
Coping with change: Cities, neighborhoods and the knowledge economy

Joe Cortright

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Storefronts and job growth

Earlier this week, we introduced the Storefront Index, a measure of the location and clustering of customer-facing retail and service businesses. A primary use of the index is to identify places th... →

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The Storefront Index

As Jane Jacobs so eloquently described it in *The Death and Life of American Cities*, much of the essence of urban living is...

[Joe Cortright](#) | 26.4.2016

[Full Report →](#)

What Matters to the Success of Cities

Economic Opportunity

A key measure of economic success

Talent & Prosperity

Talent drives city success: The biggest

Development Strategies

What are the policies and practices

Less in Common

The essence of cities is bringing people—from all walks of life—together in one place. Social interaction and a

Synopsis

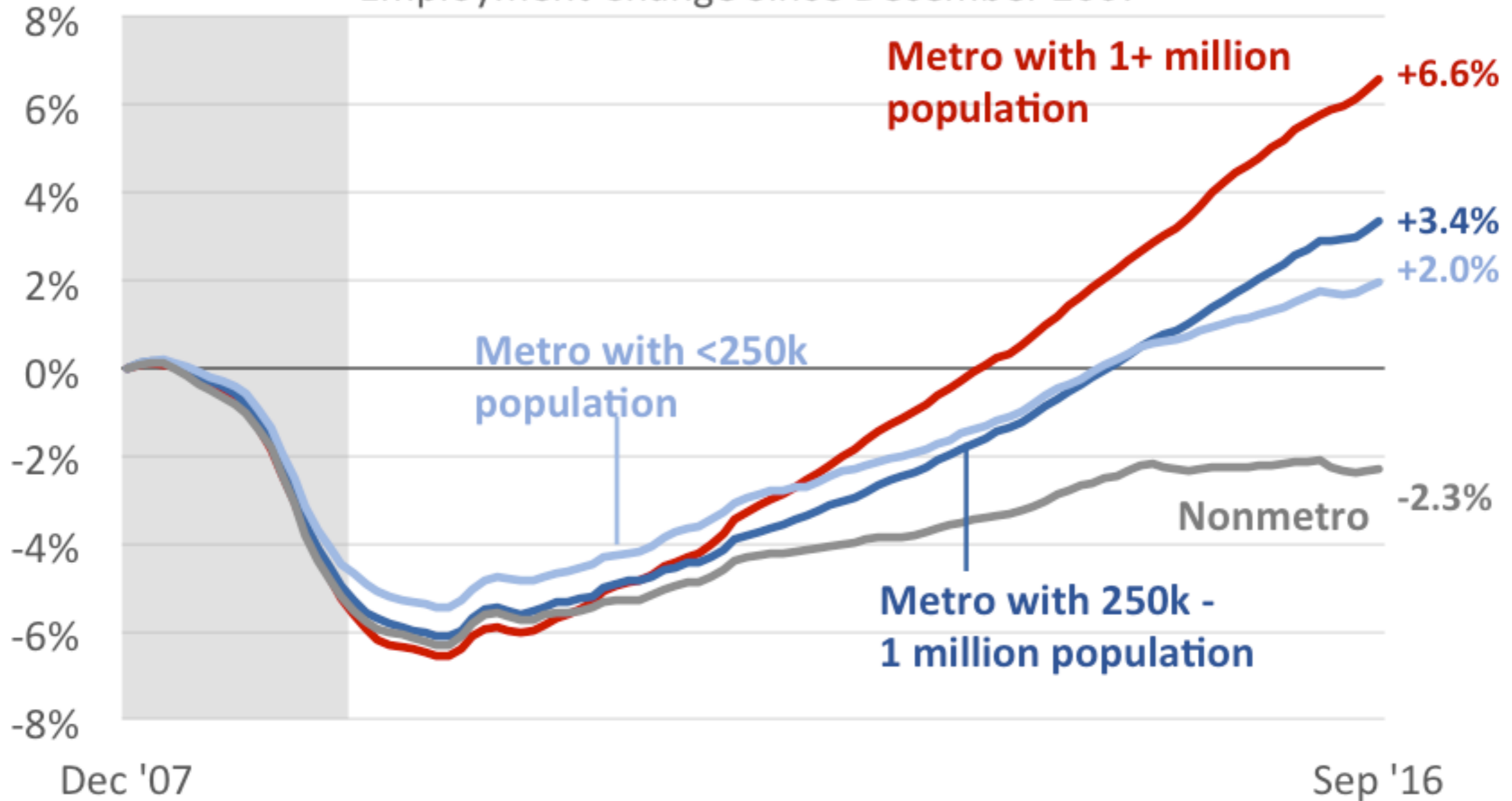
- Urban economics
- The knowledge economy of cities
- Place and opportunity
- Gentrification: what we know
- Policy choices

Urban economics

City economies drive US growth

Metro Size and the Great Recession

Employment Change Since December 2007

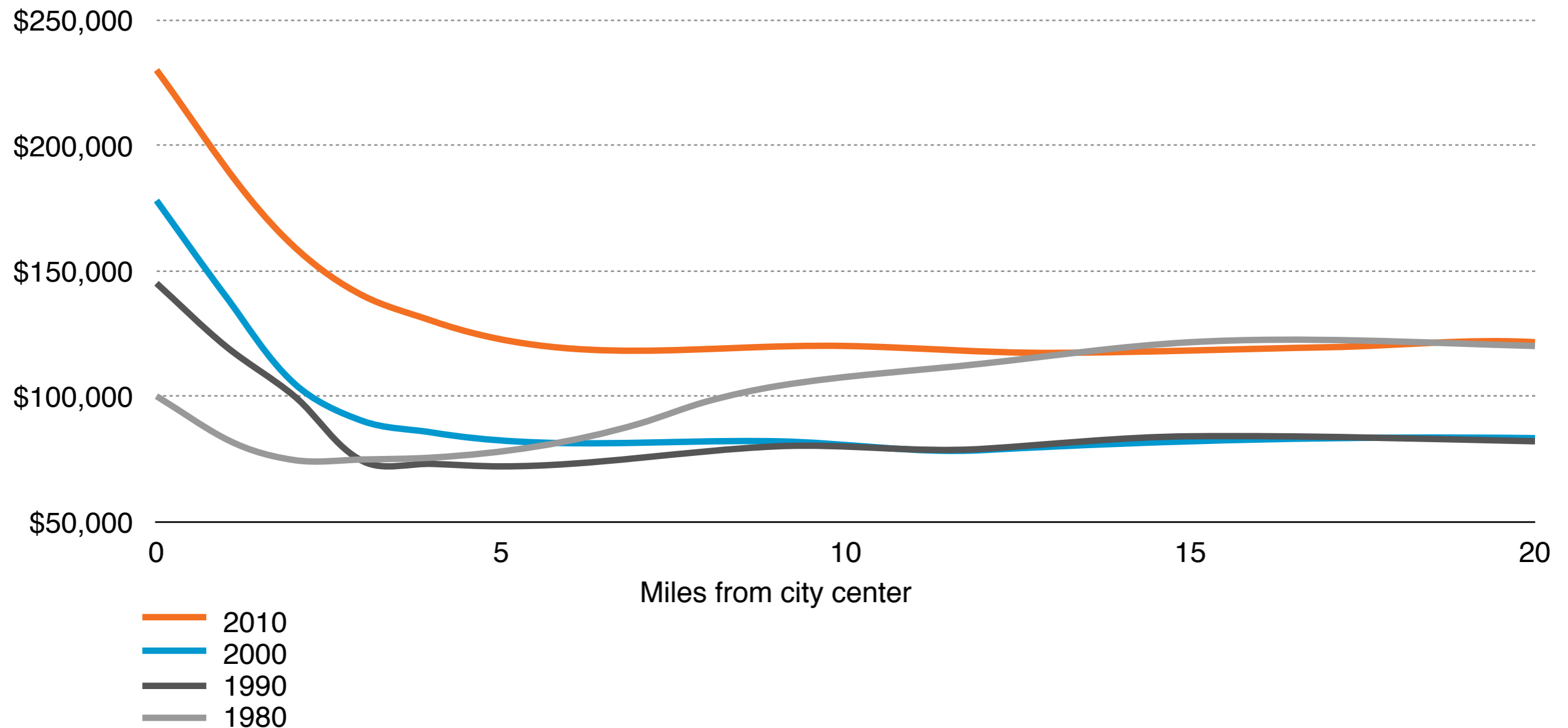


c 2015

Data: QCEW, SA 3 MMA | Sources: BLS, USDA, Oregon Office of Economic Analysis

A premium for city living

HOME PRICES BY LOCATION

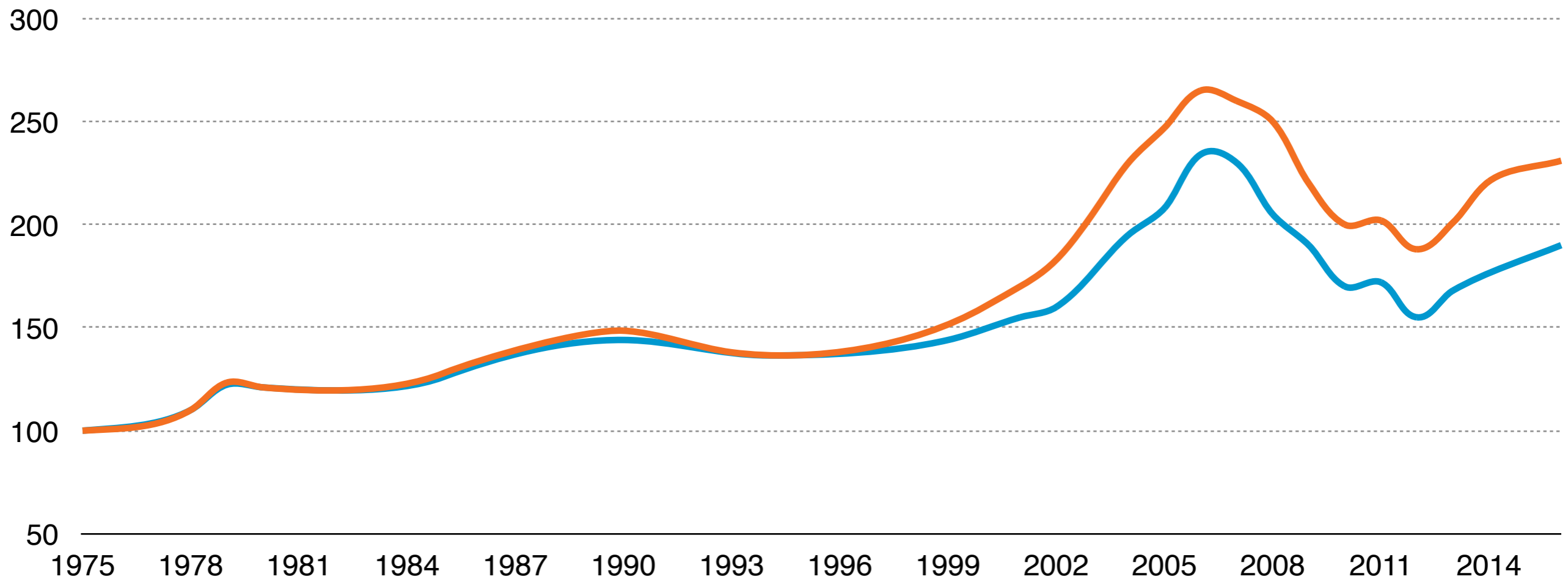


Source: Decennial censuses and the America Community Survey, restricted use data

The “Dow” of cities

15 YEARS OF DEMAND BOOM IN CITY CENTER

Average home prices: 1975 = 100



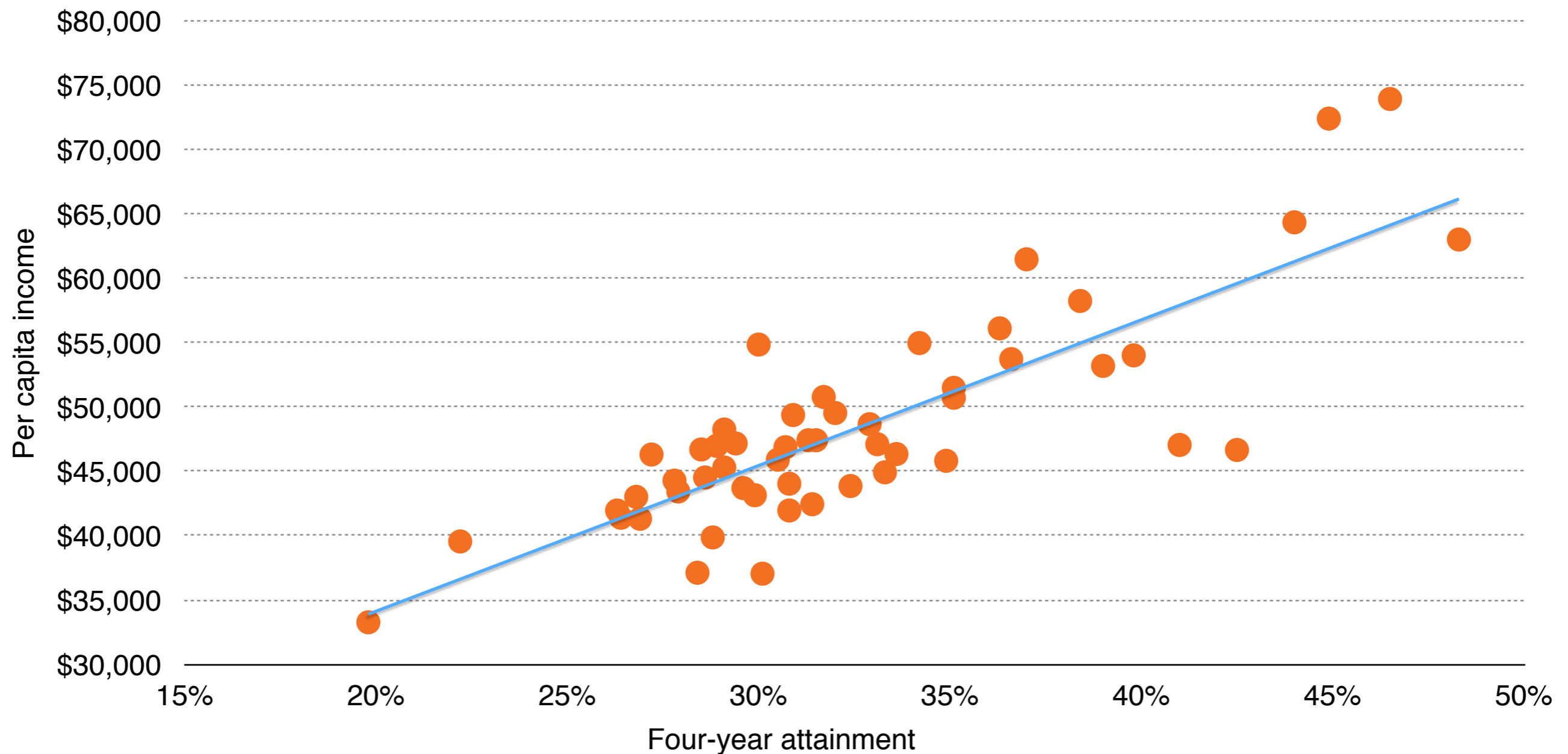
Fitch: Since 2000, home prices in city centers have outperformed those in suburbs by 50 percent.

- Neighborhoods closest to downtown
- Suburbs

A knowledge economy in cities

Education drives prosperity

EDUCATIONAL ATTAINMENT AND PER CAPITA INCOME, 2014



CityReport

October 2014

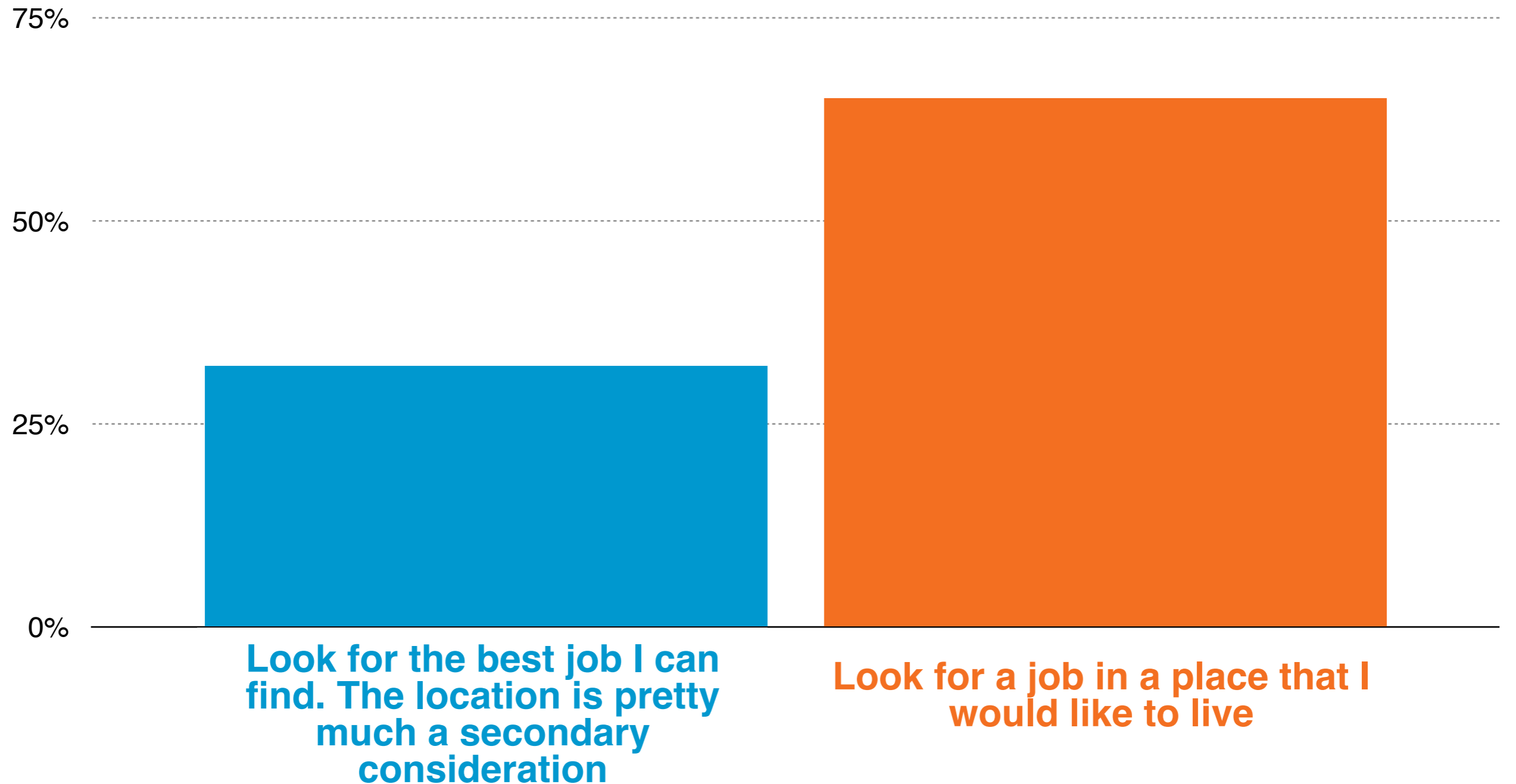
The Young and Restless and the Nation's Cities

Joe Cortright

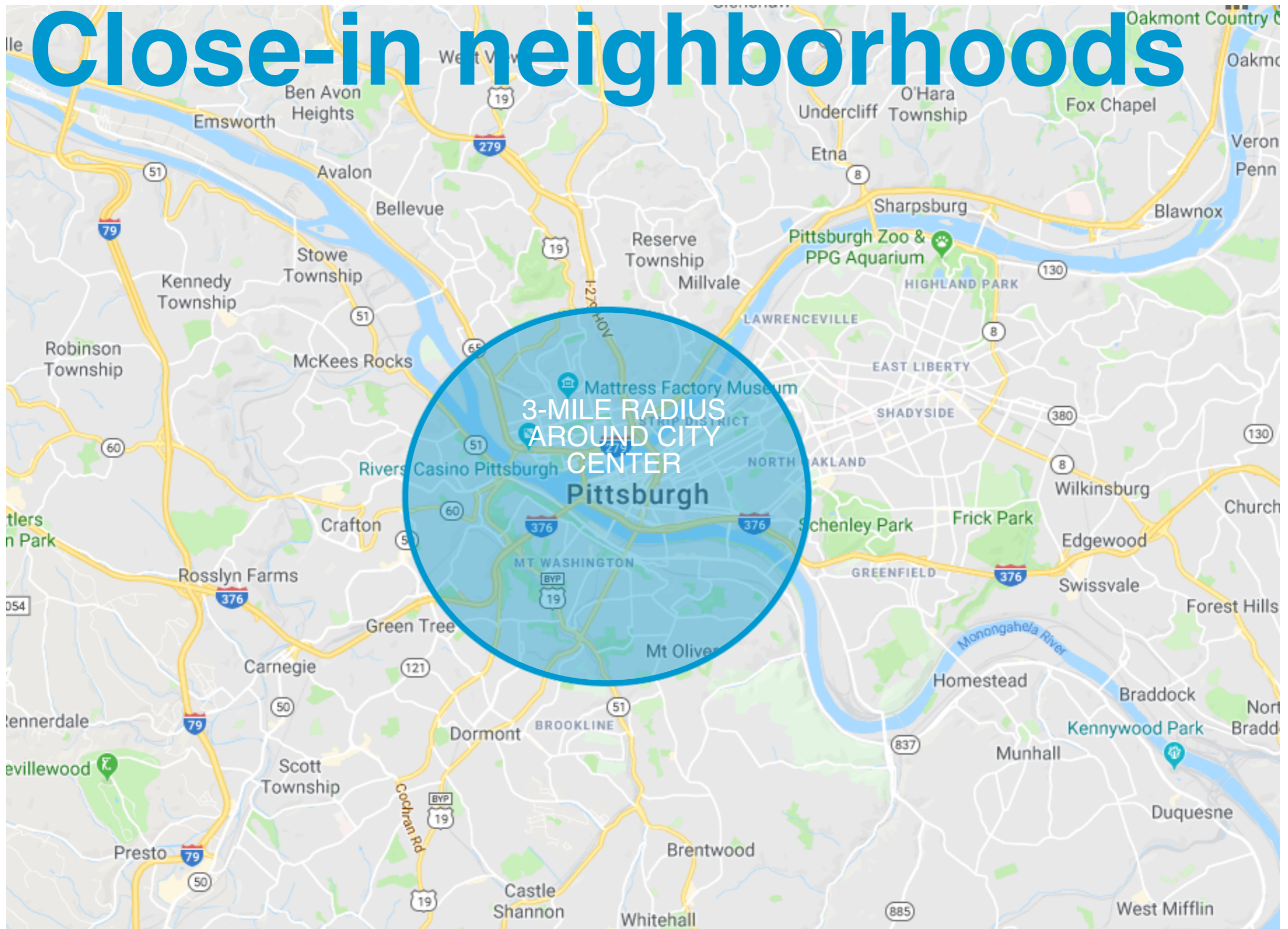
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Place matters

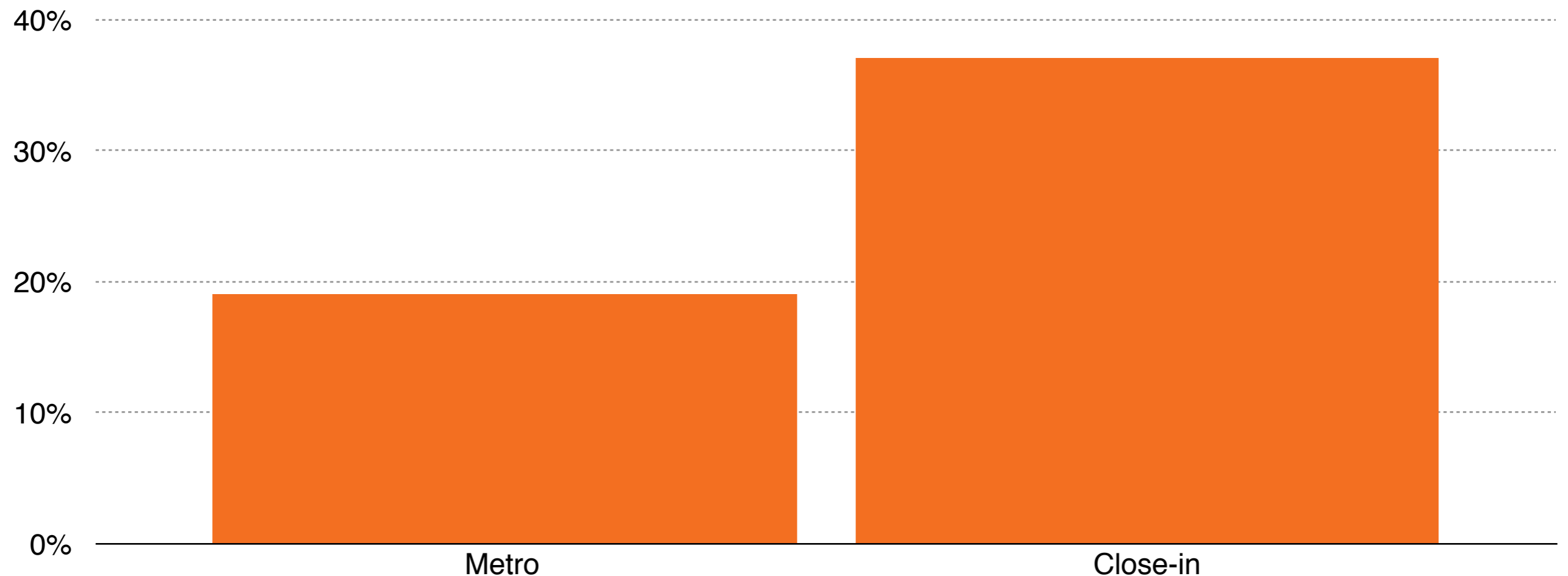


Close-in neighborhoods



Nationally: Close-in neighborhoods growing

CHANGE IN 25-34 YEAR-OLDS WITH A FOUR YEAR DEGREE, 2000-2012



Young adults are increasingly choosing cities

RELATIVE PREFERENCE:

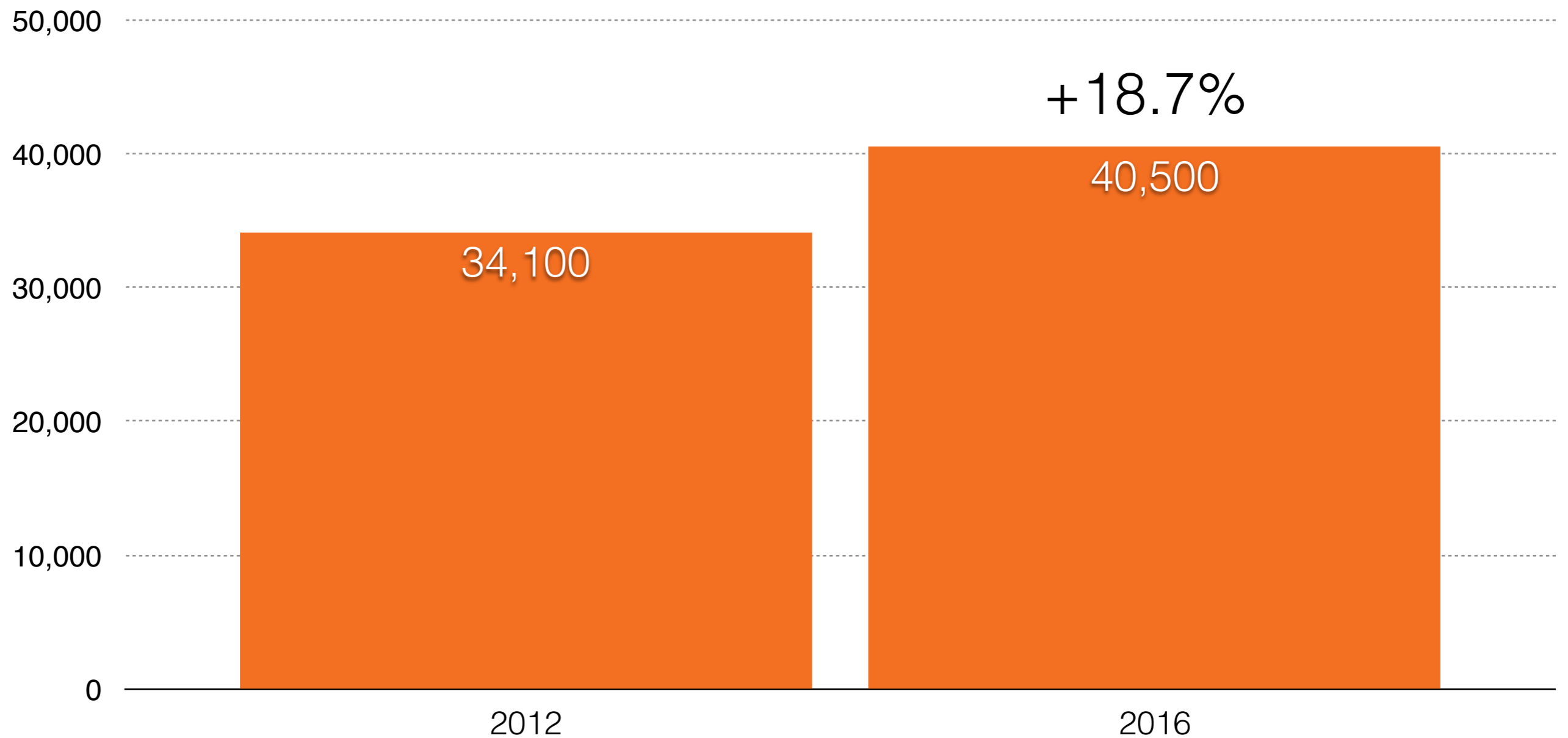
HOW MUCH MORE LIKELY IS SOMEONE TO LIVE IN A CLOSE-IN NEIGHBORHOOD THAN THE AVERAGE METRO RESIDENT.

Table 5: Relative Preference for Close-In Urban Neighborhoods, 1980 to 2010

	1980	1990	2000	2010
Population 25 to 34	10%	12%	32%	51%
25 to 34 with a four-year degree	NA	NA	77%	126%

Young, college educated increasing in Pittsburgh

25-34 YEAR OLDS WITH A 4 YEAR DEGREE IN CITY

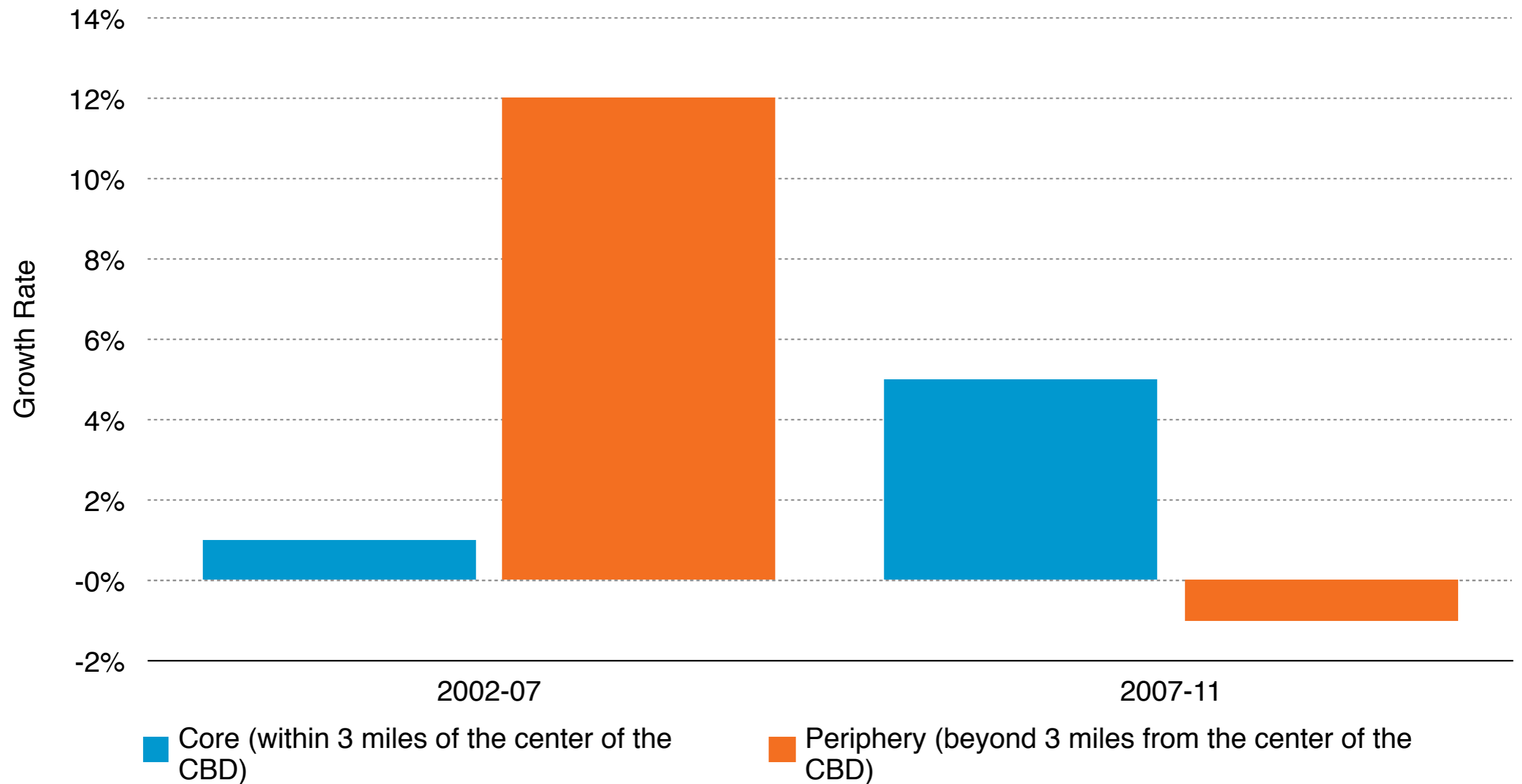


The new reality of economic development:

The HR Department now drives business location and expansion decisions:

- Where can we find lots of well-educated workers?
- Where can we easily attract more?

Nationally: Job growth centralized



“Core Values”

Since 2010, nearly 500 companies expanded or relocated downtown

Reasons:

- “Attract & retain talented workers”
- Build brand & company culture
- Support creative



Core Values

Why American Companies are Moving Downtown



IN PARTNERSHIP WITH



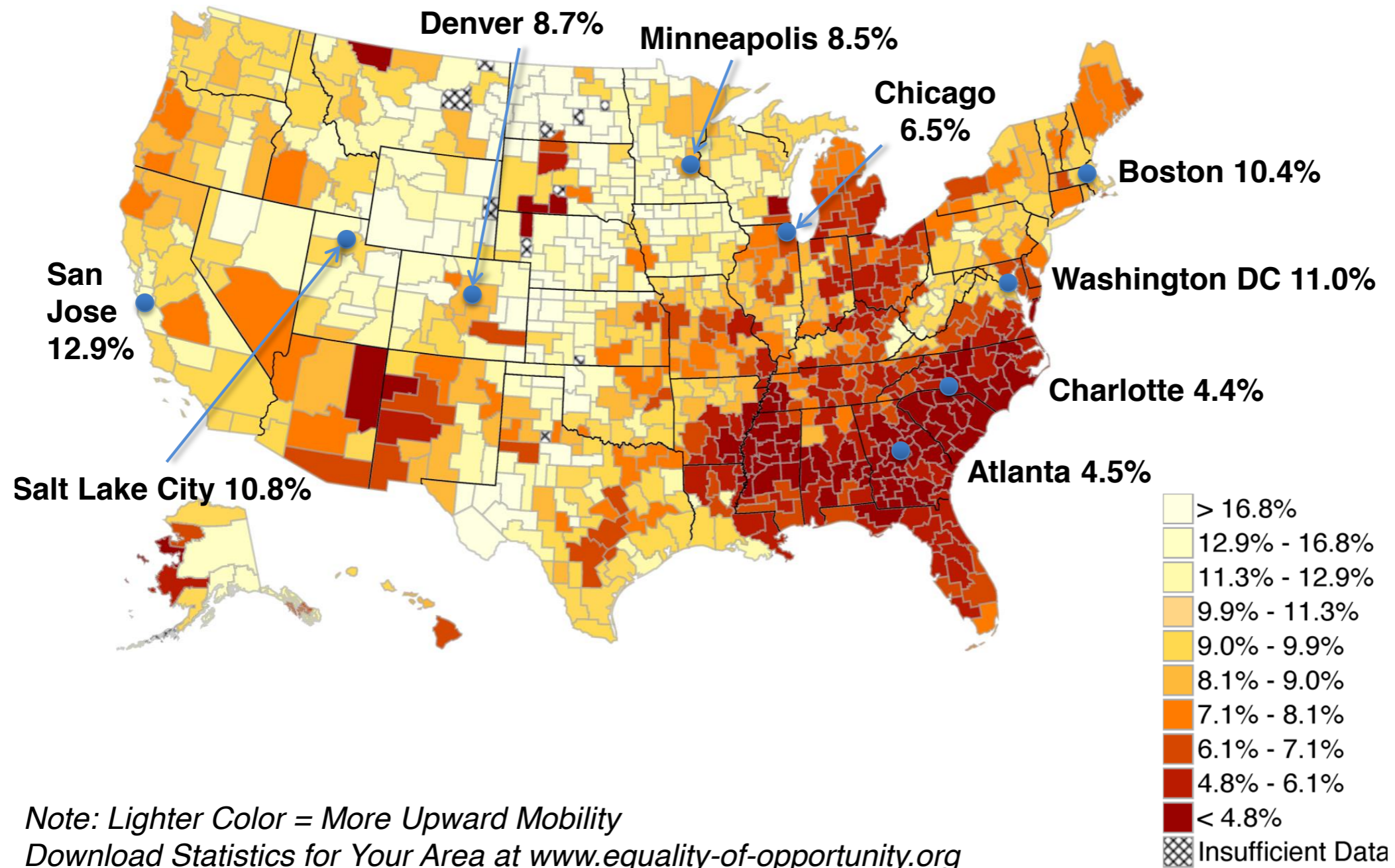
Center for Real Estate
and Urban Analysis
THE GEORGE WASHINGTON UNIVERSITY

Place and Oppportunity

Place determines economic mobility

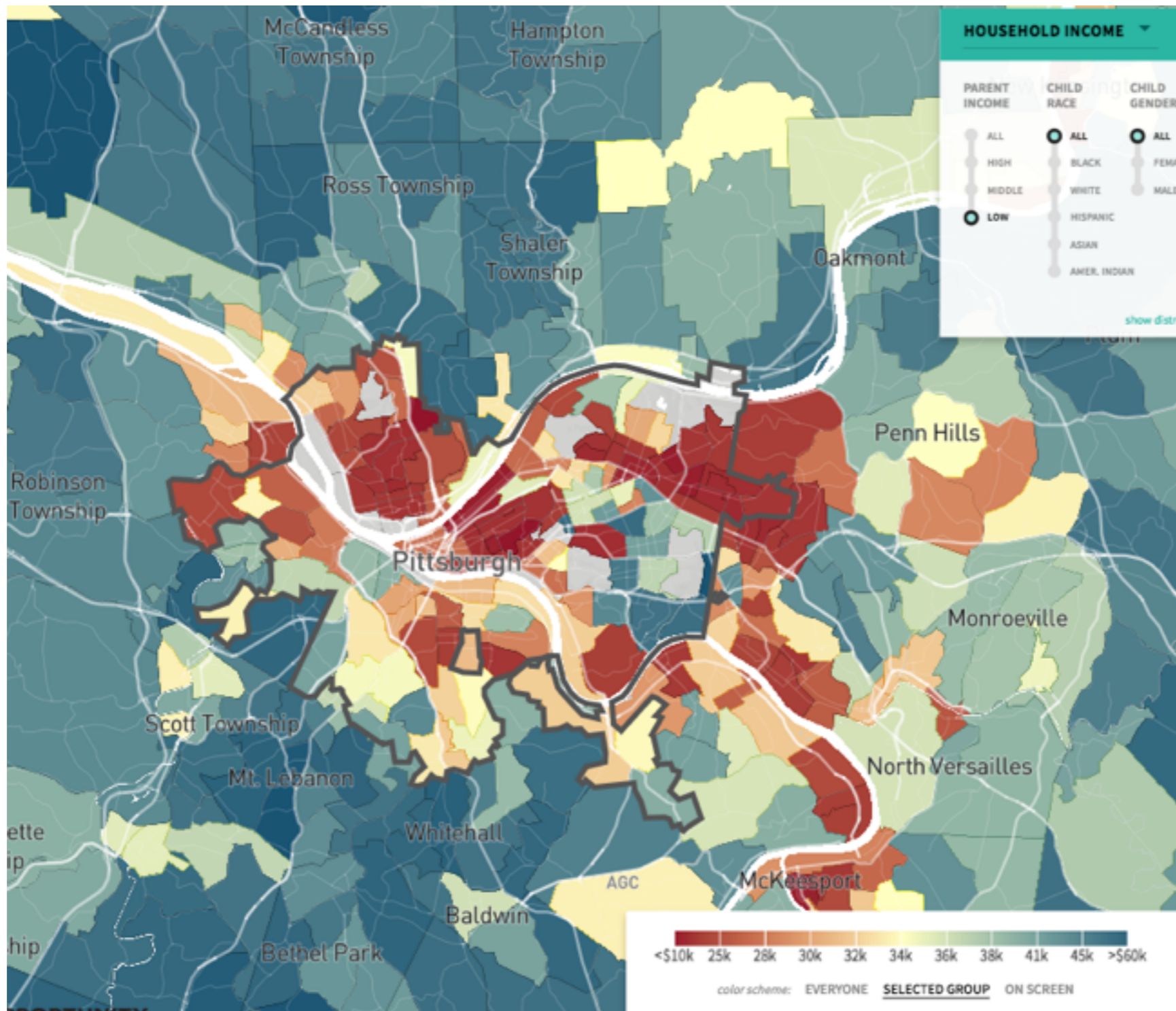
The Geography of Upward Mobility in the United States

Chances of Reaching the Top Fifth Starting from the Bottom Fifth by Metro Area



Source: Raj Chetty, Equality of Opportunity Project

Within metro areas, too



Source: Raj Chetty, Equality of Opportunity Project

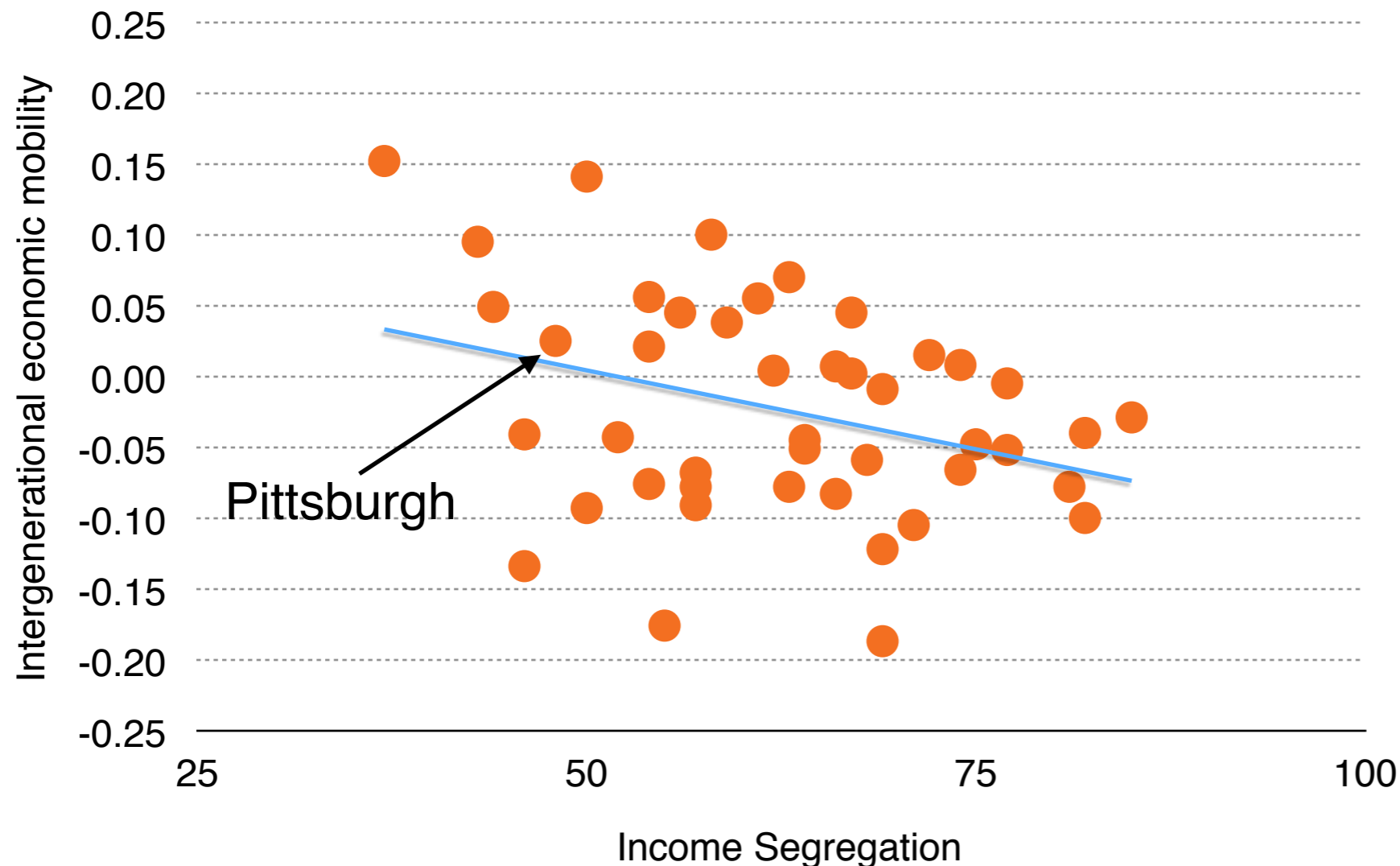
Biggest factors limiting economic mobility

1. Segregation
2. Income Inequality
3. Family Structure
4. Social Capital
5. SchoolQuality

Source: Raj Chetty, Equality of Opportunity Project

Less income segregation = greater economic mobility

INCOME SEGREGATION VS. ECONOMIC MOBILITY
By metro area



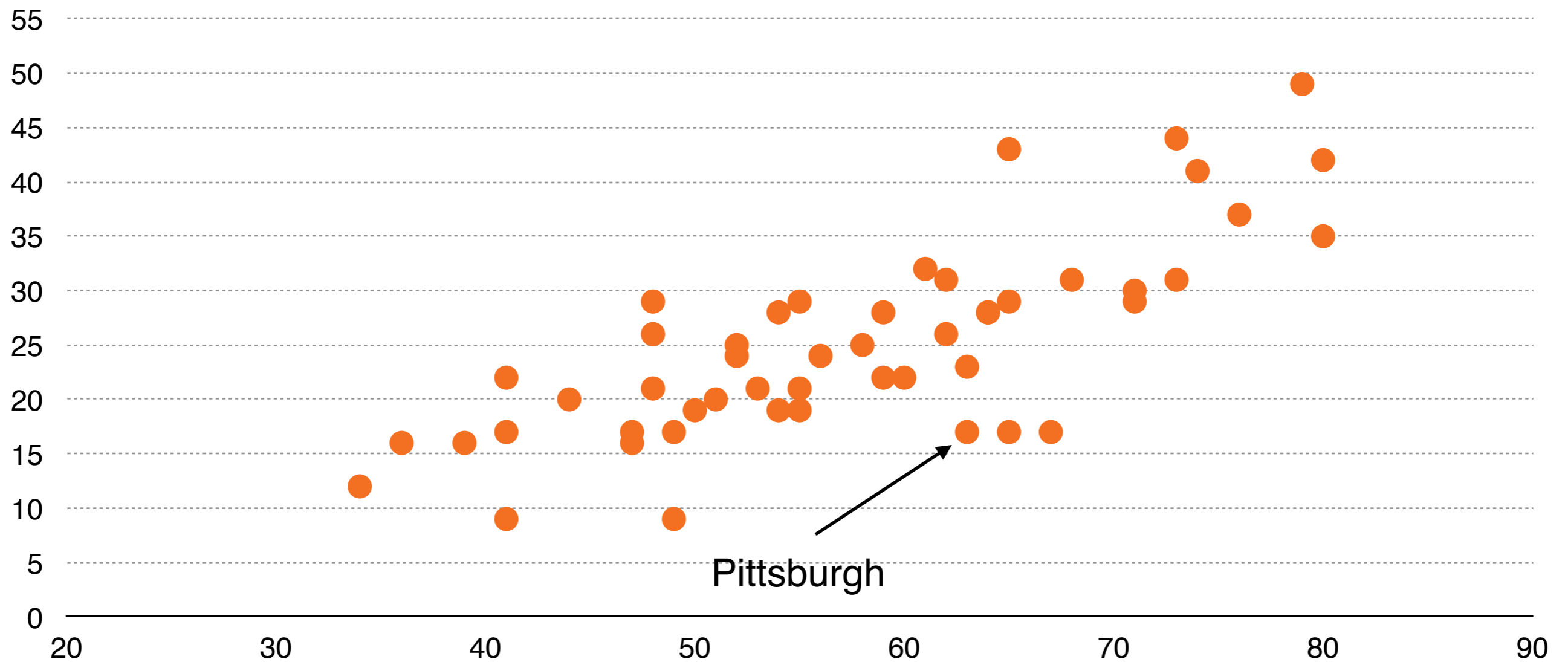
Raj Chetty:

Racial and income segregation associated with less mobility

Children of poor families more likely to be poor as adults in segregated cities

Less racial segregation = smaller income gap

CITIES WITH LOWER BLACK/WHITE SEGREGATION HAVE A SMALLER GAP IN INCOMES BETWEEN BLACKS AND WHITES.



Concentrated Poverty

- Worse schools
- Higher crime
- Poorer mental & physical health
- Weaker social networks
- Less intergenerational economic mobility
- Disproportionately affects people of color

City Observatory

What happened to urban
high poverty neighborhoods
after 1970?

CityReport

December 2014

Lost in Place:

Why the persistence and spread of concentrated poverty—not gentrification—is our biggest urban challenge.

Joe Cortright
Dillon Mahmoudi

Concentrated Poverty

1970:

1119 tracts
5m residents
1.96m poor

2010:

?

2010 Poverty	Neighborhood Type	Number of Tracts/Share of 1970 Poor Population	Change in Population 1970 to 2010
30%+	Chronic high poverty	737 Tracts (74% of 1970 poor)	-40% Population
15% to 30%	Still poor	277 Tracts (21% of 1970 Poor)	-23% Population
<15 %	Rebounding	105 Tracts (5% of 1970 poor)	+33% Population

Pittsburgh details:

2010 Poverty	Neighborhood Type	Number of Tracts/Share of 1970 Poor Population	Change in Population 1970 to 2010
30%+	Chronic high poverty	10 Tracts (68% of 1970 poor)	-64% Population
15% to 30%	Still poor	4 Tracts (25% of 1970 Poor)	-64% Population
<15 %	Rebounding	2 Tracts (7% of 1970 poor)	-81% Population

The Growth of Urban High Poverty Neighborhoods

1970

2010

Tracts

1,119

3,165

Population

4,980,522

10,712,260

Persons in
poverty

1,963,870

4,104,552

Percent of urban
poor in high

27.7%

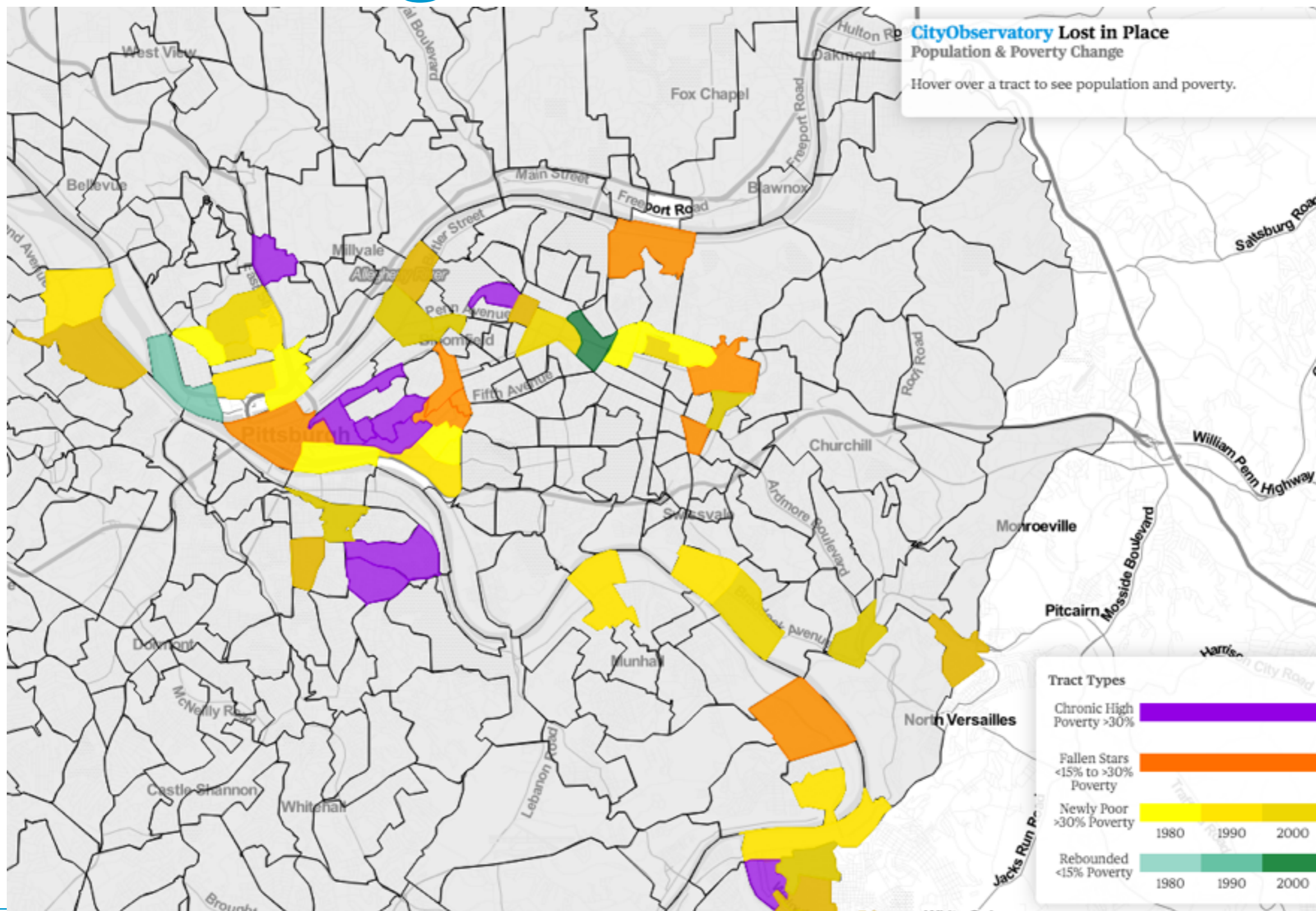
38.7%

Pittsburgh

18%

29%

Pittsburgh: 1970 to 2010



Pittsburgh's Change

Metro

Pittsburgh, PA

High Poverty Neighborhoods:

Census Tracts with 30% or greater poverty rate in 1970 or 2010

Metro	1970 High Poverty Tracts	2010 High Poverty Tracts	Persons in Poverty, 1970	Persons in Poverty, 2010
Pittsburgh, PA	16	51	24,929	38,862

High poverty tracts are those tracts that had poverty rates of 30 percent or higher in 1970 or in 2010. This table reports the number of persons living in poverty in these high poverty census tracts.

Chronic High Poverty Neighborhoods:

Census Tracts with 30% or greater poverty rate in 1970 and 2010

Metro (Chronic High Poverty)	Chronic High Poverty Tracts	Persons in Poverty, 1970	Persons in Poverty, 2010
Pittsburgh, PA	10	16,875	6,261

Rebounding Neighborhoods:

Census Tracts with 30% or greater poverty rate in 1970, and 15% or lower poverty rate in 2010

Metro (Rebounding Neighborhoods)	Change in Poor in Rebounding Tracts	Persons in Poverty in 1970 in a Rebounding Census Tract	Persons in Poverty in 2010 in Those Rebounding Tracts
Pittsburgh, PA	2	1,716	129

Newly Poor Neighborhoods:

Census Tracts with poverty rate of less than 30% in 1970 and 30% or greater poverty rate in 2010

Metro (Newly Poor Neighborhoods)	Newly Poor Tracts, 1970 to 2010	Persons in Poverty, 1970 (Newly Poor Neighborhoods)	Persons in Poverty, 2010 (Newly Poor Neighborhoods)
Pittsburgh, PA	41	28,716	32,601

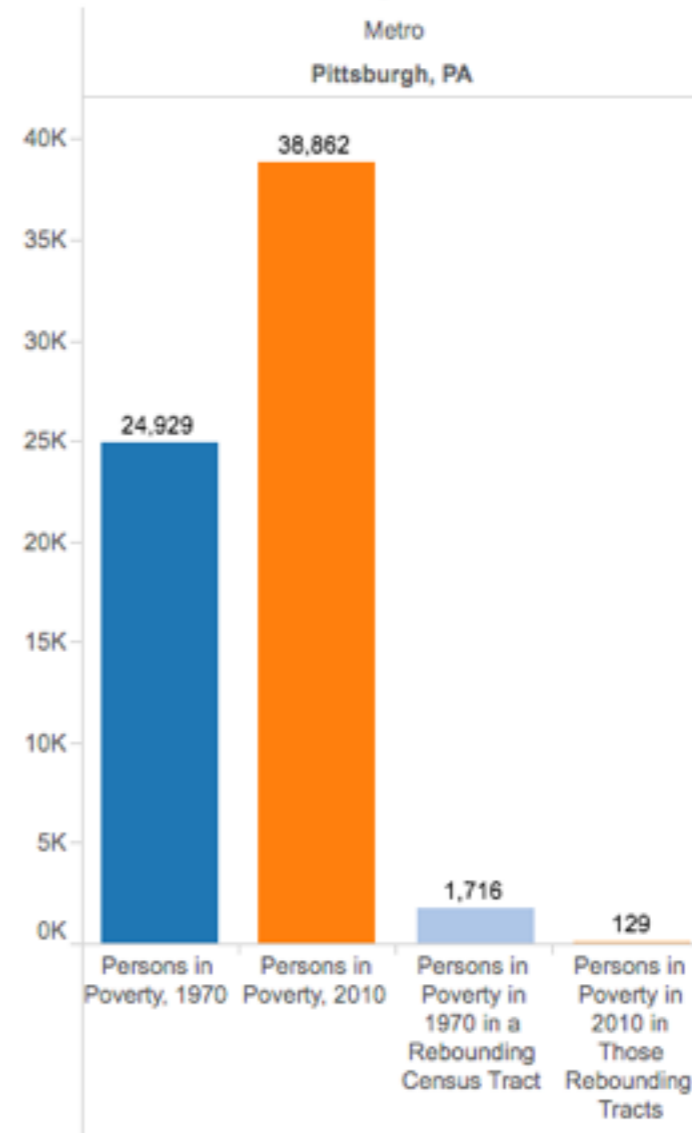
Fallen Star Neighborhoods:

Census Tracts with 15% or lower poverty rate in 1970 and 30% or greater poverty rate in 2010

Metro (Fallen Stars)	"Fallen Star" Tracts, 1970 to 2010	Persons in Poverty, 1970 (Fallen Stars)	Persons in Poverty, 2010 (Fallen Stars)
Pittsburgh, PA	15	6,012	12,280

Notes: Data are for census tracts within 10 miles of the center of the central business district. Fallen Star Neighborhoods are a subset of Newly Poor Neighborhoods. For further methodology, please see the full report on CityObservatory.org.

Pittsburgh, PA



The two left-hand columns show the total number of poor persons living in neighborhoods where the poverty rate exceeded 30% in each year. Nationally, this number doubled between 1970 and 2010.

The two right-hand columns show the number of poor persons living in tracts that rebounded--meaning the poverty rate exceeded 30% in 1970 but had fallen to 15 percent or less in 2010. Nationally these rebounding tracts included only about 5% of the 1970 population of high poverty tracts.

Gentrification: What we know

Questions

- Is it widespread?
- Does it produce displacement?
- What can we do?

Gentrification is rare

- Few neighborhoods are affected
- Most changes are small
- Most poor neighborhoods of color are growing poorer

Moving is common

- Median renter tenure is 2 years
- Poor are no more likely to move out of gentrifying neighborhoods than non-gentrifying ones
- Moving is a key source of household economic advancement

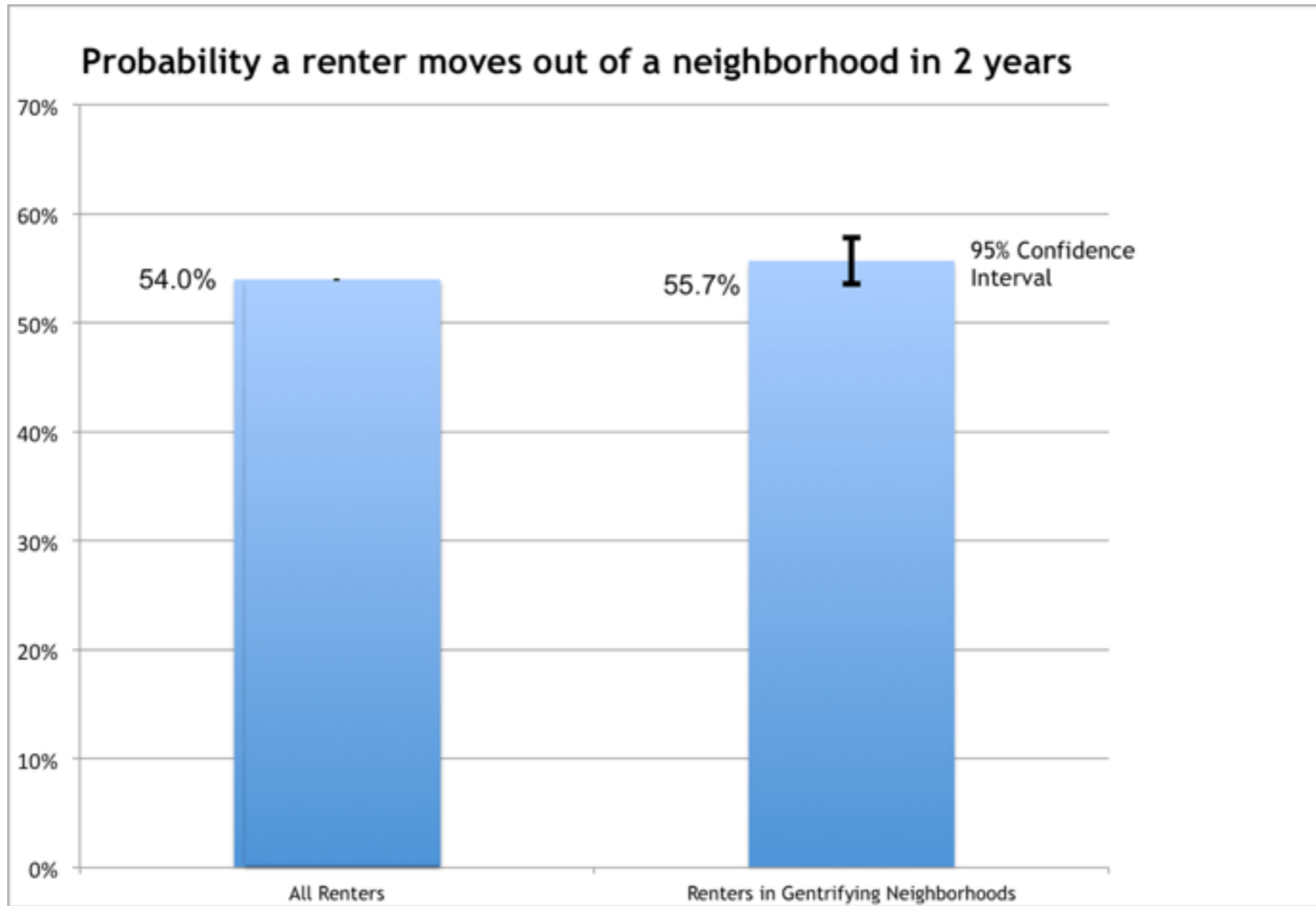
Displacement is rare

Households living in gentrifying neighborhoods had just a 1.2% chance of being displaced

“ . . . displacement and higher mobility play minor if any roles as forces of change in gentrifying neighborhoods.”

Lance Freeman,

Gentrification doesn't increase moves



Don't move to poorer places

. . . among children who moved during the 7-year period, we see no difference in poverty rate changes between those who start in neighborhoods that gentrify and those who start off in neighborhoods that remain persistently low-SES. Indeed, children who move from gentrifying neighborhoods move to somewhat safer neighborhoods.

Dragan, Ellen & Glied, New York University

Policy options

Policy Options

- Block development: NIMBYism to fight gentrification
- Inclusionary Zoning
- Tax Increment Financing for Affordable Housing
- State mandates for greater density

NIMBYism doesn't work

- Change is bad: let's block it
- Restrictions drive up development costs & restrict supply
- Existing units get renovated/upgraded
- Rents are higher and there's more displacement

Two Oakland (CA) neighborhoods

Fruitvale

- Added 550 homes near transit
- Population grew
- Stayed mostly Latino

Uptown

- Added just 50 homes
- Population declined
- Big increase in non-Hispanic white population



NIMBYs & Gentrification

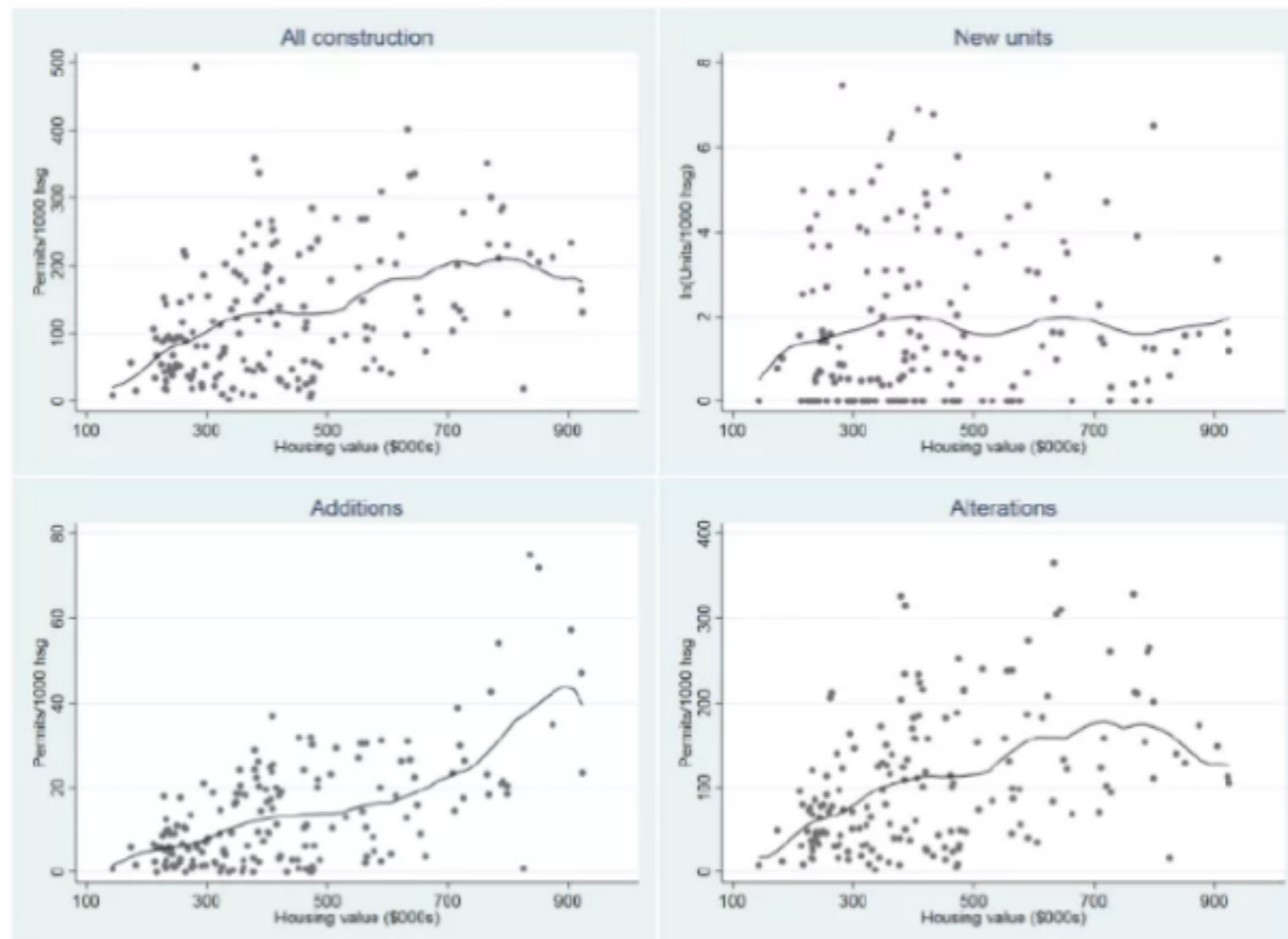
The District's most affluent neighborhoods, with some of the most valuable land, simply don't build new housing. . . when developers can't build luxury housing in affluent neighborhoods, the pent-up demand for high-end homes will spill over into nearby middle-income neighborhoods. . . Not being allowed to build in wealthy neighborhoods pushes the frontier of gentrification into bordering lower-income areas.

Jenny Schuetz, Brookings Institution

With density banned, old houses get upgraded

Housing prices predict additions and alterations but not new construction

Housing permits and initial housing values, by permit type (2008 - 2015)

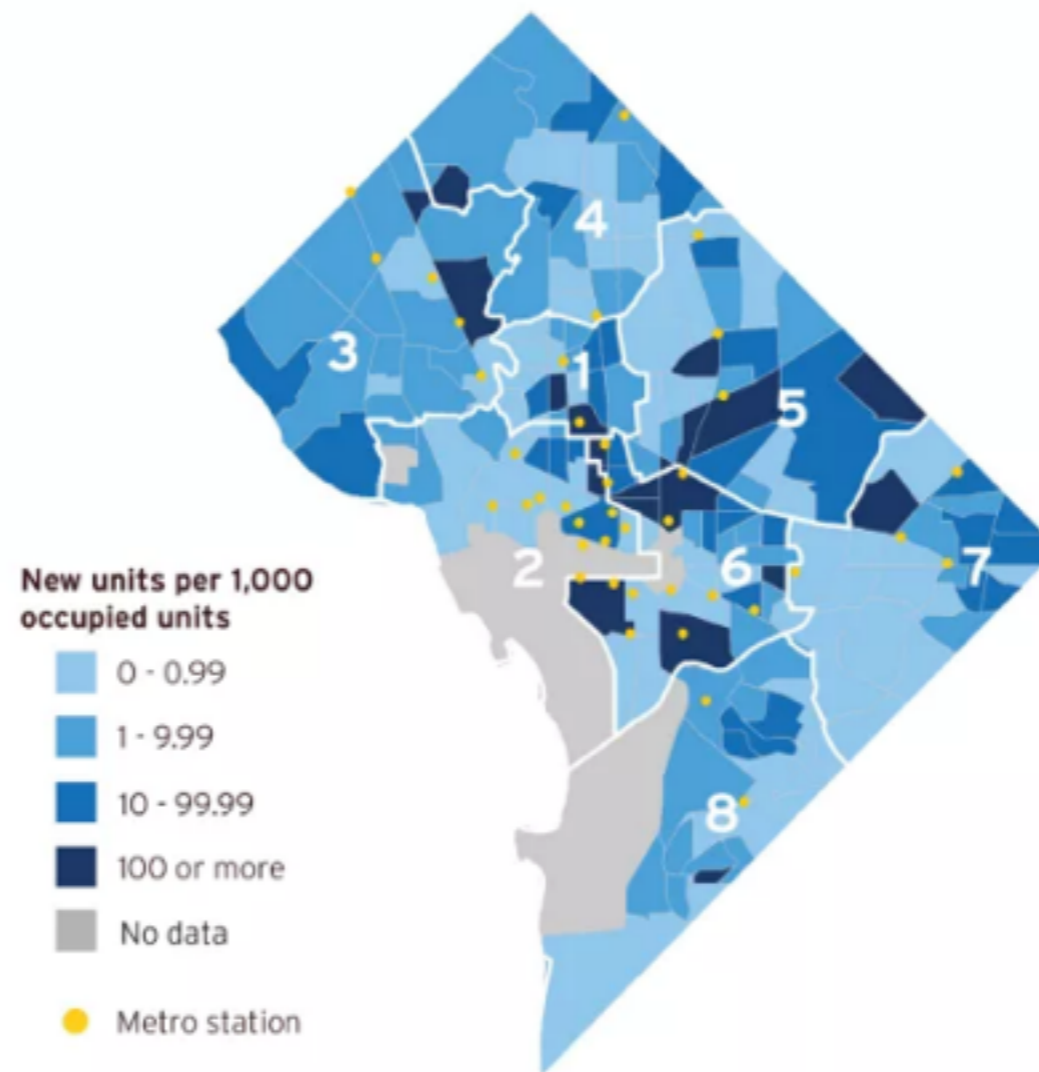


Source: Building permits data from opendata.dc.gov. Number of occupied housing units and housing values from 2010 American Community Survey. Lines are locally weighted polynomial regressions.

Little new housing in most valuable neighborhoods

New construction was concentrated in a few neighborhoods

New building permits per 1,000 occupied housing units, 2008-2015



Source: Author's calculations using building permit data from opendata.dc.gov. Number of occupied housing units from 2010 American Community Survey.

B Metropolitan Policy Program
at BROOKINGS

More housing = less displacement

Building two units of market rate housing has the same effect in reducing displacement as building one unit of affordable housing.

Zuk & Chapple, University of California

Each 100 new market rate apartments that get built produce a chain of household moves that ultimately result in 60 housing units becoming available in low income neighborhoods.

Evan Mast, Upjohn Institute

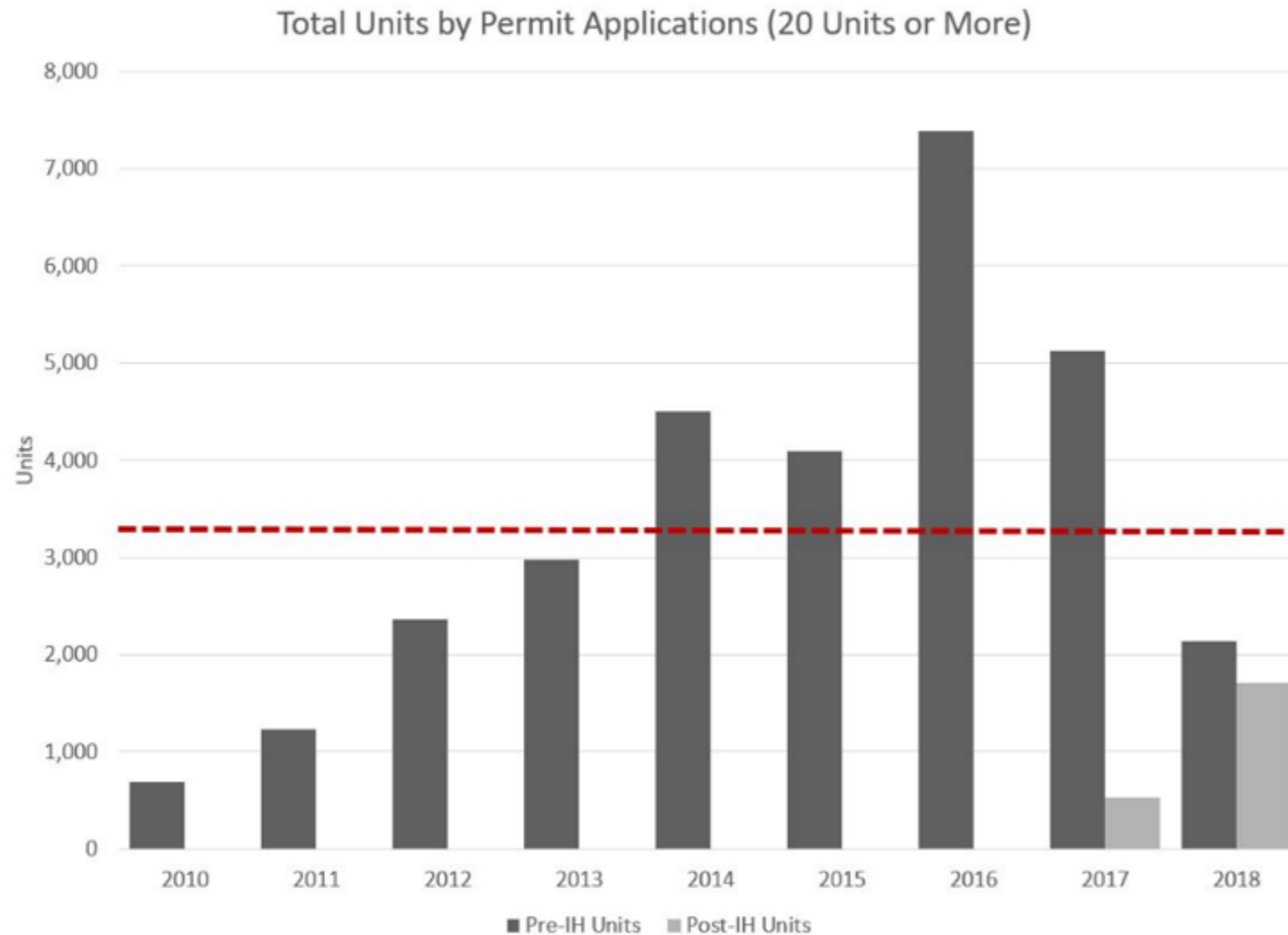
Inclusionary Zoning: Portland

Adopted February 2017

All new buildings with 20 or more units must include either:

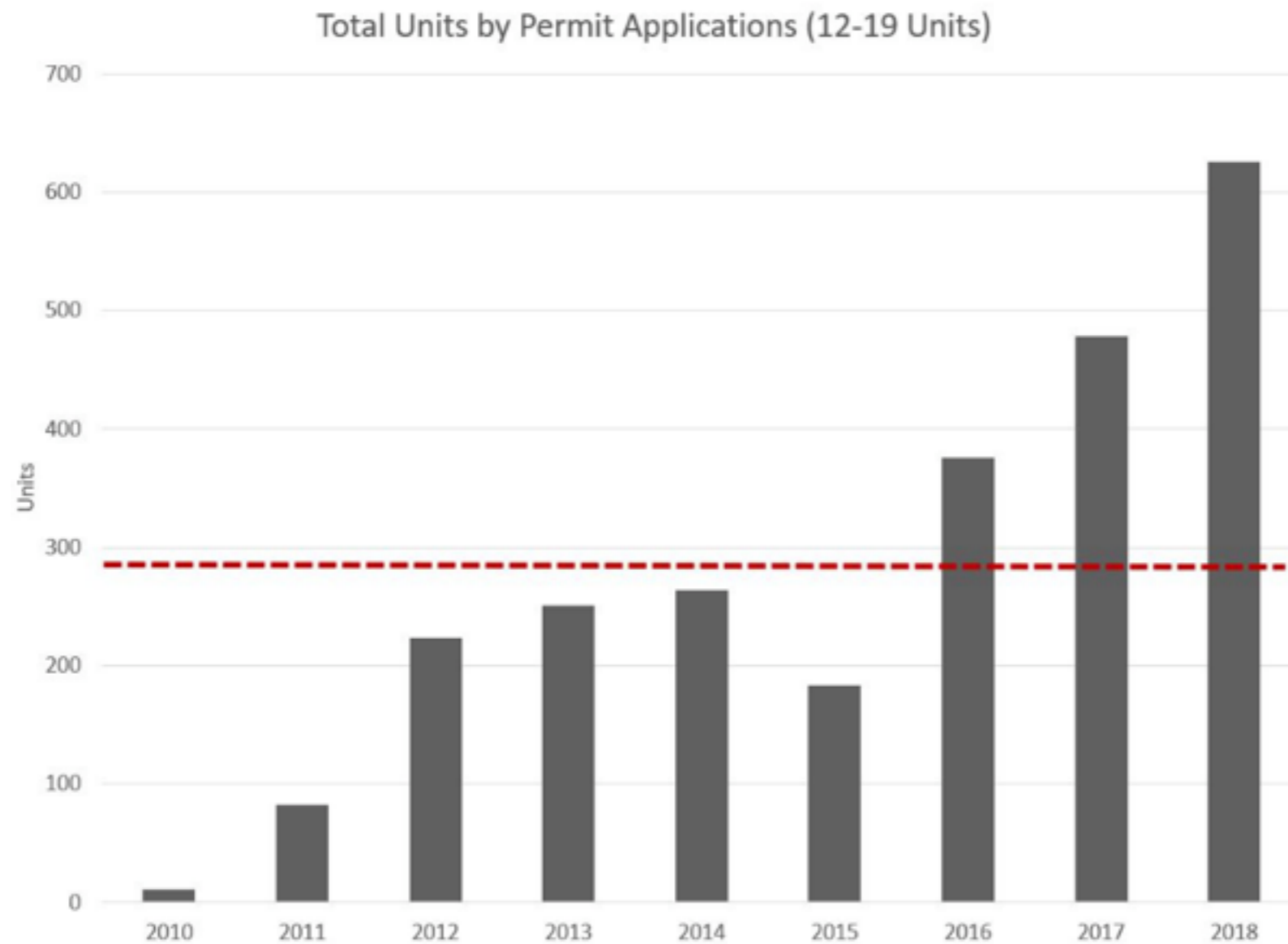
- 20% at 80% of AMI or
- 10% at 60% of AMI

Permitting fell off a cliff



City of Portland Permits: Source: Up for Growth

Developers shifting to under 20 unit buildings



City of Portland Permits. Source: Up for Growth

A better alternative

Dedicate a portion of tax
increment funds to affordable
housing in gentrifying
neighborhoods

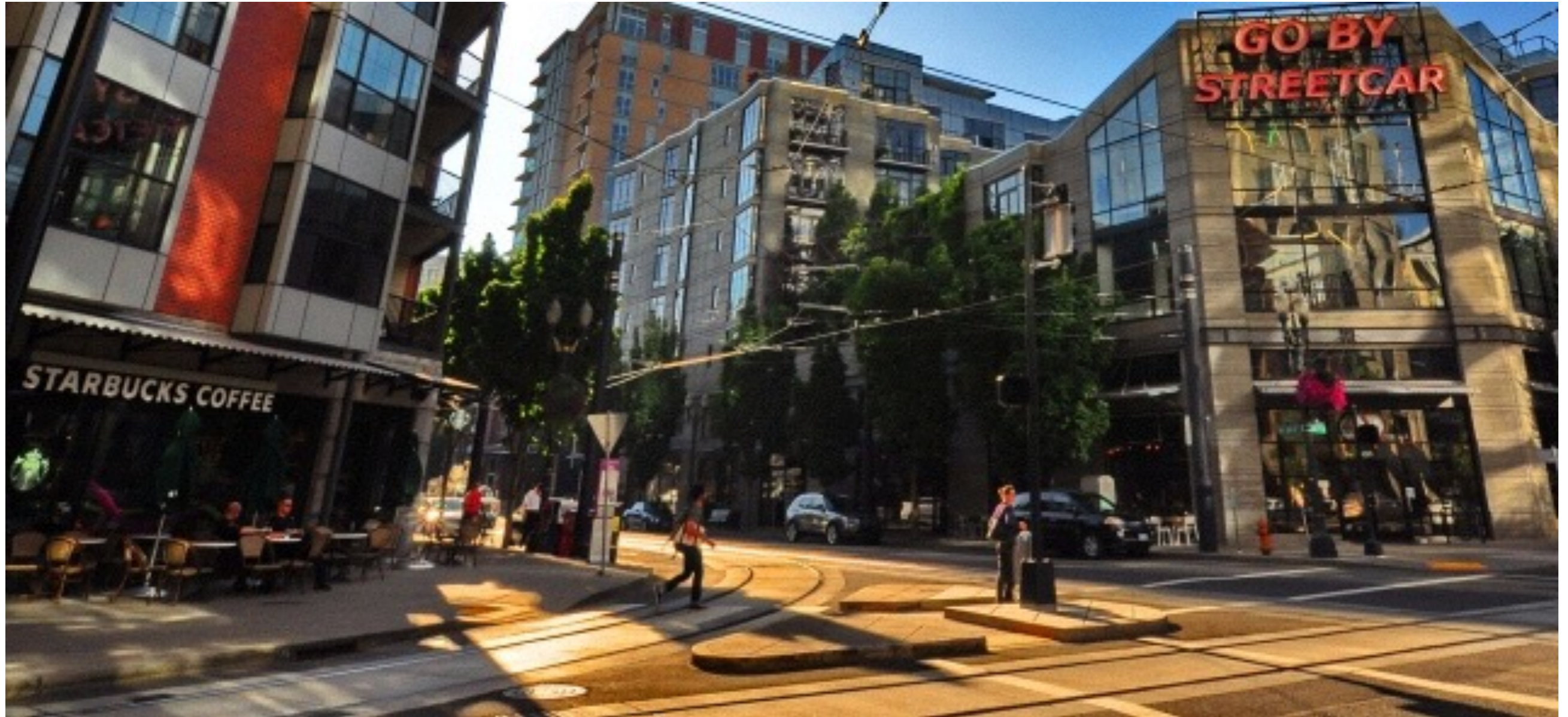
Portland: TIF for affordable housing

July 1, 2006 – June 30, 2025³

Urban Renewal Area	Amount Available	% of Total URA TIF
Central Eastside	\$15,223,452	22%
Downtown Waterfront	\$19,286,117	21%
Gateway	\$22,325,820	33%
Interstate	\$128,586,113	55%
Lents Town Center	\$63,055,935	38%
North Macadam	\$93,697,717	44%
Oregon Convention Center	\$20,749,293	26%
River District	\$121,440,118	36%
South Park Blocks	\$37,486,631	61%
Total	\$521,851,196	40%

\$521 million set-aside over 20 years for affordable housing

Portland's Pearl District



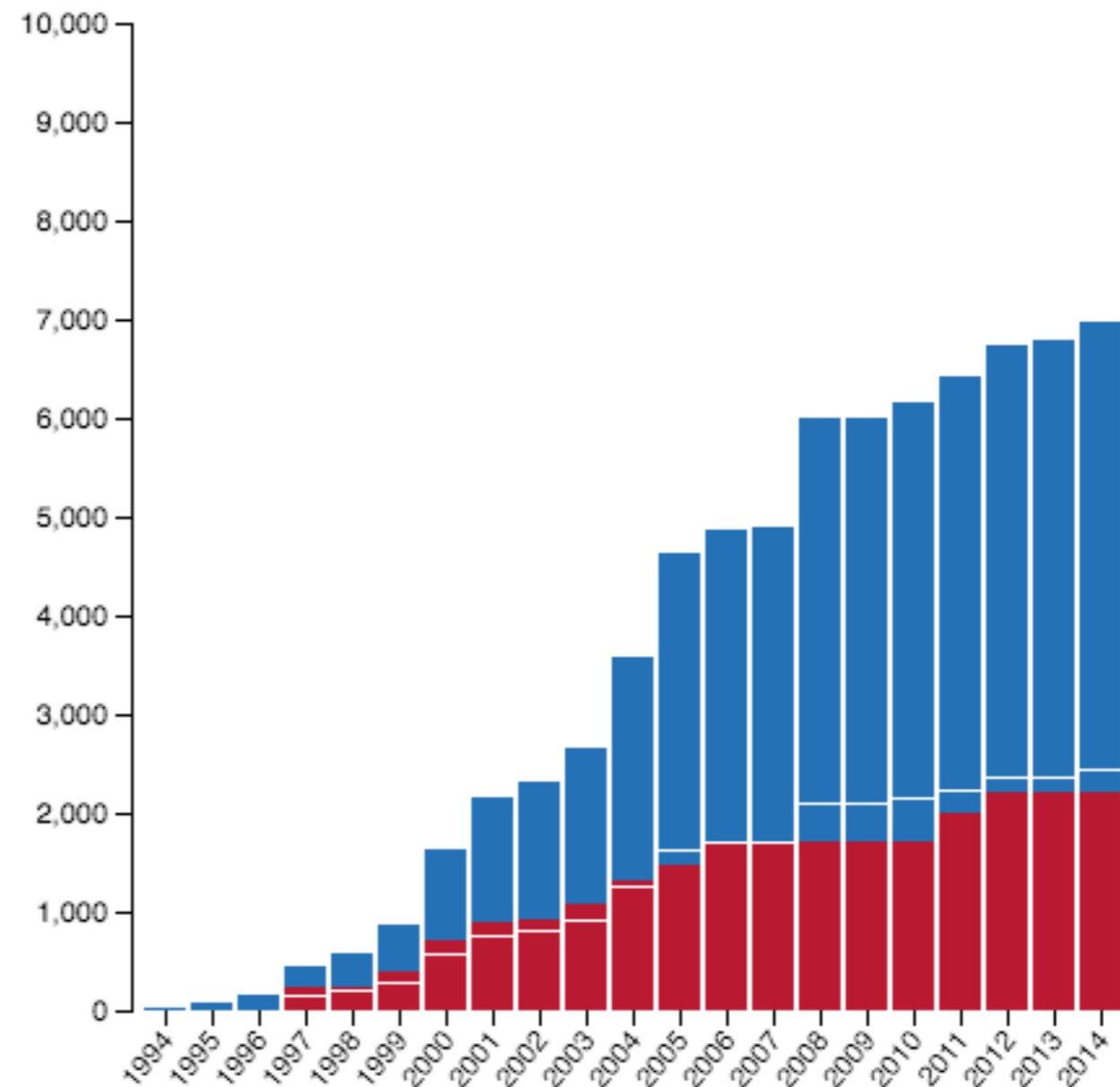
Pearl District Housing

City funding supported more than 2,200 units of affordable housing in the Pearl District since 1994

2014

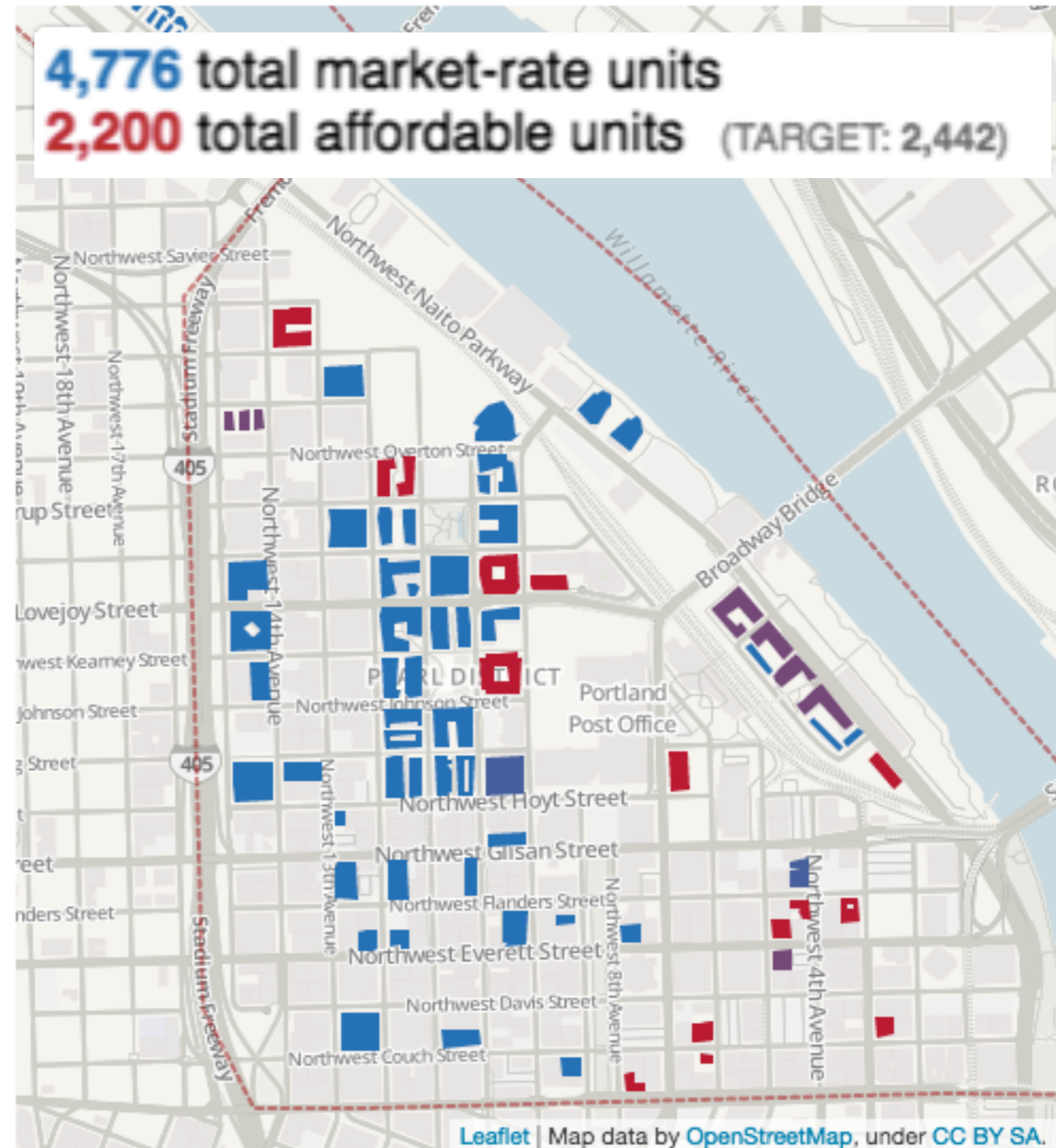
4,776 total market-rate units

2,200 total affordable units (TARGET: 2,442)



Mixed Income, Inclusive

Affordable housing is interspersed with market rate housing in the Pearl District



Policy lessons

1. NIMBYism doesn't work
2. Upzone for more density
3. Avoid inclusionary zoning
4. TIF for affordable housing

Coping with change

- Cities are driving the knowledge economy
- Talent is drawn to great urban places
- Integrated neighborhoods generate opportunity
- The demand for cities is changing neighborhoods
- The right policies can create more productive, inclusive cities

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