

# Retaining Tomorrow's Middle Class: Lessons from Inner City Neighborhoods and Resurgent Cities

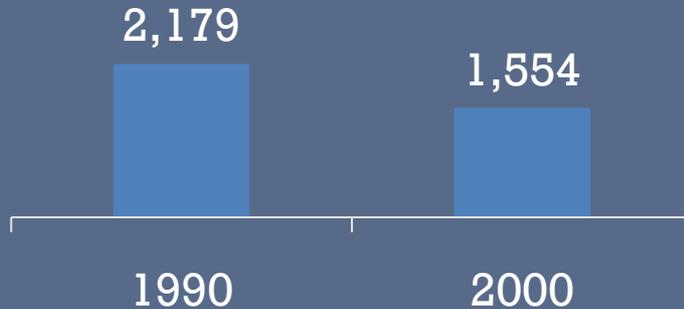
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# Remember the 90s?

Inner City Neighborhoods in Extreme Poverty



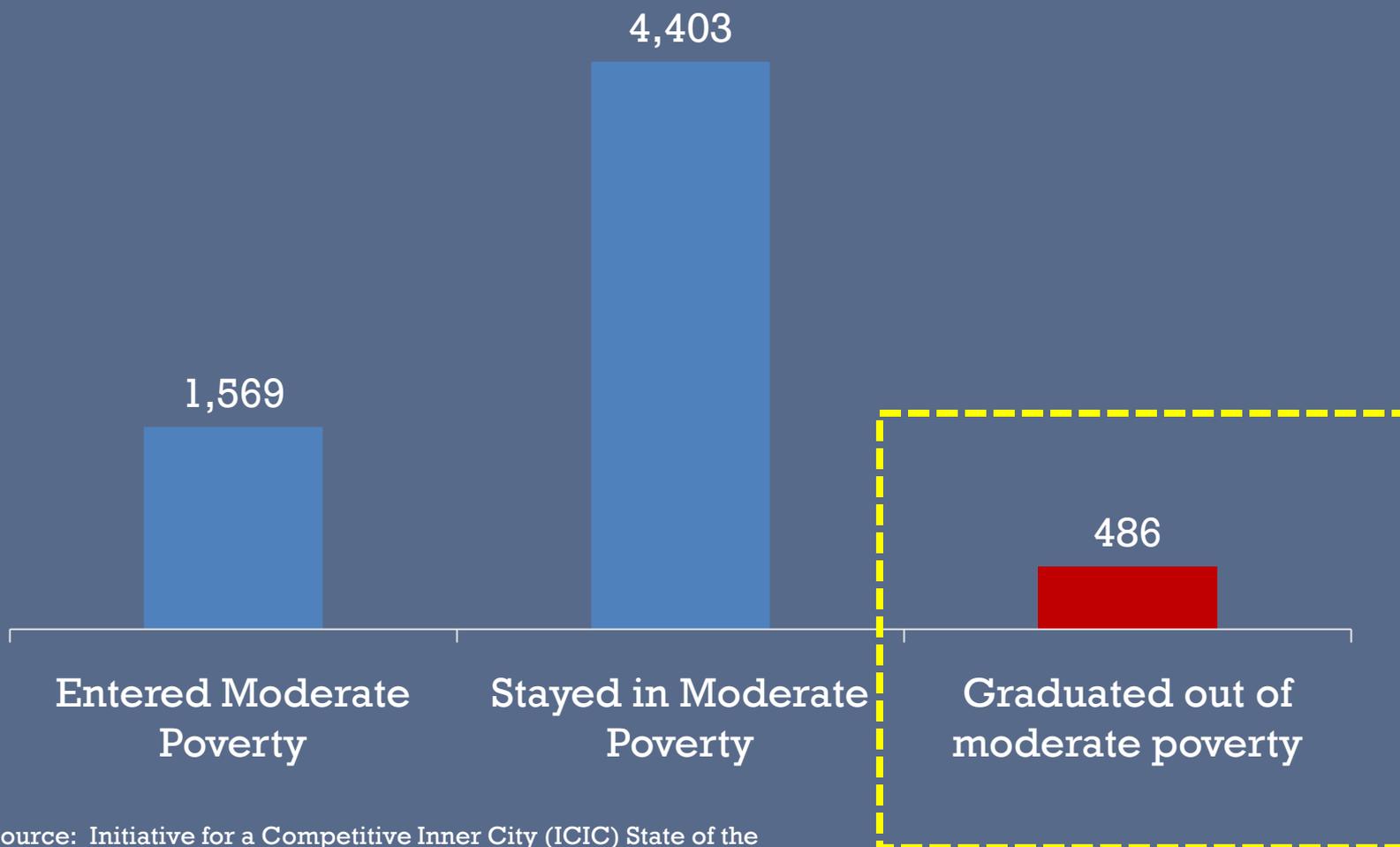
But.. **more inner city neighborhoods in moderate poverty** (20% or more living in poverty)

Overall poverty rate dropped from from 13.4% in 1990 to 12.4% in 2000. Given the U.S. population increase, the number of persons living in poverty rose. Today it has risen to 13.2% as of 2008.

Sources: Initiative for a Competitive Inner City (ICIC) State of the Inner City Economies, Census 1990 and 2000.

See also: Jargowsky, P. "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s" *The Brookings Institution Living Cities Census Series*. 2003.

# More neighborhoods in moderate poverty (1990-2000)



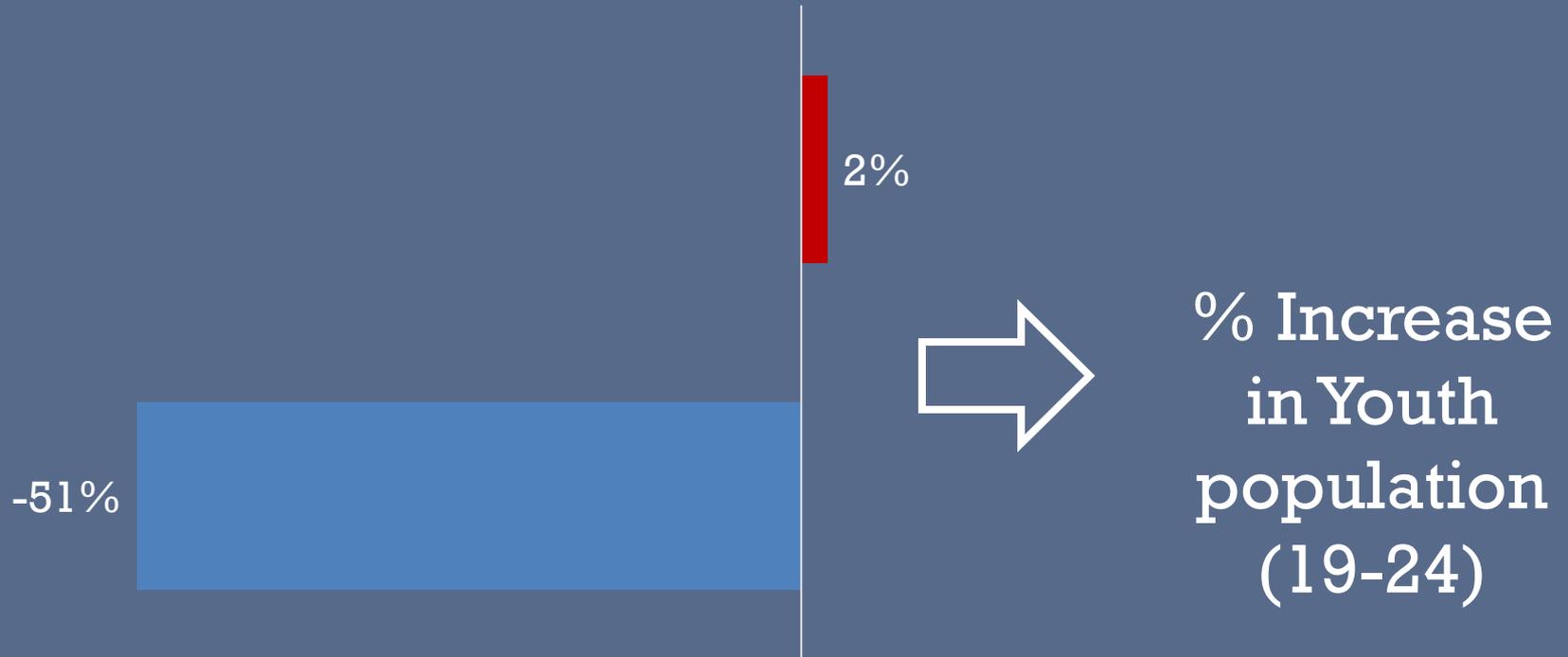
Source: Initiative for a Competitive Inner City (ICIC) State of the Inner City Economies

# Characteristics of 'graduated' neighborhoods

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- Increase in population with a college degree
- Improvement in unemployment rates
- Began with higher median incomes and kept this advantage
- Diverse with Hispanic/Afr. American population, and with better attraction/retention of white population and increase in Asian population
- But single most striking factor...

# I'll fly away



- Census tracts that stayed in moderate poverty
- Census tracts that moved out of moderate poverty

**Youth leave places of persistent poverty. They remain in places that get better.**

# Other studies look at “gentrifying” neighborhoods

- Newer housing stock attracts those with higher incomes (Brueckner and Rosenthal)
- Many more residents move out because of income gains than through displacement from higher housing costs (Vigdor)
- These neighborhoods see (McKinnish et. al.):
  - In-migration of college graduates
  - Remain attractive to Black and Hispanic households with children
  - **Disproportionately retain black householders with high school degree**
  - Total Income gains from a) **black high school graduates due to retention and income gains**, and b) white college graduates due to in-migration with higher incomes.

Sources: Brueckner, J. and Rosenthal, S. “Gentrification and Neighborhood Housing Cycles: Will America’s Future Downtowns Be Rich?” *The Review of Economics and Statistics*, November 2009

McKinnish, T., Walsh, R., White, K. “Who Gentrifies Low-Income Neighborhoods?” *NBER Working Paper 14036*, May 2008.

Vigdor, J. , “Does Gentrification Harm the Poor?” *Brookings-Wharton Papers on Urban Affairs*, 2002

# Boston Fed study looks at resurgent cities



◆ Resurgent cities

**Criteria:** - median family income: level in 2005-07 and change in ranking since 1960; poverty rate: level in 2005-07 and change since 1980; population: percent change since 1960 (secondary criterion); reputation as vital community

*From Reinventing Springfield's Economy: Lesson from Resurgent Cities* by Yolanda Kodryzcki and AnaPatricia Muñoz

Full study on the Community Development page of the Boston Fed website.  
<http://www.bos.frb.org/commdev/springfield/>

## Major themes from Resurgent Cities

- **Lead and collaborate** (initial leadership can come from any sector, broader mandate than Chamber of Commerce and other nongovernmental organization + institutionalized relationship with City, higher education institutions plays a key role, support from local and national foundations and nonprofits)
- **Transform the economy** (modernization of existing assets : highways, airport, high-speed broadband, re-invent the city and adapt to changing circumstances)
- **Develop Human Capital**
- **Extend prosperity and involve the community**

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# Resurgent cities are attracting younger population to downtown areas

- Arts & culture
- Retail/restaurants
- Entrepreneurs
- Networking support
- Home buyers program for employees (Buy Worcester, Yale)

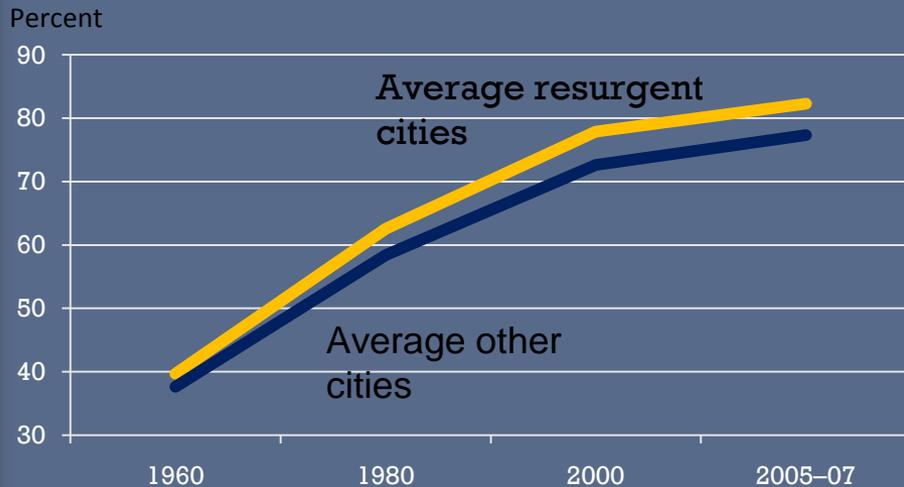
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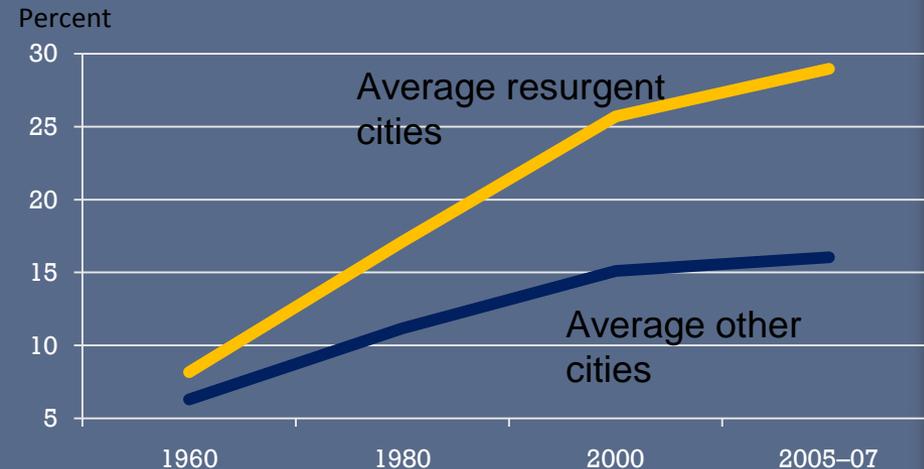
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# Developing Human Capital: essential in a knowledge economy.

Share of population 25 years and older completing at least high school

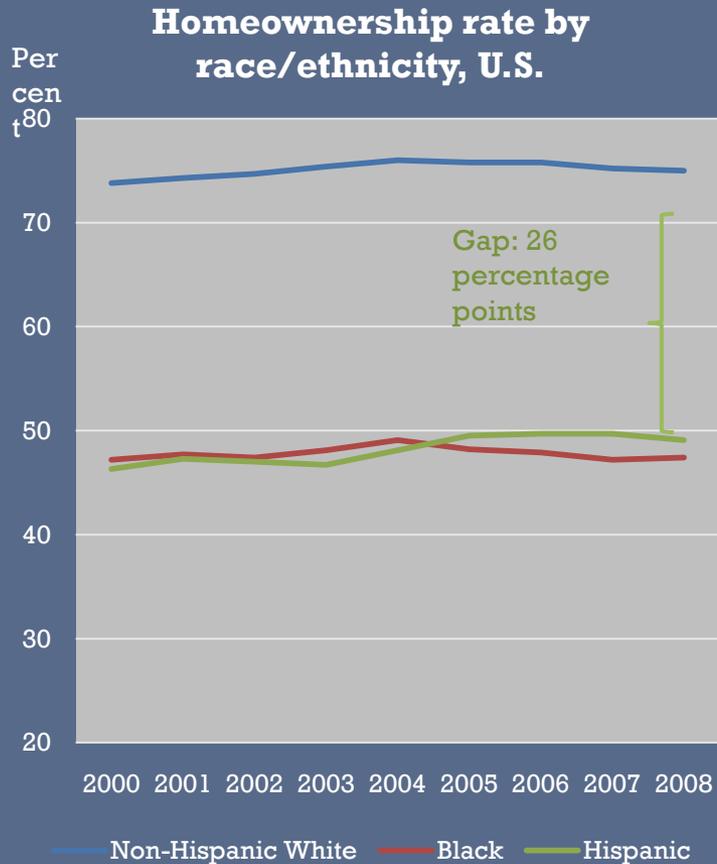


Share of population 25 years and older with college degree or more



- New Haven: multi-faceted biotech-related education in public schools
- Greensboro: community colleges provide job skills training, universities partner with business to develop innovative products and skills.
- Addressing retention, Evansville and Fort Wayne created 'Young Professional' Programs

# The dream never dies

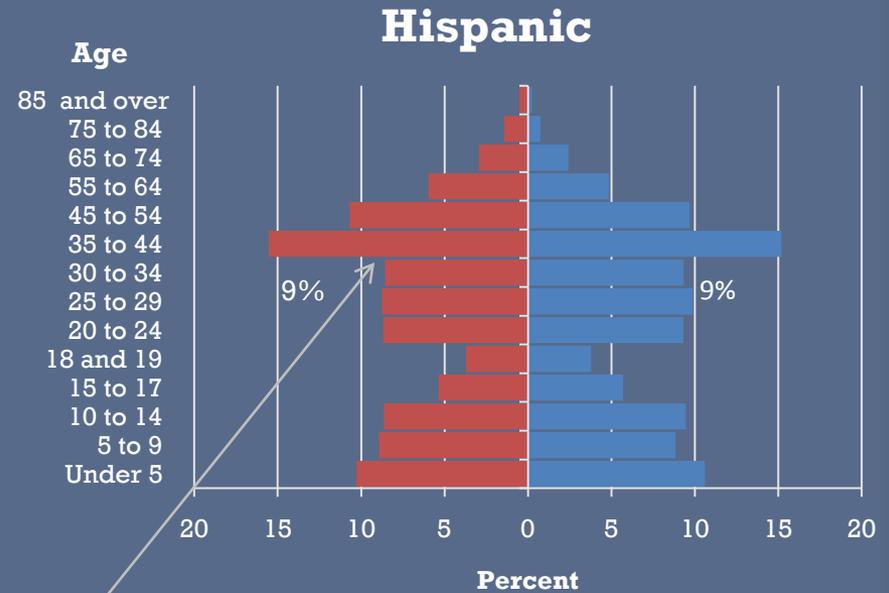
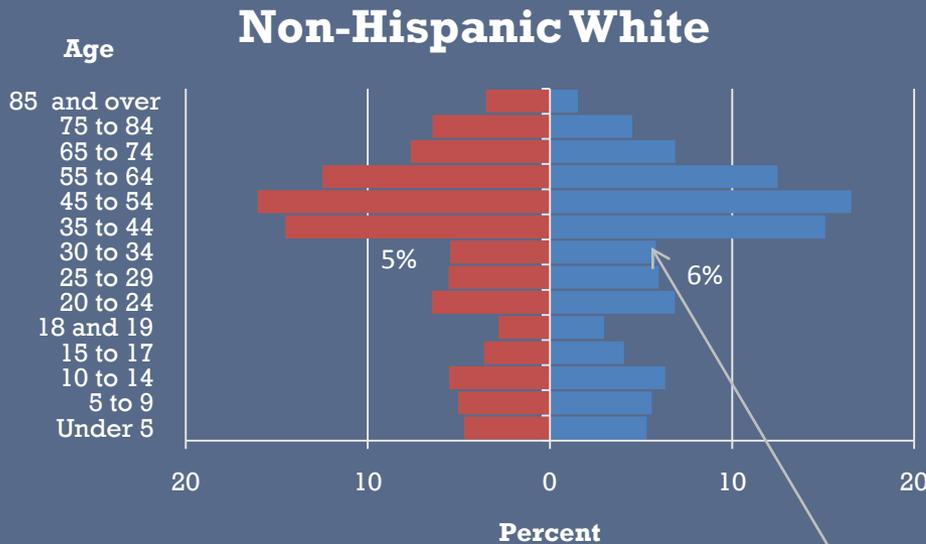


- According to the 2010 Fannie Mae National Housing Survey, 85% of the general population (82% of Hispanics and 83% of African Americans) continue to believe that owning makes more sense than renting.
- In the Fannie Mae Survey, about 6 in 10 minorities said that if they moved, they would seek to own, compared to roughly 3 in 10 who would look to rent.
- But in the current crisis, middle income households face an increased housing cost burden. Credit remains tight. The tax credit is ending. Some report they will have to defer.

Source: U.S Census Bureau, CPS/HVS

# Minorities hold a higher share in the first time homebuyer demographic.

## Massachusetts



Average age of first time homebuyer: 33 years old

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