America’s Middle Neighborhoods: Setting the Stage for Revival

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Abstract

In this paper, I attempt to provide a comprehensive framework to encourage thinking about the growing challenges faced by the middle neighborhoods of the nation's legacy cities and their inner-ring suburbs. Beginning with a discussion of alternative ways of defining and measuring middle neighborhoods, I propose a typological framework that links a neighborhood's trajectory to five factors: market trends, racial and ethnic characteristics and transitions, physical form, and location. That is followed by an exploration of the challenges these neighborhoods face today and those they may face in the future, with particular emphasis on the distinct challenges facing predominately African-American middle neighborhoods. A closing section offers a number of key strategies for revival of middle neighborhoods, while an appendix outlines a future middle neighborhoods research agenda.

About the Author

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Introduction

Throughout most of the history of America's older cities, middle neighborhoods – where the city's working class and middle-class families lived and where incomes and house prices were typically close to citywide medians – have been the backbone of those cities. In recent decades, however, these cities have seen a dramatic divergence in the fate of those neighborhoods. As their number has declined, individual neighborhoods have moved along sharply different trajectories. In rapidly-growing 'magnet' cities like Seattle or Washington DC, many if not most have seen revival or gentrification. In those cities, even in neighborhoods where there has been little social or demographic change to date, intense citywide demand pressures have pushed house prices upward out of the reach of most existing residents. In the greater number of still-struggling older cities or legacy cities, however, fewer neighborhoods have seen revival. Some have remained stable, seeing reinvestment without significant demographic change. Others, however, and in some cities most, have declined, often precipitously. These declines are visible in sharp drops in incomes, house prices, and homeownership rates; higher poverty and unemployment rates, and more vacant homes.

While the gentrification of middle neighborhoods in cities like San Francisco or Boston raises serious issues of equity and affordability, the decline of middle neighborhoods in legacy cities has powerful but very different implications not only for the neighborhoods but for the health of legacy cities and for public policy. Because of these implications, as well as the far greater amount of work that has been done on gentrification-related questions, those cities and their struggling neighborhoods are the principal focus of this paper.

Middle neighborhoods typically contain 25% to 40% of these cities' population. Their ability to retain their vitality affects the social fabric of their cities, while their ability to sustain stable property values affects their cities' economic and fiscal health. Deterioration, middle-class flight, and declining house values in many of these areas over recent decades have undermined the vitality of dozens of cities and undone much of the economic benefit of the in-migration and revitalization taking place elsewhere in the same cities. This is particularly true of African-American middle neighborhoods, many of which have shown particularly severe decline in recent years linked to the long-term effects of subprime lending and foreclosures.

Over the past few years, policymakers, planners and public officials have become increasingly aware of the critical role middle neighborhoods play in the health of their cities, the importance of addressing their problems before decline takes hold and becomes irreversible, and the need for new, creative strategies to that end. At the same time, those involved with middle neighborhoods also realize that we need more good research and data, to better understand the forces and pressures affecting these neighborhoods, so that more effective strategies can be designed and deployed. That research must not only address fundamental questions about the characteristics and trajectories of these neighborhoods, but must focus on the need to help practitioners better put in place effective strategies to stabilize them or reverse their decline.

The Center for Community Progress, the Lincoln Institute of Land Policy and the American Assembly share a commitment to the future of America's middle neighborhoods by fostering creative efforts in both research and practice. This framing paper has been written to further those efforts. In the following pages, we describe the different types of middle neighborhood and explain their importance for the vitality of the cities and towns in which they are situated. We describe the forces currently affecting these areas, and identify emerging forces, including demographic, economic, and technological changes, that may pose future challenges. Finally, we recommend directions for future policy and explore what future research is needed to provide a firm foundation for the public and private strategies that will stabilize and revive the nation's middle neighborhoods and preserve this critical feature of our cities and towns.

What Is a Middle Neighborhood?

The Origins of the Middle Neighborhood

The rise of America's industrial cities during the hundred years beginning in the middle of the 19th century coincided with the rise of the nation's middle class and industrial working class. The transformation of the United States into the world's leading industrial power was accompanied by steady growth not only in the number of industrial workers, but in the number of clerks, small business owners, salespeople, transit workers and all those whose work was needed to sustain the nation's growing economy and increasingly complex urban society.

The origins of the middle neighborhood in America's cities are found in the urban transformation that took place during the second half of the 19th century. From the middle of the century, the population of America's cities exploded. From 1850 to 1900, the population of Chicago went from under 30,000 to nearly 1.7 million, and that of Cleveland from 17,000 to nearly 400,000. While it was already a major city in 1850, Philadelphia's population went from 121,000 to nearly 1.3 million. The boom continued until the Great Depression. Detroit grew from 21,000 in 1850 to 286,000 in 1900, and to nearly 1.6 million by 1930, fueled by the burgeoning automobile industry. By that point, the black populations of Detroit and other cities were growing substantially as a result of the first Great Migration; Detroit's black population went from 4,000 in 1900 to nearly 150,000 on the eve of the Second World War.

Millions of homes were built in these cities to house these workers and their families. The image of the late 19th or early 20th century neighborhood as being made up of tenement buildings is wildly misleading; it reflects the extent to which images of New York City – and really Manhattan – define our awareness of that period. Most houses in most cities, however, whether built for factory workers or factory owners, were single family houses. As early as 1900, many of these houses were already owner-occupied (Table 1).

Table 1: Housing Stock and Home Ownership in Selected Cities 1900

CITY	DWELLING UNITS	SINGLE FAMILY UNITS	SF % OF ALL DWELLING UNITS	OWNER-OCCUPANTS	% OF SF UNITS OWNER-OCCUPIED
CLEVELAND	80,614	50,354	62.5%	29,139	57.9%
DETROIT	59,836	45,328	75.7%	22,540	49.7%
MILWAUKEE	58,889	34,608	58.8%	20,955	60.5%
PITTSBURGH	62,942	41,149	65.4%	16,587	40.3%

Source: 1900 Census

They were brick row houses in Philadelphia or Baltimore, detached wood frame houses in Cleveland or Buffalo, or two and three family houses in Newark or Bridgeport. They were embedded in a rich physical and social texture. Residential blocks were dotted with convenience stores, while busy arterial streets lined with stores, often served by streetcars, were within walking distance. Churches, public schools, and often distinct ethnic or racial identities, sustained a social fabric paralleling each neighborhood's physical form.

These neighborhoods played a central role in the growth of the American city. In an age when the great majority of adults married and reared their children in couples, single family houses with small yards close to their neighbors balanced sociability and privacy, while stores and schools were within easy walking distance. For millions of immigrants, these neighborhoods provided a setting where they could gradually acculturate, with one foot in the new world and one in a familiar network of churches, synagogues, social clubs and burial societies. While many people moved up and out as they prospered and assimilated, others remained rooted in the familiar neighborhood. These neighborhoods were the residential underpinning to the economic prowess of the American industrial city.

They were thoroughly integrated into their cities' economy, which was largely equivalent at the time to the regional economy. Much of the city's commercial activities took place along each neighborhood's arterial streets, while workplaces were dispersed throughout the city. Many neighborhoods grew up around the factories where their residents worked, while in others, the workplace was only a streetcar ride away.

Every large city and most small ones also had upscale mansion areas; ghettos, to which most African-Americans were relegated from the beginning of the 20th century until the 1970s; and skid rows, yet the middle neighborhood – the home of the striving middle class and industrial working-class family – was the modal urban neighborhood. After World War II, with the rise of mass suburbanization, much of the social fabric of these neighborhoods shifted to the suburbs that emerged around the city, where it was recreated in a more automobile-oriented fashion with starter homes on small lots, strip malls and shopping centers.

With post-war suburbanization and the decline in urban industry that began in the 1970s, the fabric of many urban middle neighborhoods began to fray, as began to happen in their suburban counterparts a generation later. Large numbers of middle neighborhoods still exist, however, in various stages of revival or decline, in central cities and their close-in suburbs. Before we begin to explore their present conditions and trends, however, we will examine a seemingly simple but actually complicated question: how to define them.

How Should We Define Middle Neighborhoods?

Exactly what is a middle neighborhood may not be susceptible to precise definition. Webber (2016, p165) describes them as "traditionally […] the heart of American cities ...the neighborhoods where working and middle-class citizens live, raise families, pay taxes, send their children to school, go to church, synagogue or mosque, and shop at the local grocer." While today's middle neighborhood resident may no longer shop at the local grocer, the description still rings largely true.

Although more a social than an economic construct, that description suggests one possible definition; namely, middle neighborhoods are where middle-income people live. Although the term 'middle income' may lack a formal legal definition, it could be said to include those households whose income is within a modest range of the citywide or regional median; e.g., between 80 and 120, or between 75 and 125 percent of the median. These are the ranges most often found in the neighborhood research literature. As we discuss below, however, matters are not so simple.

A different approach is to look at the question from a housing market perspective, characterizing those neighborhoods that are in the middle of the range of housing market conditions as middle neighborhoods. Ira Goldstein (2016) has shown how the Market Value Analysis (MVA) done by the Reinvestment Fund, which uses a variety of indicators to place neighborhoods into a series of market categories from strongest to weakest, can be used for such an assessment. Unlike income data, however, which can be compared over an extended period to follow the trajectory of a neighborhood, market data – particularly where multiple market indicators are being used – is difficult to track over time, particularly prior to the mid-2000s.

The problem is compounded by the fact, perhaps counter-intuitive, that relatively few of the same neighborhoods show up as both middle-income and middle-market, defined in this case by reported house value on the American Community Survey.[1] We looked at two cities, Baltimore and Philadelphia. In Baltimore, only 29 of 65 middle-income tracts, defined as those with household incomes between 80 and 120 percent of the citywide median, also fell within the same range with respect to house values. In Philadelphia, there were even fewer; only 38 of 109 tracts or 35% were both middle-income and middle-market. In both cities, many more middle-income tracts had house values below 80% of median than above 120%, reflecting the extent to which declining house values are more prevalent than rising ones in legacy city middle neighborhoods.

While household incomes and housing market conditions are likely to be the most straightforward measures of where a neighborhood 'fits' in a neighborhood typology, other factors reflecting the social character of these neighborhoods are likely also to be important, including homeownership rates, vacancy rates, poverty rates or the share of married-couple and/or child-rearing households. Indeed, it may be more appropriate to think of the definition as something that is at least in part use-defined; in other words, the metrics one uses to define middle neighborhoods may well depend on the purpose for which the information is to be used.

Whether the definition is based on income, housing values or some other measure, a basic problem arises whenever one is trying to identify the "middle" of something; specifically, what is the universe that these neighborhoods are in the middle of? This is a problem when looking at individual central cities, because cities are not self-contained socio-economic and housing market entities but are part of metropolitan areas which share common social, economic and market forces. Moreover, as Table 2, which shows data on incomes and house prices for five legacy cities and three magnet cities, indicates, cities vary widely in terms of their economic conditions *per se,* as well as their strength or weakness relative to the regions of which they are a part.

Table 2: House Values and Household Incomes for Selected Cities and Their Metropolitan Areas

CITY	Median Household Income			Median House Value		
	City	Metro	City % of Metro	City	Metro	City % of Metro
Detroit	$26249	$54037	41.6%	$ 41000	$137200	29.9%
Philadelphia	$39770	$63952	62.2%	$147300	$237700	62.0%
Baltimore	$44262	$72801	60.8%	$153500	$280500	54.5%
St. Louis	$36809	$56726	64.9%	$120900	$159500	75.8%
Cleveland	$26853	$51001	52.1%	$ 49200	$140200	35.1%
Seattle	$74458	$73044	101.9%	$484600	$338600	143.1%
San Francisco	$87701	$85947	102,0%	$858800	$661300	129.9%
Washington DC	$72935	$93804	77.8%	$506100	$387400	130.6%

Source: 2012-2016 Five Year American Community Survey

Given this question, can a neighborhood that is in the middle of the income or housing market spectrum of the city of Detroit, which has both very low citywide incomes and house values, be considered a middle neighborhood in any larger sense? As the table shows, in 2016, the median household income in Detroit was only 42% of that of the Detroit-Warren-Dearborn metropolitan area. The median house in the metropolitan area was worth more than three times that in the city, while, since the ACS data is based on self-reporting, the actual disparity is actually far greater. An analysis of sales prices in 2015 indicates that the median price in Detroit was $22,750, compared to a median for the "core" metro of Wayne, Oakland and Macomb counties of $118,650, five times the city median.

A neighborhood that falls in the middle of Detroit's economic spectrum would be considered a deeply impoverished neighborhood almost anywhere else in its metro or in most parts of the United States. Indeed, only fifteen of some 300 census tracts in Detroit have a tract median income as high as 80 percent of the metropolitan area median, while even fewer have sales prices equal to the metro median. On the other hand, it is equally possible that *as perceived by people in*

Detroit, considerably more than fifteen neighborhoods are "middle neighborhoods" than would fit a standardized definition.

Detroit may be an extreme case, but the problem exists to varying degrees in almost every legacy city. The opposite problem exists in magnet cities, where, as noted earlier, intense demand has raised house prices even in struggling neighborhoods well above regional levels. As the Detroit example shows, disparities between central city and metro house values tend to be far greater than disparities between central city and metro incomes, which raises further questions about using house prices or related market indicators as a measure of middle neighborhood status.

While there is no simple solution to this question, which is why both researchers and practitioners need to use their judgment in identifying middle neighborhoods. Paul Brophy's formulation (2016, pvii); that they are neighborhoods that are "not in deep distress, but not thriving either," is worth taking to heart. Middle neighborhoods are neighborhoods that have retained a respectable measure of both their physical and social fabric, are not or not yet areas of highly concentrated poverty or hypervacancy, and where stabilization and gradual improvement remain realistic strategies.

For some purposes such as large-scale comparative analyses of neighborhood trends, it will be necessary to adopt a straightforward statistical definition. In those cases we suggest that the use of household incomes is preferable to the use of housing market data, and that that the range of household incomes be measured against a standard metric such as the national median income, which was $55,322 in 2016 (2012-2016 5 year ACS). Given the wide variation in incomes between cities, however, it may well be appropriate to adjust that standard by city or by region. A family who may not be considered middle income in Boston may be considered middle income in Memphis.

When drilling down into a specific community, however, particularly when designing strategies, the frame of reference needs to be multidimensional and nuanced. A practitioner deciding whether to pursue a middle-neighborhood strategy focusing on stabilizing existing conditions and strengthening the housing market, needs to look at more than household incomes. She must look at housing market trends, at social indicators such as homeownership and poverty rates, as well as intangibles such as the level of resident engagement with and commitment to their community.

How Extensive Are Middle Neighborhoods?

Middle neighborhoods were the modal type of American urban neighborhood at the end of the Second World War. Since then, many of the nation's cities, and its legacy cities in particular, have undergone major traumas from the impact of suburbanization and deindustrialization. Despite widespread revival in recent years, most older cities have fewer people, and lower incomes and house values than their surrounding suburbs, than they did in 1950 or 1960. Looking at this decline, some authors have suggested that the middle neighborhood, at least as a carrier of older American values of community, is a thing of the past (Ehrenhalt 1995, Suarez 1999).

Leaving aside such intangibles, we find that middle neighborhoods are still an important part of legacy cities and their surrounding metropolitan areas. Although precisely what part will depend on what measures one uses, we find that the variation from one measure to the next is often relatively small. We illustrate this by taking three alternative ways to define what constitutes a 'middle' median income range:

(1) median income between 80% and 120% of the citywide median
(2) median income above the citywide median, but below the countywide median; and
(3) median income between 75% and 125% of the national median, or between $41,492 and $69,152, in 2016.

We use each measure to calculate the number of middle census tracts in three cities: Baltimore, Cincinnati and Pittsburgh, as shown in Table 3. Two points emerge from this exercise. First, the number of middle tracts tends to fall between 25% and 35% of all tracts, whichever measure is used. Second, the overlap between tracts is relatively small. Fewer than half of the potential middle tracts coincide on all three measures.

Table 3: Number and Percentage of Middle Census Tracts in Three Cities

MEASURE	BALTIMORE		CINCINNATI		PITTSBURGH	
	N	%	N	%	N	%
Between 80% and 120% of citywide median	66	33.5%	26	23.9%	44	34.9%
Above citywide but below countywide median	52	26.4%	32	29.4%	33	26.2%
75% to 125% national median	61	31.0%	35	32.1%	51	40.5%
Meet all three criteria	15		17		18	
ALL TRACTS*	197		109		126	

*Census tracts for which median household income is reported

Similar measures give similar results; for example, if we look at the number of census tracts in Pittsburgh in which the poverty rate is between 12% and 20%[2], we find that 41 tracts or 32.5% of all tracts meet that criterion, a figure comparable to the number of tracts identified through two of the three income measures. In roughly 60% of the cases they are the same tracts. The purpose of this exercise, it must be stressed, is not to identify specific middle neighborhoods, but to estimate, on an order of magnitude basis, their extent in representative cities.

Although each city's spatial configuration is different, there appears to be some consistency in the typical pattern by which middle neighborhoods are located within cities, as shown in Figures 1 and 2, which show middle neighborhoods (defined in this case as those with median household incomes between 80% and 120% of the citywide median) in Philadelphia and Baltimore. In both maps, the lightest color shows areas where the median income is below 80%, and the darkest color those where the median is above 120%.

Both cities show similar patterns. Both have a high-income central core, as well as a second high-income cluster made of historically upscale neighborhoods such as Chestnut Hill in northwest Philadelphia and Roland Park in north-central Baltimore. Most of the inner areas immediately surrounding the central core are low-income areas, while the middle neighborhoods tend to form the city's periphery.

Figure 1: Spatial Distribution of Neighborhoods by Income Range in Philadelphia

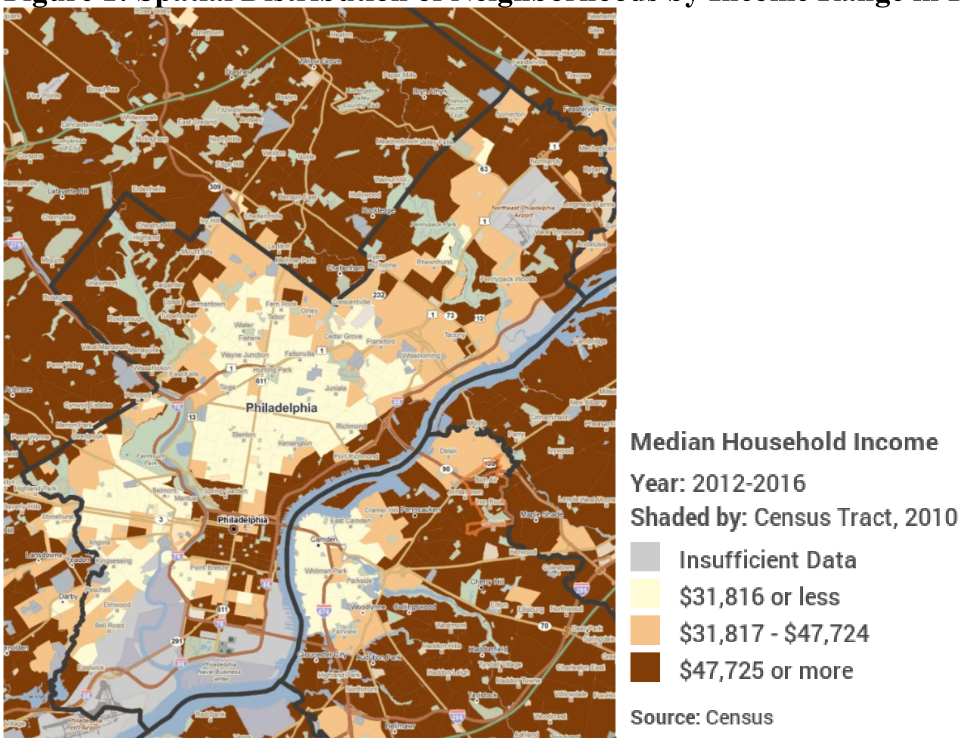
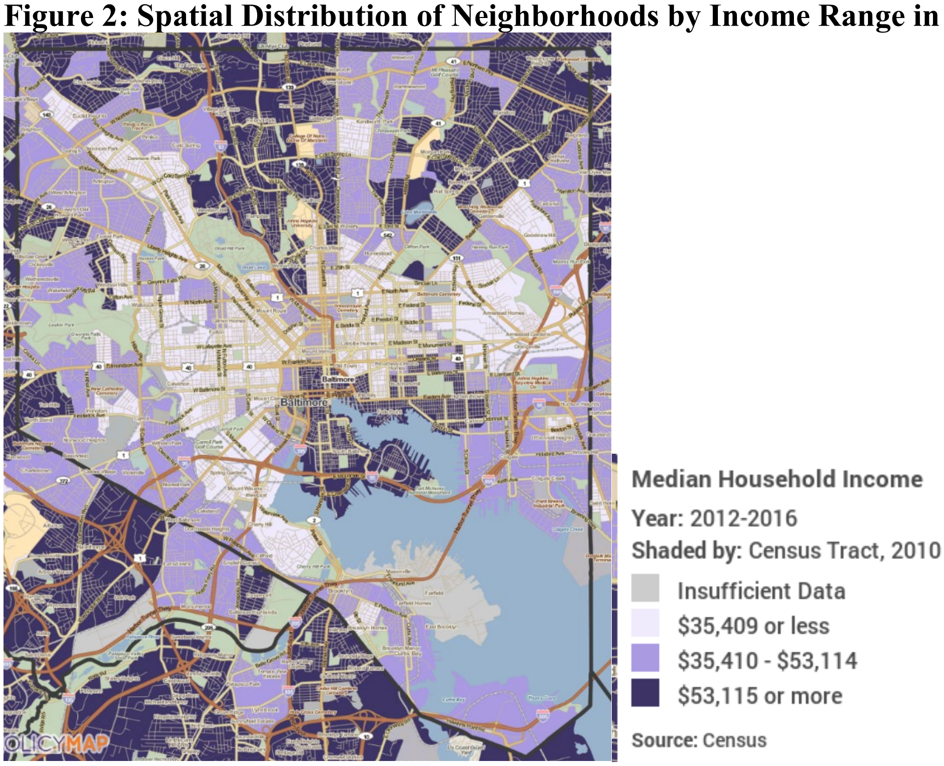


Figure 2: Spatial Distribution of Neighborhoods by Income Range in Baltimore



Maps by PolicyMap

While these maps generally fit observations on the ground, individuals familiar with these cities suggest that they may understate the extent of middle neighborhoods in both cities. While most of the areas shown as middle areas would be considered such, most Baltimore observers would also characterize most of the city's Northeast as middle neighborhoods, notwithstanding their higher incomes. The same would be true of the Far Northeast in Philadelphia. Conversely, a few areas that show up as middle neighborhoods on the map, such as areas adjacent to Baltimore's downtown such as Bolton Hill or Greenmount West, or parts of West Philadelphia, are likely to be seen as upscale or gentrifying areas, while others with incomes near the bottom of the range coupled with low house prices may be seen as lower rather than middle neighborhoods.

That highlights an important point. Nothing about any neighborhood – except perhaps for the most distressed and the most upscale areas – is set in stone. Neighborhoods are constantly in flux. Not only are today's middle neighborhoods different from those of 15 or 50 years ago, but being a "middle neighborhood" today may actually be no more than a way station between poverty and affluence, or from affluence to poverty. Thus, any attempt to precisely measure a city's middle neighborhoods – whatever the definition used – will inevitably reflect no more than a moment in time in that city's trajectory.

Why Do Middle Neighborhoods Matter?

In some respects, this question does not need to be asked. Any type of neighborhood that houses 25 to 40 percent of a city's population and that much or more of the city's land area and housing stock, matters greatly to that city; and, taking America's older cities as a whole, matters greatly to the entire nation. The fact is, however, that there are compelling reasons that middle neighborhoods matter to the future of these cities and their residents, over and above the significance of their numbers.

Middle Neighborhoods Are Spaces of Economic, Racial and Ethnic Diversity

21st century American cities are widely described as a "tale of two cities," reflecting a well-justified concern over the economic and racial polarization of these cities. Yet, in many respects, they may be more aptly seen as a "tale of *three* cities", with middle neighborhoods representing a third, often overlooked, intermediate environment which can play a central role in sustaining the cities' racial and economic diversity.

Perhaps the two strongest trends affecting legacy cities today are the simultaneous in-migration of young, largely single or childless, largely white, well-educated and relatively affluent households, with the continued existence, and often growth, of concentrated poverty and racial segregation. These trends have not only led to economic and racial polarization, but suggest a future city in which children and families are increasingly rare; as Modarres and Kotkin (2013) write, "The much-ballyhooed and self-celebrating "creative class"—a demographic group that includes not only single professionals but also well-heeled childless couples, empty nesters, and college students—occupies much of the urban space once filled by families."

These trends are visible in cities' spatial configuration, which is increasingly typified by the contrast between reviving areas of growing affluence and deeply distressed, high vacancy areas. This contrast is clearly visible in Figure 2, where Baltimore's affluent neighborhoods form a ring around the Inner Harbor, only a stone's throw from the distressed neighborhoods of West and East Baltimore.

Middle neighborhoods are the places that fall between these two extremes. As cities become more polarized, their role becomes even more important. They remain family-oriented, based on the single-family home and the school, and still house working and middle-class families. They tend to contain a more diverse economic mix than either wealthy or poor neighborhoods, which tend to be increasingly homogenous economically and demographically.

As Table 4 shows, in the 71 tracts with tract median incomes between $35,000 and $55,000 in Baltimore no more than at most 20% of the households living in those tracts actually have incomes in that range; the incomes of the people who live in these tracts are widely distributed from under $15,000 to over $100,000. These tracts, taken as a group, have retained the mixed income character of the traditional urban neighborhood.

This in itself is an important value. The social benefits of mixed-income communities, although hard to quantify, are real and significant. In these neighborhoods, people of widely varying income levels can interact with and learn from one another, cutting across the tribal boundaries that increasingly characterize much of American life.

Table 4: Distribution of Households in Baltimore Middle Neighborhoods by Income Range

Income range	Median percentage of households in range*
0-$15,000	17.3%
$15,000-$24,999	12.3%
$25,000-$35,000	10.7%
$35,000-$49,000	15.3%
$50,000-$74,999	18.7%
$75,000-$99,999	9.8%
$100,000+	12.6%

*median of individual tract percentages
Source: 2012-2016 American Community Survey

From a racial standpoint the picture is more complex. Table 5 shows the percentage distribution for the African-American population in the same tracts as Table 4 and similar data for Philadelphia. While roughly half of the Baltimore tracts have 80% or more African-American population, not surprising in a city that is 63% black, one-third can perhaps be considered racially integrated, with black percentages between 20% and 70%. Although Philadelphia is 43% black as a whole, the percentage of the city's middle-income neighborhoods that are integrated is also one-third, similar to that of Baltimore. Many more of Philadelphia's middle neighborhoods are predominately white, and fewer predominately black, than in Baltimore. The racial distribution of middle neighborhoods reflects the fact that different middle neighborhoods serve different roles: some are middle-income black or white neighborhoods, while others are both economically and racially mixed, a rarity elsewhere in Baltimore and Philadelphia.

Table 5: Baltimore and Philadelphia Middle Neighborhoods by Percentage African-American Population

% African-American population	% of Baltimore tracts	% of Philadelphia tracts
<20%	8.3%	42.2%
20%-49.9%	18.1%	22.7%
50%-69.9%	13.9%	10.2%
70%-79.9%	5.9%	7.0%
80%+	52.8%	18.0%

Source: 2012-2016 American Community Survey

Thus, to a large extent, middle neighborhoods represent a reservoir of economic and racial diversity in cities becoming increasingly economically stratified and racially segregated. This diversity, however, is under threat, in some cases from upward pressures of gentrification, but more often from downward pressures of decline.

Middle Neighborhoods Are Spaces of Opportunity

A healthy city offers both residents and in-migrants diverse housing opportunities as their economic and family conditions change. Without viable middle neighborhoods, many cities would not be able to provide those opportunities. Instead, they would be dominated by distressed areas, which are rarely the choice of those who live there; or upscale and gentrifying areas, which not only are out of reach of many working-class families, but in many cases, particularly in resurgent downtown areas, do not provide the family-oriented environments which they typically seek.

Every day, individuals and families now living in distressed urban neighborhoods are moving up economically, building skills and finding better jobs. Middle neighborhoods have traditionally been the places to which these individuals and families moved to improve their living conditions, just as late 19th century immigrants to New York City saw Harlem and the Bronx as opportunities to move up from the Lower East Side. During the 1970s and 1980s, formerly white middle neighborhoods became places of opportunity for middle-income black families seeking to escape the cities' ghettos.

A neighborhood is only a place of opportunity for upwardly mobile families if they see it as a significant improvement over the neighborhood from which they want to move. If the city's middle neighborhoods are seen as no better or only marginally better in terms of the housing and the quality of life they offer, they will be bypassed for suburban alternatives, as is widely happening today. As we will discuss below, large numbers of today's black middle-class families are leaving them and moving to the suburbs.

Immigrants are a second group for which middle neighborhoods provide an opportunity. The Ironbound neighborhood, where over half of the residents are foreign-born – mostly from Latin America – is Newark's most vibrant neighborhood, and Ferry Street its most vital commercial artery. Almost every legacy city can point to immigrant communities, from Detroit's Banglatown to the Cambodian community in South Philadelphia or the Ahiska Turkish community in Dayton, Ohio, that have added to the city's social fabric and helped stabilize once-struggling neighborhoods. While legacy cities have lagged behind many coastal areas as immigrant destinations, that is changing. Growing numbers of immigrants are settling in older Midwestern cities, where their presence has shifted the trajectories of change in the city's neighborhoods.

The value to any city of retaining its upwardly mobile residents while also attracting energetic, entrepreneurial immigrants is incalculable. Whether that continues to take place will largely depend on the continued existence of viable middle neighborhoods.

Middle Neighborhoods Are Valuable Urban Assets

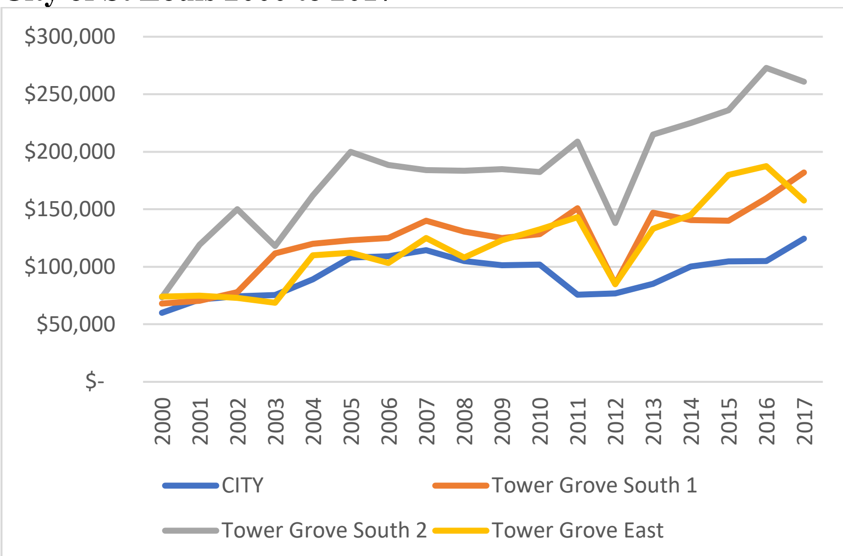
Middle neighborhoods are a massive investment in urban housing and infrastructure. This investment includes not only millions of homes, from single family homes to large apartment buildings, but also streets and sidewalks, sewer and water systems, parks and playgrounds, school and community buildings, churches and synagogues, and commercial and industrial buildings. Although most of this housing and infrastructure is fifty to over a hundred years old, it is still usable if often needing repair or modernization. Over and above the physical infrastructure, many middle neighborhoods retain a strong social fabric – albeit often frayed by the pressures affecting these neighborhoods – of neighborhood-based institutions and organizations.

Much of this housing and infrastructure is at risk today, driven by demographic change, economic pressures, and declining housing markets. Many middle neighborhoods, particularly African-American ones, have been hit hard by the fallout from mortgage foreclosures and the Great Recession. In many neighborhoods, populations are dropping, property values have fallen sharply, homeownership has declined, and vacant, abandoned properties have appeared on once-desirable residential blocks.

Middle neighborhood decline has dire consequences for the neighborhoods themselves and for the cities and metros in which they are located. At the most basic level, these neighborhoods represent a large part of each city's tax and economic base. Declining property values and abandoned houses mean lower property tax revenues, while the flight of the middle class means reduced municipal income or wage tax revenues. The impact of decline in one neighborhood can easily spill over into adjacent neighborhoods, either destabilizing areas that still contain valuable assets or rendering the process of revitalizing nearby distressed areas that much more challenging. The value of strong middle neighborhoods to their cities, however, goes beyond their fiscal value, important as that is. They have traditionally contained a disproportionate share of the pool of engaged citizens, the people who serve in public office, on non-profit boards, and who become involved with the city's parks and schools.

Vital middle neighborhoods can remain not only places of opportunity for upwardly mobile urban families and immigrants but may be able to accommodate a share of the nation's population growth over the coming decades in ways that are likely to be not only more cost-effective but more environmentally sustainable than new development and the continued outward expansion of metropolitan areas.

Figure 3: Median Sales Prices in Three Census Tracts Abutting Tower Grove Park and in City of St Louis 2000 to 2017



Source: CoreLogic

Where the value of middle neighborhoods can be unlocked, the benefits to the city are clear. Twenty years ago, the Tower Grove neighborhoods in St. Louis were struggling middle neighborhoods. Although many different pieces have come together to further their subsequent stabilization and revival, the restoration of the historic Tower Grove Park, was a major contributing factor. Since 2000, house sales prices in the areas flanking the park have risen significantly faster than in the city as a whole (Figure 3).

Preserving the value of middle neighborhoods and fully utilizing their assets is not an easy task. It demands engagement not only from the neighborhood itself, but from the city, its region, and beyond. Yet the benefits that can be derived from such an effort, for the neighborhoods, their cities and their regions, cannot be overstated.

Toward a Typology of Middle Neighborhoods

As Robert Weissbourd and his colleagues point out, "…constructing neighborhood typologies is a popular exercise: one can find almost as many neighborhood typologies around as there are neighborhoods" (Weissbourd, Bodini and He 2009, p112). They are a popular exercise because they are useful. While every neighborhood is different, to treat every neighborhood as unique and uncategorizable would make systematic planning and replication impossible; as they note:

> By grouping together communities that are similar to each other along key dimensions, typologies help explore the nuances that define and distinguish among the complex and multidimensional entities known as neighborhoods, enabling meaningful comparisons, facilitating analysis, and revealing patterns and connections (p112).

This is particularly true with middle neighborhoods, where the common feature of being "middle" can easily obscure significant differences, both in terms of current conditions, trends, and prospects for stabilization or revival.

To develop a typology, however, one must first identify the features that should go into the typology. What we will try to do in this section is develop a typology of neighborhood *characteristics* that reflect the key physical, social and locational dimensions which distinguish these neighborhoods. While this is very different from a market typology, which looks specifically at those features of a neighborhood that bear directly on the housing or real estate market in the area, it should be apparent that the physical, social and locational characteristics of a neighborhood will to a large extent drive the market features and trajectory of the area.

Table 6 illustrates the key categories of middle neighborhoods in four key dimensions:

- Race and ethnicity
- Physical form and housing types
- Location
- Trend

Table 6: Key Dimensions and Categories of Middle Neighborhoods

DIMENSION	CATEGORIES
Race and ethnicity	Predominately non-Latino white
	Predominantly African-American
	Immigrant (single or mixed race/ethnicity)
	Stable/mixed
	Racial/ethnic transition
Physical form and housing types	Walkable urban residential/architecturally or historically distinctive
	Walkable urban residential/ordinary
	Urban mixed use
	Lower density/starter homes
	Lower density/move-up and larger homes
Location	Central/close to downtown, strong neighborhoods or major urban amenities and institutions
	Urban periphery within central city
	Inner suburban ring
Generational shift	Older homeowners/young homebuyers
	Older homeowners/young renters
	More affluent in-migrants/gentrification
	Immigrant destination

All of these categories fall along one continuum or another. While there are many intermediate stops along these continua, most neighborhoods tend to fall more or less clearly into a distinct pattern. An immigrant neighborhood will clearly contain many people who are not immigrants but will be distinguished by its high level of immigrant population or rapid immigrant influx compared to other neighborhoods in the city or region. Similarly, there is likely to be little disagreement about which of the two blocks shown in Figure 5 is likely to be considered distinctive, and which ordinary.

These are not necessarily the only factors worth considering, but they are factors that based in part on research and in part on observation appear to have at least moderately clear relationships to distinct neighborhood trajectories. The area of economic activity at the neighborhood level is also worth exploring in this regard, both with respect to the economic characteristics of the residents (employment and income) and the level and type of business activity in the neighborhood.

Our focus is likely to be more on neighborhood trends, however, than on conditions in themselves. As noted earlier, neighborhoods are constantly changing. The direction of that change and the factors behind it are the critical issues for local practitioners and policymakers. Although the theoretical possibilities in terms of the relationship between conditions and trends are almost infinite, in practice certain conditions appear to be strongly associated with the most common generational or demographic/ market shifts shown in Table 6, as well as the broad trends of revival and decline discussed below, suggesting a clear pattern if not quite perhaps a straightforward typology. The two neighborhoods pictured in Figure 5 will illustrate this point. Their features along the dimensions shown above are summarized in Table 7.

Figure 5: 'Ordinary' vs. 'Distinctive' Housing in Two Middle Neighborhoods

Lasalle, Buffalo, New York

Lawrenceville, Pittsburgh, Pennsylvania
Source: Google Earth

Table 7: Features of Two Middle Neighborhoods

DIMENSION	Lasalle	Lawrenceville
Generational shift	Older homeowners being replaced by young low-income renters	More affluent in-migrants (upward generational shift)
Race and ethnicity	Predominantly African-American	Both long-time residents and in-migrants predominately white
Physical form and housing types	Walkable urban residential/ordinary	Walkable urban residential/ architecturally or historically distinctive
Location	Urban periphery within central city	Central/close to downtown, strong neighborhoods or major urban amenities and institutions

The Lasalle area in northeastern Buffalo[3] is a predominately African-American middle neighborhood which is undergoing a downward transition with poverty increasing and homeowners replaced by absentee owners and tenants. From 2000 to 2016, the homeownership rate dropped from 66% to 52% and the poverty rate rose from 24% to 31%. In 2016, 66% of the tract's homeowners were over 55, compared to 52% nationally. The median house sales price in the neighborhood in 2015 was $23,300, or less than two-thirds its present residents' median incomes. It is in a largely lower-income part of the city, is roughly four miles as the crow flies from downtown Buffalo and is not adjacent to any distinctive amenities or institutions. Similar neighborhoods elsewhere might include O'Fallon in St Louis, Pen Lucy in Baltimore, or Overbrook in Philadelphia.

Lawrenceville was an aging, largely white working-class neighborhood until around 2000, when it began to change rapidly with the in-migration of young homebuyers and renters. From 2000 to 2016, the median household income in Tract 901 went from $24,488 or 86% of the citywide median to $52,708 or 124% of the citywide median, while the percentage of residents over 65 dropped from 28% to 10%. Lawrenceville is located along the Allegheny river, adjacent to the popular residential and shopping area known as The Strip. In addition to its attractive late-19th and early-20th century housing stock, the area has a strong commercial core on Butler Street. Similar neighborhoods elsewhere might include Butcher's Hill in Baltimore or Shaw in St Louis.

Stable urban middle neighborhoods appear to be less common than those moving upward, like Lawrenceville, or downward, like Lasalle, but do exist. Two census tracts in St Louis that can be seen as examples of stable middle neighborhoods are Tract 1014, part of the Carondelet neighborhood, and Tract 1031, straddling the neighborhoods of St Louis Hills and Lindenwood Park. In both cases, homebuyer demand appears strong. It reflects continuity rather than a significant population shift, shown by modest income growth, a slightly growing homeownership rate, large numbers of homebuyers in recent years, and a high percentage of homeowners aged under 55[4]. Features of these two tracts, compared to citywide levels, are shown in Table 8.

Table 8: Trends in Two Stable Middle Neighborhoods in St. Louis

	Median HH income		Homeownership rate		Median sales price	
	2000	2016	2000	2016	2006	2015
Tract 1014	$30,353	$39,671	60.7%	63.9%	$94,750	$76,950
Tract 1031	$37,623	$44,771	52.3%	54.1%	$137,500	$150,800
St Louis	$27,156	$36,809	46.9%	43.3%	$87,000	$107,600

Source: 2000 Census and 2012-2016 American Community Survey; Boxwood Means from PolicyMap

Of the two areas, Tract 1031 is the stronger (and might not be considered a middle neighborhood by a narrow definition). It has seen modest increases in house values since 2006. Even so, both tracts are lagging the city as a whole with respect to both income growth and increase in sales price. Both neighborhoods are predominately white, although Tract 1014 is seeing a gradual increase in its African-American population, rising from 19% in 2000 to 29% in 2016. Both are located at the periphery of the city, and contain a stock of attractive, largely brick bungalows and ranch houses. While the housing stock in Tract 1014 was largely constructed in the 1920s and 1930s, Tract 1031 is more suburban in character (Figure 6). Much of its housing stock was built in the years immediately following World War II, and it abuts a strong quasi-suburban and automobile-oriented commercial area along Chippewa Street anchored by the Hampton Village shopping center.

Figure 6: Housing in Tract 1031 In St. Louis

Source: Google Earth

Finally, Banglatown in Detroit is a representative immigrant destination. 50% of the residents of Tract 5016, which abuts the city's border with Hamtramck, were foreign-born in 2016, an increase from an already high 30% in 2000. 60% of the foreign-born population in this area are from Bangladesh, along with large numbers of Yemenis and others. Although the median household income is under $25,000, in Detroit this can be considered a middle neighborhood. Vacancy rates are low, and the homeownership rate has increased to 70% since 2000, while plummeting elsewhere in the city. Modest but functional, houses are within reach of households with modest incomes (Figure 7), while high sales levels are driven by owner-occupant cash buyers, rare elsewhere in Detroit.

Figure 7: Housing in Banglatown in Detroit

Source: Google Earth

While the role of immigrants could be seen as a subset of the stabilization trend discussed above, we see it as a distinct category of neighborhood change which, although most often seen as driving neighborhood revival, does not inherently predict any particular outcome. Immigrants are an exceedingly diverse population in every respect, and the transformation of a neighborhood by immigration can take many forms and go in many directions. What immigrant destinations have in common, however, is the introduction of different and often new populations into the urban fabric, which adds not only distinctive ethnic, cultural or religious elements to that fabric, but in many cases distinctive strategies in terms of their use of the physical environment and creation of social capital.[5]

The foregoing discussion suggests a number of core middle neighborhood trend categories, reflecting the different generational shift categories presented above. These core types are shown in Table 9, which builds on the categories previously summarized in Table 6 to distinguish market and racial transition patterns as distinct categories.

Many factors go into driving the likely trajectory of a middle neighborhood, which will be the subject of the next section of this paper. They all relate directly, however, to the way the market works in each neighborhood, in three distinct ways:

- *Market demand*: the extent to which demand exists, from homebuyers, investors and tenants for a neighborhood's housing stock, whether driven by internal shifts within the city or larger regional demand factors.
- *Market factors*: the underlying factors driving the extent to which an area is likely to draw a share of local or regional market demand, such as its location, the character and quality of its housing stock, the presence of amenities such as shopping or transit or dis-amenities such as crime or vacant properties; and the extent of competition within its region;
- *Market behavior*: the behavior of key market intermediaries such as lenders, Realtors, and developers;
- *Market impediments*: the extent to which demand for a neighborhood's housing stock may be constrained by external factors such as lack of access to capital, inadequate information and negative perceptions.

Strategies to change the trajectory of any middle neighborhood, particularly those in decline or at risk of future decline, need to be designed to affect one or more of the above elements. All of these elements exist, however, in a larger context; namely, the large-scale and ongoing transformation of the demographic characteristics of the American people and the nature of the American (and global) economy, and how those large-scale changes, as they may be mediated by public policy, translate into shifting conditions at the regional and local levels.

Table 9: Core Middle Neighborhood Types

	Stable	Declining	Reviving	Immigrant destination
Market and home ownership trends	homeowners aging in place are being largely replaced by young buyers of similar income levels. Homeownership rates and house prices are relatively stable	Homeowners are leaving and being replaced by investors, and vacancies are rising. House prices have declined over past decade and are low or very low	Influx of more affluent, younger households replacing older homeowners and some tenants. House prices are steadily rising.	Influx of immigrants replacing older residents. Depending on characteristics of immigrant population, effects vary.
Race and ethnicity	Stable areas tend to be predominately white or racially mixed.	Declining areas are disproportionately African-American reflecting the effects of the foreclosure crisis and demand constraints.	Reviving areas tend to be predominately white or racially mixed.	No consistent pattern. Both immigrants as well as long-term population tend to be racially and ethnically varied.
Racial or ethnic transition	Varies. Some areas may be in racial as well as generational transition with increased black populations	No, as a rule	Some areas may be seeing racial transition with reduced black populations	Yes, as a rule, but nature of transition varies with origins of immigrants and characteristics of long-term residents
Physical form and housing types	Generally smaller, newer starter homes	No consistent pattern, but includes many older neighborhoods with modest worker housing.	Settled neighborhoods with attractive or distinctive older housing stock, often including a mix of single family and small multifamily stock.	No consistent pattern, but includes many starter home areas
Location	Usually city periphery or inner-ring suburbs, but with amenities such as shopping, parks or good access to employment	Usually city periphery or inner-ring suburbs, with few amenities or locational assets.	Usually close to downtown or other important location assets such as major institutions, water bodies or transit.	Usually city periphery or inner ring suburbs

The Forces of Change Affecting Middle Neighborhoods

As we described at the beginning of this paper, the typical urban middle neighborhood, except for a cluster of cities in the Northeast,[6] is a neighborhood of single-family homes, occasionally interspersed with two family houses or small multifamily properties. Even after decades of attrition, 92 percent of all the residential structures in Baltimore today are single-family homes, as are 90 percent in Philadelphia, 81 percent in Cleveland, and 78 percent in St. Louis.[7] These neighborhoods are being buffeted by powerful forces of change, threatening their vitality and placing them at risk of decline. While some may be able to take advantage of positive trends, such as immigration or the in-migration of affluent young Millennials, many may not.

This section looks first at three broad clusters of forces affecting middle neighborhoods: those relating to demographic, social and economic change; those driven by spatial and physical factors; and the role of public policy in either mediating or exacerbating those factors. A further discussion concentrates on the distinct challenges faced by largely African-American middle neighborhoods, where a series of issues directly or indirectly linked to race disproportionately affect those areas.

The Big Picture: Demographic and Socio-Economic Change

Household Change

The traditional urban middle neighborhood was designed for and largely occupied by married couples raising children; in the typical American city of 1960, two-thirds of all households were married couples, and half to two-thirds of those couples – or roughly 35 to 45 percent of all households - were raising children under 18. The share of all households made up of married couples with children has declined nationally since then, but the decline has been far more precipitous in central cities.

While the share of all American households made up of married couples with children has declined from 43 percent in 1960 to 19 percent today, it has dropped to 10% in Akron, 9% in Pittsburgh, and 7% in Cleveland. For middle neighborhoods, this is a severe blow, in that the demographic for which they were designed and which sustained them for most of the past century has declined drastically as a share of the urban population.

Although there are more single mothers raising children than in the past, the increase has been far smaller than the decline in married couples raising children, reflecting the smaller share of children and child-rearing households in today's population. The great majority of single-mother families, moreover, are disproportionately poor, without the income to sustain either their own housing security or the vitality of their neighborhoods. They are disproportionately poor. in 2016, the national median income of single mothers with children was $25,130. In Cleveland it was $15,357, well below the poverty level.

Their poverty or near-poverty means that few are likely to become homeowners, or if homeowners, to sustain homeownership. Many lack the financial resources to maintain aging single-family houses that demand expensive repairs. As tenants, they often cannot afford to pay enough to obtain decent-quality housing for themselves and their children, while, except for the fortunate few who win the housing voucher lottery and obtain a rent subsidy, chronic income insecurity makes them highly prone to eviction and residential instability (Desmond 2016). The exceptions, while real and important, are not numerous enough to change the general applicability of this picture.

The fastest growing group, nationally and in legacy cities, is single individuals, many of them part of the in-migration of educated Millennials that has driven the nascent revival of cities like Pittsburgh, Baltimore or St Louis. Few, however, move to neighborhoods which lack the distinctive features—density, walkability, mixed land uses, street life, and proximity to major locational assets such as downtown or major universities—that draw them to other parts of these cities. Moreover, in contrast to cities like Washington DC or San Francisco, they are not numerous enough to replace the eroding family base of these cities' neighborhoods.

As middle neighborhoods lose their historic demographic base, they are being further buffeted by three powerful economic trends, placing increasing numbers of middle neighborhoods at risk. These are the impact of greater inequality in the distribution of incomes in the United States and the thinning out of the middle class; the effect of increased residential segregation or "income sorting," which exacerbates the effect of inequality; and third, change in the nature of the economy and workforce, and the erosion of both jobs and workers in legacy cities outside their central core areas.

Inequality

Since the 1970s, a host of factors, including the decline in the number of well-paying blue-collar jobs, have resulted in the nation's income distribution becoming increasingly unequal and increasingly bimodal. This phenomenon has been widely documented and has become a matter of widespread policy concern. Increased inequality has led to a pronounced decline in the pool of middle income families, particularly in urban areas, where it reflects both the "hollowing of the middle class" or the shrinking middle of the national economic distribution and trends disproportionately affecting the cities themselves, particularly suburban out-migration. In 1970, there were over 53,000 middle-income families, defined as those with incomes between 80% and 120% of the citywide median family income, in Milwaukee, or nearly one-third of all families in the city. By 2016, the number had dropped to 21,000 or 17% of all families. Thus, to the extent that middle neighborhoods are those neighborhoods that accommodate middle income people, the precipitous decline in that pool inevitably has a severe negative impact on those neighborhoods.

Economic Sorting

Historically, the middle neighborhood was not a purely "middle-income" neighborhood, but a mixed-income neighborhood in which family incomes averaged out to the middle. As Table 3 showed, this is still often the case. Today, however, not only are there fewer middle-income families, but the traditional mixture of middle neighborhoods has been undermined by a well-documented long-term trend toward increased income segregation—the spatial sorting of families by income—since 1970 (Booza, Cutsinger and Galster 2006, Reardon and Bischoff 2011 and Bischoff and Reardon 2013).

While the phenomenon of economic sorting is affected by and closely related to growing income inequality, it goes beyond the distribution of populations by income to reflect the extent to which people of different income levels share the same areas, and the effect of that on middle neighborhoods[8]. The number of census tracts where the median income of the families is within the middle ranges of the city or regional median has diminished markedly since the 1970s. Researchers Kendra Bischoff and Sean Reardon have found that the share of the nation's population living in tracts where the median family income is between 80 and 125 percent of the regional median has dropped in the past 40 years from 65 percent to 42 percent of all U.S. families.

The same sorting is present in legacy cities. Income segregation has increased sharply since 2000, and with it the number of middle-income census tracts (those in which the median family income is between 80 percent and 120 percent of the city median) has declined, as shown for St Louis in Table 10. In 2000, middle-income tracts—used here as a surrogate for middle neighborhoods—made up nearly two out of five census tracts. In less than two decades, their share dropped to less than one out of five, as the share of both upper- and lower-income tracts grew.

Table 10: Distribution of Census Tracts by Ratio of Tract Median Family Income to City Median In St Louis 2000 And 2016

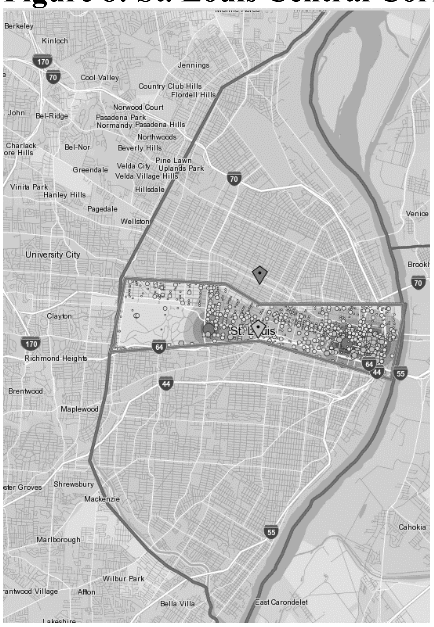
ST LOUIS	0-50%	50-80%	80-120%	120-150%	150%+	TOTAL
	Percentage of all tracts					
2000	3.7%	26.2%	38.3%	16.8%	15.0%	100%
2016	9.6%	34.6%	18.3%	13.5%	24.0%	100%
	Number of tracts					
2000	4	28	41	18	16	107
2016	10	36	19	14	25	104
Change 2000-2016	+6	+8	-22	-4	+9	

Erosion of Jobs and Workforce

At the same time as demographic change, increased inequality and income sorting are leading to a decline in the demand pool for middle neighborhoods, economic trends – which, of course, contribute significantly to the growth in inequality and the hollowing of the middle class – are further undermining them. Legacy cities, historically industrial, have seen their economies change profoundly over the past fifty years. In 1970, 36% of all the workers living in Detroit, 38% of those in Cleveland and 47% of those in Flint, Michigan worked in manufacturing. These workers were the backbone of these cities' middle neighborhoods.

Over the next fifty years these jobs disappeared. As American spending on health care and higher education skyrocketed, they were increasingly replaced by new jobs in those sectors, popularly known as 'eds and meds'. With that shift, however, came important changes in the types of job that became available, and who held those jobs. More of the well-paying jobs required college and advanced degrees, and more of them were held by people who commuted to work from the suburbs, rather than living in the city. Instead of being distributed widely around the city, jobs were increasingly concentrated in the cities' downtowns and around their major universities and medical centers. The number of city residents holding jobs in the city where they live, and the size of the city's employed workforce in general, are both declining (Mallach 2014). Many neighborhoods outside the central core have seen large losses in both jobs and job holders.

Figure 8: St. Louis Central Corridor



Source: On-The-Map

This is vividly apparent in St Louis, a representative reviving legacy city. Between 2002 and 2015, the number of jobs in the city grew modestly, by roughly 2,000, less than 1%. The number of jobs in the city's Central Corridor, a narrow strip from the Mississippi River to Forest Park (Figure 8), however, grew by 14,000. Today, 55% of all the jobs in St Louis are in that area, which contains less than 10% of the city's land area.

The total number of job holders living in the city (whether working inside or outside the city) declined by 10% from 2002 to 2015. The entire decline, however, was among city residents *working in the city*. 12,000 fewer city residents worked inside St Louis in 2015 than in 2002, a decline of 18%. St Louis is not unique; as Table 11 shows, the changes were even more pronounced in Baltimore over the same period. In most legacy cities, two-thirds or more of the jobs in the city are held today by commuters. This "uncoupling" of the city's jobs from its residents further undermines the vitality of the city's middle neighborhoods.

Table 11: Workforce and Commuting Trends in Baltimore and St. Louis 2002 To 2015

	2002	2015	CHANGE
ST LOUIS			
Live in city and work in city	66,974	54,734	-18.3%
Live in city and work outside city	73,359	74,390	+ 1.4%
Live outside city and work in city	148,219	162,243	+ 9.5%
% of city jobs held by city residents	31.1%	25.2%	
BALTIMORE			
Live in city and work in city	123,074	108,482	-11.9%
Live in city and work outside city	136,018	123,194	- 9.4%
Live outside city and work in city	175,465	217,230	+23.8%
% of city jobs held by city residents	41.4%	34.4%	

Source: On-The-Map

The process of uncoupling reflects the effect of many factors, including the economic restructuring that has led to a loss of traditional blue-collar jobs and the difficulty that urban residents have getting new jobs in the knowledge economy, the disconnection of many people and neighborhoods, particularly communities of color, from that economy, the growing importance of education and ‘soft skills’ in the workforce, the growth in legal and other barriers to gainful employment for much of the population; and finally, the tendency of people who get good jobs to move to the suburbs. All these factors, in turn, affect the level of employment, earned income, purchasing power and business activity needed to sustain vitality of middle neighborhoods.

While the relationship between the loss of jobs and workers, the demographic shifts, and the effects of increased inequality and income sorting is complex, and difficult to untangle, It is clear, though, that these forces reinforce one another, and collectively contribute to destabilizing legacy city middle neighborhoods.

Spatial and Physical Challenges and the Housing Market

The Character and Quality of the Housing Stock

Although middle neighborhoods typically share a predominately single-family housing inventory, the characteristics of that housing stock vary greatly from one neighborhood to another. Houses vary by size, architectural character, materials, and other features. That stock, however, shares one feature: it is old. Moreover, being largely single-family, regardless of age, it is not always a good fit with today’s housing market demands.

Legacy city middle neighborhoods were largely built from the late 19^{th} century through the 1960s. Since the 1960s, little new housing has been built in these areas except for subsidized housing. 90% of the single-family homes in Cleveland and in Pittsburgh predate 1960; even in most inner-ring 'starter home' suburbs, 75% to 90% of the single-family homes were built before 1960. Although a handful of older homes have been rehabbed, largely with public funds, they make up a minute share of the total housing stock.

At the same time, much of the demand for urban housing today comes from single individuals, couples, and people in informal living arrangements. Much of the housing in middle neighborhoods may not appeal to them. While those few neighborhoods with distinctive architectural or historical character and which are close to downtown or major institutions, like Shaw in St Louis, Hampden in Baltimore or Allentown in Buffalo, may draw them, most middle neighborhoods lack either or both features.

Observers suggest that most older houses in these neighborhoods have not been upgraded or modernized to any significant degree, while many suffer from significant deferred maintenance and repair needs. The fact that many modest older houses have only one bathroom can itself be a significant deterrent to prospective homebuyers. NeighborWorks Rochester has created the Half-Bath Program, adding half bathrooms to houses in the Triangle neighborhood to build a stronger homebuyer market in the area.[9]

This situation has severe consequences for middle neighborhoods by undermining potential housing demand. Even in areas where homebuyers may want to live, the condition of the houses on the market may deter many. Relatively few homebuyers want to take on a significant program of home repair and upgrading. They would much prefer a home that they can move into with no more than cosmetic improvement.

Without a major infusion of public or private capital in the coming years, much of the housing in middle neighborhoods is at risk of deteriorating further, potentially to the point of no return. The increase in vacancies in many middle neighborhoods suggests that this is already happening. The question arises whether the capital is available and whether the demand exists to either to upgrade these houses or replace them with new houses or apartments better reflecting market preferences.

Assembling the capital to either repair and upgrade, or replace, a significant part of the existing housing in middle neighborhoods may be extremely difficult. Public funds are likely to fall far short of what is needed, and are largely restricted to means-tested households, in the case of LIHTC developments, to those earning 60% or less of the HUD-defined area median income. Building new subsidized housing to replace older market housing is unlikely to stabilize middle neighborhoods and may under certain conditions further destabilize them (Deng 2008). The fate of these neighborhoods is likely to depend ultimately on their ability to attract private capital, whether through individuals buying and improving homes or private market contractors or developers rehabilitating existing houses or building new homes or multifamily buildings for the marketplace.

Attracting private capital will depend on drawing not only demand, but demand at income levels capable of moving neighborhood house prices to levels where they support substantial investment in existing houses and construction of new housing without public capital subsidy. Given the demographic and economic forces working against middle-market neighborhoods described earlier, the generally low market values in legacy cities, continuing gaps in mortgage access, and ongoing competition from nearby inner-ring suburban markets, this will be a daunting challenge for those areas that lack the special attributes likely to render them particularly desirable.

Erosion of Homeownership

A voluminous body of neighborhood research has made a compelling case for a strong association between homeownership and many of the factors driving neighborhood stability and vitality, even when controlling for potentially confounding social and economic variables (see Mallach 2015, pp6-8, for a summary of the research).
High levels of homeownership have historically been typical of middle neighborhoods in legacy cities as well as elsewhere in the United States. Homeownership rates in the United States, after peaking at 69% in 2004, dropped to 63% by 2016, from which low point they have since begun to rebound. Both homeownership rates and the number of homeowners have dropped sharply in legacy cities since 2000 (Table 12).

Table 12: Change in Homeownership Rate and Number of Homeowners 2000 to 2016

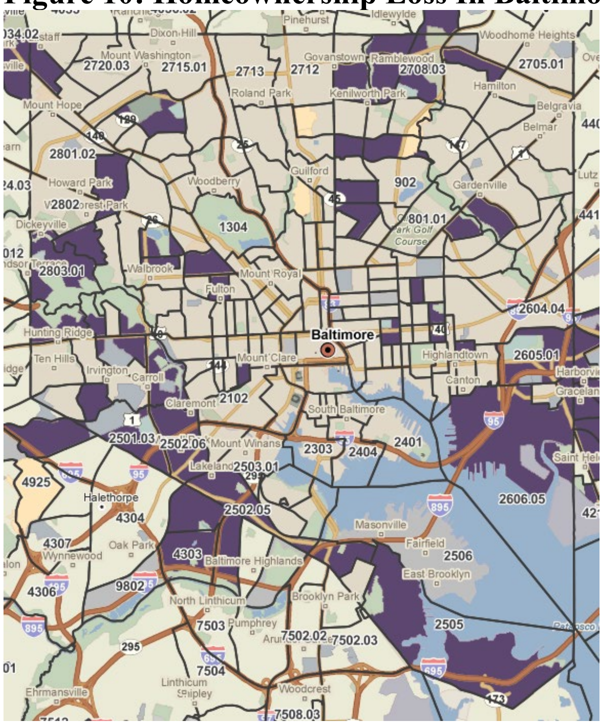
	Homeownership rate		Number of homeowners		% change in number of homeowners
	2000	2016	2000	2016	
Baltimore	50.3%	45.7%	129,869	110,146	-15.2%
Cleveland	48.5%	41.8%	92,535	70,414	-23.9%
Milwaukee	45.3%	40.8%	105,235	93,184	-11.5%
Philadelphia	59.3%	52.1%	349,633	302,498	-13.5%
St Louis	46.9%	43.6%	68,939	60,598	-12.1%

There may be many reasons for the erosion of homeownership in middle neighborhoods, beginning with the decline in middle-income demand reflecting the demographic shifts described earlier. That is far from the only factor, however. Many middle neighborhoods were victimized by subprime lending and foreclosures, a process that as homeowners lost their homes, and lenders subsequently resold them, led to widespread shifts from owner-occupancy to absentee ownership. More recently, impediments to homebuying in the form of the increase in student debt (National Association of Realtors 2017) and in the reluctance of lenders to make mortgages for low value properties, particularly to homebuyers with less than pristine credit, have been recognized, although not addressed.

Since the end of the Great Recession, it has become much harder for moderate and middle-income families, particularly those with less than stellar credit scores, to get mortgages. While nearly 2 out of 5 American households have credit scores under 660, they accounted for fewer than 10% of the mortgages made between 2011 and 2015 (Urban Institute 2016). This problem is exacerbated by the fact that house prices in many struggling middle neighborhoods are extremely low, under and often well under $50,000. As a 2015 report from the Urban Institute pointed out "Getting a mortgage loan for less than $50,000 has never been easy, but it's becoming next to impossible (Seidman and Bai, 2016)".

Figure 10 shows middle neighborhoods in Baltimore (defined in this case as those with 2016 median incomes between 80 and 120% of the citywide median) that lost 10% or more of their homeowners since 2000. A comparison of this map with Figure 2 shown earlier makes clear that most of these neighborhoods have lost significant numbers of homeowners. In some cases, the loss has been dramatic; Pen Lucy lost 34% of its homeowners, and Belair-Edison 33%, between 2000 and 2016. The median middle neighborhood in Baltimore lost 23% of its homeowners during that period.

Figure 10: Homeownership Loss In Baltimore Middle Neighborhoods



Source: PolicyMap

Although some commentators have argued that a shift from homeownership toward rental tenure is not a problem, and perhaps even salutary, we believe that the loss of homeownership in middle neighborhoods may have many negative consequences. The residential stability as well as community engagement more typical of homeowners than of renters is likely to erode, particularly in light of the extreme economic insecurity of the lower income renters likely to replace homeowners in struggling middle neighborhoods. Moreover, particularly in neighborhoods where house sales prices are severely depressed relative to rent levels, absentee landlords are not only unlikely to make the capital investment necessary to maintain aging housing stocks, but may actively "milk" their properties, disinvesting in them to focus entirely on short-term cash flow.

The decline in homeownership in middle neighborhoods is widely coupled with a decline in sales prices, particularly in communities which experienced a housing bubble during the years prior to 2006-2007. The combination of loss of owners and lower house values has led to massive loss of wealth on the part of middle income homeowners, particularly in African-American neighborhoods. A recent study of St Louis middle neighborhoods found that in just one census tract homeowners experienced a loss of over $35 million in home equity between 2008 and 2016 (Mallach forthcoming).

Location, Location, Location

Location assets are a particularly important factor in driving the market opportunities available to neighborhoods. Credible research studies have found that *the single most important factor leading to upward market change in a struggling area is its proximity to a strong neighborhood* (Guerrieri, Hartley and Hurst 2013; Steiff, Fichman and Kassel 2016). Other factors likely to affect demand for a neighborhood include proximity to reviving downtowns and major institutions, and proximity to major, well-maintained and actively used parks and water bodies such as Baltimore's Inner Harbor or St Louis' Tower Grove Park. While in magnet cities the sheer magnitude of demand may lead large numbers of middle- or upper-income buyers to select neighborhoods that lack distinctive proximity assets, In the more competitive environment of legacy cities and their suburban surroundings, where a smaller pool of home seekers can choose from a wide variety of housing types and neighborhoods, places that lack these assets are at a severe competitive disadvantage.

The neighborhoods shown in Figure 10 lack such assets. Even the ones that appear on the map to be along the water's edge are separated from it by highways or industrial uses, in contrast to the reviving waterfront areas closer to Downtown and in Harbor East. Middle neighborhoods, which were built for families for whom the neighborhood's own amenities, such as schools, churches and retail stores within walking distance, were far more important, in an era when jobs – particularly industrial jobs – were more widely dispersed than they are today, whether in cities or their inner suburbs, are likely to be disproportionately at a locational disadvantage.

Public Policy

While it would be unreasonable to claim that public policies, at the state, federal or local levels, are the *cause* of the forces exerting pressure on middle neighborhoods, there is little question that through laws, regulations and their implementation, public policy can play a powerful role in either exacerbating or mitigating many of those forces.

Those policies need not be directed explicitly at middle neighborhoods. Most relevant policies are not neighborhood-specific; indeed, many negative effects on middle neighborhoods can often be seen almost as collateral damage arising from policies enacted for largely or totally different reasons. A prime example is the extent to which public policy fosters the displacement of middle class housing demand further out beyond the boundaries of central cities and inner suburbs.

In a recent study of the Cleveland metropolitan area, Bier (2017) makes two salient points:

(1) From 1960 through 2010, a total of 623,000 new housing units were created within the metropolitan area, while the number of households increased by 336,000; and
(2) The great majority of people who moved during that period moved *up* and *out*; 88 percent of Cleveland movers, and 78 percent of inner suburban movers, moved further out, in most cases buying a newer and more expensive house.

The effect of this, as Bier points out, is that "movers at all income levels selected the best situation they could afford. And at the bottom of the market some of the most undesirable properties […] were left un-rentable, abandoned, and probably destined to be demolished" (p48). While in the early years of the suburban migration, many families moving out of Cleveland were replaced by other families, largely African-American, moving out of substandard housing which was most often beyond repair, in later years, the inexorable pace of suburban overbuilding and outward movement have increasingly undermined one middle neighborhood after another.

The role of public policy in this process is central. It operates through many channels: the fragmented structure of local governments and school districts within metropolitan areas; the absence of any countervailing regional bodies with powers to control the pace or location of development; the extensive (and un-recaptured) public subsidy for roads (financed typically through gasoline taxes) and other forms of infrastructure essential for development at an ever-expanding perimeter; and fiscal laws and regulations that put central cities – and increasingly inner suburbs – at a disadvantage with respect to their ability to finance public services. While in some states those provisions are at least nominally neutral, in Ohio they are openly anti-urban, in such areas as the way government provides tax-advantaged status for households and businesses moving from (mostly urban) cities to (suburban and rural) townships, and in the formula for allocating funds for road and highway maintenance.

Similarly, such features as the home mortgage tax deduction implicitly undermines older neighborhoods in two ways; first, by creating a premium for buying larger and more expensive homes,[10] and second, in that interest on purchase mortgages but not home improvement loans is deductible. The pervasive presence of exclusionary zoning, particularly in more affluent, newer, outer suburbs – despite years of challenges, and some modest changes in a few states like New Jersey or Massachusetts – continues to limit the residential options of lower income households and encourage the creation of poverty concentrations in cities and inner suburbs.

While policies associated with sprawl may be the most extensive and pervasive policies affecting middle neighborhoods, they are far from the only ones. Government regulation of mortgage lending, or rather its absence, contributed greatly to the destabilization of hundreds of middle neighborhoods through subprime lending and the resulting wave of foreclosures, while their re-stabilization is currently being hindered, at least to some extent, by government regulations that act as constraints on new mortgages being made in those same areas.

While some states make a concerted effort to equalize urban fiscal constraints, at least with respect to school spending – New Jersey being the most prominent example – others do not do so, or even do the opposite: in 2014 Illinois and Nevada provided 18 percent and 29 percent *less* respectively to high-poverty districts than to affluent ones (Baker et al 2016). Similarly, while provisions of state charter school laws in Missouri arguably allow charter schools to become vehicles for neighborhood revitalization (Mallach and Beck Pooley 2018), state law in Michigan – which provides for a proliferation of largely for-profit charter schools with little or no accountability – may well exacerbate neighborhood decline in Detroit and other Michigan cities.

All the while, policies and programs designed to benefit cities in general, and to a lesser extent, middle neighborhoods have been enacted, both by the federal government and by some states like New York or New Jersey. The Community Reinvestment Act has been a force for positive change in many areas, while state-level historic tax credit programs that provide incentives for homebuyers fixing up houses in designated historic districts have helped revive some neighborhoods, notably in Baltimore.[11] At the same time, many public sector programs, including subsidized housing programs, do not necessarily benefit middle neighborhoods, and may – depending on how they are administered at the state and local levels – work to their disadvantage.

This discussion could be extended much further, but the purpose of this paper is not to provide an exhaustive inventory of problematic public policies. The salient point is that public policies, usually without explicit intention to affect middle neighborhoods for better or for worse, play a significant role in sometimes mitigating, but more often exacerbating the challenges faced by those neighborhoods.

Declining Demand and the Disproportionate Burden of the African-American Neighborhood

Ultimately, the trajectory of middle neighborhoods will be most strongly driven by the demand for their principal product, their single-family housing stock. While demand is affected by the features of the neighborhoods themselves, which we have discussed above, it is as or more powerfully affected by factors external to the neighborhood, including the extent of potential demand, the competition from other areas, and the roles played by market intermediaries like lenders and Realtors.

As we discussed earlier, the overall demand pool for the traditional urban middle neighborhood and its largely single-family housing stock is shrinking. Changes in the national income distribution have led to fewer middle income households, while demographic shifts have led to there being fewer child-rearing households of all types, particularly those headed by married couples. Two additional factors have led to black middle neighborhoods being disproportionately affected by shrinking demand.

First, despite some change over recent years, market demand is still strongly racially segmented. While black buyers are willing to buy homes in neighborhoods of all racial configurations, and some white buyers are increasingly willing to buy in racially mixed areas, they continue to avoid areas that are predominantly African-American, particularly in those parts of cities that have been defined as distinct racial "territories". As Krysan (2008) writes, "whites mainly search in white communities, while African Americans search in communities with a variety of racial compositions (p581)." The same appears to be true of suburban areas where black populations are increasing (Kye 2018), as well of the likelihood of any individual urban neighborhood seeing market revival in the form of gentrification (Hwang and Sampson 2013). Thus, little of the large white demand pool reaches predominantly black areas, while the smaller black demand pool is dispersed across all of the region's neighborhoods.

Leaving aside the powerful implications of that dynamic from the standpoint of social equity, segregation and wealth, it has a distinct market effect: it means that the pool of potential buyers for houses in African-American middle neighborhoods is far smaller than in mixed or predominately white neighborhoods, creating what could be called a 'segregation tax" that reduces potential demand and depresses sales prices and wealth accumulation. It also means that while market forces may lead to stabilization and upward economic movement in many – although not necessarily all – predominately white middle neighborhoods, they are far less likely to have similar effects in physically or economically similar predominantly black neighborhoods.

The second issue piggybacks on the first. For many reasons, the rate of out-migration of middle income black households from urban areas has increased significantly since 2000, a pattern of "black flight" that in some respects parallels the "white flight" of the 1960s and 1970s. The effect of this trend can be seen in the shift in the distribution of middle-class African-American households (defined here as households earning \$35,000 to \$100,000 in constant 2016 dollars) from the central city to their nearest suburban neighbors since 2000, as shown in Table 13.

Table 13: Change in Number of Middle Class Black Households 2000 to 2016

	2000	2016	N change	% change
Baltimore City	63,427	47,023	-16,404	-25.9%
Baltimore County	29,473	41,312	11,839	+40.2%
St Louis City	23,915	20,027	-3,888	-16.3%
St Louis County	31,131	44,017	12,886	+41.4%
Cleveland	33,288	21,788	-11,500	-34.5%
Cuyahoga County Balance	26,162	32,857	6,695	+25.6%
Detroit	111,540	70,088	-41,452	-37.2%
Wayne County balance	10,264	23,276	13,012	+126.8%

Note: Baltimore County/Baltimore City and St Louis County/St Louis City are separate non-overlapping entities.
Source: 2000 Census and 2012-2106 American Community Survey

Out-migration from black middle neighborhoods simultaneously increases housing vacancies while reducing the demand for housing in those neighborhoods. Many of the properties vacated by homeowners are bought by absentee investors or abandoned by their owners, both outcomes potentially hastening the neighborhood's decline.

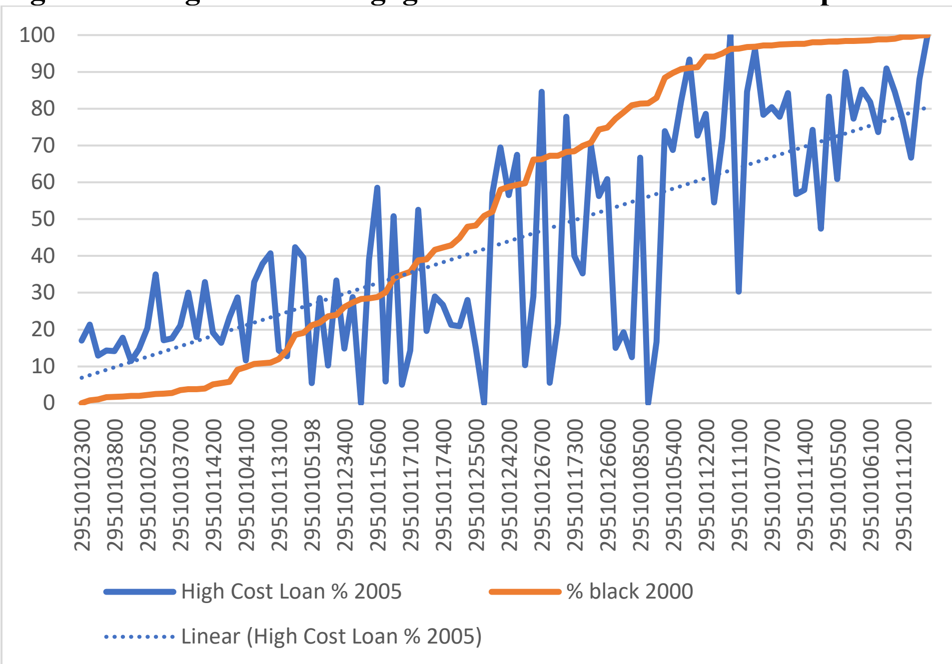
From a market perspective, these neighborhoods are at a competitive disadvantage to other, primarily suburban neighborhoods. While some families moving from black middle neighborhoods may move to other, racially mixed, parts of the same city, the numbers in Table 11 suggest that the great majority moved to the suburbs – or (since in three of the four areas shown suburban growth was much less than urban decline) outside the metropolitan area entirely.

In contrast to high-cost regions like New York or Seattle, where homes in even relatively modest suburbs tend to be out of reach of most working-class families, inner suburbs around cities such as Detroit, Cleveland, or Cincinnati tend to be reasonably priced, and often accessible to families with incomes as low as $30,000. Many of these suburbs, moreover, appear to offer advantages over central city neighborhoods, particularly for families with children. Suburban relocation appears to confer significant marginal benefits with respect to both education and crime, at modest incremental cost. For the two-thirds or more of the urban workforce in many cities who already work in the suburbs, the appeal of moving to the suburbs is clear. We stress "appear to", since those advantages are not always present in reality; while many suburban movers undoubtedly benefit from the moves, many, as in many of the North St Louis County suburbs such as Ferguson into which city residents moved in the 1990s and 2000s, have found themselves arguably worse off than before (Mallach 2018).

Although this trend has yet to receive systematic attention, it has been the subject of journalistic accounts, including in-depth reporting from Philadelphia (Ferrick 2011, Mallowe 2011) and Detroit (Kellogg 2010), as well as more modest accounts from many other cities, including Birmingham, Dallas, Los Angeles, Memphis and Oakland. These accounts add credence to the possibility that cities are losing a critical battle for the people who more than any other have sustained their middle neighborhoods for many decades—the African American working- and middle-class family.

The decline in demand has taken place at a time when black middle neighborhoods were also being hit hard by the foreclosure crisis that followed the subprime lending frenzy of the early years of the millennium. The disproportionate impact of subprime lending on African-American neighborhoods has been widely noted (Rugh and Massey 2010, Faber 2013). Figure 11 illustrates the relationship between subprime lending in 2005[12] and black population share in St Louis; in that year, 74% of all mortgage loans made in neighborhoods that were 90% or more black were high-cost loans, compared to 20% of mortgage loans in areas that were less than 10% black.

Figure 11: High-Cost Mortgage Loans in 2005 and Black Population Share in St. Louis

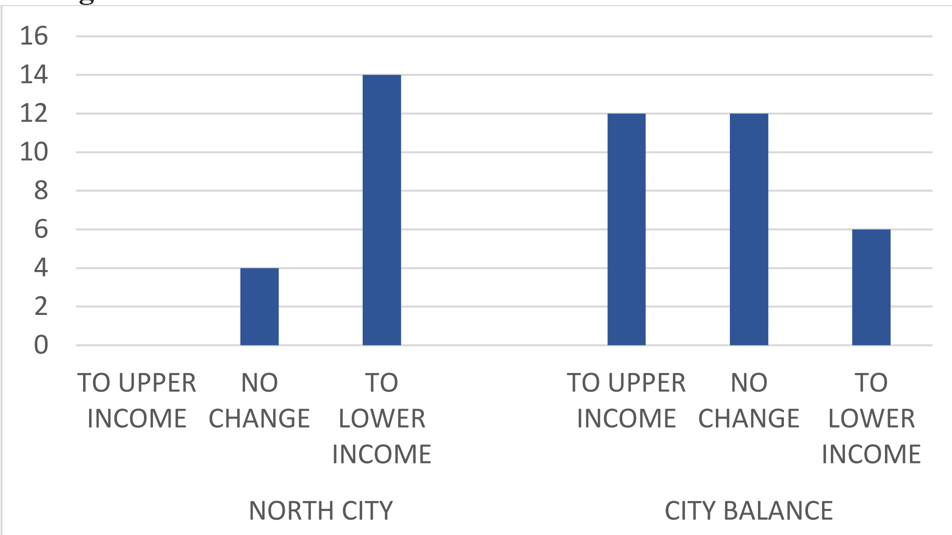


Source: HMDA; 2000 Census

As a result, black neighborhoods were hit particularly hard by the wave of foreclosures subprime mortgages triggered as the housing bubble burst. The impact of foreclosures in African-American communities has been well-documented (Hall, Crowder and Spring 2015). These foreclosures have not only had a severe impact on the lives and wealth of the families losing their homes to foreclosure, including moves to rental housing and often to less-desirable neighborhoods (Molloy and Shan 2011), but also destabilized entire neighborhoods.

The impact of these factors is visible in St Louis. That city is divided between North City, an almost entirely African-American area north of the Central Corridor (shown in Figure 8), the Corridor and South City, a checkerboard of predominately white and racially mixed areas. The trajectories of those areas that were middle neighborhoods (based on median income) in North City in 2000 from 2000 to 2015 were markedly different from those of the middle neighborhoods in the balance of the city (Figure 12).

Figure 12: Contrasting Trajectories of Middle Neighborhoods in St. Louis by Racial Configuration 2000-2016



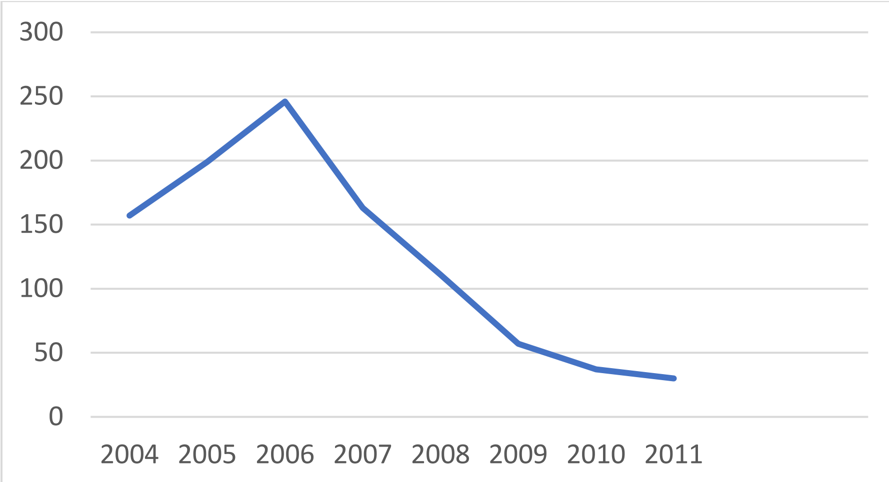
Source: 2000 Census and 2012-2016 American Community Survey

Nearly 80% of the middle neighborhoods in North City moved downward and became lower income neighborhoods by 2015, while none moved upward. In South City, 40% moved upward, 40% remained middle neighborhoods, and only 20% moved downward.

Many of the suburbs to which black families have been moving were similarly impacted by subprime lending. High-cost loans made up 70% or more of all mortgages in a host of small towns and cities south of Chicago, including Harvey, Markham and South Holland. All of these suburban communities, as well as their counterparts outside Detroit, St Louis or Cleveland, were severely destabilized by the subsequent wave of foreclosures, and today face many of the same challenges faced by middle neighborhoods in their nearby central cities.

Finally, the ability to rebuild homebuyer demand in these neighborhoods is further limited by the constraints on mortgage lending that have emerged since the end of the foreclosure crisis, as described above. Figure 13 shows the number of mortgages made by year from 2004 to 2016 in Baltimore's Belair-Edison middle neighborhood. While 250 mortgages in a neighborhood with roughly 4,200 single family houses is arguably too many, and reflects the effect of the subprime binge, the ±30 mortgages made each year since 2011 are far too few to sustain the neighborhood's homeowner base, which has steadily eroded since the foreclosure crisis.

Figure 13: Purchase Mortgages Made in Baltimore's Belair-Edison Neighborhood by Year 2004-2015



Source: HMDA

The foregoing discussion illuminates the challenges faced by middle neighborhoods generally, and predominately African-American middle neighborhoods in particular. Although the in-migration of Millennials and immigrants driving urban revival in many legacy cities is helping some middle neighborhoods counter negative pressures, those migrants are settling in a relatively small number of neighborhoods. Many more continue to be buffeted by the negative pressures of demographic and economic change, aging housing stock, suburban competition and more, all often exacerbated by adverse public policies. In the next section we explore how future trends may affect some of these pressures, either positively or negatively.

Future Changes and Their Potential Impact on Middle Neighborhoods

The preceding section described the trends, some over the past decade and some over much longer periods, that have brought legacy city middle neighborhoods to the state they are in today; a few thriving, some stable, and many others declining or at risk. In this section we look into the crystal ball, and try to suggest how ongoing trends, emerging trends and new directions may affect middle neighborhoods. Such an exercise is clearly speculative. It is offered not to provide firm answers, but to prompt thinking about how the demographic, technological and environmental forces at work today could potentially affect these neighborhoods over the coming decades.

Demographic and Migration Trends

As we look at the different demographic and migration trends over the coming decades, we find a mixed picture; some trends that may work against middle neighborhoods, but others that may potentially benefit some of them.

To the extent that the demand for housing in middle neighborhoods is dependent on drawing child-raising families, one cannot be optimistic. Fertility rates in the United States, after rising slowly during the 1990s and early 2000s, dropped sharply during the Great Recession, and have continued to drop. The 2015 total fertility rate was 1.84, while 2.1 is the rate at which a population remains stable without immigration; demographer Lyman Stone projects the 2018 fertility rate to be 1.77, comparable to the lowest level reached during the "baby bust" of the 1970s (Stone 2017).

That suggests that the number of child-raising households will continue to decline; moreover, recent trends show that the decline is far more pronounced – with respect to both married-couple and other child-rearing households – in legacy cities (Table 14). Although the United States has seen some increase in single parent child-rearing households since 2000 (although far less than the decline in married-couple child-rearing families), legacy cities have seen declines in all categories of child-rearing families. In 2000, Cleveland contained nearly 60,000 child-rearing families; by 2016, the number was under 40,000. If, as appears likely, the national trend toward fewer child-rearing families continues, the decline will be even more pronounced in legacy cities, further weakening housing demand in middle neighborhoods.

Table 14: Child-Rearing Trends for United States and Selected Legacy Cities 2000 to 2016

	United States	Baltimore	St Louis	Cleveland	Philadelphia
Married couples with own children under 18					
2000	25,675,000	27,623	16,717	24,653	82,696
2016	22,188,000	18,385	12,055	11,395	57,054
% change	-13.6%	-33.4%	-27.9%	-53.8%	-31.0%
Other families (single-male or single-female head) with own children under 18					
2000	9,560,000	39,715	21,788	33,829	84,424
2016	10,651,000	30,631	15,061	27,388	67,187
% change	+11.1%	-22.9%	-30.9%	-19.0%	-18.0%

Source: 2000 Census and 2012-2016 American Community Survey

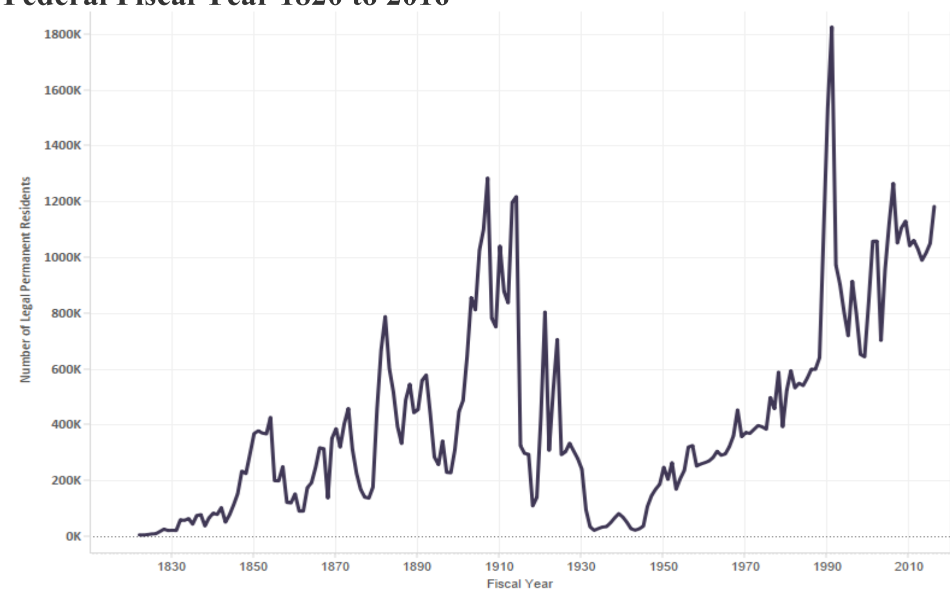
One factor that may counteract some of the decline in this demographic in central cities may be an increased propensity of the educated young people who have been moving to the cities to remain there when they begin to have and raise children, at which point they may consider neighborhoods that did not appeal to them as carefree singles. Data for 2000 to 2016 suggests that a modest "echo" effect may already be taking place, with the population of college-educated adults in the 35 to 44 age group growing faster than the national rate of increase in some legacy cities like Baltimore, Philadelphia, and St Louis, although still much less than the increase in educated adults under 35. With continued growth in the number of young adults, however, whose numbers more than doubled in each of those cities between 2000 and 2016, a larger future echo effect is certainly possible, if far from certain.

While these households' incomes may limit their choices in expensive areas like Seattle or Washington DC, they can choose among the great majority of neighborhoods in legacy cities, as well as many suburban locations. They are likely to seek out neighborhoods that offer good education options and are reasonably safe. While some may be able and willing to spend money upgrading older houses in need of work, they are also likely to select areas that have attractive "curb appeal," in terms of both the houses themselves and the overall neighborhood fabric. While they are a significant potential source of demand over the next couple of decades, the question is whether and which middle neighborhoods will offer the physical environment and quality of life capable of drawing them.

The effect of future immigration is equally uncertain. Immigration has transformed some legacy city middle neighborhoods, but the number is small, reflecting the fact that most legacy cities have lagged national trends in the growth in their immigrant population. Some, however, are catching up – the number of foreign-born residents of both Philadelphia and Baltimore has risen faster than the national rate in recent years, with Philadelphia adding 95,000 foreign-born residents since 2000.[13]

Further immigrant demand for legacy city middle neighborhoods will be a function of first, the levels at which immigration to the United States will take place in the future; and second, the extent to which immigrants will choose to move to and remain in those cities. The number of legal permanent immigrants added annually in the United States has grown steadily since the end of World War II, as can be seen in Figure 14. This steady growth in the number of immigrants has contributed to urban regrowth generally and made possible increased opportunities for revival of middle neighborhoods.

Figure 14: Persons Admitted for Lawful Permanent Residence to the United States, by Federal Fiscal Year 1820 to 2016



Source: Migration Policy Institute

In recent years, however, immigration has become a heatedly-contested political issue, with the administration in place since 2016 more hostile to immigration than any since the 1960s if not earlier. Ironically, the geographic areas in the United States most hostile to immigration tend to be those with modest immigrant populations compared to coastal states like New Jersey or California. Given the importance of immigration to the national economy, some immigration will undoubtedly continue, but the growth trend shown in Figure 14 may flatten or reverse in coming years. The effect of a slowdown in immigration on legacy city middle neighborhoods is likely to be greater in coastal legacy cities like Philadelphia and Baltimore, which are seeing more growth in their immigrant communities than are Midwestern cities like Toledo or Cincinnati, which have yet to draw more than modest immigrant populations.

Changes in Workforce and Transportation

While demographic and migration trends tend to shift only gradually over time, changes in workforce and transportation are a different matter Both sectors are likely to be significantly affected by technological change in coming years. However disruptive that change may be, though, their impacts will not be simply a matter of technology but the product of interaction between new technologies, the economy and the society. Thus, predictions of radical change – either utopian or dystopian – based entirely on the *potential* disruptive power of new technologies may turn out to be wildly inaccurate because of countervailing social or economic forces. Then again, they may come true.

The two principal areas in which emerging technologies are expected to have a significant effect over the coming years both have to do with the growing capabilities of artificial intelligence and robotics: to replace a significant part of the human workforce, and to make possible autonomous or self-driving vehicles. The latter change will not only displace large numbers of workers, but could potentially transform transportation systems, land use and location choices.

Both may have significant implications for middle neighborhoods. The mid-level job, whether in manufacturing, services or commerce, has always been the mainstay of the middle neighborhood. As we have noted earlier, the uncoupling of the city's jobs from its residents, and the decline in the number of jobs held by city residents, is a source of stress in many middle neighborhoods. A recent study by Price Waterhouse Cooper estimated that 38% of the jobs in the United States were at high risk of being lost through automation by the mid-2030s (Hawksworth, Berriman and Goel 2018). While new jobs will be created at the same time, it is hard to predict how many, and the extent to which they will be available to the residents of legacy city middle neighborhoods. If the number of mid-level jobs; that is, jobs that do not require advanced degrees or specialized skills but which still pay enough to support a family, should decline further as a result of technology, that will further undermine the vitality of those neighborhoods. Conversely, if large numbers of new mid-level jobs are created, also a possibility, that could benefit middle neighborhoods but only if educational and workforce training opportunities exist to enable people to obtain the skills needed to qualify for the new jobs being created.

Autonomous vehicles are an even greater source of uncertainty. It is widely expected that within five to ten years, self-driving vehicles – cars, trucks and buses – will be in general use in the United States. If this happens as predicted, it could have pronounced effects on both job opportunity and location preferences. With respect to jobs, in 2016, 4.7 million Americans held jobs in which driving a car, truck or bus was the sole or principal function,[14] making up slightly more than 3% of the total national workforce. Not only is 3% a larger share of the total workforce than it seems (think about the difference between 5% and 8% unemployment), but these jobs represent a much larger share of the pool of mid-level jobs as defined above, including those held by people of color. Their loss would disproportionately affect middle neighborhoods.

The effect of self-driving vehicles on land use and location preferences is harder to predict. By eliminating the cost of drivers, which make up most of transit agencies' operating budgets, autonomous buses and vans could enable them to expand both the reach and frequency of bus service in currently under-served urban and suburban areas. They will have less effect, however, on more capital-intensive forms of transit such as light rail or BRT (Bus Rapid Transit), which have far more effect on property values and location preferences (Rosiers et al. 2010; Zuk et al. 2015).

Self-driving vehicles may have a far greater locational effect by reducing the duration[15] and by eliminating much of the unpleasantness of car-based journeys to work. That, in turn, could encourage greater sprawl, and further reduce use of public transportation. While it is unlikely to have much effect on the preference many young adults have for high-density urban centers – where transit is only a small part of a multi-faceted bundle of assets – it may have a significant effect on their location choices as they begin to raise families, potentially to the disadvantage of urban locations, making many middle neighborhoods – particularly those without distinctive assets – even less competitive.

Environmental Change

It appears all but certain that over the coming decades the world will begin to undergo a series of dramatic, even traumatic, environmental changes under the all-encompassing rubric of climate change. Within an overall warming trend, the world is likely to see a steady rise in sea levels, greater weather variability (some areas may become colder as others become much hotter), more catastrophic storms, desertification and fresh water shortages. In a few cases, one can predict specific impacts with some credibility. The Southwest will become hotter and drier, while low-lying coastal cities like Miami or Norfolk, Virginia will face existential threat from rising sea levels.

Beyond this, prediction is problematic. While most legacy cities, which tend to be in northern, colder climatic zones with access to ample sources of fresh water, may experience little damage directly from climate change, it is doubtful that they will benefit in any significant way from their seemingly-advantaged position. The notion that millions of people will leave Phoenix or Albuquerque as temperatures gradually rise and return to their parents' or grandparents' homes in Detroit or Cleveland is fanciful at best.[16]

Although the direct effects of climate change on cities like Cleveland or Buffalo may be relatively modest, looking at these cities in a larger national and global context, the prognosis is less benign. Ultimately, the prospects for revival of these cities are dependent on a healthy global and United States economic environment, as well as continued resources flowing to higher education and health care, the bedrock of most legacy cities' economic base today. Over the long-term, climate change is likely to undermine global and national economies, increase international conflict, and reduce our nation's ability to sustain sectors like higher education and health care at current levels. As that takes place, all those who depend on that economy and those resources will suffer. If history is any guide, communities that are poorer, more socially stressed and less resilient to begin with, will suffer more.

There is little that a middle neighborhood in St Louis or Baltimore can do to address climate change directly, except to become a stronger, more vital and more regionally competitive neighborhood, things it should do even if climate change were no more than a mirage. Cities and metropolitan areas that focus on building long-term sustainability – including economic diversification, building human capital and strengthening their social fabric – are likely to fare better in an increasingly stressed national and global environment, as are their neighborhoods.

Key Strategies for the Revival of Middle Neighborhoods

The foregoing discussion of middle neighborhoods offers a strong basis for a series of strategies for the revival of middle neighborhoods; these strategies, in turn, can become the framework for specific recommendations for policymakers and practitioners.

Make Middle Neighborhood Central to Local Planning and Revitalization Strategies

Middle neighborhoods have often been little more than an afterthought in the thinking of local governments and their institutional and non-profit partners about revitalization, neither offering the visible opportunities of downtowns and reviving neighborhoods nor distressed enough to appear to need special attention. This is a serious mistake. The future of middle neighborhoods is critically important to the future vitality of legacy cities, and their widespread decline threatens those cities' health and stability. Addressing middle neighborhoods does not mean neglecting seriously disinvested low-income areas, nor does it create what some might see as a backdoor to gentrification. Making them a central element in local government's planning is about preserving a valuable physical and social asset that benefits the entire city.

Prioritize Increasing Capital Access

A steady flow of capital is the lifeblood of neighborhood stability, providing resources that make possible homebuying, home repairs, vacant property rehabilitation, and small business creation. When homebuyers have difficulty getting mortgages, owners can't finance upgrades and developers have trouble financing rehabilitation or construction projects, the stability and revival of struggling middle neighborhoods are further constrained, particularly those that already have low property values. State and local government should actively work with lenders and regulators to improve access to capital for middle neighborhoods.

Design Context- and Market- Sensitive Strategies

One size does not fit all. As we have shown in this paper, middle neighborhoods vary widely by location, physical form, demographics, migration, and variations in citywide and regional conditions. In some cases, the most urgent need is to halt a trajectory of decline, while in others it is to preserve and sustain a fragile stability or revival. The strategies and interventions that are likely to be effective in one neighborhood or under one set of market conditions may be much less effective in others. Neighborhood-based strategies—whether in middle neighborhoods or elsewhere—must be grounded in solid data about the neighborhood and its place in the citywide and regional environment, including careful investigation not only of market trends and conditions but social factors such as its levels of social capital and collective efficacy.

Support Bottom-Up Community Efforts

Neighborhoods are as much or more social as physical entities. Strategies that focus entirely on physical improvements, and that fail to take account of and focus on the neighborhood's social fabric may have limited or sometimes problematic outcomes. High levels of social capital in a neighborhood can be an important means of promoting stability and staving off decline, while rebuilding social capital may help reverse an area's downward trajectory. Such processes are inherently 'bottom-up' processes, that flow from the neighborhood itself rather than from the top down. Local and state governments should actively support neighborhood-driven efforts to build and sustain strong community social fabrics, while thoroughly integrating meaningful resident engagement into the design and execution of programs to improve physical conditions and foster homeownership.

Build Greater Understanding Through Targeted Research

The forces at work on these neighborhoods still generate more questions than answers. Why do some continue to thrive while others decline? Which strategies work under what conditions to stabilize or revive middle neighborhoods? What makes them effective? Research can increase our understanding of the conditions of middle neighborhoods and the forces affecting them, in turn informing policy and practice. It can also help address specific issues and questions, where answers are needed to build more effective policies and practices on the ground, as well as evaluate existing policies and practices, and provide better data on what works and what doesn't. Research can also help encourage a constructive, focused discussion of middle neighborhoods – an essential pre-condition to effective policy formulation – by providing greater clarity and specificity of what they are, how extensive they are, the extent to which they are at risk, and their value to the cities and metros in which they are located. A systematic research effort should be a national priority, focusing on questions that add actionable value to the work of practitioners and policymakers. Appendix 1 to this paper outlines the scope of the elements that should make up a comprehensive middle neighborhoods research strategy.

Appendix
Elements in a Comprehensive Middle Neighborhoods Research Strategy

Increasing Our Understanding of Middle Neighborhood Conditions and Trends

While we have a general understanding of what middle neighborhoods are, the serious nature of the challenges they face and the implications of those challenges, we need to flesh out that understanding, and in particular understand the *differences* between neighborhoods, so that policy and practice do not fall into the 'one-size-fits-all' trap. Work in this area appears to fall into five distinct, although closely related, categories.

- *Defining middle neighborhoods*

We must continue to grapple with the question of definition, recognizing that there is not likely to be a single definitive answer to the question, and that different communities may wish to adopt different definitions based on local conditions. That said, it appears that exploring multi-factor definitions that look at combinations of economic and social factors, or that combine housing market measures with socio-economic ones, may offer greater clarity in terms of what is meant by a "middle neighborhood".

- *Developing middle neighborhood typologies*

Middle neighborhoods, while different, are different in a finite number of ways, which tend to fall into broad categories. More effective policies and practices are likely to be enhanced by an understanding of those categories, and the ability to zoom in on the most salient features of a neighborhood. Key questions are whether neighborhoods should be categorized by their *condition* or by their *trajectory*; and if by condition, by what aspects of their condition, such as location, land uses and physical character, housing market, or the economic, demographic or social character of the population.

- *Understanding middle neighborhood trajectories*

As discussed earlier, some middle neighborhoods are reviving or gentrifying, others are declining, and a few appear to be reasonably stable. While we have some idea of what factors are associated with these different trajectories, our understanding of those factors is in many respects incomplete. We need to develop a more systematic, comprehensive understanding of the factors that drive neighborhood trajectories, and how they affect neighborhoods with different locational, physical, economic and social characteristics.

- *Identifying middle neighborhood tipping points*

Closely related to understanding neighborhood trajectories is understanding neighborhood tipping points, either the point when a trajectory shifts – when a hitherto stable neighborhood begins to move upward or downward, or a declining neighborhood stabilizes; or inflection points within a given trajectory – when the slope or velocity of change significantly shifts. We need research both on identifying these tipping points, and better understanding the triggers behind them.

- *Understanding the economic role of middle neighborhoods*

The different roles that different middle neighborhoods play in their citywide and regional economies can benefit from further research, in order better to understand how economic activity in middle neighborhoods, as well as the nature of their connection to the regional economy, may affect middle neighborhood conditions and trajectories.

- *Quantifying the benefits of middle neighborhoods and the harm of continued neglect*

While the value of middle neighborhoods has been described in general terms both in this paper and in Brophy et al (2018), these descriptions are generalized and unlikely to influence the thinking of those not already well-attuned to this issue. We need to be able to quantify hat value for residents, for neighborhoods and for the city as a whole, as well as measure the negative social, economic and fiscal harms being done by the continued decline of many middle neighborhoods, in order to provide a solid basis to advocate for more proactive policies and more focused resource allocation to middle neighborhoods.

Increasing Our Understanding of Specific Middle Neighborhood Issues and Challenges, and the Effect of Interventions

In addition to the general themes described above, there are many specific areas where research can be valuable in expanding our understanding of how different factors and interventions affect middle neighborhoods, thus pointing the way to designing more effective policies and practices to stabilize and revive these areas. In contrast to the more fundamental research needed to address the general questions, the research in this area is likely to focus more on operational research and program evaluation.
The areas identified below are not meant to be a comprehensive list of all relevant issues, but are those that have already been identified by middle neighborhood practitioners as matters of concern in our initial explorations of this question. As the discussions within the community of practice continue, more subjects will undoubtedly be added to this list.

- *Capital access*

Access to capital, for a wide variety of activities, has been widely identified as a critical need in the stabilization and revival of middle neighborhoods. In order to help design policies and strategies to increase access to capital, research can better define the areas in which it is needed, identify the specific conditions creating barriers to capital access at present, quantify the amounts of capital likely to be needed, and design models or mechanisms by which capital flows can be created, all within a framework of a realistic understanding of the legal and other dynamics governing the financial industry.

- *Code enforcement and rental housing*

The increase in rental housing in middle neighborhoods' single-family stock since the foreclosure crisis, and the increased presence of problem landlords and substandard housing, have been identified as significant factors in the destabilization of many neighborhoods. While different strategies, many of them using code enforcement and related regulatory powers, have been proposed – and in some cases adopted – we do not fully understand what strategies are likely to be effective either in improving housing quality or stabilizing neighborhoods, and under what conditions they are likely to be most effective. This information is critically needed to help inform local government policy as well as strategies by neighborhood-based organizations.

- *Homeownership*

The corollary to the increase in rental housing in many middle neighborhoods has been an often-precipitous decline in the number of homeowners and the homeownership rate. While this decline is widely and probably accurately seen as having destabilized many neighborhoods, the relationship between homeownership and neighborhood stability is largely derived by inference rather than directly, the mechanics of the process by which loss of homeownership leads to decline are not fully understood, and the impacts not well measured. Better answers to these questions could not only lead to more effective policies and strategies, but also to building a stronger consensus around the value of homeownership interventions.

- *The role of schools and education policy in neighborhood stability*

Schools have historically played an important role in neighborhood stability, and yet many of the connections between the two, and between neighborhood stability and specific education strategies, are not well-understood. Recent research has suggested that some school choice programs may be leading to the ''decoupling" of housing and schools (Barnum 2018). The proliferation of charter schools, voucher programs, 'Promise' programs,[17] and more all suggest that the school/neighborhood dynamic has become substantially more complex than traditional models would suggest. While there is growing social science interest in these issues, research is needed to untangle these relationships, and specifically to explore both how they affect middle neighborhoods and how policymakers can use emerging education initiatives as strategies for neighborhood stabilization.

- *The effect of market-building interventions*

Market weakness has been widely recognized as a major challenge for many middle neighborhoods. In recent years, an extensive menu of interventions has been pursued in to stabilize and revive different neighborhoods, including such activities as neighborhood marketing and branding, home improvement programs, model block programs, homebuyer incentives, mortgage programs, and home equity protection insurance. While there are anecdotal reports of success, there has been little or no systematic research into their effects, both what works in general, and more importantly, what works *in what types of neighborhoods, and at what points in neighborhood trajectories.* Research on the effects of various neighborhood interventions, including their return on investment, and greater ability to distinguish their effects from that of other things going on at the same time, is urgently needed to both inform policy and make the work of practitioners more productive. At the same time, we need to develop more refined understandings of the extent to which market-building interventions trigger what can be characterized as gentrification, and the extent to which this creates problematic, as well as positive neighborhood outcomes.

All of this represents an ambitious research agenda. One important preparatory step to carrying out this agenda is the development of a database on middle neighborhoods, for a large enough number of different cities to make comparisons possible. Such a database should include not only data available for all cities from sources such as census, ACS, HMDA or On-the-Map, but should link it to local databases such as NEO CANDO in Cleveland or the Memphis Property Hub. The existence of that database will greatly facilitate conducting any of the research projects described above.

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Endnotes

[1] We recognize that the ACS data for house value, being based on self-reporting, is a far from reliable measure of actual house value as reflected in market sales; indeed, in most urban areas, the latter is substantially lower. For purposes of this analysis, however, there is no compelling reason that the data does not provide an adequate measure of *relative* house value among the census tracts within a single city.

[2] The rationale for this particular range is that 20% is widely considered the minimum threshold for areas of concentrated poverty, while 12% (rounded from 12.08%) represents 80% of the national poverty level as measured by the 2012-2016 Five Year American Community Survey.

[3] Census Tract 42

[4] The median age of homeowners in the United States (2012-2106 ACS) was 56, similar to the two stable tracts. The median age of homeowners in Lasalle was 64, and in Lawrenceville 48.

[5] Despite the clear significance of immigrants to neighborhood change in large numbers of American cities, there has been surprisingly little systematic research on this subject; the first extensive treatment of immigrants and neighborhood change, an edited volume of papers, appeared only 2017 (Vitiello and Sugrue 2017).

[6] For historic reasons, the dominant house form in similar neighborhoods in a coastal belt including northern New Jersey and coastal New England was the two- and three-family house, in which the units were stacked on one another. In Boston, they are known as “triple-deckers.” Such houses, while not unheard of, make up a more limited part of the residential stock in other American cities.

[7] Estimates of residential structures were derived by using the data for units in structures from the 2006-2011 American Community Survey. Because the data are presented in ranges (3-4, 5-9, 10-19, etc.), I estimated the number of structures by taking the midpoint of each range. For buildings containing 50 or more units, I used 75 as the average for that category.

[8] Bischoff and Reardon estimate that approximately 2/3 of the effects of economic sorting are attributable to changes in the distribution of incomes, and 1/3 are independent of those changes.

[9] See https://nwrochester.org/tag/home-improvement/

[10] The recently enacted cap on the size of deductible mortgages will have little impact in the regions in which the great majority of legacy cities are located, because few properties in these regions are priced above the cap.

[11] The Federal historic preservation tax credit has little impact on residential neighborhoods because it applies only to income-producing properties. It has had a major impact on downtown revitalization in many cities.

[12] This year was selected because it was the last full year before the initial market downturn began.

[13] Figures for foreign-born residents, whether national or local, are likely to be underestimates, because of the extent to which immigrants, particularly undocumented immigrants, tend to be undercounted in the census and ACS.

[14] One of the ACS categories included in this total is “driver/sales workers and truck drivers”.

[15] AI capabilities will allow traffic to move smoothly even on highly congested roads, thus eliminating traffic jams and delays associated with congestion. Of course, this benefit will only be realized at the point when all or nearly all of the vehicles on the roads are autonomous vehicles.

[16] I discuss my reasons for reaching this conclusion in further detail in an Island Press blog post entitled "Escaping Climate Change: Not So Simple" from Dec. 7, 2016, available at https://islandpress.org/blog/escaping-climate-change-not-so-simple

[17] Promise programs generically are programs in which all or part of the cost of college education is covered for graduates of the local high school by third parties. They vary widely in terms of eligibility criteria and the extent of what they cover. The pioneering program, and still one of the most outstanding, is the Kalamazoo Promise, which has been active since 2006; it has led to increased enrollment in the Kalamazoo public schools, but its effect on house prices appears limited (Miller forthcoming)