

1Machine learning and household income appreciation

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4 **Recipes for neighborhood development: A machine learning approach toward**

5 **understanding the impact of mixing in neighborhoods**

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47**Bio**

48**John R. Hipp** is a Professor in the departments of Criminology, Law and Society, and Sociology,  
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50over time, how that change both affects and is affected by neighborhood crime, and the role  
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57

58**Jae Hong Kim** is an Assistant Professor in the Department of Planning, Policy and Design at the  
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61*Literature*, *Urban Studies*, and other planning-related journals.

63**Kevin Kane**, Ph.D., is a Postdoctoral Research Fellow in the Department of Planning, Policy  
64and Design at the University of California, Irvine. He is an economic geographer interested in  
65the quantitative spatial analysis of urban land-use change and urban development patterns,  
66municipal governance, institutions, and economic development. His research uses land change  
67as an outcome measure – in the form of changes to the built environment, shifting patterns of  
68employment, or the socioeconomic composition of places – and links these to drivers of change  
69including policy, structural economic shifts, or preferences for how we use and travel across  
70urban space.

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71       **Recipes for neighborhood development: A machine learning approach toward**  
72                               **understanding the impact of mixing in neighborhoods**

73

74       There is a long-standing interest in understanding the economic dynamism of  
75neighborhoods (Galster, Hayes, and Johnson 2005; Temkin and Rohe 1996). Scholars have  
76noted that although many neighborhoods maintain relative economic stability over time as  
77measured by the average income of residents, smaller numbers of neighborhoods either  
78experience economic declines over time or exceptional growth. Various theories have also been  
79proposed to explain changes in neighborhoods, particularly as measured by the average level of  
80income of residents. Among others, recently the New Urbanism perspective has emphasized the  
81possible positive role of mixing along various dimensions for bringing about economic  
82dynamism (Calthorpe 1993; Calthorpe and Fulton 2001). Specifically, it has been suggested that  
83mixing based on land use or building age, or mixing based on such socio-demographic  
84characteristics of residents as income or race/ethnicity, can have positive consequences for  
85neighborhoods (Knaap 2005).

86       A significant challenge, both theoretically and empirically, for studies in the New  
87Urbanism tradition is that mixing along various dimensions may not have uniform consequences  
88for neighborhoods depending on the particular context. For example, it is unclear whether  
89combining different types of mixing (such as land use mixing, income mixing, etc.) in the same  
90neighborhood will have similar consequences as when just one of these dimensions of mixing is  
91present. Some language in the New Urbanism literature implies that there may be synergistic  
92qualities from combining different types of mixing (Knaap 2005; Roberts 2007), however, some  
93studies have found cautionary evidence calling this into question (Chapple and Jacobus 2009).

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94Furthermore, mixing based on various dimensions may have different consequences for the

95neighborhood depending on the socio-economic context, or the socio-demographic context.

96Certain dimensions of mixing may negatively impact economic dynamism when they occur in

97economically challenged neighborhoods.

98 The possibility that the impact of mixing on economic dynamism in a neighborhood can

99be moderated (or amplified) by various contextual factors or other dimensions of mixing has

100received limited empirical assessment in the literature, arguably because of the methodological

101difficulty of addressing such a question. These possible moderating effects of the context for

102mixing imply the need for an analysis that includes a large number of multiplicative interactions

103when adopting the traditional modeling strategy. We instead address these questions with an

104existing machine learning technique that we argue is perfectly suited to these research questions.

105The Kernel Regularized Least Squares (KRLS) estimation approach, described in more detail

106below, allows us to flexibly assess nonlinear moderating effects among our variables of interest.

107We can assess whether the relationship between four dimensions of mixing – income, racial,

108housing age, and land use mix – and average income appreciation in neighborhoods exhibit

109nonlinear interaction patterns. We next describe theories of neighborhood change, particularly

110focusing on the importance of mixing along various dimensions for economic dynamism.

111

## 112**Literature Review**

### 113*Theories explaining neighborhood change*

114 A body of literature has explored how neighborhoods change over time, specifically how

115they change regarding their socio-economic resources. Whereas early research focused on

116human ecology theory in which neighborhoods operate in a larger system (Park, Burgess, and

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117McKenzie 1925), later research turned to subcultural theory which argued for important non-  
118economic factors in neighborhoods. (Pitken 2001). In the 1970s the political economy approach  
119gained in prominence and focused directly on the social relations of production and  
120accumulation in which elites drove the economic processes (Molotch 1976). Studies have  
121empirically explored the relationship between various neighborhood characteristics and change  
122in neighborhood income (Ellen and O'Regan 2008; Jun 2016; Rosenthal 2008).

123 More recently, there has been a rise in a perspective broadly characterized as New  
124Urbanism. The New Urbanism perspective can be traced to the founding of the Congress for the  
125New Urbanism in 1993 by a group of architects and planners (Leccese and McCormick 1999).  
126New Urbanist design theory focuses on creating neighborhoods and cities that foster a “sense of  
127community” by organizing neighborhoods with diversity in use and population (Talen 1999;  
128Talen 2013). A primary design element of New Urbanism is high density, mixed use  
129development to create vibrant public spaces (Calthorpe 1993; Calthorpe and Fulton 2001). A  
130challenge is that density can come in different forms (Campoli 2012; Campoli and MacLean  
1312007). In particular, mixing land uses, such as “jobs, housing, and food outlets, cross walks, bike  
132racks” (Campoli 2012) has been advocated as an effective means to promote social interaction,  
133neighborhood vibrancy, and thus scholars have concluded that communities with a high density  
134of population *and* a mix of several land uses can help bring about this vibrancy. This implies  
135considering the simultaneous impact of different types of mixing, an issue to which we turn next.

### 136*How mixing can help neighborhood dynamism*

137 The desire for and emphasis on mixed neighborhoods, arguably, was born from the  
138failure of public housing projects and the thinking that mixing might help the recipients of public  
139housing (overwhelmingly low-income, poorly-educated urban minorities) to avoid the pitfalls of

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140concentrated poverty and socioeconomic disadvantage. Socioeconomic mixing – particularly  
141along income lines – is thought to promote social and economic integration as well as increased  
142opportunities for low-income residents (Wilson 1987). The positive idea of mixing is also linked  
143to the more recent demographic trend of urban inversion and downtown renewal, whereby larger  
144populations (most notably young adults or retirees) are moving “back” to central city  
145neighborhoods (Ehrenhalt 2012).

146       There is evidence that mixing income of residents may have positive consequences for  
147neighborhoods. A body of research has focused on how mixed income areas can have various  
148positive consequences for the lower income households living in such neighborhoods, including  
149possible improved social networks for job contacts leading to better employment outcomes,  
150mental health benefits, increased self-esteem, and behavioral and health improvements for  
151children (for a review of this literature see Levy, McDade, and Dumlao 2010). There are also  
152proposed advantages for the neighborhood as a whole, including improved social control to  
153address safety issues given that higher income residents might provide particular norms to  
154increase safety (Fraser and Nelson 2008) or economic advantages by increasing market demand  
155for higher-quality goods and services that can then be enjoyed by all residents (Levy, McDade,  
156and Dumlao 2010). Nonetheless, there is also a possible long-term side effect in which income  
157mixing brings about gentrification, which then can lead to increased income segregation over  
158time, as was found in a study of rural settings (Golding 2015).

159       The mixing of land uses, namely the accessibility of workplaces, schools, retail, and other  
160services to residential areas follows a similarly-renewed emphasis on walkability. Much of this  
161comes from the New Urbanist and Smart Growth movements that began in earnest during the  
1621990s (Knaap 2005). A mixing of land uses can increase social interaction and decrease the need

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163for long-distance transportation and thus cut carbon emissions. By putting jobs and housing  
164close to each other, mixing land uses can also lead to better job outcomes, and hence economic  
165dynamism; indeed, a study of Chicago found that a greater number of jobs within two miles of  
166neighborhoods led to higher employment and lower unemployment rates for residents  
167(Immergluck 1998).

168       Mixing is also related to gentrification, or the inflow of capital into a neighborhood.  
169While increasing property values and vibrant communities are generally seen as positive  
170outcomes, gentrification can also displace an area's original resident – and business –  
171populations, raising the question of who is the recipient of neighborhood improvements  
172(Newman and Wyly 2006). Some believe social mixing policies to be veiled attempts at  
173gentrification with minimal impact on upward mobility of struggling communities (Bridge,  
174Butler, and Lees 2012). Thus, although we will focus on average income appreciation in  
175neighborhoods in this study, a caution to be heeded in all such studies is that it sidesteps the  
176question of residential displacement. Similar to land-use mixing, urbanist Jane Jacobs (1961)  
177was a strong advocate for a mixing of ages of buildings in a neighborhood. She argued that older  
178buildings, being less expensive to rent, present a point of entry into a community for residents or  
179businesses and allow for them to co-exist with the tenants and owners of newer, expensive  
180buildings. A number of cities who are keen to promote downtown renewal (Charlotte, NC being  
181one example – see Ehrenhalt (2012)) have found their lack of a historic building stock  
182challenging since newer space is more expensive, and less flexible in terms of use, leasing, and  
183ownership. Although there is some evidence that older housing has a discount rate, perhaps due  
184to being a proxy for the quality of housing (Rubin 1993), the mix of housing age may allow for  
185income mixing and the proposed positive consequences.



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186 Recent scholarship has posited that racial/ethnic mixing in neighborhoods might signal a  
187multi-cultural environment that is desirable to certain segments of the population. Florida (2002)  
188in particular emphasizes longer-term benefits of such openness, arguing that creative places  
189“were open, diverse, and culturally creative first. Then they *became* technologically creative and  
190subsequently gave rise to new high-tech firms and industries” (p. 207). Cultural amenities, a  
191vibe, and a buzz, in his view, often flow from an area’s original openness to diversity, mixing,  
192and ultimately new ideas, whether at the metropolitan or neighborhood level. For example, the  
193presence of a multi-cultural population, along with an accompanying wide variety of ethnic  
194restaurants may be highly desirable for certain demographic groups. Such areas may also foster  
195a vibrant music or arts scene, as well as multicultural festivals and events that appeal to  
196“hipsters” and lead to more economic dynamism in such neighborhoods. As evidence of the  
197economic stagnation of neighborhoods without such characteristics, a study of Baltimore inner-  
198ring suburbs pointed to racial segregation, as well as labor market restructuring and income  
199segregation, as important drivers of neighborhood decline (Hanlon and Vicino 2007).

#### 200*How mixing might hinder neighborhood dynamism*

201 Although advocacy for mixing is largely a reaction to the perceived negative outcomes of  
202homogeneity or segregation, there can be benefits to certain types of segregation in cities.  
203Zoning codes largely exist to guard homes against the noxious fumes of industry or late-night  
204noise of restaurants and bars, for example. The 1916 U.S. Supreme Court case which is credited  
205with legalizing municipal police power (*Euclid v. Ambler*) makes explicit that land uses in  
206conflict can be separated through zoning to avoid possible negative externalities and decreased  
207property values of individual homeowners (Hall 2007).

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208 Furthermore, there are reasons that neighborhoods may not necessarily thrive

209economically due to a mix of residential and business land uses. Retail businesses – especially  
210national chains with well-developed and clearly defined product types and target markets – may  
211have difficulty thriving in mixed areas. The local customer base is too varied, while customers  
212are generally drawn to well-known areas which offer scale economies and a variety of retail  
213options (Chapple and Jacobus 2009). Property crime rates may even be higher in mixed areas  
214(Hipp 2007), and this crime, or the perception of it, can be a deterrent for both retailers and their  
215potential customers (Hipp 2010a).

216 Whereas a growing number of studies in the literature presume that racial/ethnic mixing  
217will be desirable for reasons already discussed, there are countervailing reasons why that may  
218not be the case. For example, the presumption that there will be social ties spanning racial/ethnic  
219groups is questionable, as studies have found that there are fewer social ties in general in such  
220neighborhoods (Lowenkamp, Cullen, and Pratt 2003; Warner and Rountree 1997), less  
221neighborhood attachment (Sampson 1991), and less neighborhood satisfaction (Hipp 2009;  
222Sampson 1991). Given the consistent evidence that neighborhoods with higher levels of  
223racial/ethnic heterogeneity have higher levels of crime (Hipp 2007; Roncek and Maier 1991;  
224Rountree and Warner 1999; Sampson and Groves 1989), this provides additional evidence that  
225such neighborhoods may not always exhibit economic vibrancy as expected. Indeed, studies  
226have found that racial change is related to decreasing household income (Baxter and Lauria  
2272000). A recent investigation of the 100 largest US metropolitan areas by Jun (2016) also  
228reported a strong negative association between the share of non-White population and the change  
229in neighborhood per capita income.

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230       There are also reasons to suspect that income mixing will not necessarily lead to positive  
231neighborhood outcomes. For example, there is evidence that social ties do not necessarily cross  
232income levels in mixed income neighborhoods. A study of a Hope VI site in Seattle found that  
233social ties tended to not cross income differences, even in an award-winning mixed income  
234development (Kleit 2005). A study of a New Urbanist mixed income community in North  
235Carolina also found that income differences reduced the probability of forming a social tie, even  
236controlling for the spatial distance between housing units (Hipp and Perrin 2009). And the  
237evidence that mixed income neighborhoods tend to have higher levels of crime also calls into  
238question the presumption that they will have long-term beneficial consequences (Hipp 2007;  
239Hipp and Boessen 2013; Messner and Tardiff 1986). One review of existing mixed-income  
240developments concluded that there is a need for a land use design that encourages the actual  
241social mixing of residents of different income levels, implying that it is a *combination* of income  
242mixing along with land use mixing that may be important for neighborhood outcomes (Roberts  
2432007). We therefore next turn to a discussion of the need to consider some of these measures of  
244mixing in combination, rather than as distinct measures.

245*Considering the interdependence of mixing dimensions*

246       The challenges for studies of neighborhood change are twofold. First, whereas theories  
247posit that certain structural characteristics will have either positive or negative impacts on the  
248socio-economic change in a neighborhood over time, they rarely specify the functional form of  
249the true relationship that should be expected. As a consequence, studies typically only test for  
250possible linear (or linearized) relationships between posited important structural characteristics  
251and the socio-economic dynamics of the neighborhood. There are theoretical reasons to posit  
252that some of these processes may not play out in a linear fashion, but rather exhibit threshold

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253effects (Schelling 1971). There is also evidence that neighborhoods do not simply respond to  
254exogenous shocks in a consistent, linear fashion (Galster, Cutsinger, and Lim 2007). For these  
255reasons, there is a need to assess possible nonlinear or threshold functions that might characterize  
256the relationship between these measures and neighborhood economic dynamism.

257       Second, a challenge is that the structural characteristics of neighborhoods are likely not  
258independent of one another, but rather highly interdependent. Thus, the typical assumption of  
259linear statistical modeling that we can “hold constant” one measure while manipulating another  
260is fine in principle, but it is likely not reasonable in practice when studying neighborhood  
261dynamism. To understand how neighborhoods can change over time, it is likely that we need to  
262understand how various structural characteristics of neighborhoods might operate in tandem to  
263impact neighborhood change trajectories. For example, a study of neighborhoods in Canada  
264concluded that a number of factors were important for explaining neighborhood economic  
265dynamics, ranging from local conditions to wider economic and policy shifts (Kitchen and  
266Williams 2009).

267       The machine learning technique that this paper adopts, Kernel Regularized Least Squares  
268(KRLS), directly addresses these two challenges. KRLS’ nonparametric estimation of covariate  
269effects helps isolate the structural measures impacting neighborhood change, while providing the  
270marginal effects of each independent variable across the covariate space allows for a better  
271identification of threshold effects than a pointwise, linear estimate. Most importantly, the  
272marginal effects can be regressed upon the other variables in the model, allowing for us to  
273determine which “ingredients” of mixing result in greater economic dynamism in neighborhoods.

274       We focus on several factors that may moderate the relationship between mixing and  
275average income growth (the measure of neighborhood economic dynamism used in this study).

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276First, mixing may have differential consequences depending on the socio-economic status (SES)  
277of the neighborhood at the beginning of the decade. Mixing that occurs in the context of more  
278economically disadvantaged neighborhoods may be less likely to have the anticipated positive  
279consequences for income growth. Second, high population density locations are more in the  
280spirit of New Urbanist principles, and therefore mixing that occurs in these contexts may be  
281more beneficial for income growth. Third, given that residential instability may be a sign of a  
282neighborhood in flux, mixing in such contexts may have negative consequences. Fourth, if the  
283presence of more racial minorities or immigrants brings more potential vitality to a  
284neighborhood, the presence of more mixing in such contexts may have stronger positive  
285consequences on income growth. Finally, mixing may be most beneficial for the dynamism of  
286New Urbanist neighborhoods when it occurs in a context in which the age structure contains a  
287relatively smaller number of households with children. We describe our statistical approach  
288next.

## 289**Data and methods**

### 290*Data*

291 The study area is the 5-county area comprising Southern California, a large region with a  
292population of about 17 million. The Southern California region is an ideal setting for this study  
293because: a) it is the prototypical example of a booming Sunbelt area that is characterized by rapid  
294population growth and a sprawled pattern of urban development; b) it nonetheless contains  
295numerous highly concentrated, historically-embedded neighborhoods where compact growth is  
296increasingly popular; and c) it is a racially and ethnically heterogeneous area with considerable  
297racial/ethnic mixing.

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298 The socio-demographic data come from the 2000 U.S. Census and the American  
299Community Survey (2010-2014 5-year estimates). Land use data come from the Southern  
300California Association of Governments, a regional planning authority. We used census tracts to  
301represent neighborhoods. Our outcome variable captures the change in average household  
302incomes from 2000 to 2012, and our independent variables are all measured in 2000 (land use  
303data is measured in 2001). Thus, we are asking what neighborhood measures in 2000 explain  
304greater increases in reported household incomes over the subsequent 12 years. In this study we  
305focus on this relatively shorter period of neighborhood change over a single decade; a longer  
306period is outside the scope of the present study and will instead be the focus of our future work.

307*Dependent variable*

308 The outcome variable is the change in the reported household incomes (logged) between  
3092000 and 2012 (based on the 2010-14 ACS 5-year estimates). We harmonized the data to 2010  
310tract boundaries (apportioning the 2000 data based on the population-weighted overlap with  
3112010 boundaries), log transformed the average household incomes at each time point, and then  
312computed the difference over the decade. We use average income rather than median income  
313since the need to harmonize aggregated data to 2010 tract boundaries makes it impossible to  
314calculate the median income in 2000. Thus, we are capturing the percentage change in average  
315household incomes over the decade for each tract.

316*Independent variables*

317 Our key measures of interest capture different types of mixing. We used the entropy  
318index to measure the relative level of mixing for most of our dimensions of mixing; this captures  
319the relative proportion of each category (Massey and Denton 1988). Entropy has been widely  
320adopted as a mixing measure—for example, using it to assess the relationship between land use

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321mixing and housing values (Song and Knaap 2004). Values range from 0 to 1, and a higher value  
322indicates higher mixing.

323 We constructed measures of *race entropy*, *housing age entropy*, *land use entropy*, and  
324*household income inequality*. Table 1 describes the categories used in the three entropy  
325measures. Given that income inequality is a continuous measure we constructed it as a Gini  
326coefficient based on the household income category bins reported to the U.S. Census. The Gini  
327coefficient is a common measure of income inequality (i.e., a proxy of income mixing within a  
328geographic area) that uses cumulative earnings at each percentile of the income distribution to  
329develop a continuous measure of income inequality by area. This was computed with the  
330prln.exe software program developed by Francois Nielsen (available at  
331<http://www.unc.edu/~nielsen/data/data.htm>). We refer to these measures as “mixing” throughout  
332the results section.

333 <<<Table 1 about here>>>

334 We also included several socio-demographic variables that likely impact the change in  
335household incomes in a neighborhood over the subsequent decade. We account for the *average*  
336*household incomes* at the beginning of the decade, log transformed. Given that a higher  
337concentration of owner-occupied units may increase household incomes in a neighborhood, we  
338included a measure of the *percent homeowners*. We account for the racial/ethnic composition of  
339the neighborhood with measures of *percent black* and *percent Latino*. We included a measure of  
340*percent immigrants* to account for the possibility that this group may have a negative or positive  
341impact on household income appreciation. The presence of more residential stability in a  
342neighborhood might reflect greater satisfaction and cohesion, and we therefore included a  
343measure of the *average length of residence*. The economic vibrancy of an area can impact the

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344trajectory of household incomes, and we capture this with a measure of the *unemployment rate*.  
345Likewise, neighborhoods with higher vacancy rates will likely depress household incomes, and  
346we therefore included a measure of the *percent occupied units*. We account for the age  
347composition of the neighborhood with two measures of retirees and children: *percent aged 65*  
348*and above*, and *percent less than 20 years of age*. We included a measure of *population density*  
349to account for the competing views of whether this measure has a positive or negative impact on  
350household income growth. We also control for the *percent residential land*. Residential land  
351includes single-family and multi-family housing as a proportion of all urbanized land. Finally,  
352we accounted for the *percent open land*. Open land includes the share of land area that is in  
353urban recreational use such as parks and golf courses as well as non-urbanized uses such as  
354natural areas and vacant space which indicate the share of unbuilt area in a tract.

355 We also account for possible effects from nearby neighborhoods. For each census tract,  
356we used a GIS to identify all other tracts whose centroids lie within five miles. Characteristics of  
357each tract's surrounding neighborhood were calculated using an inverse distance decay function  
358that weights nearby tracts heavily, while those further away (up to five miles) were weighted  
359less. The summary statistics for the variables used in the analyses are shown in Table 2.

360 <<<Table 2 about here>>>

### 361Methods

362 To capture possible nonlinearities and nonlinear interactions among the covariates  
363explaining the change in household incomes over the subsequent decade, we used a relatively  
364new analytic technique: Kernel-based regularized least squares (KRLS) described in  
365(Hainmueller and Hazlett 2014) and implemented for Stata in (Ferwerda, Hainmueller, and  
366Hazlett 2013). KRLS comes out of the machine learning literature, and builds on techniques



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367developed in the 1990s. The KRLS approach provides estimates of the marginal effects of each  
368independent variable at each data point in the covariate space and provides closed-form estimates  
369of the pointwise partial derivatives. To avoid over-fitting, the function minimizes squared loss,  
370and prefers smoother functions (by reducing complexity in the optimal solution). KRLS enables  
371us to nonparametrically estimate the relationship between all of our covariates and the outcome  
372variable, and considers their (nonparametric) interactions in the analysis.

373       KRLS analyses provide estimates of the marginal coefficient for each case in the sample  
374(that is, the derivatives of this relationship). We can then assess whether these derivative  
375estimates are systematically related to other variables in the model. We accomplished this by  
376regressing these derivative estimates for each variable on each other variable in the model (the  
377original variable, a squared version, and a cubic version to capture nonlinearities) one at a time  
378and assessed the amount of variance explained. The R-square of these regressions captures the  
379degree to which the effect of a measure on the outcome differs based on values of the  
380explanatory variable (i.e., interaction effects), and we found that R-squared values of at least .10  
381typically captured relationships of substantive interest, and we explore these in the results  
382section. Note that when these derivatives are strongly related to other variables in the model (as  
383captured by a high R-square), these are implied interaction effects. Most relationships were  
384suitably captured by a quadratic specification, although a few were substantially improved by the  
385cubic specification; Table A1 in the Appendix displays the R-square values for all interactions.  
386We then plotted these interactions between the derivatives and a variable that exhibited a  
387substantial relationship using Lowess regression to capture any and all nonlinearities—which  
388groups observations with similar covariate values (Cleveland 1979)—and we plot the predicted  
389values from these in the figures. As can be seen in these figures, another advantage of KRLS

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390over OLS is that it is not constrained to linear or linearized interactions, but rather can capture  
391nonlinear interactions that need not have a parametric form. Nonetheless, we also estimated an  
392OLS model using Stata 13.1 as a comparison to the KRLS estimates. Finally, there is little  
393evidence of spatial correlation in our residuals: whereas the Moran's I for the outcome variable is  
394.09, the value for the residuals is just .03, implying that our model explains nearly all of the  
395spatial patterning.

### 396Results

397 Table 3 presents the results from the KRLS analyses and the OLS analyses (for  
398comparison) for the relationship between the neighborhood characteristics in 2000 and the  
399change in logged household incomes from 2000 to 2012. Note that the first column shows the  
400averages of the pointwise derivatives of a variable on the change in household incomes over the  
401decade for the KRLS results. However, this effect can vary over each observation, and this is  
402shown in three subsequent columns of the KRLS results that list the 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentile  
403values for this marginal effect. For example, we see that whereas racial mixing has an average  
404positive coefficient of .022, there is much variability in this coefficient ranging from negative  
405(-.018) at the 25<sup>th</sup> percentile of the coefficient to positive (.062) at the 75<sup>th</sup> percentile.

406 <<<Table 3 about here>>>

407 To get a sense of the magnitude of these effects, the "std" column shows the change in  
408average income over the subsequent decade for a one standard deviation change in the covariate  
409of interest. Given that the outcome is the change in logged income, these coefficients can be  
410interpreted as percentage change in income. Thus, a neighborhood with one standard deviation  
411higher income mixing is expected to have 2.7% lower average income appreciation over the  
412subsequent decade than an otherwise similar neighborhood (-.027). And we see that whereas a

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413neighborhood with one standard deviation higher land use entropy experiences 1.6% lower  
414average income appreciation over the subsequent decade, one with high housing age entropy  
415experiences 0.8% higher average income appreciation.

416        In this same table we present the results for the more conventional OLS analysis for  
417comparison purposes. One thing to note is that whereas the OLS model explains 23% of the  
418variance, the KRLS model explains 37% of the variance. Nonetheless, it is worth  
419acknowledging that there is additional variance to explain even in the KRLS model, as 63% of  
420the variance remains unexplained. This improvement highlights the advantage of this alternative  
421approach, which captures a larger extent of variation by considering nonlinearities and  
422interaction effects that are not apparent in the traditional OLS approach. There are some  
423differences in parameter estimates across the OLS and KRLS models. For example, in the OLS  
424model it appears that higher percent black residents at the beginning of the decade are negatively  
425associated with the change in average household income over the subsequent decade, but the  
426parameter is close to zero in the KRLS model. And whereas the percent black in the surrounding  
427area is not related to income change in the OLS model, it shows an average positive relationship  
428in the KRLS model. Given these differences, it is useful to explore whether these coefficient  
429estimates systematically vary based on values of other variables in the model, and we do this  
430next. While it is possible to examine nonlinearities by parameterizing an OLS model using  
431interaction terms (e.g. the joint effect of racial mixing and household vacancy on income  
432growth), this would require dozens of additional covariates whose joint effects must be  
433individually interpreted relative to their marginal effects. This is a cumbersome process and it is  
434often challenging to isolate key interactions; furthermore it would only approximate the more  
435flexible and nonparametric KRLS results (Hainmueller and Hazlett 2014).

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436How mixing is moderated by other types of mixing

437 To assess whether these coefficient effects depend on other variables in the model, we  
438next plot the predicted values from Lowess regressions of the derivatives on a specific covariate  
439(and its quadratic term) that showed R-squares of at least .10 (all of these relationships were also  
440statistically significant). Each instance with such a notable moderating effect is summarized in  
441Table 4 for each of our mixing measures. In this table, "high" refers to the upper part of the  
442distribution of a variable; "moderate" refers to the middle range (typically the 40th to 60th  
443percentile), and "low" refers to the bottom part of the range of a variable.

444 We find that income mixing has a stronger positive relationship with the change in  
445household incomes when there are low levels of racial and housing age mixing. Figure 1a shows  
446how income mixing is conditioned by the level of racial mixing in the neighborhood. In Figure  
4471a, the x-axis represents various values of the moderating variable (in this case, racial mixing)  
448whereas the y-axis is the estimated derivative for the moderated variable (in this case, income  
449mixing) on the outcome variable of change in logged income (this can be thought of as the  
450coefficient value at a particular value of the x-axis variable). For example, an increase in income  
451mixing in neighborhoods with high racial mixing (the right side of the graph) is expected to  
452result in a decrease in average income in the subsequent decade (given that the y-axis values are  
453below zero). If, instead, the relationship between income mixing and the change in average  
454income did not differ based on the racial mixing of the neighborhood, this plot would be  
455approximately the flat dotted line depicting the median marginal effect. Instead, increasing  
456income mixing one standard deviation results in about 5% *lower* average income appreciation in  
457neighborhoods with very high levels of racial mixing, but increasing income mixing is associated  
458with about 1% *greater* average income appreciation in neighborhoods with very low racial

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459mixing—seen in the positive y-axis values on the left side of the graph (all interpretations are  
460based on a one standard deviation change). Given that the average effect of a one standard  
461deviation increase in income mixing in this model was a 2.8% decrease in average income  
462appreciation, we can see that a substantial amount of this effect is determined by the level of  
463racial mixing. In other words, while in general mixed income areas show lower levels of  
464household income growth, income mixing does *not* have a detrimental impact on household  
465income growth in racially homogenous neighborhoods. Likewise, the negative relationship  
466between income mixing and average income appreciation is weaker in neighborhoods with low  
467housing age mixing, as seen in Figure 1b. A one standard deviation increase in income mixing  
468reduces average income appreciation about 4% in neighborhoods with very high housing age  
469mixing, whereas the negative impact is about 2% in neighborhoods with low housing age  
470mixing.

471 <<<Table 4 about here>>>

472 <<<Figure 1 about here>>>

473 We find that racial mixing has a stronger positive relationship with household income  
474appreciation in neighborhoods with high levels of housing age mixing. Racial mixing has a  
475positive relationship with average income appreciation in neighborhoods with very high levels of  
476housing age mixing, but effectively no relationship in neighborhoods at or below the mean in  
477housing age mixing in a pattern somewhat similar to Figure 1c. Racial mixing also exhibits a  
478nonlinear relationship itself, in that changes in racial mixing have a negative effect at low values  
479of racial mixing, but changes have a positive effect at high values of racial mixing, also similar to  
480Figure 1c.

481*How income mixing is moderated by neighborhood conditions*

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482 We find that income mixing has a stronger positive relationship with average income  
483 appreciation in high socio-economic status neighborhoods. As seen in Figure 1c, whereas  
484 income mixing has a strong negative effect on average income appreciation in relatively poor  
485 neighborhoods—income mixing reduces average income appreciation about 5% in  
486 neighborhoods with low average income—income mixing actually is associated with increasing  
487 average income in more advantaged neighborhoods—higher income mixing results in about 1%  
488 greater average income gains in very high income neighborhoods. The same pattern was found  
489 based on the average income in the surrounding area, as well as the unemployment rate of the  
490 neighborhood or surrounding area. In other words, income mixing is not detrimental to income  
491 growth rates so long as the area is fairly wealthy on average.

492 Income mixing is associated with lower average income appreciation neighborhoods with  
493 high population density or residential instability. Thus, income mixing has its strongest negative  
494 effect on average income appreciation in neighborhoods with relatively high population density,  
495 surrounded by high density, or in which the vacancy rate is decreasing (implying higher density).  
496 The result is similar in neighborhoods with high residential instability or surrounded by high  
497 instability (measured as low average length of residence or a high proportion of renters), but  
498 shows a modest positive effect in very low population density neighborhoods. For the vacancy  
499 rate, it is only at the highest levels (which typically are a sign of dysfunction in a neighborhood)  
500 that this effect reverses.

501 Income mixing also has a stronger negative relationship with average income  
502 appreciation in neighborhoods with more Latinos or immigrants, or surrounded by areas with  
503 more members of these groups. Income mixing has effectively no relationship with average  
504 income appreciation in neighborhoods with no Latinos as seen in Figure 1e, but an increasingly

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505stronger negative relationship as the percent Latino in the neighborhood increases. Likewise,  
506increasing income mixing results in about 5% lower average income over the subsequent decade  
507in neighborhoods with 60% immigrants.

508       The age structure of the neighborhood also matters, as income mixing has a stronger  
509negative relationship with average income appreciation in neighborhoods with fewer retirees or  
510more persons under 20. Whereas income mixing has a modest negative effect on average  
511income appreciation in neighborhoods with a higher percentage over 65 (the right side of Figure  
5121f), this is a strong negative relationship in neighborhoods with a low proportion of retirement-  
513age individuals (the left side of the graph).

#### 514*How racial mixing is moderated by neighborhood conditions*

515       It appears that racial mixing has more positive consequences when it occurs in  
516neighborhoods that are more disadvantaged economically. In neighborhoods with very low  
517average income, higher levels of racial mixing actually are associated with larger increases in  
518average income over the subsequent decade (Figure 1h). In contrast, racial mixing in high  
519income tracts is associated with negative average income appreciation. The pattern is similar  
520when measuring economic disadvantage based on the unemployment rate, or when the  
521neighborhood is surrounded by low income areas.

522       Racial mixing appears to have a more positive impact on average household income  
523appreciation in neighborhoods with higher levels of racial minorities or surrounded by such  
524groups (measured as percent Latino, or percent immigrants). For example, racial mixing has a  
525positive relationship with average income appreciation when it occurs in neighborhoods with a  
526high percentage Latino, as shown in Figure 1g. Likewise, racial mixing has a stronger positive

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527effect when it occurs in neighborhoods with high immigrant concentrations (average income  
528increases about 1 to 1.5% more in such neighborhoods).

529 Racial mixing has a stronger positive relationship with average income appreciation in  
530neighborhoods with high population density or more renters. This was also the case in  
531neighborhoods with very low percent open land (and therefore higher density), or surrounded by  
532high density. Racial mixing has positive consequences in neighborhoods dominated by renters,  
533but less so in neighborhoods with more owners (similar to Figure 1e). The effect of renters in the  
534surrounding area was similar, except that racial mixing actually has negative consequences when  
535the neighborhood is surrounded by high homeownership areas.

536*How housing age mixing is moderated by neighborhood conditions*

537 Housing age mixing has a stronger positive relationship with average income  
538appreciation in neighborhoods surrounded by a mix of owners or renters, or low population  
539density. Housing age mixing has its strongest positive impact on household income appreciation  
540in neighborhoods surrounded by 40-70% homeowners, but weaker effects in neighborhoods  
541surrounded by either a very low proportion or very high proportion of homeowners. Housing  
542age mixing has a positive relationship with average income appreciation in neighborhoods  
543surrounded by low population density, similar to Figure 1e. Housing age mixing also exhibits a  
544nonlinear relationship itself, as it has a negative relationship with average income appreciation in  
545neighborhoods with low housing age mixing, but a positive relationship in neighborhoods with  
546high housing age mixing.

547*How land use mixing is moderated by neighborhood conditions*

548 Land use mixing has its strongest negative relationship with average income appreciation  
549in neighborhoods with a moderate percentage black, or surrounded by low to average residential



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550stability. In neighborhoods with about 5-15% black in the neighborhood itself or the surrounding  
551area the relationship is at its strongest negative, but it is less negative when there is a very small  
552or very large percentage black. And, similar to Figure 1d, neighborhoods with increasing land  
553use mixing that are surrounded by low residential stability experience a stronger negative  
554relationship.

#### 555*Ancillary models*

556 In KRLS models, as in all models, there is a concern of omitted variables that can bias  
557the results. We have adopted an approach in which we use measures at the beginning of the  
558decade to explain changes in average income over the subsequent decade. The advantage of this  
559approach is that it minimizes the potential of endogeneity that can occur by including measures  
560of change in the neighborhood at the same time as the change in our outcome measure.  
561Nonetheless, there may be concern that neighborhoods that are experiencing increasing average  
562income are also experiencing an increase in population and housing units given that they may be  
563desirable locations. We assessed this by estimating ancillary models that included the change in  
564population density during the decade as a covariate. It is encouraging to note that although this  
565population density measure demonstrated a significant relationship (although it was in fact a  
566negative one) the results of our other variables in the model were very similar to those in the  
567presented models when including this change variable (results available upon request).

#### 568**Discussion and Conclusions**

569 This study has explored the relationship between the level of mixing in neighborhoods  
570based on four dimensions and the consequences for average income appreciation over the  
571subsequent decade for neighborhoods in the southern California region. We have highlighted  
572that the existing literature often points to the importance of considering how mixing based on

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573certain dimensions may have different consequences for neighborhoods based on other  
574neighborhood characteristics. There are also non-specific theoretical predictions regarding the  
575functional form of the relationship between these mixing dimensions and economic dynamism in  
576neighborhoods. For these reasons, we utilized a relatively new statistical strategy—kernel  
577regularized least squares—a machine learning approach that is flexible enough to estimate  
578various functional forms of these relationships, as well as estimate the possible  
579interdependencies of different neighborhood structural measures when assessing their  
580relationship with the change in neighborhood average household income over the subsequent  
581decade. The results highlight important interdependencies between certain dimensions of mixing  
582and key neighborhood structural characteristics. These interdependencies were particularly  
583important for assessing the relationship between income mixing and neighborhood dynamism  
584and refining existing urban policy instruments.

585       We can think of these neighborhood characteristics that moderate the relationship  
586between dimensions of mixing and economic dynamism as “ingredients” that are important for  
587fostering dynamism. Whereas income mixing on average showed a negative relationship with  
588average income appreciation, income mixing in the context of certain neighborhood ingredients  
589did not reduce average household income over time as much. Thus, in our study income mixing  
590is associated with greater income increases for a neighborhood with 1) low mixing on other  
591dimensions (racial and housing age); 2) higher SES (average income or unemployment rate); 3)  
592high population density (and few vacancies); 4) high residential stability (owners and average  
593length of residence); 5) fewer racial minorities (Latinos or immigrants); 6) an older age structure  
594(more retirees, fewer children). Thus, income mixing when combined with other types of mixing  
595—specifically, racial mixing and housing age mixing—is associated with lower average income

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596appreciation over the subsequent decade. This may suggest that the combination of racial mixing  
597and income mixing often indicates polarization—or what Peter Blau referred to as consolidated  
598inequality (Blau 1987)—and leads to negative outcomes rather than economic benefits to the  
599residents. This is the general idea of social distance based on various social dimensions, and one  
600study found that micro-neighborhoods with higher levels of social distance reported higher levels  
601of disorder and crime (Hipp 2010b). Whereas housing age mixing might promote mixed-income  
602neighborhoods in a process similar to Jacobs’ (Jacobs 1961) suggestion that building age mixing  
603promotes a wider variety of local retail establishments, in our study of Southern California  
604housing age mixing actually has negative consequences for neighborhoods when combined with  
605income mixing.

606       Income mixing demonstrated better consequences when it occurs in more economically  
607advantaged neighborhoods than in disadvantaged neighborhoods. This may imply that more  
608disadvantaged neighborhoods are more fragile and vulnerable. One possibility is that a mix of  
609income groups at the low end of the income scale may occur during the process of neighborhood  
610decline or induce a lowered sense of cohesion and sense of attachment to the neighborhood. This  
611may make the neighborhood appear less desirable to other potential in-migrants. While this is  
612speculative, our results highlight the need for future research to explore more closely what it is  
613about income mixing for more disadvantaged neighborhoods that may lead to negative  
614outcomes.

615       It is interesting to note that income mixing and racial/ethnic mixing had different  
616consequences for average income appreciation when they occurred within the context of  
617neighborhoods containing other New Urbanist principles. Thus, whereas increasing income  
618mixing in a context of high housing age mixing had negative consequences for average income

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619appreciation, increasing racial mixing in a context of high housing age mixing actually had  
620*positive* consequences for average income appreciation. Racial mixing in the context of mixed-  
621age housing may capture the quintessential multicultural transition area that is desirable to young  
622adults. Similarly, racial/ethnic mixing had a stronger positive impact on income appreciation in  
623the context of high population density in the tract and nearby, whereas income mixing in such a  
624context had negative consequences. The higher density may reflect more opportunities for  
625different racial/ethnic groups to interact following the insights of contact theory (Allport 1958  
626[1954]), resulting in more cohesion in the neighborhood. This could then possibly lead to a more  
627economically vibrant neighborhood, although further research would be necessary to assess if  
628this indeed occurs in such neighborhoods. As to why income mixing does not yield such positive  
629benefits in the context of high population density is not entirely clear. One possibility is that the  
630typical preference for low density housing among higher income residents results in income  
631mixing being less effective in high density locations.

632       We found that racial mixing can have a positive impact on average income over time  
633when it is accompanied by the following ingredients: 1) high housing age mixing; 2) low socio-  
634economic status (average income, unemployment rate); 3) more racial minorities (Latinos or  
635immigrants); 4) more population density (and low percentage of open land); 5) more renters. It  
636appears that racial mixing may capture more multicultural neighborhoods with more interesting  
637amenities. Thus, the positive relationship of racial mixing was accentuated by the presence of  
638more immigrants, which may directly translate into diverse and multicultural food options for  
639residents. It may also be that neighborhoods with more immigrants provide a signal that an area  
640is more amenable to diversity (Florida 2002). Likewise, the fact the positive relationship of  
641racial mixing was accentuated by the presence of many renters may also be consistent with the

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642notion that these are transitional neighborhoods dominated by younger, less established persons  
643interested in diverse neighborhoods.

644       There was more modest evidence that housing age and land use mixing impacted  
645neighborhood dynamism. Housing age mixing, which typically occurs in older, more established  
646areas which have experienced some new housing construction through infill, exhibited a positive  
647relationship with the change in average income when it is accompanied by two ingredients: 1)  
648low population density in the surrounding area; 2) a relatively mixed percentage of owners and  
649renters at a broader scale (in the surrounding area). Housing age mixing and owner/renter  
650mixing in conjunction result in a more economically dynamic neighborhood. Thus, housing age  
651mixing operates in tandem in a negative fashion with income mixing, and in a positive fashion  
652with racial mixing and owner/renter mixing, to impact economic dynamism. This highlights that  
653simultaneously accounting for different dimensions of mixing is important for understanding  
654how neighborhoods evolve over time. It is interesting to note that in our study housing age  
655mixing impacted neighborhood dynamism more than did land use mixing, despite the latter's  
656more prominent feature in much research. In fact, land use mixing had an overall negative  
657relationship with economic dynamism, and only had a positive relationship when accompanied  
658by a relatively small proportion of residential units; this implies that land use mixing needs to be  
659quite pronounced—and not simply a small mix of other land use with residential units—to be  
660effective.

661       We acknowledge some limitations to this study. First, we have focused on a single  
662decade of average income growth in neighborhoods, and therefore cannot address longer-term  
663effects. Second, although tracts are not necessarily an ideal measure of “neighborhood”, our  
664reliance on census-generated data required us to use this particular unit of analysis. Third, we

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665have focused on mixing within tracts and have therefore not viewed mixing at larger spatial  
666scales. This was done to maintain proper scope of the study, but nonetheless suggests a need for  
667future research that accounts for mixing at larger scales. Fourth, we have focused on  
668neighborhoods in a single region. Despite Southern California's large size, there is a need for  
669similar studies in other regions to assess the generalizability of these results. Fifth, there is  
670always a concern with omitted variables that can bias results. Although this is a concern with all  
671studies, it is worth emphasizing that despite the flexibility of the KRLS approach, it does not  
672solve this potential problem. Finally, the focus on average income growth rather than median  
673growth – necessitated due to the use of interpolated census geographies – does not reflect as  
674accurately the experience of a neighborhood's typical resident and can be inflated by a small  
675number of very wealthy entrants. Given concerns over the potential displacing effects of  
676gentrification (Newman and Wyly 2006), average income growth may not be an ideal indicator  
677of neighborhood well-being at all – a future study that takes moving into account may be better  
678suited to address this issue though such an analysis is outside the scope of this paper.

679       In conclusion, this study has highlighted that whereas various forms of mixing can have  
680important implications for economic dynamism in neighborhoods, this mixing is not independent  
681of other neighborhood characteristics. By utilizing a statistical analysis technique that explicitly  
682accounts for nonlinearities in these relationships, and explicitly accounts for possible nonlinear  
683interactions with other measures, we have demonstrated that the neighborhood context as a  
684whole should be considered in understanding which neighborhoods will exhibit greater average  
685income appreciation over the subsequent decade. Our results suggest that any theory presuming  
686a linear marginal relationship between a particular neighborhood structural measure and  
687economic growth is not entirely reasonable. Instead, there appear to be nonlinearities and

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688possible threshold points for some of these relationships that deserve more attention and that  
689considering the broader “ingredients” of the neighborhood are important for better understanding  
690outcomes of mixing.

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811**Tables and Figures**

812Table 1

813

<b>Race</b>	<b>Housing age</b>	<b>Land Use Category</b>
White only (non-hisp)	Pre 1939	Single-Family Residential
Black only (non-hisp)	1940s and 1950s	Multifamily Residential
Asian only (non-hisp)	1960s and 1970s	Commercial
Hispanic - 1 race	1980s and 1990s	Industrial
Other/Mixed Race	2000s and 2010s	Open Space

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Table 2. Summary statistics of variables used in analyses

	Tract		Surrounding	
	Mean	SD	Mean	SD
Change in average household income	0.26	0.24		
<b>Mixing variables</b>				
Household income Gini Coefficient	40.04	5.93		
Race entropy	0.67	0.19		
Housing age entropy	0.70	0.23		
Land use entropy	0.47	0.26		
<b>Tract-level variables</b>				
Average household income (logged)	10.94	0.46	4.16	0.30
Percent open land	3.64	9.93		
Percent residential	37.92	24.47		
Percent over 65	10.58	7.53		
Percent under 20	30.39	8.82		
Percent black	6.91	11.90	7.13	7.94
Percent Latino	37.52	27.24	39.88	19.20
Percent immigrants	28.97	16.39		
Population density	8.18	8.51	6.21	4.36
Unemployment rate	7.72	5.06	7.70	2.67
Percent owners	55.69	25.93	53.46	15.96
Percent occupied units	94.61	7.23	95.03	4.75
Average length of residence	9.42	3.14	9.25	1.39
<i>N = 4,441 tracts in Southern California</i>				

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Table 3. Results of Kernel Regularized Least Squares model and OLS model predicting change in average household income from 2000 to 2010

	KRLS model							OLS model		
	Avg	t-value	Sig	P25	P50	P75	Std	Coef	t-value	Sig
<b>Mixing variables</b>										
Household income Gini Coefficient	-0.005	-(7.77)	**	-0.007	-0.005	-0.003	-0.027	-0.004	-(6.89)	**
Race entropy	0.022	(0.99)		-0.018	0.022	0.062	0.004	0.005	(0.23)	
Housing age entropy	0.034	(2.15)	*	0.006	0.033	0.061	0.008	0.049	(2.80)	**
Land use entropy	-0.062	-(4.39)	**	-0.102	-0.056	-0.017	-0.016	-0.088	-(5.99)	**
<b>Tract-level variables</b>										
Average household income (logged)	-0.279	-(25.26)	**	-0.353	-0.285	-0.218	-0.128	-0.403	-(25.92)	**
Percent open land	0.080	(5.72)	**	0.035	0.069	0.110	0.008	0.191	(11.50)	**
Percent residential	0.069	(5.54)	**	0.034	0.069	0.105	0.017	0.093	(6.16)	**
Percent over 65	-0.116	-(1.92)	†	-0.176	-0.117	-0.054	-0.009	-0.319	-(5.57)	**
Percent under 20	-0.122	-(2.35)	*	-0.238	-0.114	0.000	-0.011	-0.226	-(3.33)	**
Percent black	0.000	(0.15)		0.000	0.000	0.000	0.001	-0.002	-(4.41)	**
Percent Latino	-0.001	-(5.83)	**	-0.001	-0.001	-0.001	-0.025	-0.002	-(7.22)	**
Percent immigrants	-0.001	-(5.84)	**	-0.002	-0.001	-0.001	-0.021	-0.002	-(5.41)	**
Population density	-0.002	-(3.40)	**	-0.002	-0.002	-0.001	-0.014	-0.003	-(5.84)	**
Unemployment rate	-0.001	-(1.06)		-0.002	-0.001	0.000	-0.005	-0.003	-(3.11)	**
Percent owners	0.000	(2.20)	*	0.000	0.000	0.001	0.010	0.002	(5.10)	**
Percent occupied units	0.000	(0.55)		-0.001	0.000	0.002	0.003	0.000	-(0.73)	
Average length of residence	0.001	(0.57)		-0.001	0.001	0.003	0.002	-0.002	-(1.42)	
<b>Surrounding 5 miles (inverse distance decay)</b>										
Average household income (logged)	0.137	(9.22)	**	0.095	0.146	0.181	0.041	0.328	(12.54)	**
Percent black	0.001	(2.26)	*	0.000	0.001	0.003	0.009	0.001	(1.31)	
Percent Latino	0.000	(1.83)	†	0.000	0.000	0.001	0.008	0.002	(4.73)	**
Population density	0.005	(4.70)	**	0.003	0.005	0.007	0.021	0.008	(5.51)	**
Unemployment rate	-0.009	-(5.11)	**	-0.012	-0.009	-0.006	-0.023	-0.008	-(2.94)	**
Percent owners	-0.002	-(7.58)	**	-0.003	-0.002	-0.001	-0.032	-0.004	-(9.72)	**
Percent occupied units	-0.002	-(1.85)	†	-0.003	-0.002	0.000	-0.008	0.002	(2.55)	*
Average length of residence	0.011	(4.76)	**	0.004	0.012	0.019	0.015	0.012	(4.38)	**
R-square	0.368							0.232		

Note: \*\*  $p < .01$  (two-tail test), \*  $p < .05$  (two-tail test), †  $p < .05$  (one-tail test). Avg= average coefficient estimate over the covariate space; t-value= the t-value of the average coefficient estimate; P25= the coefficient estimate at the 25th percentile; P50= the coefficient estimate at the median; P75= the coefficient estimate at the 75th percentile; Std = change in Y for a one standard deviation change in the covariate.

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Table 4. Ingredients that have important implications for the relationship between mixing and average household income appreciations

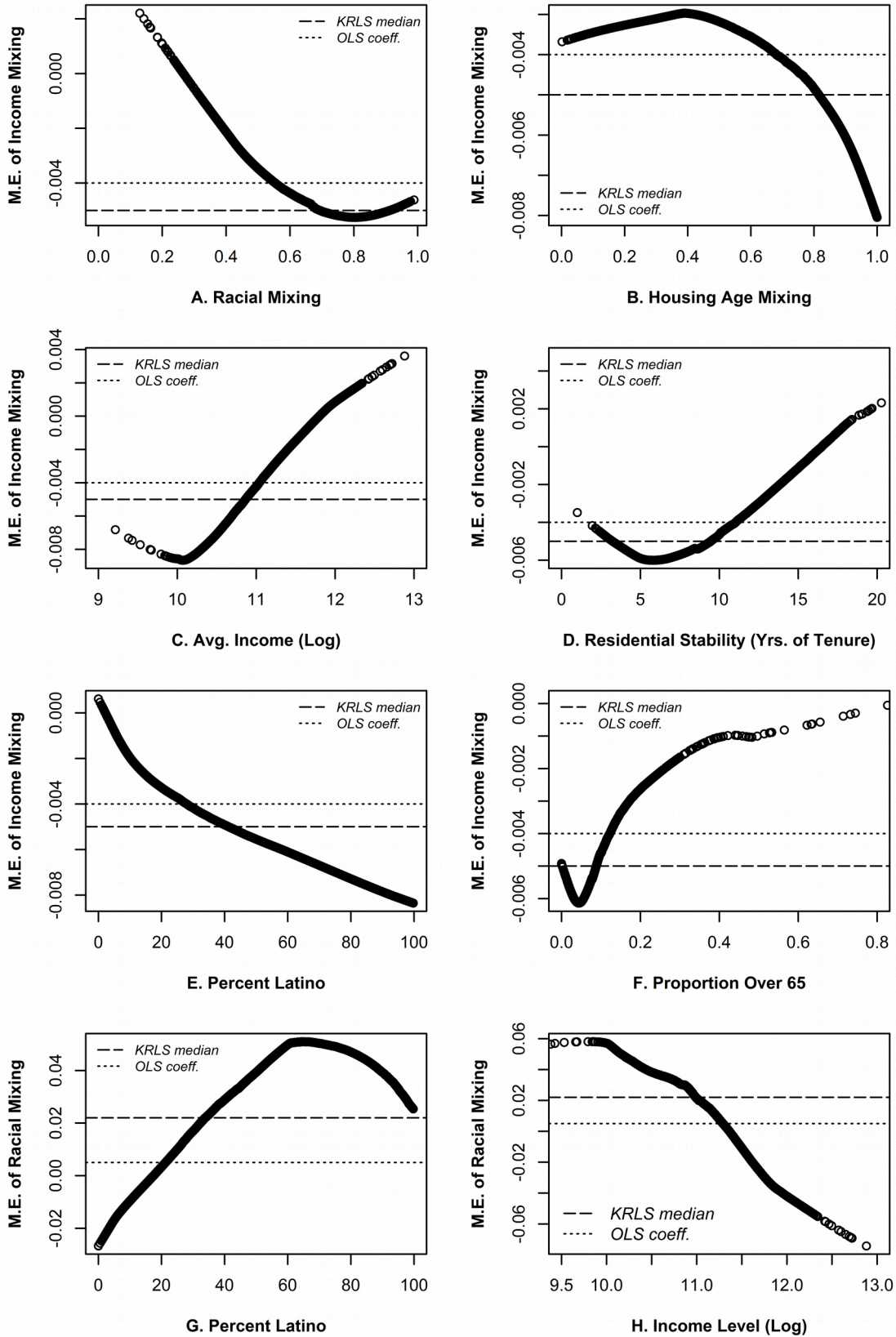
	Conditions where income mixing increases income growth		Conditions where racial mixing increases income growth		Conditions where housing age mixing increases income growth		Conditions where land use mixing increases income growth	
	Tract	Nearby tracts	Tract	Nearby tracts	Tract	Nearby tracts	Tract	Nearby tracts
<b>Mixing variables</b>								
Household income Gini Coefficient								
Race entropy	low							
Housing age entropy	low		high					
Land use entropy								
<b>Tract-level variables</b>								
Average household income (logged)	high		low	low				
Percent open land			low					
Percent residential land								
Percent over 65	high							
Percent under 20	low							
Percent black							high/low	high/low
Percent Latino	low	low	high	high				
Percent immigrants	low		high					
Population density	low	low	high	high		low		
Unemployment rate	low	low	high	high				
Percent owners	high	high	low	low		modest		
Percent occupied units	high/low	high/low						
Average length of residence	high							high

Note: Noted cases represent interaction effects in which the r-square of regressing the derivatives on the variable of interest (and its quadratic) was at least .10. "High" refers to the upper part of the distribution of a variable; "Moderate" refers to the middle range (typically the 40th to 60th percentile), and "low" refers to the bottom part of the range of a variable.

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Figure 1: Marginal Effect (M.E.) of Mixing on Income Growth Based on:



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823**Appendix**



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Table A1. R-square results from regressing derivatives of specific variable on other covariates (both quadratic and cubic form specifications)

	Quadratic	Cubic
Inequality by average income (logged)	0.490	0.510
Inequality by percent Latino	0.393	0.405
Inequality by unemployment rate	0.366	0.399
Racial mixing by percent immigrants	0.389	0.391
Inequality by percent owners	0.365	0.365
Inequality by nearby average income	0.343	0.344
Racial mixing by nearby population density	0.326	0.338
Inequality by nearby unemployment rate	0.293	0.303
Racial mixing by nearby percent owners	0.288	0.288
Inequality by percent immigrants	0.279	0.280
Racial mixing by percent open space	0.269	0.273
Inequality by average length of residence	0.250	0.270
Inequality by nearby percent Latino	0.235	0.237
Racial mixing by nearby percent Latino	0.221	0.230
Inequality by nearby population density	0.215	0.229
Inequality by percent under 20 years of age	0.209	0.221
Inequality by population density	0.208	0.220
Racial mixing by population density	0.200	0.215
Racial mixing by percent Latino	0.194	0.209
Racial mixing by racial mixing	0.190	0.201
Inequality by home type mixing	0.196	0.198
Inequality by percent residential	0.190	0.198
Racial mixing by nearby unemployment rate	0.190	0.190
Inequality by nearby percent owners	0.185	0.188
Inequality by percent 65 and older	0.183	0.187
Racial mixing by percent owners	0.187	0.187
Housing type mixing by home type mixing	0.144	0.155
Racial mixing by home type mixing	0.152	0.152
Land use mixing by nearby average length of residence	0.132	0.135
Housing type mixing by nearby percent owners	0.132	0.134
Land use mixing by nearby percent black	<b>0.091</b>	<b>0.134</b>
Housing type mixing by nearby population density	0.133	0.133
Racial mixing by average income (logged)	0.129	0.132
Inequality by racial mixing	0.131	0.131
Inequality by nearby percent occupied units	<b>0.043</b>	<b>0.129</b>
Racial mixing by unemployment rate	0.102	0.126
Racial mixing by nearby average income	0.116	0.124
Land use mixing by percent black	<b>0.054</b>	<b>0.113</b>
Inequality by percent occupied units	<b>0.048</b>	<b>0.109</b>
Housing type mixing by percent occupied units	0.070	0.095
Land use mixing by nearby percent Latino	0.087	0.094
Racial mixing by inequality	0.090	0.090
Nonlinear inequality	0.087	0.090
Housing type mixing by nearby average length of residence	0.083	0.086
Inequality by nearby average length of residence	0.081	0.083
Land use mixing by nearby percent occupied units	0.017	0.078

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Nonlinear inequality	0.039	0.077
Inequality by percent black	0.063	0.074
Inequality by land use mixing	0.072	0.073
Land use mixing by racial mixing	0.071	0.072
Land use mixing by percent open space	0.052	0.068
Land use mixing by population density	0.056	0.067
Land use mixing by average length of residence	0.064	0.067
Housing type mixing by percent black	0.044	0.062
Housing type mixing by nearby unemployment rate	0.059	0.059
Housing type mixing by nearby average income	0.015	0.059
Housing type mixing by percent immigrants	0.057	0.058
Racial mixing by percent residential	0.025	0.057
Housing type mixing by percent open space	0.056	0.056
Housing type mixing by percent owners	0.049	0.056
Housing type mixing by nearby percent occupied units	0.041	0.054
Racial mixing by nearby percent black	0.043	0.053
Housing type mixing by population density	0.046	0.052
Racial mixing by land use mixing	0.052	0.052
Land use mixing by percent residential	0.050	0.050
Racial mixing by percent 65 and older	0.050	0.050
Land use mixing by land use mixing	0.046	0.046
Housing type mixing by average length of residence	0.033	0.045
Land use mixing by percent occupied units	0.015	0.044
Housing type mixing by percent Latino	0.036	0.044
Housing type mixing by nearby percent black	0.036	0.043
Inequality by percent open space	0.038	0.043
Housing type mixing by percent residential	0.036	0.042
Housing type mixing by nearby percent Latino	0.040	0.041
Land use mixing by nearby unemployment rate	0.036	0.036
Racial mixing by percent black	0.031	0.036
Housing type mixing by average income (logged)	0.004	0.035
Land use mixing by nearby population density	0.034	0.034
Housing type mixing by land use mixing	0.026	0.028
Housing type mixing by racial mixing	0.025	0.025
Racial mixing by percent under 20 years of age	0.016	0.023
Racial mixing by percent occupied units	0.022	0.022
Land use mixing by percent owners	0.019	0.021
Land use mixing by unemployment rate	0.020	0.021
Racial mixing by nearby percent occupied units	0.020	0.020
Racial mixing by average length of residence	0.017	0.018
Housing type mixing by unemployment rate	0.009	0.017
Land use mixing by home type mixing	0.017	0.017
Nonlinear inequality	0.014	0.015
Land use mixing by nearby percent owners	0.014	0.014
Land use mixing by average income (logged)	0.011	0.013
Land use mixing by nearby average income	0.007	0.013
Land use mixing by percent immigrants	0.003	0.012
Housing type mixing by percent under 20 years of age	0.011	0.011
Land use mixing by percent 65 and older	0.010	0.011
Racial mixing by nearby average length of residence	0.009	0.010