

Achieving a New Urban Diversity: What Have We Learned?

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Introduction

Since the 1960s, many of America's major cities have lost population while suburban jurisdictions burgeoned. Successive waves of families seeking larger homes on bigger lots, better schools, safer streets, and more amenities left the central city for new communities farther and farther from the urban core. In 1990, only about a third of the Americans who lived in metropolitan areas were central-city residents, down from more than half in 1950. Perhaps more important, most cities lost middle- and upper-income residents, with those remaining behind more likely to be poor and minority. As a consequence, central cities are now substantially poorer than the suburbs that surround them. In 1990, for example, median incomes in central-city jurisdictions nationwide were almost 30 percent lower than in the suburbs. And the gap between city and suburbs is far greater in some of the largest metropolitan areas of the Northeast and Midwest.

Racial discrimination and segregation undeniably played a major role in shaping these trends. Suburbanization by middle- and upper-income whites has been driven, at least in part, by unwillingness to live in or near neighborhoods with growing African-American populations. And until quite recently, blacks were largely excluded from most suburban communities. Initially, established practices of government and the real estate industry explicitly excluded African Americans from white suburban communities. But even after these practices were outlawed, the combination of high housing costs and persistent racial discrimination largely prevented blacks from moving to the suburbs. As of 1990, central cities nationwide were 19.9 percent African American and 10.7 percent Hispanic, while suburban communities averaged only 6.1 percent African American and 5.4 percent Hispanic. In recent years, suburbanization has increased dramatically among middle- and upper-income African Americans and Hispanics, although most suburban communities remain predominantly white.

Central cities have long struggled to retain and attract population in the face of competition from the suburbs. Today, cities all over the country are experimenting with strategies for retaining more middle-income residents, and possibly even luring some back from the suburbs. For example, the District of Columbia is exploring the possibility of a federal income tax break as an incentive for middle- and upper-income households to live in the city. Baltimore invested heavily in downtown sports facilities and the redevelopment of its Inner Harbor to make the city more attractive as a place for middle- and upper-income people to live. And the U.S. Department of Housing and Urban Development encourages cities to invest in "homeownership zones," where whole blocks of deteriorated structures are replaced by high-quality, affordable homes for middle-class buyers.

The Fannie Mae Foundation's 1996 Annual Housing Conference assembled a distinguished group of researchers and practitioners to review what we know about the importance of middle- and upper-income residents to a city's fiscal and social health and about potential strategies for making central cities more attractive places to live. This issue of *Housing Policy Debate* includes all the papers originally presented at that conference, many of which have been substantially expanded and refined. This introductory essay briefly reviews the critical questions that the conference was intended to explore and summarizes the contributions of the conference papers in addressing these questions:

1. Do cities really need middle- and upper-income residents?
2. Have some cities been more successful than others in retaining middle-income residents?
3. Is there a market for central-city living among middle- and upper-income households?
4. Can economically and racially mixed communities succeed?
5. What policies are needed for central cities to retain and attract middle-income residents?

It is important to note that, although most of the discussion in this issue focuses on central cities, some older, close-in suburbs are beginning to experience similar patterns of net population loss and declining household income (see, e.g., Orfield 1997). The process of outward migration by middle- and upper-income families seeking newer homes and larger lots, more affluent neighbors, more homogeneous schools, and more security from

crime and violence leaves many inner-ring suburbs to face challenges once typical of central cities. Thus, the lessons from the conference papers—about the importance of an economically diverse population and strategies for achieving it—apply not only to central cities but to any community experiencing population losses and economic decline.

Do cities really need middle- and upper-income residents?

Advocates for the inner-city poor often oppose investments intended to attract and retain middle- and upper-income residents. They argue that cities should be spending their scarce resources to bolster economic opportunities and improve services for poor residents, many of whom are desperately needy. However, contributors to this issue present strong evidence that the loss of middle-class population fuels a downward spiral that ultimately hurts poor residents by shrinking the city's tax base and isolating them from the social and economic mainstream. In other words, cities need an economically diverse population to maintain their fiscal and social vitality and to afford adequate services for their neediest residents.

Quercia and Galster identify two distinct types of effects that the loss of middle- and upper-income residents may have on a central-city jurisdiction: fiscal effects and social isolation effects. On the fiscal side, the loss of middle- and upper-income households reduces effective demand for housing, thereby reducing housing values and the city's property tax base. Moreover, the loss of population weakens the political power of the central city and its ability to attract resources from state government. On the social side, the loss of middle- and upper-income residents weakens community institutions and removes middle-class role models, leaving poor inner-city residents disconnected from mainstream economic opportunities and social networks.

Quercia and Galster suggest that the size and spatial concentration of the middle-class population necessary to improve central-city conditions depend on the outcome sought. For example, they assemble evidence showing that a small number of middle-income home buyers, concentrated in a single city block, can have a significant impact on housing values and reinvestment in the immediate neighborhood and might be effective in providing middle-class role models for poor neighbors. In contrast, a much larger number of middle-income households would be needed to

support a downtown retail facility or a church, although these families could be scattered over a larger geographic area.

Downs also identifies both fiscal effects and social isolation effects of a declining middle-income population, and he argues that the loss of the middle class fuels a self-perpetuating downward spiral of social, economic, and fiscal distress in central cities. As a city's population becomes more predominantly poor, it becomes more difficult and costly to educate children effectively, to combat crime and ensure security, and to assist needy families with basic welfare services. The shrinking pool of middle- and upper-income households that remain in the central city faces declining quality of services and a rising tax burden. As a result, more of them move away, further exacerbating both the social and the fiscal problems of the central city.

Have some cities been more successful than others in retaining middle-income residents?

Kasarda, Appold, Sweeney, and Sieff explore differences in population flows for 12 large cities and their suburbs in hopes of identifying significant variations that might point to factors pushing middle-income residents out of some cities while encouraging them to remain in others. This analysis highlights a few encouraging trends. The authors argue that the “demographic hemorrhaging” of many central cities that occurred during the 1960s and 1970s slowed considerably—and even stopped in some places—during the 1980s and the first half of the 1990s. Annexation emerges as a primary contributor to central-city population growth, particularly in the South and West. And although annexation does not reflect any increase in the number of households choosing to move into or stay in central cities, it does constitute an important mechanism for cities to retain a diverse mix of residents and expand their tax base.

Immigrants also play an important role in slowing or even reversing the overall loss of population for some central cities. Foreign immigration accelerated dramatically during the 1980s and 1990s, and although many immigrants moved directly into suburban communities, large numbers moved into central cities. In general, however, it is lower-income immigrants who select central-city locations, so although new arrivals may help stabilize the total population of some central cities and contribute to their social and cultural diversity, they are not a significant source of middle- and upper-income residents.

Overall, Kasarda et al. find no cases of significant net growth—or even stabilization—in the size of middle- and upper-income populations in the central city. In all 12 of the central cities they study, out-migration exceeds in-migration among households with above-average incomes. Moreover, lower-income in-migrants substantially outnumber higher-income in-migrants. Perhaps the most discouraging finding is that net out-migration from central cities is greatest in regions experiencing rapid employment growth (relative to the national economy). The authors also find that net population losses are greater in poorer cities and in those with greater racial and economic segregation. This finding supports Downs's argument that the loss of middle-income residents feeds a self-perpetuating downward spiral. However, Kasarda et al. find no evidence to support the widely held view that lower crime rates help retain or attract middle- and upper-income residents.

Finally, Kasarda et al. highlight the important interaction between the suburbanization of employment and the continued loss of middle- and upper-income households from the central city. Increasingly, suburbs encompass major employment centers as well as more traditional bedroom communities. In fact, as of 1990, more than half of U.S. metropolitan jobs were located outside central-city jurisdictions. And between 1977 and 1987, two-thirds of net employment growth in the nation's 60 largest metropolitan areas occurred in the suburbs. As a result, an increasing share of suburban residents no longer work in the central city and therefore feel less and less connection to it. For example, Kasarda et al. cite a *New York Times* survey of residents of the New York City suburbs indicating that fewer than 20 percent work in the city, fewer than half visit five or more times per year, one-quarter never go there, and three-quarters claim that their lives are hardly affected by the central city.

Is there a market for central-city living among middle- and upper-income households?

Even though Kasarda et al. find no evidence of a meaningful “back-to-the-city” movement, their data show that significant numbers of middle- and upper-income households do move into central cities—from outside the country, from nonmetropolitan areas, and even from local suburbs. This finding suggests that there is a “market” for central-city living among some segments of the population. If we knew more about these households and their preferences, it might be possible to develop policies that would make the central city more attractive to larger numbers of

them. Even if the majority of middle- and upper-income households prefer suburban living, a modest increase in the share choosing to live downtown could help a central city regain economic, fiscal, and social vitality.

Moss argues that cities can and should take advantage of the growth in nontraditional households among the U.S. population as a whole. He suggests that cities cannot hope to compete with the suburbs for middle-class families with children, who are most likely to place a high value on high-quality public schools, family-oriented social networks, and the separation of work from home. However, cities are in a much stronger position to attract nontraditional households, which constitute a growing segment of the total population. This argument is supported by evidence reported in Kasarda et al. indicating that households headed by younger people (aged 20 to 29) and nonfamily households are the most likely to move into central cities and the least likely to be attracted to the suburbs. Young singles, childless couples, and older people whose children have left home are all more likely than families with children to value the density and diversity of the central city and to seek the variety of cultural and entertainment choices available there. At the same time, they may be less concerned about public school quality than traditional families. In particular, Moss argues that gays and lesbians are likely to find cities attractive and can make an enormously positive contribution to the economic, fiscal, and social revitalization of inner-city communities.

Moss also argues that innovations in communications and computer technology create opportunities for cities to foster small business development close to residential neighborhoods. Corporate downsizing and outsourcing have produced an increasing number of small, high-tech businesses as well as self-employment opportunities for skilled professionals. Moss cites several examples of the successful rehabilitation of 19th-century industrial buildings for a combination of high-tech offices and residential condominiums and argues that cities should aggressively exploit an expanding market for this kind of mixed-use development.

Lang, Hughes, and Danielsen explore the possibility that significant numbers of households currently living in the suburbs have a preference for more "urban" lifestyles and might constitute a market for central-city living. They experiment with the use of "target marketing" data developed by a private sector firm (Claritas) to identify and locate potential consumers for specific products and services. Claritas combines information on location,

demographic and socioeconomic characteristics, and consumer behavior to generate 62 distinctive lifestyle types. Using the Washington, DC, metropolitan area as a case study, Lang et al. focus on lifestyle groups that have middle to high incomes and live in high-density, urbanized areas outside the District of Columbia. For example, “Bohemian Mix” households are middle-income singles and unmarried couples, under 35 years old, who are college educated and employed in white-collar jobs, and who tend to live in multifamily apartment buildings or condominiums. “Money & Brains” households are affluent couples (generally without children), aged 55 to 64, who are college educated and employed in high-level executive or managerial jobs. Lang et al. conclude that these and several other groups of “suburban urbanites” constitute a large potential market for central-city living, and that target marketing data could help cities like the District of Columbia develop specific marketing strategies for each lifestyle group.

Can economically and racially mixed communities succeed?

Racial segregation is so pervasive in urban America that many people may question whether it is feasible to sustain economically and racially mixed communities over the long term. Is it realistic to try to attract middle- and upper-income families to live in communities with significant numbers of poor people? Will white families move into neighborhoods with large minority populations? Or is it inevitable—as much of urban America’s recent experience would seem to suggest—that racially and economically diverse neighborhoods will “tip” one way or the other?

Nyden, Maly, and Lukehart provide some encouragement on this question in their case study analysis of 14 stable racially and ethnically diverse communities in nine U.S. cities. They identified study neighborhoods using 1980 and 1990 census data, combined with interviews of local government officials and community activists, and then conducted in-depth interviews at the local and neighborhood levels to fully understand the evolution of each neighborhood. These case studies suggest that diverse neighborhoods originally result from some combination of outside economic and demographic forces, such as the loss of manufacturing jobs, the influx of international immigrants, or stalled gentrification, but that ultimately, conscious community-based efforts are needed to sustain and preserve diversity. These efforts sometimes focus explicitly on the goal of maintaining an

integrated community, or they might be organized to address specific problem areas, such as crime prevention or school quality.

Clearly, stable integrated neighborhoods are the exception rather than the rule in the United States today. And, as Downs reminds us, the persistence of racial prejudice and inequality helps perpetuate the out-migration of middle- and upper-income households from central cities and the isolation of poor minority communities from the social and economic mainstream. Nevertheless, the case studies presented by Nyden et al. provide reason for optimism that thoughtful efforts explicitly intended to sustain diversity in urban neighborhoods can be effective, and that both white and minority households can enjoy the benefits of living in stable integrated communities.

Downs argues that analysts and policy makers too often make the mistake of characterizing cities and neighborhoods as “things” in and of themselves, rather than places where an ever-changing collection of people and activities locate. Even communities perceived as stable experience a constant flow of households moving in and ultimately moving out as their circumstances change. A high volume of out-migration from a city or neighborhood would not be a problem if the out-migrants were constantly being replaced by in-migrants. Even if many poor people were moving into a central-city neighborhood and then moving out when their incomes increased substantially, the neighborhood could be functioning effectively as a kind of “launching pad” for upward social and economic opportunity. In other words, economically and ethnically diverse inner-city neighborhoods do not have to be static to be reasonably stable.

What policies are needed for central cities to retain and attract middle-income residents?

Central-city policy makers may be frustrated by the shortage of concrete policy guidance offered by these papers. Some of the papers lead to the discouraging conclusion that the forces contributing to central-city population losses are so strong and pervasive that they cannot realistically be reversed. And indeed, it is important to acknowledge that small-scale initiatives, implemented by central-city jurisdictions alone, are unlikely to have much effect if there is no accompanying change in racial prejudice and inequality, or in the balkanization of political decision making and taxing authority among jurisdictions in most metropolitan regions. Nevertheless, the 1996 Fannie Mae

Foundation conference and the papers that resulted from it do contain some useful recommendations for policy makers to consider.

In general, results presented here suggest that cities should seek to capitalize on their social diversity and openness. Instead of trying to compete with suburban communities for large numbers of middle- and upper-income families with children, central cities should focus on policies and initiatives that make them more attractive to nontraditional households—young people who have not yet had children, childless professionals, older singles and couples whose children have left home, lesbians and gays, and home-based entrepreneurs. Land use and zoning policies should be adapted to accommodate diverse living and working arrangements, fair housing and antidiscrimination laws should be aggressively enforced, and the diversity and openness of the big city should be embraced and promoted.

Moreover, as racially and economically integrated neighborhoods emerge within the central city, policies should actively promote their health and stability. City government can play an important role by supporting neighborhood organizations that seek to preserve the diversity of their communities and by providing resources such as community safety and jobs initiatives to help resolve tensions that may emerge among segments of the population. Given the fragility of racial and economic integration and the powerful forces still acting to undermine it, cities might also consider targeting financial incentives—such as housing rehabilitation loans or first-time home buyer assistance—to encourage neighborhood diversity and to help stabilize neighborhoods undergoing socioeconomic change.

Although the analysis of threshold effects presented by Quercia and Galster is still at a relatively early, conceptual stage, it has important implications for policy. Specifically, programs designed to attract or retain middle- and upper-income households should be conscious of the likelihood that too few households scattered over too large an area might not have the desired impact. Thus, for example, a program that attempts to induce first-time home buyers to purchase and rehabilitate abandoned inner-city housing might consider targeting its subsidies to a particular neighborhood to achieve a “critical mass” of housing reinvestment and to support civic institutions and commercial ventures. Clearly, more empirical evidence is needed to test the threshold concept and to quantify the actual number of households needed to produce various secondary benefits.

Improving the safety and security of residents (and visitors) must be a priority for cities seeking to retain and attract population. Although Kasarda et al. do not find empirical evidence relating crime rates to migration patterns, there are good reasons to believe that fears for personal safety play a role in decisions about whether to live in the central city. Downs points out that although reported crime rates in many big cities have been declining, crime rates are substantially higher in central cities than in suburbs. Moreover, middle- and upper-income households perceive crime to be a major disadvantage of central-city life, an attitude closely intertwined, according to Downs, with middle-class antipathy to big-city public schools. As long as cities are seen as dangerous places to live, even nontraditional households that value their diversity, social openness, density, and nightlife will not be willing to remain in large numbers.

Downs also argues that cities need to radically overhaul bloated, inefficient bureaucracies and reform outdated, oppressive regulations. Middle- and upper-income households, which have choices about the jurisdiction in which they live and pay taxes, will not tolerate chronically poor performance in basic city services such as street maintenance, trash collection, and snow removal. Nor will businesses tolerate overly complex or arbitrary rules and regulations that generate high costs and delays. Thus, Downs advocates serious attention to service reform through some combination of privatization, competition between public and private service providers, and regulatory streamlining from a customer perspective.

But the challenges facing America's central cities cannot be effectively addressed by city governments acting in isolation. Large numbers of middle- and upper-income households will not remain in the central city, where they are taxed to pay for a disproportionate share of the region's concentrated poverty, when they can escape to outlying jurisdictions and effectively avoid the costs of poverty altogether. Many theorists have long argued that the solution to this dilemma lies in metropolitan-wide government. Some argue that the current trend toward "devolution" of federal roles and authority might encourage states to adopt metropolitan-wide strategies and solutions. However, as Downs reminds us, the concept of metropolitan government has virtually no political support (in either suburbs or cities) and—with few exceptions—will never come to pass. In fact, devolution is just as likely to exacerbate the balkanization of metropolitan regions, as states simply pass decision-making powers down to counties. Thus, more modest and incremental strategies must be explored for sharing the costs of poverty

across jurisdictions, placing limits on outward sprawl, and opening access to suburban jobs and housing opportunities for lower-income and minority households at the same time that cities work to become more attractive to the widest possible range of income groups.

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Reference

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