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

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Any views expressed are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System.
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.

More neighborhoods in moderate poverty (1990-2000)

- Entered Moderate Poverty: 1,569
- Stayed in Moderate Poverty: 4,403
- Graduated out of moderate poverty: 486

Source: Initiative for a Competitive Inner City (ICIC) State of the Inner City Economies
Characteristics of ‘graduated’ neighborhoods

- 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…

Source: Initiative for a Competitive Inner City (ICIC) State of the Inner City Economies
Youth leave places of persistent poverty. They remain in places that get better.

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


Vigdor, J. , “Does Gentrification Harm the Poor?” *Brookings-Wharton Papers on Urban Affairs*, 2002
Boston Fed study looks at 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 *Reinvigorating Springfield’s Economy: Lesson from Resurgent Cities* by Yolanda Kodryzcki and AnaPatricia Muñoz

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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Full study on the Community Development page of the Boston Fed website.  
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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Developing Human Capital: essential in a knowledge economy.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Resurgent Cities</th>
<th>Average Other Cities</th>
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<tbody>
<tr>
<td>1960</td>
<td>30%</td>
<td>20%</td>
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<tr>
<td>1980</td>
<td>40%</td>
<td>30%</td>
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<tr>
<td>2000</td>
<td>50%</td>
<td>40%</td>
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<tr>
<td>2005-07</td>
<td>60%</td>
<td>50%</td>
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Share of population 25 years and older with college degree or more

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
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- 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

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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.

Average age of first time homebuyer: 33 years old

Source: American Community Survey, 2006-08
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