

THE FUTURE OF AMERICA'S MIDDLE NEIGHBORHOODS

SETTING THE STAGE FOR REVIVAL

By Alan Mallach

The dramatic rise of American industry in the nineteenth and twentieth centuries drew millions of workers into U.S. cities, triggering expansion of the nation's urban middle and industrial working classes. Across the country, “middle neighborhoods” sprang up to house these middle-income households: blocks of single-family homes connected by busy arterial streets, with businesses, houses of worship, public schools, and distinct ethnic or racial identities that sustained a social fabric paralleling their physical form.

Despite ongoing challenges, many of these neighborhoods survive today. Containing 25 to 40 percent of the population of most older cities, they remain a major part of the urban life and economic viability of their cities, especially in postindustrial hubs known as “legacy cities.” In an era of increasing polarization and inequality, these still-diverse middle neighborhoods also offer opportunities to striving working-class, minority, and immigrant families. They

also contain valuable urban assets: homes, infrastructure, utility systems, parks, schools, community centers, and commercial and industrial buildings.

In recent decades, however, the trajectories of America's middle neighborhoods have diverged. Many in “magnet” cities like Seattle, Washington, or Washington, DC, have seen impressive revival or gentrification, but, in legacy cities like Baltimore, Maryland, or Cleveland, Ohio, middle neighborhoods often face decline. The resulting losses—of jobs, people, real-estate value, and more—threaten these cities' futures, and addressing decline before it becomes irreversible is no easy task.

Often overlooked, middle neighborhoods matter—both to the people who live in them and to their cities and regions—and solutions demand engagement not only from the neighborhood itself but also from the city, region, and state. Nothing less than the fate of millions of people and dozens of cities lies in the balance.

“Middle neighborhoods” sprang up to house middle-income families drawn to U.S. cities by the dramatic rise of industry in the nineteenth and twentieth centuries.

Single-family homes on Loughborough Avenue in Carondelet, a stable middle neighborhood in St. Louis, Missouri. Credit: prettywar-stl/Flickr.



Middle Neighborhoods in Transition

Middle neighborhoods face powerful forces of change that threaten their vitality and have already pushed many into decline. While some of these factors (such as national demographic shifts) may be beyond the influence or control of local stakeholders, other factors (such as public policy) call for creative local initiatives. Understanding these changes is key to navigating them.

DEMOGRAPHIC, SOCIAL, AND ECONOMIC SHIFTS

The traditional urban middle neighborhood was designed for married couples raising children, which in 1960 included up to 45 percent of all households living in legacy cities. As of 2016, however, the number of such households had declined nationally to 19 percent—and far more in some cities, falling to 9 percent in Pittsburgh and just 7 percent in Cleveland.¹ A comparable alternative source of demand for these neighborhoods has yet to emerge.

At the same time, middle neighborhoods are further undermined by powerful economic trends at the national level:

- Greater income inequality has thinned out the middle class, leaving fewer such households to fill these neighborhoods;
- “Income sorting,” or increased residential segregation by income level, multiplies the effects of inequality; and²
- The changing character of the economy and workforce has eroded jobs and opportunities for workers in legacy cities.³

Furthermore, as powerful changes ripple through American society—including declining fertility rates, changes in immigration policy, technological shifts, and climate change—the effects on middle neighborhoods will be impossible to predict.

SPATIAL AND PHYSICAL CHALLENGES

Locational assets drive neighborhood change. In fact, the single most important factor in upward market change for a struggling area is proximity—to strong neighborhoods, downtowns, major institutions, or well-maintained parks and bodies of water. Because most middle neighborhoods were built with amenities such as schools, houses of worship, and retail stores within walking distance, these areas are often at a locational disadvantage.⁴

Once-high homeownership rates in these neighborhoods have been eroded, reflecting demographic shifts as well as the devastating effects of subprime



The 4500 block of Mary Avenue in the historically African-American O'Fallon neighborhood on the Northside of St. Louis, Missouri. Credit: Michael Allen.

lending and the foreclosure crisis, which hit these neighborhoods disproportionately hard. Even as demand has reemerged, lower sales prices and severe constraints on mortgage access have led to a massive loss of wealth by middle-income families, particularly in the African-American neighborhoods that were hit hardest. As housing continues to age, weak demand and low property values make rebuilding and repopulating these neighborhoods increasingly difficult.

THE DISPROPORTIONATE BURDEN OF AFRICAN-AMERICAN MIDDLE NEIGHBORHOODS

After the “white flight” of the 1960s and 1970s, many urban middle neighborhoods were repopulated by middle-income African-Americans, and these remained viable communities for decades. Since 2000, however, they have lost disproportionate ground after being targeted by subprime lenders and devastated by the 2008 foreclosure crisis.⁵ Since then, many such neighborhoods have seen homeownership erode and property values collapse. Thousands of homeowners lost most of their wealth, while many fled cities for nearby suburbs.

The pool of prospective buyers is far smaller than in whiter middle neighborhoods, reflecting the painful reality that few white families buy homes in predominantly African-American neighborhoods, and buyers that do emerge find it hard to obtain mortgages. In cities such as Detroit, Michigan, hundreds of once-vital neighborhoods are in deep decline, with devastating impacts on their residents' quality of life, the wealth of African-American families, and the social health of their cities.

Middle Neighborhood Types

	REVIVING	STABLE	IMMIGRANT DESTINATION	DECLINING
Market and Homeownership Trends	More affluent, younger households replace older homeowners and some tenants as house prices rise steadily	Young buyers largely replace aging homeowners of similar income levels, as both homeownership and house prices remain relatively stable	Immigrants replace older residents, with effects that vary based on specific populations	Investors replace departing homeowners, as vacancies rise and house prices that have already fallen remain low or very low
Racial and Ethnic Composition	Predominantly white or mixed, often with declining African-American populations	Mostly white or mixed, with varying transitional trends and rising African-American populations in some areas	Racial and ethnic variety, with varying transitional trends based on specific populations	Disproportionately African-American, with overall population decline
General Physical Form	Established neighborhoods with attractive or distinctive older housing stock	Smaller and newer “starter” homes	No consistent patterns, but often “starter” homes	No consistent patterns, but often modest, older housing stock in some areas
Location	Close to downtown or other important locational assets	City periphery or inner-ring suburbs, close to amenities and employment	City periphery or inner-ring suburbs, with varying amenities and locational assets	City periphery or inner-ring suburbs, with few amenities or locational assets

Middle Neighborhoods in St. Louis

The trajectories of middle neighborhoods in St. Louis illustrate a range of challenges and opportunities. In recent decades, the populations of middle neighborhoods in the city have shrunk; some have revived, some declined, and a few remained stable. These trends, however, have proven uneven.

Many racially and ethnically mixed Southside neighborhoods like Shaw or Fox Park, once struggling, have rebounded with rising property values and an inflow of young home buyers.

But middle neighborhoods in the predominantly African-American Northside, like O’Fallon or Penrose, have declined. Despite their handsome houses on tree-lined streets, they also lack the proximity that Southside neighborhoods have to the Central Corridor, where the city’s major universities, medical centers, and downtown are located.

Unless concerted, immediate action is taken, St. Louis could lose many of its finest neighborhoods—and much of its African-American middle class.

Recommendations

MAKE MIDDLE NEIGHBORHOODS CENTRAL TO PLANNING AND REVITALIZATION

American local governments have often neglected middle neighborhoods, but they are critical to the future health and stability of legacy cities. Addressing them does not mean neglecting seriously disinvested low-income areas, nor does it create a back door to gentrification. Preserving these valuable physical and social assets benefits the entire city.

INCREASE CAPITAL ACCESS

When home buyers and owners have difficulty getting mortgages or funds for property upgrades, it further impedes the stability and revival of struggling middle neighborhoods—particularly those with already-low property values. Local and state governments should actively work with lenders and regulators to improve access to capital for middle neighborhoods.

DESIGN CONTEXTUAL, MARKET-SENSITIVE STRATEGIES

One size does not fit all. Middle neighborhoods vary widely by location, physical form, demographics, migration, and citywide and regional conditions. Strategies and interventions that may be highly effective in one neighborhood or set of conditions may be much less effective in others. Neighborhood-based strategies—in middle neighborhoods and elsewhere—must be grounded in solid data on each neighborhood's social capital, collective efficacy, and market trends.

SUPPORT BOTTOM-UP COMMUNITY EFFORTS

Neighborhoods are social as well as physical entities, and robust social capital can promote stability and stave off decline. Local and state governments should support neighborhood-driven efforts to build and sustain strong communities in conjunction with programs to improve physical conditions and foster homeownership.

BUILD GREATER UNDERSTANDING THROUGH TARGETED RESEARCH

Middle neighborhoods still raise more questions than answers: Why do some thrive while others decline? Which strategies work under what conditions to stabilize or revive them, and why? A systematic research effort should answer these questions and more in ways that add value to the work of practitioners and policy makers.



The intersection of Ferry and Jackson Streets in the Ironbound neighborhood of Newark, New Jersey, a destination for immigrant communities. Credit: Paul Sableman.

This policy brief is based on the working paper by Alan Mallach, "America's Middle Neighborhoods: Setting the Stage for Revival" (Cambridge, MA: Lincoln Institute of Land Policy, 2018).

- ¹ Data from the 1960 U.S. Census and 2012–2016 Five-Year American Community Surveys.
- ² The phenomenon of "economic sorting" has been well-documented. See Sean Reardon and Kendra Bischoff, "Growth in the Residential Segregation of Families by Income" (report, US2010 Project, Russell Sage Foundation and Brown University, 2011); Kendra Bischoff and Sean F. Reardon, "Residential Segregation by Income, 1970–2009" (report, US 2010 Project, Russell Sage Foundation and Brown University, 2013); and Jason C. Booza, Jacqueline Cutsinger, and George Galster, "Where Did They Go? The Decline of Middle-Income Neighborhoods in Metropolitan America" (Washington, DC: The Brookings Institution, 2006).
- ³ See Alan Mallach, "The Uncoupling of the Economic City: Increasing Spatial and Economic Polarization in American Older Industrial Cities," *Urban Affairs Review* 51, no. 4 (2015): 443–473.
- ⁴ See Veronica Guerrieri, Daniel Hartley, and Erik Hurst, "Endogenous gentrification and Housing Price Dynamics," *Journal of Public Economics* 100 (2013): 45–60.
- ⁵ See, among others, Jacob W. Faber, "Racial Dynamics of Subprime Mortgage Lending at the Peak," *Housing Policy Debate* 23 (2103):2, and Jacob S. Rugh and Douglas S. Massey, "Racial Segregation and the American Foreclosure Crisis," *American Sociological Review* 75, no. 5 (2010): 629–651.