While much of the attention has focused on the demographic characteristics and geographic distribution of upscale gated communities, little attention has been devoted to other dimensions of enclosed communities represented by low-income, renter households. Recent data released by the U.S. Census Bureau as part of the 2001 American Housing Survey (AHS) shows that low-income renters are actually more likely to live in walled or gated communities compared to affluent homeowners. Because class and race are correlated in the United States, the owner and renter distinction translates into a separation of high-income from low-income and Whites from non-Whites. While affluent White homeowners in gated communities have been extensively profiled, the gated, low-income, non-White renters have not. We suspect these two worlds reflect a divide between gated communities, one the result of status versus one motivated by concern for security. (281)

Sanchez, Lang, and Dhavale found differences between gated and non-gated homeowners, and between both groups of renters. For example, gated owners had a mean income of \$87,794, versus \$73,172 for non-gated owners—almost 20 percent more. Renters in gated communities earned a mean income of \$39,735, versus \$35,461 for non-gated renters, or 12 percent more. But the authors also found that "contrary to the notion that primarily affluent homeowners live in gated communities, the results of the AHS survey show that renters are nearly 2.5 times more likely to live in walled or fenced communities and over 3 times as likely to have controlled entries. These renters include households in public housing projects, which often have walled and gated design elements" (285). This study highlights the importance of understanding social and economic segregation in context and in detail.

Walks (2014) undertook an empirical study of 20 gated communities in Canada and found that contrary to the American experience, the major motivation for living in such a community was not fear of crime but "prestige, privacy, and the provision of leisure amenities and activities" (44). Private communities in Canada are often more about age segregation, as the elderly seek to self-segregate during their "golden years." In addition, "gated communities, in the aggregate, are not concentrating the wealthy" (52). Ultimately, Walks found that Canadian gated communities do not contribute to segregation as the term is usually understood. However, there is the potential that these communities could promote certain types of social segregation.

> Within the Canadian context, these findings primarily support a perspective in which gated communities are developed to provide specialised amenities and features not elsewhere available—which may include the collective "club realm" governance of local services—instead of arising out of a desire for social exclusion. Gated communities in Canada may serve as neighbourhood innovations that facilitate the spatial concentration of those who share similar residential preferences, rather than similar socio-demographic characteristics, perhaps dispelling the hypothesis necessarily linking gating to segregation. This does not preclude gated communities from potentially becoming vehicles for segregation in the future, but for this to happen the factors spurring on the demand and supply of gating would have to change considerably from those uncovered herein. (62)

A study of private communities in China found an amazing diversity that includes not just luxury gated communities but also condominiums for retired teachers and other government workers, in a variety of price ranges. "The contemporary Chinese walled *cities within a city* are all the more interesting in that they are a genre of development adapted to all income levels—from the poor still living in courtyard housing to the rich in Beijing and Shanghai's Californian-style residential theme-parks, and the old-ownership and middle-income condo dwellers in between" (Webster, Wu, and Zhao 2006, 168).

## *Conclusions*

Theory suggests that residential segregation by income is to be expected in the U.S. housing market as the result of processes of sorting that appear inevitable. According to several theories, different preferences and varying ability to pay for desirable features and neighborhood attributes necessarily lead to some degree of income segregation.

Moving from theory to empirical reality, we see an interesting convergence. The rise of private communities temporally coincided with an increase in income inequality and an increase in residential segregation by income. These three trends occurred from the 1970s to the present. Clearly, the trends are related to one another. The relationship between two of the three variables appears to be directional: empirical evidence supports the conclusion that increasing income inequality contributes to increasing residential segregation.

The role of the third variable—the rise of private communities, many of them gated—is more complex. Gated communities have the potential to create segregated neighborhoods if that is a developer's intent and the demand is there. CID housing facilitates the niche marketing practiced by large developers, who use increasingly sophisticated, data-driven techniques to sell housing to narrow slices of the income distribution and cater to the demands of consumers for neighborhoods that suit their household characteristics and lifestyles. Private amenities appeal to those who can afford to pay for them while also paying a full share of property taxes.

Yet the empirical evidence on private, often gated, communities offers more than one view. The bulk of the studies suggest that private communities promote a multifaceted segregation that divides people by income, class, and other factors. These studies show that CID housing, especially when it includes private security measures, caters to affluent people who wish to be spatially and institutionally separated from their surrounding environments, where the people are less affluent and more dependent on public institutions.

Other empirical studies have found that even internally homogeneous private communities can contribute to overall neighborhood diversity because they bring middle- and upper-middle-income residents into neighborhoods they would otherwise avoid. These studies show that private communities, especially those with security, are not limited to the affluent and that many lower-income people live in such communities. This is true in the United States and in other countries as well.

It appears that CID housing facilitates the process of the rich becoming segregated from everyone else. However, beyond that observation, the specific contribution of private communities to residential income segregation is hard to quantify and may vary depending on the context. Ultimately, CID housing is a real estate development tool, an instrument of public policy makers, and an expression of individual consumer preferences. It can be used for exclusionary and segregative purposes. It can also be a vehicle for promoting inclusionary policies and practices that aim to house the middle and upper-middle classes in redeveloped urban neighborhoods. If we view CID housing as a tool, the responsibility for its impact on our society rests with developers, policy makers, and consumers alike.

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