HOW TO MAKE URBAN GROWTH MORE INCLUSIVE: THE DALLAS EXPERIENCE

J.H. Cullum Clark

Director, George W. Bush Institute-SMU Economic Growth Initiative

January 2019

George W. Bush Institute

SMU

The author has adapted this essay from a chapter he wrote in Joel Kotkin, ed., "Beyond Gentrification: Towards More Equitable Urban Growth." The author thanks everyone who helped research housing and neighborhood issues in Dallas and provided advice on this essay, particularly Tillie Borchers, Joseph Cahoon, Duane Dankesreiter, Klaus Desmet, Jon Edmonds, Jack Matthews, Christie Myers, Doug Newby, Linda McMahon, Pamela Stein, Todd Williams, and Philip Wise, as well as his George W. Bush Institute colleagues Ken Hersh, Holly Kuzmich, William McKenzie, Ioanna Papas, Matthew Rooney, Kristin Spanos, Jenny Villatoro, Enisha Williams, and all the members of the phenomenal research team assembled by Joel Kotkin and Wendell Cox. The opinions expressed in this essay are the author's alone.

The Dallas-Fort Worth (DFW) region is a microcosm of America's latest urban evolution. The metropolitan area is booming, fueled by a range of thriving industries and a tremendous influx of people and businesses. Like other central cities within big metro areas, the City of Dallas – home to 1.3 million of the 7.4 million in the DFW metro – has experienced a stunning resurgence from the dark days of the 1980s, when the city was reeling from an oil and real estate crash.

Yet for all its heady growth, Dallas still faces many of the defining challenges bedeviling other major cities and the nation: a dwindling middle class, growing bifurcation into "have" and "have-not" neighborhoods, an emerging home affordability problem, and rising numbers of poor citizens who feel left behind by 21st century prosperity. In certain respects, the city's revival has compounded these challenges.

Dallas urgently needs to pursue four policy directions in order to shift to a more inclusive and sustainable pattern of urban growth. First is to spark a new home building boom focused on middle- and lower-income families, especially in depressed Southern Dallas. Second is to adopt a range of smart policies preserving and rehabilitating as much of the existing housing and commercial real estate stock as possible in less advantaged areas. Third is to focus relentlessly on improving K-12 schools. And fourth is to get considerably more creative about bringing urban amenities – stores, restaurants, health clinics, greenspace and arts facilities, and the middle-skilled jobs that come with them – to historically underserved areas.

In sum, what's needed is lighter regulation, more targeted and strategic land use policies, and better provision of public goods, chiefly education. If Dallas gets these things right, it can become a national leader in reviving upward mobility and the promise of the American Dream.

The economic future of Dallas and other booming cities is closely tied to America as a whole. Local policies are more important to the nation's economic well-being than most people understand. The country's economic growth happens primarily in its cities and towns, and local conditions heavily influence the household and business decisions that collectively drive American prosperity. Creating broad-based prosperity requires developing more inclusive patterns of growth in booming cities like Dallas.

Urban growth and its challenges in 21st century Dallas

The stark geographic bifurcation of Dallas reflects the reality that middle-income families increasingly can't afford to live in the city's thriving neighborhoods and don't want to live in its struggling areas. For lower-income families, housing costs are eating up more and more of people's income, and upward mobility often seems out of reach.

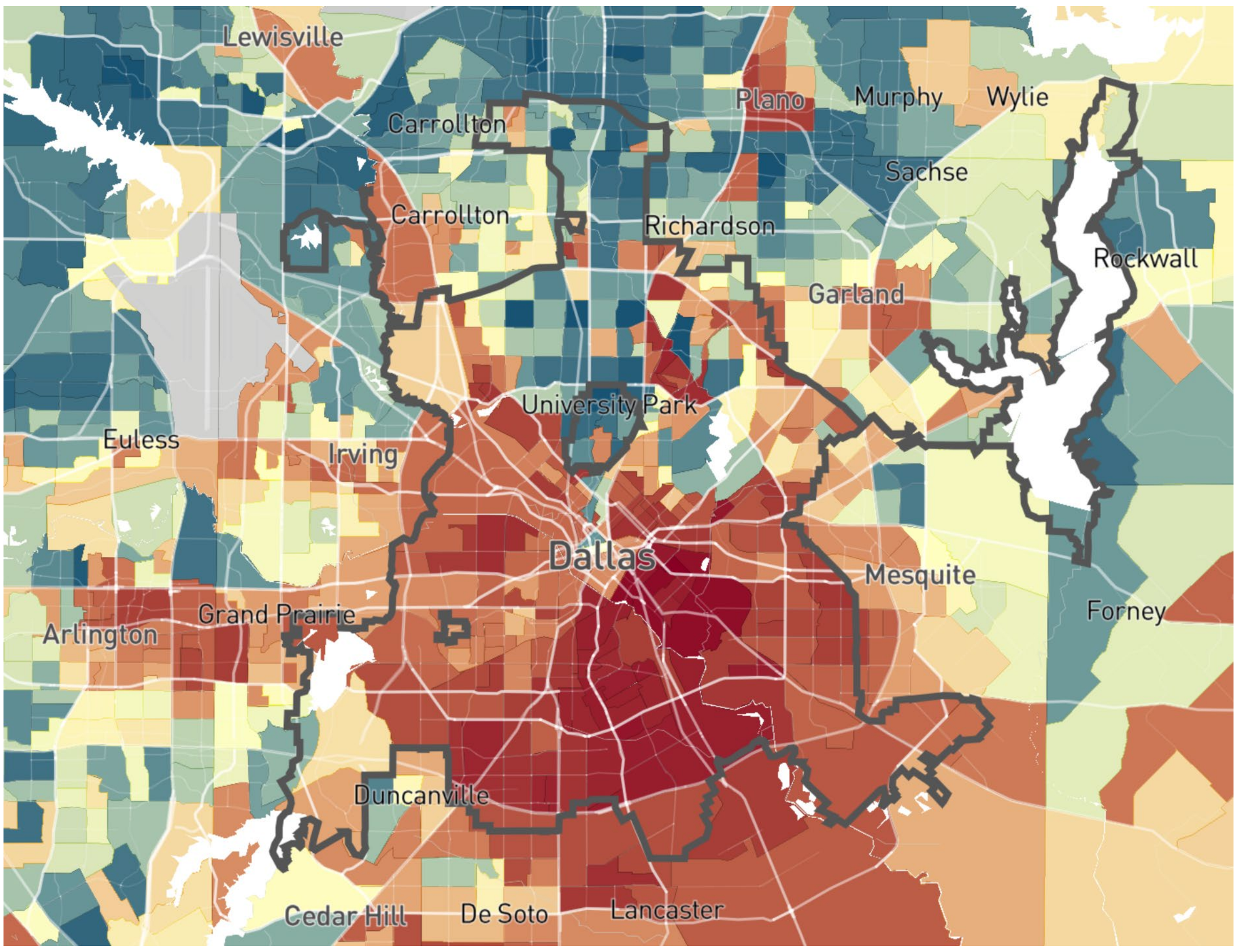
These challenges are partly an inevitable side-effect of the city's economic boom. But they are also the product of long-term under-investment in schools, physical infrastructure, public safety, and modern amenities, as well as urban policies that have prevented housing supply from keeping up with rising demand.

Dallas remains among the most economically and racially segregated cities in America, in part reflecting the heritage of Jim Crow. The poverty rate is nearly 23 percent, among the highest of any large American city. Dallas ranked last in a 2018 Urban Institute ranking of 274 U.S. cities for economic inclusiveness.

As in most other large cities, housing segregation on racial lines has moderately declined since the 1970s, but segregation on income lines has increased over the same period. According to a 2015 study led by urban scholar Richard Florida, the DFW metro is the 7th most economically segregated of the 53 metros with more than a million people, and the 2nd most segregated of the top ten. Another study finds that 37 percent of children in Dallas live in neighborhoods of concentrated poverty, far higher than all but a handful of U.S. cities.

The city's geographic bifurcation is vividly clear in Figure 1, which comes from economist Raj Chetty's "Opportunity Atlas." The map codes neighborhoods according to upward mobility, with green representing areas of high opportunity for children growing up there and red signifying areas of low opportunity, holding family income constant.

Figure 1. Upward Mobility in Dallas neighborhoods



Source: Raj Chetty et al, "The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility," https://opportunityinsights.org.

While these challenges are significant, Dallas has greater opportunity to address them than most of its peers, in view of the DFW area's economic vibrancy and the city's comparatively abundant and inexpensive land. Unlike most big metros, Dallas has the potential to build its way out of many of its current challenges.

The area hosts a deep bench of accomplished, public-spirited real estate developers who aggressively pursue attractive business opportunities, as they've shown in the build-out of Northern suburbs like Frisco, Allen, and McKinney in recent years. The challenge for policymakers is to create incentives for fresh development in Dallas's depressed southern region.

Why policymakers should focus on inclusive urban growth

The increasing separation of Dallas and other U.S. cities into thriving and struggling neighborhoods has significant economic implications for America. For one thing, vast zones of concentrated urban poverty block upward mobility for the families who live there and impose enormous costs on society.

A thriving city should be an engine of rising productivity and opportunity for its citizens. As the famous urbanist Jane Jacobs wrote, a well-functioning urban economy is "constantly transforming many poor people into middle-class people…. Cities don't lure the middle class. They create it."

A central goal of all cities should be to create quality jobs, upward mobility, and improved well-being for as many citizens as possible. The DFW metro area is fulfilling this function more successfully than most other metros in recent years, but – as in numerous core cities experiencing boom times – the middle class is under pressure in the urban core of Dallas.

Chetty and other scholars have shown an individual's prospects for upward mobility depend heavily on where her family lives. One reason is that the quality of schools varies tremendously across cities and even neighborhoods, often reflecting local education policies.

Another factor is that many middle-skilled or highly-skilled people don't wish to live in areas that offer poor nearby work opportunities. The best economic development policy is generally to create attractive urban spaces and amenities, since jobs tend to follow people. On the other hand, bringing job-creating businesses to areas far from where skilled workers hope to live is a near-impossible task.

Local authorities also set land use policies, which significantly influence housing prices. Relatively affordable home prices relative to an area's average household income level generally imply relatively high home ownership rates among working-class people. Abundant evidence shows that home ownership increases a family's long-term financial well-being, all else equal, by providing a hedge against rising rents and creating opportunities for wealth-building. And a moderate degree of financial well-being goes a long way in fostering entrepreneurship in a family and higher educational attainment for the next generation.

A family's location is closely tied to its upward mobility for the additional reason that "social capital" varies enormously across neighborhoods. Areas with low poverty, low resident turnover, high civic engagement, high social cohesion, and high home ownership rates see better school and life outcomes for young people growing up there, even controlling for a family's own economic circumstances.

Another economic consequence of growing geographic bifurcation in U.S. cities is the economic costs it imposes on metro areas as a whole. Rising physical separation between workers and jobs leads to increasing labor market inefficiencies, with labor shortages in high-opportunity areas and under-used talent in depressed areas. Businesses in the fast-growing smaller cities north of Dallas report the most severe challenge constraining their growth is worker shortages.

If all the cities and towns in a metro area take the view that lower-income housing markets aren't their problem, then the metro area can become altogether unaffordable for part of it population – like the San Francisco Bay area today – leading to an exodus of people and raising questions of long-term economic sustainability. Also, cities like Dallas with a dwindling middle class risk a "death-spiral" scenario in which the residents of well-off neighborhoods bear an increasing burden from supporting the growing population of low-income areas, until they start leaving – as they're doing in Connecticut and New Jersey.

And cities must ask themselves what it means for social cohesion and quality of life if most of their policemen, firefighters, teachers, artists, chefs, medical technicians, plumbers, and other middle-income professionals live far outside the central city, as is increasingly the case in Dallas and other metros.

Affordability in Dallas

Dallas's renaissance over the last generation has transformed the city center and the booming neighborhoods of North Dallas, the region's traditional center of affluence. Markers of urban success and opulence abound: the spectacular new performance halls, museums, and parks of the Arts District; the two graceful Santiago Calatrava bridges spanning the previously neglected Trinity River; the sleek offices, luxury apartment towers, and upscale eateries of Uptown; and the ubiquitous mansions of Highland Park and Preston Hollow. The city has become dramatically more interesting to live in than in the 1980s.

It has also become far more expensive.

Over the last decade, median home prices in the DFW metro area have risen from 51 percent of the average level for the top 40 U.S. metros to 82 percent, adjusted for household income levels.

Housing markets are far more strained in the urban core. As of August 2018, the median transaction price for a single family home in Dallas County was $268,200 – up 73 percent since 2007. Median house prices have reached 5.2 times Dallas's median household income. This ratio is far above the national average of 3.7 times, and 86 percent above "affordable" levels for the median family, based on conventional measures.

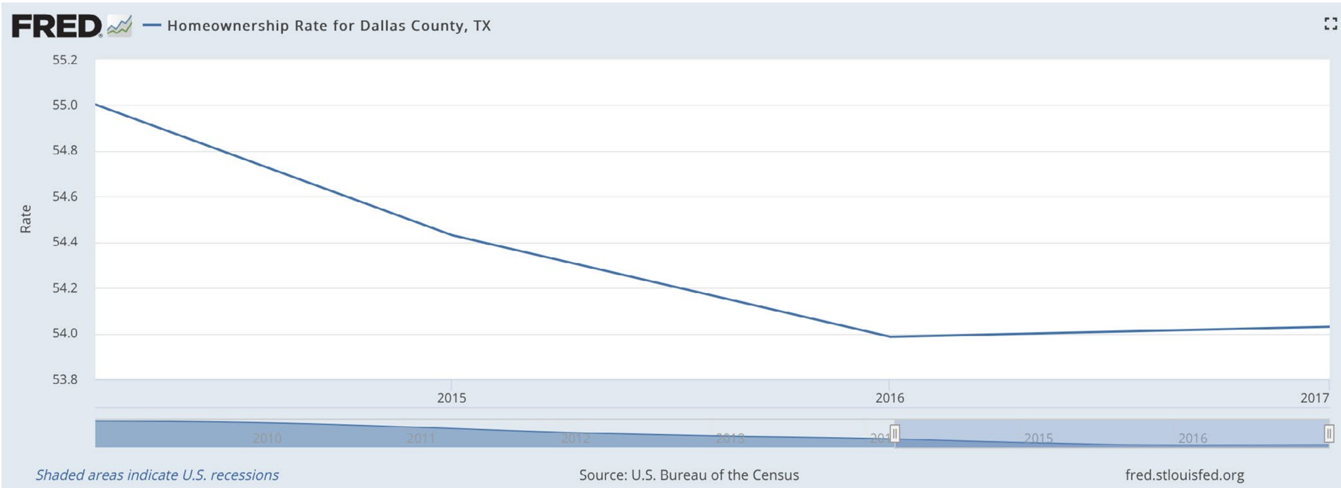
Average monthly payments on rental properties in 2018, reached $1,451 in the City of Dallas, 40 percent above their 2011 levels and slightly above the national average. One-third of homeowners and more than half of renters in Dallas County are now "housing cost-burdened," based on federal standards.

As in other booming cities, the most severe price appreciation has been toward the low end of the housing market. Homes for sale at price levels considered attainable for the median family – $150,000 or less, based on the convention that a family should spend at most 30 percent of income on housing – have virtually disappeared from the market. So have rental units affordable for households with income below $40,000, amounting to about one-third of the city's population.

Rising prices are pushing the dream of home ownership out of reach for more and more families in the City of Dallas. The share of households owning their home collapsed from 47 to 41 percent between 2006 and 2017. Dallas's ownership rate is now the lowest of the big Texas cities. The surge in renting among lower-income families means that the city's most vulnerable citizens increasingly have no hedge against soaring property values and rents and little prospect for building household wealth.

Figure 2 illustrates the decline in the ownership rate over the last decade for Dallas County, which has experienced a slightly less severe drop than in Dallas proper.

Figure 2. Dallas County Home Ownership Rate



Source: Federal Reserve Bank of St. Louis FRED database; U.S. Census data.

The DFW area remains, relatively speaking, a bastion of the middle class. Recent data from the [Pew Research Center] show that, while the share of the population earning middle class incomes is falling in all of America's top 40 metro areas, it's holding up better than average in the DFW area as a whole. At 50.4 percent, the middle class constitutes a higher proportion of the metro area population than in large coastal metros like New York, Washington, or Los Angeles.

Yet this relatively benign position is under threat, particularly in the urban core of Dallas, as the lower and upper ends of the income distribution grow at the expense of middle earners. One marker: the share of college-educated people in the city's population, a proxy for middle-class status or higher, has grown only slightly since 2000, even while increasing by eight percent in the nation overall.

At the low end, families are stuck. Non-profits serving the city's growing homeless population report that more of the people they serve are mothers with children who've been evicted from their rental units, rather than the mentally ill and substance-addicted individuals who figured most prominently until recently. Virtually all of the modest increase in the urban core's population since 2000 has been in the low-income population. While the DFW metro's population has grown 42 percent over this period, growth among middle and upper-middle class families has taken place almost entirely outside the city, despite Dallas's striking improvements in amenities for high-end professionals.

At its heart, the housing price challenge reflects inadequate growth and reinvestment in the housing stock. As in almost all thriving American cities, new construction has lagged far behind the home-building pace of the late 20th century, adjusted for population size. New units per year in relation to population are down 32 percent over the past decade from the 1985 to 2000 level in the metro area. This drop has been less severe than in the cities of the East and West coasts, but is nonetheless enough to leave what one Zillow economist called "a permanent scar" on the housing market. In the City of Dallas, new construction permits over the last year have been running far below even the level of the much smaller city of Fort Worth.

Slow expansion of the housing stock isn't due to space constraints. A brief drive around Dallas leaves no doubt that the city has vast tracts of under-used land, and similarly vast amounts of moribund retail and industrial real estate that developers could one day repurpose for residential development.

It's also not due to a failure by the city to invest in its urban core. Dallas has spent more than $5 billion over the last 20 years on its light rail system. Both the city and the booming suburbs to the North have created dozens of high-density, walkable mixed-use developments, fulfilling the wishes of "New Urbanist" thinkers. These neighborhoods, however, almost universally consist of upscale apartments catering mainly to well-paid urban professionals. Notably, a recent issue of Dallas's *D Magazine* devoted entirely to promoting "New Urbanism" design in the city listed a series of success stories in the area. Every example consisted of luxury units, surrounded by high-end amenities.

Gentrification, Dallas style

It's a mistake, finally, to attribute the troubles with the Dallas housing stock primarily to "gentrification." It's true the development of Uptown in the 1990s resulted in the displacement of minority neighborhoods that previously existed just north of downtown Dallas, including the city's original Freedmen's Town and the Little Mexico community. But the extent of high-displacement gentrification in Dallas since then has been relatively modest, much less than in Southern California, San Francisco, or New York.

On the contrary, one can point to several models of successful, low-displacement neighborhood revitalization in the vicinity of downtown Dallas. Old East Dallas has managed over four decades to combine a moderate pace of new construction of middle-class homes, significant rehab activity, considerable social cohesion, and economic and ethnic diversity. The neighborhood's success reflects thoughtful zoning decisions by the City in response to neighborhood pressure in the 1970s.

The red-hot Bishop Arts neighborhood, among the most depressed areas of the city in the 1990s, has seen the rise of a highly walkable restaurant and retail community that attracts people from throughout Dallas alongside a vibrantly diverse resident population.

Just South of downtown, the emergence of the Cedars neighborhood reflects an increasingly prevalent national pattern: African-American middle-class families moving "back" into rapidly improving black-majority neighborhoods, recreating the kinds of cohesive mixed-income communities that once thrived in American cities but became all too rare after the 1960s. Finally, the roll-out of upscale apartment developments into West Dallas – lately considered "ground zero for gentrification"– has so far displaced relatively few families. The development has largely occurred on the area's enormous store of vacant land.

That said, lower-income residents of all these neighborhoods are nervous. Present trends mean Dallas will likely follow the path of other large cities as soaring rental rates force more low-income renters out of their neighborhoods.

Dallas's experience is consistent with what economists have discovered on the emotional subject of "gentrification." Neighborhood revitalization doesn't lead to greater displacement of low-income people than neighborhood stagnation and decay. Rather than new construction, the factors that best predict high displacement in a neighborhood are constrained housing supply and a low home-ownership rate.

The forgotten South

The city's increasing separation into the (mostly) prosperous North and the often-forgotten South explains much about why the city is facing an attainable housing crisis and a vanishing middle class. And the roots of the city's North-South divide lie deep in a painful history that most Dallas leaders would sooner forget.

Dallas became the first Texas city to impose racial housing segregation by law in 1916. During the 1930s and after, the federal government reinforced segregation through the explicit policies of New Deal agencies like the Federal Housing Authority and the Works Progress Administration, as historian Richard Rothstein recounts in *The Color of Law*. The FHA, moreover, financed the postwar build-out of North Dallas and white suburbs to the North, while virtually no public funds found their way to home construction in black South Dallas between the 1930s and 1960s.

In the 1960s and 1970s, the city, state, and federal governments obliterated numerous historic black neighborhoods for "urban renewal" schemes and to make way for Central Expressway, Woodall Rogers Freeway, and other highways connecting outlying white neighborhoods with downtown. The city government seized more than 50 acres of private real estate near Fair Park by eminent domain at the behest of the State Fair of Texas in 1966, wiping out many black-owned businesses. The city's stated objectives were to build a huge parking lot used three weeks of the year and to relieve white Fair visitors of what the State Fair called the "intense emotional discomfort" of seeing "poor Negroes in their shacks."

Local authorities also extended geographic segregation to the rising Hispanic population in the 1960s, using language proficiency tests to separate Hispanic students into schools in West Dallas and other ethnic enclaves.

Explicit legal segregation ended in the 1970s. However, the '80s and '90s saw the continuation of "redlining" practices by the banking industry that largely cut off Southern Dallas from private mortgage finance. And the flight of middle-class white families to the Northern suburbs in response to ham-handed school desegregation policies delivered the *coup de grace* to the possibility of ethnically diverse mixed-income neighborhoods in Dallas for a generation.

A Ford Motor plant near Fair Park that employed more than 3,000 people – the largest employer in Southern Dallas in the '50s and '60s – closed its doors in 1970. City Hall made little discernible effort to attract businesses after this shock, largely ceding the corporate relocation market to the Northern suburbs.

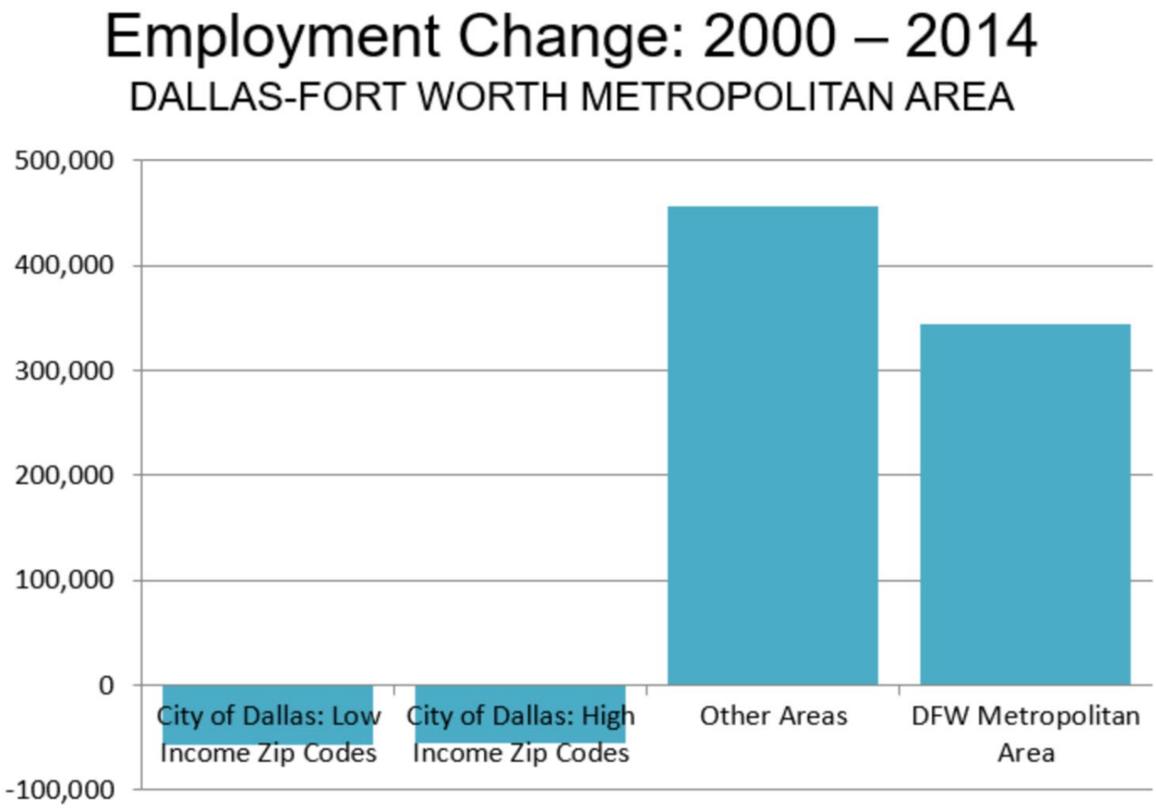
The geographic patterns of today are Dallas's physical inheritance from more than a hundred years of history that the city can't easily reverse. Southern Dallas came into the 21st century with an antiquated and crumbling housing stock, failing all-minority schools, an exodus of private-sector employers, and a near-total absence of modern amenities. Just as damaging, this history left a poisonous legacy of racial mistrust that still creates high barriers to revitalization policies in the South. *Dallas Morning News* columnist Robert Wilonksy has written that the Fair Park neighborhood "has been betrayed so often by City Hall that no one trusts anyone."

Over the last two decades, the housing stock in Southern Dallas has continued to shrink, despite the end of old-fashioned redlining. Reports from the Dallas Regional Chamber show that the number of permits for new homes as well as for commercial development remains small. New code-enforcement initiatives have driven a growing number of landlords out of the market, eliminating some dubious "slumlords" but introducing nothing in their place.

Opportunities for upward mobility remain meager in Southern Dallas. The number of jobs in the lower-income zip codes of Southern Dallas, an area with more than 750,000 residents, has declined 16.6 percent since 2000, even as the area's population has grown 7.1 percent.

As Figure 3 shows, the DFW metro area's prodigious job growth since 2000 has occurred entirely in metro-area jurisdictions outside the City of Dallas. In the figure, the right-hand column shows total job growth for the metro area, while the two columns on the left show that employment has actually declined in both the lower-income and higher-income segments of the City of Dallas. The middle column, referred to as "Other areas," indicates all jurisdictions within the DFW metro area but outside the city of Dallas—such as the cities of Fort Worth, Plano, and Irving.

Figure 3. Job Growth in the DFW Metro Area (2000 – 2014)



Source: Proprietary research by Wendell Cox, based on U.S. Census data

Public transit, often promoted as the solution to urban issues, does little to create opportunities for the South's residents. Less than 1 percent of the metro area's jobs are reachable within 30 minutes' commute by transit for people living in the heart of Southern Dallas, while only 11 percent are within two hours' commute for an individual who doesn't own a car.

Dallas's challenge in achieving a more inclusive pattern of growth isn't primarily a result of high-displacement gentrification, as one might more accurately say of San Francisco, Seattle, and other coastal cities. It's a result of egregious dis-investment in housing, schools, and infrastructure, particularly in Southern Dallas. Policymakers have recently attributed the city's housing supply problem to labor shortages, high raw material prices, and the rising value of fully permitted land – factors that have indeed played a role over the last several years. But the problem long predates these market fluctuations, and its causes are chiefly rooted in public policy.

Urban growth policy in Dallas

Until very recently, one could fairly characterize the policy of the City of Dallas on attainable housing and neighborhood revitalization as inaction for the most part, punctuated by occasional *ad hoc* and politically driven deals with developers. The city has sporadically toyed with “incentive zoning” – offering tax breaks or relaxing code restrictions to induce developers to set aside perhaps 10 or 20 percent of the units in a new middle-class development as “affordable.” These efforts have accomplished little, however, as a result of poor definitions of “affordability” and deals that offer far more in tax breaks for each affordable unit than it would have cost to build a free-standing house.

The city government has provided useful support to a handful of non-profits and Community Housing Development Organizations (CHDOs) that have achieved good progress in specific neighborhoods. CitySquare and Jubilee Park, two respected non-profits, have made transformational changes over the past decade to a pair of neighborhoods near downtown. Innercity Development Corporation, a CHDO headed by former city councilwoman Diane Ragsdale, has built a number of attractive homes in another Fair Park neighborhood.

But these geographically targeted programs operate at a small scale. CitySquare, for instance, has delivered several hundred homes over 10 years, while estimates of the city’s need for new affordable units range from 20,000 to 60,000.

Dallas’s Tax Increment Financing (TIF) program has also made a significant contribution. Since 2005, the program has generated market-price developments that have more than paid for themselves through incremental tax revenues, while delivering more than 2,300 “affordable” units, according to government figures. But the TIF program, too, has failed to attract much private capital to Southern Dallas, and very few of these new homes are within reach for families with income below $50,000.

Dallas’ permitting authorities have a reputation for being notoriously slow-moving and difficult to deal with. One measure of this problem is the near-total absence of national for-profit homebuilders from the Dallas market. The largest builder of affordable homes is the non-profit Habitat for Humanity, whose construction pace is declining due to financial challenges. The city has offered few incentives for rehab work on existing properties by homeowners and landlords, who often point out that investing in old structures yields negative returns because of the steep increases in assessed tax values that often follow.

City Hall has been slow to pursue federal funding opportunities, such as the Low-Income Housing Tax Credit (LIHTC) program and the new tax law’s “Opportunity Zone” incentives. The city government operates a modest land bank to acquire cheap land in Southern Dallas and elsewhere for future construction. But the program remains much smaller than in some cities that have pursued this approach aggressively, like Atlanta, Charlotte, and Pittsburgh.

The last several years have seen early signs of reform. High-quality public charter school organizations like Uplift Education and KIPP Texas, as well as several “schools of choice”, have achieved impressive learning gains. They now educate more than 25,000 low-income Dallas students, mostly in the South.

Significantly, Dallas's traditional public schools are showing hopeful signs of improvement, as measured by the school district's "B" in the Texas Education Agency's 2018 school ratings. Southern Dallas schools like Paul Dunbar, Martin Luther King Learning Center, J.J. Rhoads, and Elisha M. Pease, part of Dallas's innovative "Accelerating Campus Excellence" (ACE) program, are showing promising student gains and attracting attention. The school finance commission, currently advising the Texas Legislature, is pointing to Dallas's new teacher and school leader performance system undergirding investments like ACE as a model for statewide reform during the 2019 legislative session.

The "GrowSouth" initiative launched by Mayor Mike Rawlings has scored numerous early wins. They include the relaunch of the formerly dilapidated Red Bird Mall and the emergence of an "Education Corridor" comprising the new South Dallas campus of the University of North Texas and the revitalized historically black institution Paul Quinn College.

In May 2018, City Hall passed a much-heralded housing policy. Its central promise is to promote the construction of 20,000 new "affordable" homes by 2021, including units that families earning as little as $22,000 can afford. The policy also calls for targeting public funds toward a handful of "redevelopment" zones already showing signs of revitalization, based on an analysis of market trends at the neighborhood level. City Hall is also poised to approve a carefully calibrated inclusionary zoning plan to offer improved terms for developers in return for setting aside around 15 percent of the new multi-family units for lower-income households.

The May 2018 policy is controversial. Critics charge that it amounts to writing off most of the vast blighted areas of Southern Dallas as irredeemable. Just as important, available public funds will likely be far from sufficient to achieve the plan's stated aims.

An emerging debate

Debates over housing and neighborhood revitalization policy have grown more intense as the city's challenges have deepened. Advocates for anti-gentrification measures tend to exaggerate how much displacement has actually occurred in Dallas, to neglect evidence that new investment into improving neighborhoods actually helps to promote mixed-income communities, and to downplay the costs of neighborhood stagnation. As one group of economists concluded in a study of gentrification in 2015, "For many at the lower end of the economic spectrum, stability means imprisonment."

Another school of thought suggests Dallas should promote greater neighborhood density as a means of increasing the supply of attainable living spaces. This solution – advocated by *D Magazine*, among others – misses a number of points. Leaders on the ground indicate that high-density urban living isn't what most people in the city's disadvantaged neighborhoods want. Residents understand that Dallas can't replicate the unique charms of high-density New York or Boston and shouldn't throw away its own distinctive neighborhood vibes trying to do so.

Evidence from Dallas, as well as other cities, confirms that promoting high-density multifamily development means scraping away relatively affordable parts of the housing stock and replacing them with upscale apartments, exacerbating the affordability problem.

One more debate focuses on whether the city should become more aggressive in adopting mandatory "inclusionary" zoning to promote attainable housing in high-income neighborhoods. (The Texas Legislature currently bans such zoning.) Advocates argue that dispersing low-income families among wealthier households in mixed-income neighborhoods would foster upward mobility.

To be sure, there's a place for creative deals with developers when the stars align. Dallas has experienced a few successes with incentive zoning in relatively high-income areas, such as a development in the Frankford Road neighborhood in far North Dallas.

But political and economic realism argue against making inclusionary zoning in higher-income neighborhoods a centerpiece of city policy. Politically, the power of existing homeowners in high-income neighborhoods to block new developments on "NIMBY" ("not in my back yard") grounds means that such policies are not likely to accomplish much, as most cities can attest. The city's recent shift toward trying to deploy Low-Income Housing Tax Credits only in higher-income neighborhoods has had the unintended effect of reducing new affordable home construction under this program.

As for economic constraints, national housing experts have pointed out that inclusionary zoning policies that might prove effective in the context of (say) New York City won't transfer well to Dallas. Land in Dallas is not scarce, so developers can always forego deals offered by the city and take their capital elsewhere. The numbers have to work for Dallas-area developers, as the authors of the City's new incentive zoning policy have pointed out.

A path to more inclusive urban growth

A plan to promote more inclusive patterns of growth in Dallas should start with a clear recognition of the respective roles of government and private markets in a well-functioning urban economy.

On the one hand, private markets generally result in the allocation of urban land to its highest and best use, promoting economic growth. Left unfettered, markets adapt to fast-changing technological and business realities far better than governments can. City governments cannot hope to advance prosperity by freezing existing land-use patterns in place and preventing dynamic change in the use of urban space.

Moreover, only the private sector has the know-how and capital to achieve a construction boom on the scale that cities like Dallas need. And public-sector micro-managing of development to achieve highly specific goals regarding issues like density or ethnic makeup in particular neighborhoods are rife with potential unintended consequences.

On the other hand, local governments play an irreplaceable role in providing essential public goods – above all, K-12 education, public safety, and some types of urban amenities.

Additionally, local authorities are best positioned to address certain market failures surrounding land use. For instance, home-owners and landlords have incentives to pursue overly restrictive regulations on new construction, at the expense of renters and would-be first-time home buyers. Excessive "NIMBYism" often blocks reasonable development proposals even in relatively low-income neighborhoods, as Dallas and neighboring suburbs have often seen.

Also, building codes and other realities make it impossible in cities like Dallas to build new homes at a cost that lower-income families can afford. For workforce reasons as well as moral considerations, a limited government role in subsidizing new development aimed at lower-income citizens is inescapable.

Modest use of tax subsidies to incentivize home restoration by lower-income homeowners makes economic sense in view of the positive spillovers rehab work has on the stability and cohesion of neighborhoods as a whole. And tax subsidies through TIFs are justifiable as a means of promoting new development in targeted places.

In a simple economic model, people would move from low-opportunity areas to high-opportunity areas. In the real world, families often can't do this, not least because they can't afford to live in neighborhoods reasonably close to good jobs. Cities should strive to increase housing affordability in part to promote greater geographic mobility. At the same time, the growing recognition that working-class people often have no better alternative to staying put has led to a new emphasis among economists and policymakers on "place-based" policies, aimed at increasing opportunity in disadvantaged areas.

Geographic divides like Dallas's North-South division are the result of decades of policy decisions, including choices over the investment of public resources. Dallas's economic geography is not just the "natural" working of private markets. Past policy played a central role in creating today's conditions, so it's partly the responsibility of policymakers to address them.

Above all, new investment

As a starting point, Dallas needs an all-out effort to ignite a house-building boom across the city, especially in the South. The city's new policy is a step in the right direction, but policymakers should include neighborhoods with abundant land and good proximity to job markets, like the South Dallas Education Corridor, Fair Park, and the Bottoms, another area near downtown. The city should de-emphasize the unrealistic goal of deploying federal tax credits primarily in higher-income neighborhoods, and instead prioritize stretching every dollar of funding as far as it can go and advancing neighborhood revitalization.

City Hall should completely overhaul its zoning law and permitting process as Detroit has done, accelerating approval times and deregulating over-restrictive code provisions. The city should go from being one of the most inhospitable cities for national affordable housing developers to one of the most welcoming.

Dallas's government and non-profit sectors should also do what they can to help holistic revitalization efforts like Jubilee Park. And City Hall should pursue innovative financial mechanisms to stretch dollars further, such as promoting the creation of a large-scale non-profit land bank, and issuing bonds backed by an equity stake in new affordable homes, so the city can recycle some of the profits from rising values.

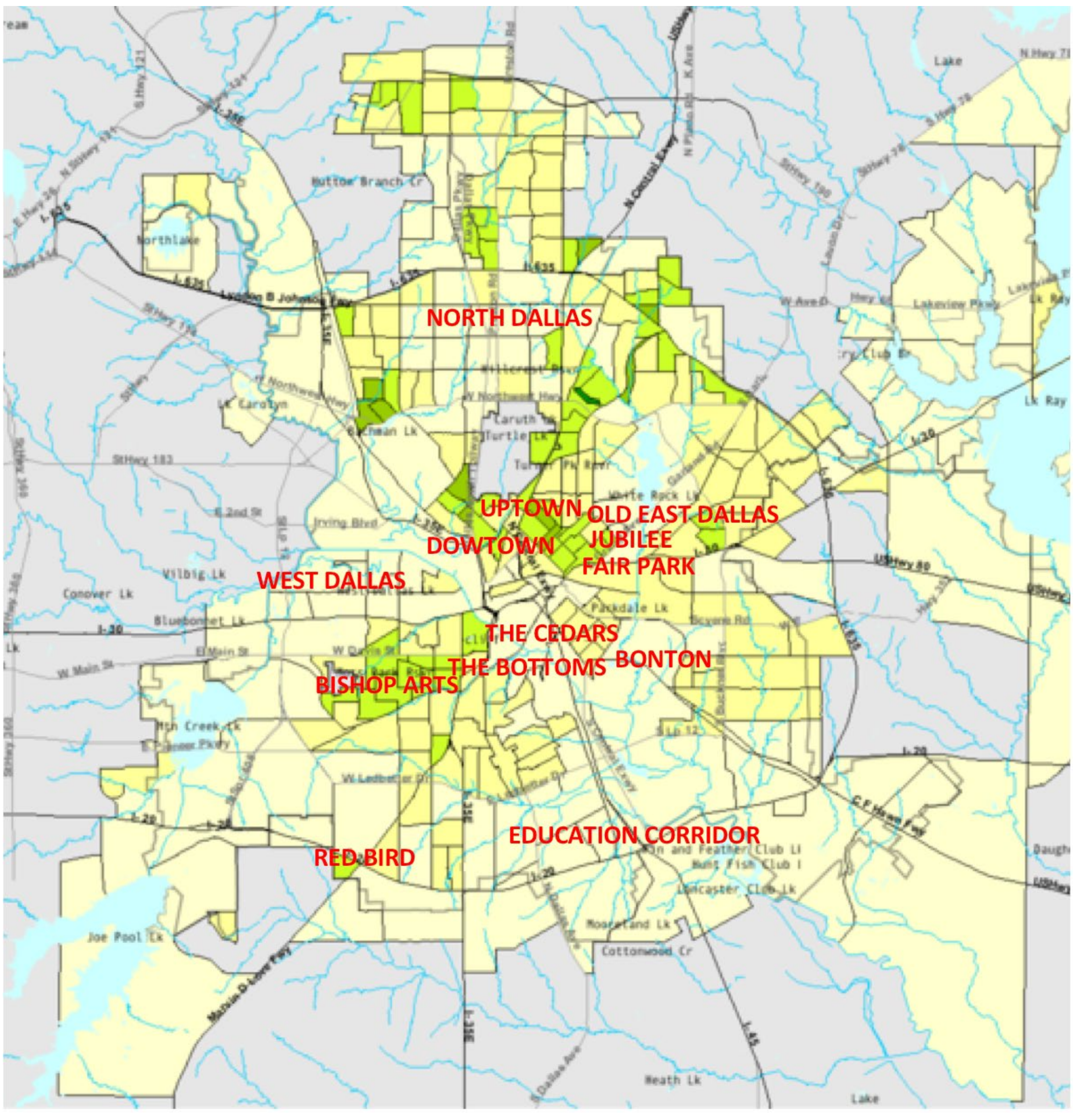
The city's representatives in Austin should press the Legislature to permit property tax breaks for community land trusts, as most other states have done, as well as preservation districts encouraging the use of land owned by the city and the Dallas school district for attainable housing. The state should also allow long-term tax freezes on new owner-occupied homes in redevelopment zones, to induce buyers and foster a market for developers.

What's needed is a lightbulb moment when Dallas businesspeople recognize the tremendous opportunity in the South. Mayor Mike Rawlings has led the way in focusing attention on the opportunity, building on a decade's work by the *Dallas Morning News* in its Pulitzer Prize-winning "Bridging the Gap" series.

Land is ample and comparatively cheap in Southern Dallas, whose vast land mass exceeds the whole city of Atlanta. Real estate experts estimate that, of the 250 square miles in the South, nine square miles are vacant and available for development. Non-profits commonly estimate that, in the neighborhoods they serve, one-third of the lots have an occupied home, one-third have an empty structure, and one-third are entirely vacant. There are more than 170 acres in seldom-used parking lots and empty land in the Fair Park neighborhood and dozens more in the Bottoms neighborhood, also close to downtown.

Land is available even in the southern part of downtown, which – in contrast to most American downtowns – is actually cheaper than the metro area average.
Figure 4 shows areas of greater and lesser population density, with dark green signifying high-density areas and light yellow representing the areas of lowest density. As Figure 4 illustrates, Southern Dallas generally features lower density than Northern Dallas, including in numerous areas with significant potential for economic revival.

Figure 4. A City of Opportunity



Source: U.S. Census Bureau; neighborhood labels added by the author.

Dallas's great opportunity is that its cheap and abundant land means it really can build 60,000 attainable homes over the next several years if it figures out how to mobilize private capital for the work ahead.

Stabilizing neighborhoods

Rather than abandoning depressed neighborhoods, the Dallas community should also prioritize the preservation and rehab of the existing housing stock, wherever possible. It should support the stability and social cohesion of neighborhoods, whether they are high, low, or mixed-income. It should promote what Dallas developer Monte Anderson calls the "gentle-fication" rather than "gentrification" of disadvantaged neighborhoods, which means investment in new appropriately scaled homes alongside historic preservation and renovation efforts. "Gentle-fication" reflects the idea that the best defense against both displacement and dis-investment in a neighborhood is an ample housing supply, high ownership rates, and a moderate pace of new investment.

The city should offer long-term tax freezes as a reward for rehab activity, perhaps financed by tax revenues on new structures in the same neighborhood. State Representative Eric Johnson unsuccessfully proposed a bill allowing such deals during the 2017 state legislative session. Promoting small-scale renovation activity by property owners would recognize the advantages of "thinking small," as urban theorist Charles Marohn of "Smart Towns" emphasizes. A wave of small improvements can make all the difference for a neighborhood, just as fixing the broken windows has surprisingly strong effects on crime.

The city should also support non-profit programs to advance stable home ownership among disadvantaged communities, in part through better financial education. A large-scale effort in Indianapolis has delivered startling declines in mortgage defaults and notable progress in neighborhood stabilization.

The pivotal role of K-12 education

Revitalizing Southern Dallas depends on addressing the single most important reason why middle-income people haven't wanted to live there in recent decades: struggling schools.

Pressing ahead with school reform tops the list of priorities for Dallas public and private sector leaders, along with addressing the housing challenge and public safety concerns. And it would be helpful if some Dallas politicians would ease off on their heated opposition to quality charter schools and schools of choice in Southern Dallas. They might instead focus that energy on supporting successful programs like ACE and replicating successful schools, both traditional and charter.

Holistic revitalization

A new inclusive growth path for Dallas, finally, requires bringing modern amenities and opportunities to the city's blighted neighborhoods. In contrast to the enormous investments over the last two decades in downtown Dallas and the Uptown neighborhood, very little investment has made its way into Southern Dallas.

City Hall's current policies may have the effect of diverting funds away from much of Southern Dallas. A more imaginative policy would be to support creative efforts to roll out amenities that will make people want to move into today's blighted neighborhoods. This includes new restaurants and retail (like Red Bird Mall), affordable fresh food stores (perhaps in partnership with non-profits like Bonton Farms), well-maintained parks (like Jubilee Park), quality health facilities (like the community clinics operated by Parkland Hospital), and arts centers (like the new project to revive the historic Forest Theater between downtown and Fair Park).

Policies to attract employers to Southern Dallas should start from the premise that place-based economic development policies can only work if people want to live in targeted neighborhoods. Jobs follow people, in the sense that businesses will locate operations in places where qualified workers and paying customers wish to live.

Development policies should prioritize locally owned businesses as engines of both revitalization and neighborhood stability. And they should build from established success stories. For instance, wise policies could encourage a gentle expansion of the thriving restaurant and retail center of Bishop Arts to the south.

Dallas has a talent for reinvention, as it showed by shaking off its history as a bastion of racial segregation after the 1960s and as an oil-dependent boom-and-bust town after the 1980s. It can point to a growing number of neighborhood success stories. With a better policy mix and concerted action by business, non-profit, and government leaders, Dallas just might reinvent itself as a model for inclusive urban growth in the 2020s and beyond.

GEORGE W. BUSH
INSTITUTE

BUSHCENTER.ORG

2943 SMU BOULEVARD | DALLAS, TEXAS 75205