Demographics and Characteristics of Middle Neighborhoods in Select Legacy Cities

Ira Goldstein
William Schrecker
Jacob L. Rosch
The Reinvestment Fund

Legend goes that when notorious bank robber Willie Sutton was asked why he robbed banks, he said, because that's where the money is. When asked why we should be concerned with the middle neighborhoods of our legacy cities, one practitioner said, "because that's where the people are."

Legacy cities represent a unique subset of American cities because they struggled to manage a severe loss of manufacturing jobs and experienced significant population loss.[1] Legacy cities like Detroit and St. Louis have declined in population by nearly 62 percent since their peak in the 1950s. Others like Pittsburgh, Baltimore, and Philadelphia lost 55 percent, 34 percent, and 26 percent of their 1950 populations, respectively.

Across legacy cities, middle neighborhoods generally are home to a large share of the people and households that remain. Although for city leaders, protecting the population that remains in legacy cities is a strategic priority, they typically have not focused on middle neighborhoods. Instead, with some exceptions, they are now more focused on high-profile downtowns that they believe will build the local tax base and create jobs. Middle neighborhoods generally do not get the attention of nonprofits and community development corporations (CDCs) either. Such organizations usually focus on the most distressed areas, and because middle neighborhoods are not the most blighted or highest poverty areas, they typically do not receive the benefit of federal community development funds. Notwithstanding the customary lack of attention, middle neighborhoods represent a significant part of the tax base that supports critical municipal functions.

The decline of federal resources to support community and economic development has motivated policymakers to use evidence when allocating their increasingly scarce housing and community development resources. In an environment of limited resources, community development leaders are challenged to rediscover the value and the importance of middle neighborhoods.

Our core argument here is that middle neighborhoods in legacy cities are vital because they are home to a substantial segment of a city's population and therefore provide the tax base on which so many city services rely. Further, despite the population decline and job losses in legacy cities, middle neighborhoods have relatively stable populations. These areas

1 See, for example, http://www.legacycities.org/

are generally racially mixed, and residents are reasonably well educated, employed, and in households with modest (or higher) incomes. Moreover, middle neighborhoods tend to be relatively affordable and, therefore, are generally opportune places for an important segment of a city's population. Attention to these places is critical because, we believe, residents of middle neighborhoods possess the economic wherewithal to have choices, and should the value proposition for their communities begin to fail, they could exercise those choices and leave. Underscoring the importance of this notion, Philadelphia's former mayor John Street called these neighborhoods the "key battlegrounds"–lose them and you lose the city.[2]

To explore our argument, this chapter offers a data-based description of the middle neighborhoods of several legacy cities: Baltimore, Detroit, Milwaukee, Philadelphia, Pittsburgh, and St. Louis. These are not a random selection of legacy cities; they are cities for which Reinvestment Fund has completed its Market Value Analyses (MVAs), described below, within the last five years.[3] It is through brief case studies of each of these cities that we can systematically understand what the middle neighborhoods look like demographically, socially, and economically. Further, through insights gained from interviews with practitioners in each of these cities, we explore the strengths, challenges and opportunities for middle neighborhoods.

A Changing Funding Environment in Legacy Cities

An obvious place to begin a brief review of the historical funding context of these markets is with the federal Community Development Block Grant (CDBG) program. The CDBG program has historically been a, if not the, critical source of funds for communities across the United States to address housing, community and economic development, infrastructure, and related needs. As Figure 1 shows, between 1975 and 2014, annual federal allocations have fluctuated substantially, but overall are down 72 percent in inflation-adjusted terms. Although other sources of funds now support affordable housing (e.g., the Low Income Housing Tax Credit, which began in 1986), the loss of CDBG is crucial because of the flexibility in its potential uses.

2 City of Philadelphia, "Neighborhood Transformation: A Strategy for Investment and Growth" (2001).

3 Alan Mallach and Lavea Brachman rank legacy cities from 1 to 18 based on a variety of demographic, social, and economic characteristics (with 1 being the strongest rank). Using their scale, the cities in this chapter represent the wide range of conditions among legacy cities. Philadelphia is ranked 1, Pittsburgh, 2, Baltimore, 3, Milwaukee, 5. St. Louis, 8 and Detroit, 17. See A. Mallach and L. Brachman, Regenerating America's Legacy Cities (Cambridge, MA: Lincoln Institute of Land Policy, 2013).

Figure 1: Annual CDBG Allocations (Raw and Inflation-Adjusted), 1975 – 2014

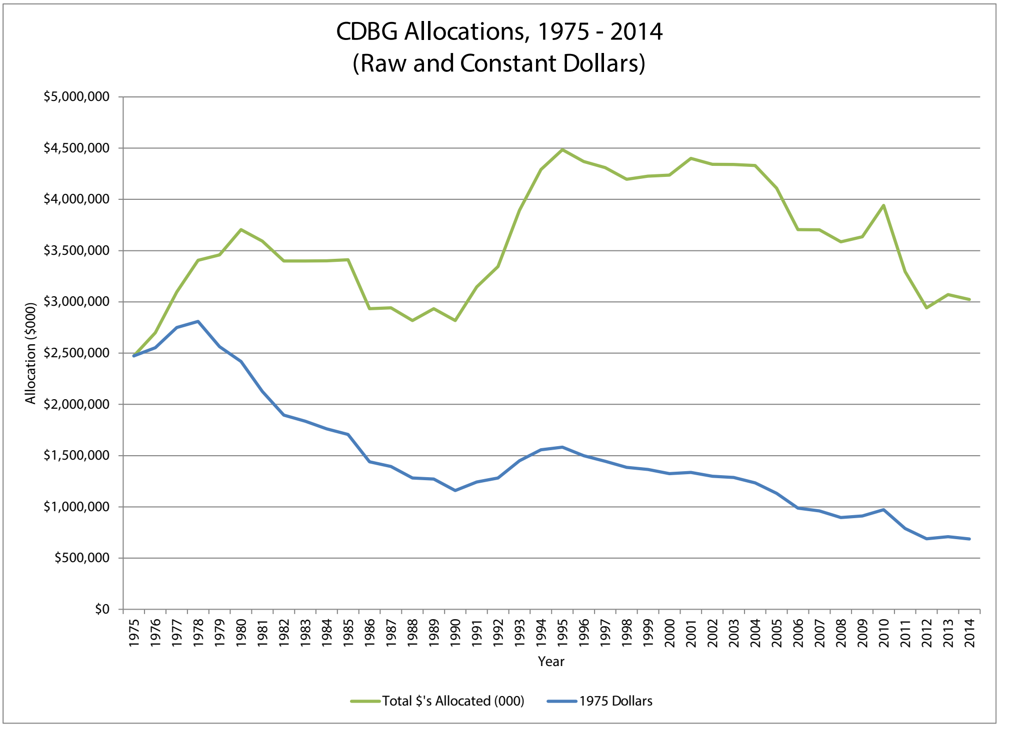


Table 1 presents data on the annual CDBG allocation in the six legacy cities we focus on here. Between 1975 and 2014, every city except for St. Louis and Milwaukee experienced a nominal loss in its CDBG allocation. In real terms, although the national average CDBG allocation declined by 72 percent, the allocations in these selected legacy cities declined from 75 percent in St. Louis to 86.9 percent in Baltimore (in real dollars).[4] The implication for cities is manifest: less federal funding to address critical community and economic development needs.

These cuts may not have had as direct an impact on middle neighborhoods, because, as more than one interviewee noted, the CDBG regulations and guidance historically made it difficult to direct CDBG funds to these areas. At the same time, however, the loss of CDBG funds has meant that more areas are competing for the same shrinking pool of resources. The relative scarcity of public funds in today's world of public investment and development has served to further emphasize the importance of middle neighborhoods when considering strategic deployment and return on investment of public dollars.

4 When the federal government consolidated existing categorical grants into the CDBG program, cities were held harmless against a loss of funding. The expiration of the hold harmless program and the introduction of new census data in 1980 led to a number of large funding fluctuations apparent in the 1975 and 1980 allocations. Personal communication with Todd M. Richardson, associate deputy assistant secretary, Office of Policy Development and Research, U.S. Department of Housing and Urban Development, 2015.

Table 1: CDBG Allocations (million $) 1975 – 2014

	Historic CDBG Allocation											
	1975	1980	1985	1990	1995	2000	2005	2010	2014	2014 ($ 1975)	Percentage Change	Percentage Change (Adj)
Baltimore	32.75	33.81	26.81	21.63	30.72	29.71	27.00	25.18	18.81	4.28	-42.6%	-86.9%
Detroit	34.19	64.14	49.72	40.14	56.58	51.21	45.83	40.14	32.11	7.30	-6.1%	-78.6%
Milwaukee	13.38	22.79	17.68	14.68	23.30	22.22	19.62	18.27	14.99	2.57	12.0%	-80.8%
Philadelphia	60.83	71.96	60.92	48.56	72.93	69.09	59.72	55.33	39.31	8.93	-35.4%	-85.3%
Pittsburgh	16.43	26.04	19.59	15.87	23.11	21.24	19.14	18.04	13.01	2.96	-20.8%	-82.0%
St Louis	15.19	35.18	26.00	20.30	29.94	27.49	23.51	21.36	16.18	3.79	6.5%	-75.0%
US Total	2,473	3,704	3,411	2,818	4,485	4,236	4,110	3,941	3,023	687	22.2%	-72.2%

Economic and Demographic Changes in Legacy Cities

In addition to changes in the funding environment, the population and the economy also changed in legacy cities.[5] Others have chronicled the national decline in manufacturing, and the experience of legacy cities is generally more severe because legacy cities had historically relied more heavily on manufacturing as the bedrock of their local economies. As Table 2 shows, with the exception of Milwaukee, the magnitude of the decline in manufacturing in legacy cities between 1967 and 2012 is more than double the national average (31 percent).

Table 2: Change in Manufacturing Employment, 1967 – 2012[6]

	Manufacturing Employment			
	1967	2012	Raw Change	Percent Change
Baltimore	209,700	53,494	-156,206	-74%
Detroit	599,900	199,394	-400,506	-67%
Milwaukee	216,500	114,114	-102,386	-47%
Philadelphia	573,800	172,790	-401,010	-70%
Pittsburgh	299,600	90,107	-209,493	-70%
St. Louis	296,000	99,727	-196,273	-66%

The loss of population in these legacy cities was also severe. When city residents move, they frequently move from the urban core to the suburban counties in the region, and the movers are typically those who earn higher incomes and have higher educational attainment.

Table 3 presents population data for the six legacy cities from 1950 to 2013. All except Milwaukee have lost population from their peaks in 1950 (Milwaukee peaked in 1960). Far and away, Detroit saw the most severe population loss at more than 1.1 million people, representing 62.3 percent of the 1950 population. St. Louis lost 538,000 people, or 62.8

5 See, for example, http://www.legacycities.org/

6 See American Fact Finder, "Manufacturing: Geographic Area Series: Industry Statistics for the States, Metropolitan and Micropolitan Statistical Areas, Counties, and Places: 2012 & 2012 Economic Census of the United States." (Washington, DC: U.S. Census), at http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_31A1&prodType=table. See also: ftp://ftp2.census.gov/econ1977/Graphic_Summary_of_the_1977_Economic_Censuses.pdf

percent of the 1950 population. Philadelphia experienced a comparable raw population loss (524,000), which represented 25.8 percent of its 1950 population.

Table 3: Population of Selected Legacy Cities, 1950 – 2013

	Total Population								Peak Decade	Change; 2013-1950	% Change; 2013-1950
	1950	1960	1970	1980	1990	2000	2010	2013			
Baltimore	949,708	939,024	905,759	786,775	736,014	651,154	620,961	621,445	1950	(328,263)	-34.6%
Detroit	1,849,568	1,670,144	1,511,482	1,203,339	1,027,974	951,270	713,777	706,663	1950	(1,142,905)	-61.8%
Milwaukee	637,392	741,324	717,099	636,212	628,088	596,956	594,833	596,459	1960	(40,933)	-6.4%
Philadelphia	2,071,605	2,002,512	1,948,609	1,688,210	1,585,577	1,517,550	1,526,006	1,536,704	1950	(534,901)	-25.8%
Pittsburgh	676,806	604,332	520,117	423,938	369,879	334,563	305,704	306,062	1950	(370,744)	-54.8%
St Louis	856,796	750,026	622,236	453,085	396,685	348,189	319,924	318,955	1950	(537,841)	-62.8%

Except for Pittsburgh, each of the legacy cities experienced substantial growth in the number and percentage of minority (especially African American) residents (Table 4 and 5). The African American population in Pittsburgh declined, but as a percentage of the total population, it increased.[7]

Table 4: Black Population of Legacy Cities, 1950 – 2013

	Black Population								Change; 2013-1950	% Change; 2013-1950
	1950	1960	1970	1980	1990	2000	2010	2013		
Baltimore	225,099	325,589	420,210	431,151	435,768	417,231	395,781	392,749	167,650	74.5%
Detroit	300,506	482,223	660,428	758,939	777,916	774,175	590,226	577,224	276,718	92.1%
Milwaukee	21,772	62,458	105,088	146,940	191,255	220,770	237,769	234,849	213,077	978.7%
Philadelphia	376,041	529,240	653,791	638,878	631,936	653,364	661,839	665,332	289,291	76.9%
Pittsburgh	82,453	100,692	104,904	101,813	95,362	89,517	79,710	77,400	(5,053)	-6.1%
St Louis	153,766	214,377	254,191	206,386	188,408	177,627	157,160	154,888	1,122	0.7%

Table 6 shows that middle neighborhoods are generally more representative of the city-wide racial composition than either stronger or weaker MVA market areas. Moreover, these areas are generally equally or more racially integrated than the city as a whole.[8]

7 Thomas notes that this is not an uncommon pattern observed in legacy cities. She argues that understanding this trend is critical to developing proactive strategies in these cities that are attentive to fundamental social justice issues. J.M. Thomas, "Addressing the Racial, Ethnic, and Class Implications of Legacy Cities." In *Rebuilding America's Legacy Cities: New Directions for the Industrial Heartland*, edited by Alan Mallach (New York: American Assembly, Columbia University, 2012).

8 The Index of Dissimilarity ("D") measures how evenly two groups are distributed across a geographic area, with lower values representing higher levels of integration. D values literally translate into the percent of a population (e.g., African American) that would need to move to achieve a uniform (i.e., integrated) area. In every city but Detroit, the index is lower in middle market areas than a city's total score. See: O. Duncan and B. Duncan. "A Methodological Analysis of Segregation Indices." American Sociological Review 1955 Vol. 20 Pg.210-17.

Table 5: Percentage Black in Legacy Cities, 1950 – 2013

	Percent Black Population								% Change;
	1950	1960	1970	1980	1990	2000	2010	2013	2013-1950
Baltimore	23.7%	34.7%	46.4%	54.8%	59.2%	64.1%	63.7%	63.2%	166.6%
Detroit	16.2%	28.9%	43.7%	63.1%	75.7%	81.4%	82.7%	81.7%	402.7%
Milwaukee	3.4%	8.4%	14.7%	23.1%	30.5%	37.0%	40.0%	39.4%	1052.7%
Philadelphia	18.2%	26.4%	33.6%	37.8%	39.9%	43.1%	43.4%	43.3%	138.5%
Pittsburgh	12.2%	16.7%	20.2%	24.0%	25.8%	26.8%	26.1%	25.3%	107.6%
St Louis	17.9%	28.6%	40.9%	45.6%	47.5%	51.0%	49.1%	48.6%	170.6%

Table 6: Racial Composition and Segregation in Legacy Cities. Lower scores on the Index of Dissimilarity mean greater integration. See footnote 8.

	Percent White	Index of Dissimilarity
Baltimore City	29.6%	0.67
Mid-Markets	24.3%	0.59
Low-Markets	6.4%	x
High-Markets	70.4%	x
Detroit City	12.4%	0.61
Mid-Markets	17.4%	0.62
Low-Markets	7.4%	x
High-Markets	10.0%	x
Milwaukee City	44.7%	0.58
Mid-Markets	34.7%	0.44
Low-Markets	15.5%	x
High-Markets	76.1%	x
Philadelphia City	41.1%	0.62
Mid-Markets	56.7%	0.57
Low-Markets	15.6%	x
High-Markets	73.8%	x
Pittsburgh City	66.3%	0.49
Mid-Markets	77.0%	0.43
Low-Markets	59.3%	x
High-Markets	79.5%	x
St Louis City	43.9%	0.61
Mid-Markets	65.9%	0.47
Low-Markets	11.5%	x
High-Markets	62.3%	x

Using the Market Value Analysis to Identify Middle Neighborhoods and Target Investment

Although this chapter focuses on middle neighborhoods, it is important to point out that there is no bright-line definition of a middle neighborhood. One tool cities have used to identify their middle neighborhoods is Reinvestment Fund's Market Value Analysis.

Reinvestment Fund first created the MVA in 2001 in support of former Philadelphia Mayor John Street's Neighborhood Transformation Initiative.[9] The MVA summarizes a set of market indicators to measure the strength or weakness of the real estate market in individual areas of a city, ordinarily at a jurisdiction's census block groups.

Typically, the MVA relies on a set of indicators obtained from the local jurisdictions (i.e., administrative data). Usual indicators include median residential sale prices; foreclosures as a percentage of housing units (or residential sales); variation in sale prices; percentage of all housing units that are vacant; percent of all parcels that are vacant; percent of (occupied) housing units occupied by the owner; percent of properties with building permits representing new construction or substantial rehabilitation; and mixture of land uses. Although this group of indicators may vary to a degree from city to city, the MVA uses a common set of indicators that reflect the market conditions that an investor or developer might observe when evaluating areas for investment or intervention.

Most of these indicators are acquired at an individual address level and then aggregated to the census block group. Based on experience, the census block group is large enough to ensure that the data are reasonably stable yet small enough to ensure that the natural mosaic of a community is revealed.

Although the MVA is not designed to identify middle neighborhoods per se, the results make clear which areas of a city are strongest, which are most distressed, and which fall in the middle. We identified MVA markets that, across the spectrum of all local markets, generally reflect the typical levels of each MVA component indicator.[10] Next, we conferred with local experts in each legacy city to test the appropriateness of our designation of market types as middle neighborhoods. Although not every expert defined middle market areas exactly as we did, we achieved a reasonable consensus in most cities. From both of those processes, we identified the typically three or four MVA market categories that we designated middle markets, which then we will describe as middle neighborhoods.[11]

Each of the other market types were then categorized as low if they were in MVA categories that represented more market stress, and high if they were in categories with less stress.

9 For a more thorough description of the MVA's history and applications, see I. Goldstein, "Making Sense of Markets: Using Data to Guide Reinvestment Strategies." In *What Counts: Harnessing Data for America's Communities* (San Francisco: Federal Reserve Bank of San Francisco and the Urban Institute, 2014).

10 The general approach for designating middle markets for this analysis was to include markets that had characteristics that, taken together, were within about 50 percent to 200 percent of the citywide average.

11 In our experience, established neighborhood boundaries are typically comprised of more than one MVA market type.

We caution that because of the subjectivity in the designation of middle markets, small differences between middle markets and the other categories should not be emphasized. Each of the MVAs presented in this chapter was created within the last five years.[12]

Data and Methods

The data sources for this chapter are many. As part of the MVA process in each city, we gathered data from the respective housing or planning department, redevelopment authority, property assessor, and/or Sheriff. Occasionally, we obtain data from propriety data sources (e.g., Valassis Lists, First American Real Estate Solutions) when administrative data do not exist. We also occasionally use census and American Community Survey (ACS) data, but for a variety of reasons, these are not favored as market indicators for use in the MVA.[13]

Prior to data aggregation for each MVA indicator, the data components are cleaned and validated with local subject-matter experts and then through fieldwork, where researchers review the data by systematically driving through the streets of the MVA city. Often the researchers are accompanied by local practitioners who have specific knowledge of an issue (e.g., abandonment and vacant land) or a neighborhood(s).

Finally, researchers use a statistical cluster analysis to combine cases (i.e., block groups), based on all of the measured indicators, into categories so that each group shares a common pattern of characteristics. The groupings are designed to maximize the similarity of areas within groups and maximize the differences between groups. The cluster analysis results are mapped and validated using a similar field validation process. Additional social, economic, and demographic characteristics in this chapter are gathered from the decennial censuses of 2000 and 2010 as well as the ACS, 2009-2013 five-year sample estimates.

Middle Neighborhoods[14]

Across each of the studied cities, the middle neighborhoods are home to the largest segment of the population. In Detroit and Baltimore, more than one-half of the population resides in the MVA middle neighborhoods as defined by the MVA; Philadelphia's and St. Louis' middle neighborhoods are home to more than 40 percent, while Milwaukee and Pittsburgh house approximately 37 percent (Table 7).

12 Data were most recently collected in the following years: Baltimore (2012-14), Detroit (2010-11), Milwaukee (2011-12), Philadelphia (2010-11), Pittsburgh (2011-13), and St. Louis (2010-12). It is frequently not possible to obtain each MVA data element entirely coincident in time. Moreover, for several indicators (e.g., residential sales or mortgage foreclosures) we will oftentimes aggregate across multiple years in an effort to obtain a sufficiency of activity upon which a stable estimate can be made. The years noted for each city therefore are presented as an indicator of the period for which the MVA is most representative.

13 ACS data are generally not preferred for MVAs because the margins are error are often quite large and the 5-year aggregation makes the data less contemporary than other critical indicators.

14 Tables 14, 15 and 16 contain the demographic data for all cities.

Table 7: Population Distribution by Market Type

Market Type	Percent of Total Population by MVA Market Type (ACS 2009-2013 5-year Estimates) Philadelphia	Detroit	Baltimore	Milwaukee	Pittsburgh	St. Louis
High-Markets	11.6%	8.1%	20.6%	35.3%	22.1%	18.7%
Mid-Markets	42.9%	51.6%	51.2%	36.8%	37.1%	41.0%
Low-Markets	40.2%	38.3%	19.4%	24.7%	31.5%	33.7%
No MVA Market Type*	5.3%	2.0%	8.8%	3.2%	9.3%	6.6%

*Block group areas with fewer than 5 sales are typically removed from MVA market designations

Baltimore: Reinvestment Fund created multiple MVAs dating to 2005 in Baltimore. The most current MVA (Table 8) presents a similar but not identical portrayal of Baltimore's housing market than previous MVAs. Aside from pockets of market stabilization and improvement (e.g., the Fells Point and Canton sections on the Patapsco River or Patterson Park to the north of Canton) and entrenched distress (e.g., Sandtown/Winchester and Park Heights) much of Baltimore shows modest strength or modest decline.

Baltimore's middle neighborhoods are home to 318,000 residents, equal to 51.2 percent of Baltimore's total population. Seventy-seven percent of residents are nonwhite in middle neighborhoods. Notwithstanding the relatively reasonable price of housing in Baltimore and modest income levels, owner, and especially renter, cost burdens are elevated. In fact, cost-burden levels for Baltimore's middle neighborhoods look more like their distressed counterparts than they do the stronger areas where incomes are substantially higher and the level of poverty is well below the citywide average. Residents of Baltimore's middle neighborhoods tend to be reasonably well educated, certainly when compared with residents of the more distressed market areas.

Sales prices in Baltimore's middle neighborhoods range between \$40,000 and \$115,000–a wide range but still affordable to households earning a modest annual income. These middle neighborhoods face significant pressure from foreclosures and are not undergoing significant maintenance or upgrading as evidenced by low levels of permitting. Middle neighborhoods in Baltimore are where renters with subsidies are finding homes, although they tend to be in the lower-priced areas of the markets. We note also that these areas run the full range of owner occupancy.

Driving through Baltimore's middle neighborhoods, one sees a full array of Baltimore's housing style, quality, level of maintenance, tenure, price points, and general curb appeal. But mostly, they represent places where modest-income families can find a home to meet their basic needs. At the same time, it is clear that maintenance is deferred in some of the market areas, conditions that most certainly undermine housing values and community stability.

Table 8: Characteristics of Baltimore's Markets

Baltimore 2014

MVA Market Types	# Block Groups	Median Sales Price, 2012-2014Q2	Variance Sales Price, 2012-2014Q2	Foreclosure as % Res. Lots, 2012-2014Q2	% Vacant Housing Units, 2014	% Owner Occupied, 2014	Permits (>$10k) as % Res. Lots, 2012-2014Q2	% Commercial & Industrial Land, 2014	% Vacant Residential Lots, 2014	% Rental Units Subsidized, 2014	Housing Units per Square Mile, 2014
A	48	$340,685	0.43	1.4%	0.3%	68.1%	6.9%	14.0%	1.3%	2.2%	6,228
B	74	$192,635	0.47	2.8%	1.3%	40.6%	6.3%	20.0%	2.2%	4.5%	10,536
C	97	$115,482	0.48	5.6%	1.1%	68.9%	2.4%	8.9%	0.6%	9.0%	4,712
D	88	$72,714	0.61	5.6%	3.2%	46.7%	3.7%	13.1%	1.8%	8.5%	5,460
E	89	$39,485	0.73	6.4%	6.1%	49.5%	2.2%	6.2%	1.8%	15.2%	7,308
F	35	$37,858	0.71	5.9%	4.9%	41.0%	2.1%	54.6%	3.4%	11.2%	3,752
G	98	$19,517	0.86	4.7%	16.7%	34.1%	1.9%	15.8%	2.6%	8.6%	8,816
H	60	$11,775	0.97	2.9%	33.7%	21.4%	1.6%	15.1%	9.7%	5.4%	9,969

Detroit: Detroit's MVA (Table 9) was completed at a time when a state takeover and the potential bankruptcy of Detroit was becoming increasingly likely. Home prices in Detroit are substantially lower than in any of the other legacy cities. Even at the strongest end of the market, homes were selling for prices averaging under $125,000. Homes in Detroit's most distressed areas averaged under $5,000.

Like Baltimore, Detroit's middle neighborhoods are home to more than 50 percent of its population. There is no substantial difference in racial composition across the Detroit market categories. Although Detroit lost a significant percentage of its population, the losses in middle neighborhoods were substantially less severe, even compared to its strongest markets. Middle neighborhoods have a higher proportion of owner-occupied housing than even Detroit's strongest markets. This is a function of the relatively recent conversion and rehabilitation of housing stock in the downtown and midtown areas, much of which is now renter-occupied. Owner cost-burdens (including the extremely cost burdened) for those residing in the middle neighborhoods of Detroit is relatively low compared with other parts of the city. Adult residents of Detroit's middle neighborhoods have reasonably similar levels of education as their counterparts in the stronger market areas. Although Detroit's poverty rate is generally higher than other legacy cities, the city's poverty rate in middle neighborhoods is relatively low.

The high level of real estate owned (REO) homes (those held in the inventory of investors after foreclosure), homes pending mortgage foreclosure actions, as well as the amount of vacant land (created through demolition) are an obvious drag on the value and desirability of Detroit's middle neighborhoods. But, consistent with other legacy cities, several of the middle areas are highly owner-occupied. Further, middle neighborhoods have a higher proportion of the rental stock occupied by renters with a subsidy. Subsidized renters who live in middle neighborhoods are fortunate because these areas are some of the most stable places in Detroit.

Compared with other legacy cities for which we have completed MVAs, Detroit is unique in that the physical distance between areas of market strength and distress is extremely small, sometimes the width of a single street. It is clear that the city's middle neighborhoods (e.g., East English Village, Grandmont, Rosedale, Sherwood Forest) are places where families dedicate significant effort to maintain their communities, despite everything going on around them. A home in pristine condition with a perfectly manicured lawn next to a burned-out structure is a common sight. It is here that signs frequently notify passers-by that a town watch is active. Many of the communities also appear to have worked to maintain their historic identity. However, more than in the other legacy cities, vacancy and abandonment (and apparent vacancy caused by fire or demolition) and properties warehoused in a lender or investor's REO portfolio are manifest.

Table 9: Characteristics of Detroit's Markets

Detroit 2011										
MVA Market Types	# Block Groups	Median Sales Price, 2009-2010	Variance Sales Price	% Residential Properties Currently in REO	% Residential Properties w/ Foreclosure Filing, 2009-10	% Owner Occupied	Commercial - Residential Land Use Ratio	% Housing Units with Section 8	% of all Parcels Classified as Unimproved Vacant Lots	% of all Housing Units Classified as Vacant, Open and Dangerous
A	4	$ 124,500	0.80	3.2%	1.1%	48.1%	0.12	0.2%	6.5%	0.5%
B	10	$ 68,583	0.55	3.0%	3.1%	67.2%	0.07	1.0%	7.5%	0.0%
C	17	$ 31,500	0.76	1.9%	1.1%	28.9%	0.13	1.6%	18.0%	1.0%
D	60	$ 21,000	0.74	6.7%	4.9%	90.1%	0.04	2.1%	0.0%	0.0%
E	167	$ 11,888	0.90	7.0%	4.6%	79.3%	0.05	3.2%	1.0%	0.0%
F	127	$ 10,150	0.87	5.1%	3.8%	50.5%	0.08	2.4%	5.0%	2.0%
G	181	$ 6,050	1.17	7.3%	4.0%	66.4%	0.05	3.3%	4.0%	2.0%
H	77	$ 5,000	1.13	5.9%	2.9%	38.6%	0.09	2.6%	16.0%	7.0%
I	55	$ 4,100	1.16	4.3%	2.5%	65.7%	0.04	1.8%	21.0%	8.0%

Milwaukee: Milwaukee's middle neighborhoods are home to approximately 37 percent of the city's population, generally lower than other legacy cities. However, a substantially larger share of the Milwaukee population resides in stronger markets and a smaller population is in distressed market areas. Milwaukee's middle neighborhoods are places with modest levels of owner occupancy and a substantial percentage of sales of duplexes and other small multifamily units (Table 10). Middle neighborhoods are still being affected by foreclosures although, unlike other legacy cities, Milwaukee's more distressed markets are now being hit harder.

Milwaukee's population was stable between 2000 and 2013, with the middle neighborhoods growing by 1.7 percent. The largest proportionate loss was found in the more distressed market areas of Milwaukee. Milwaukee is similar to the other legacy cities in that a substantial share of the city's non-white population lives in middle neighborhoods. Though sales prices are relatively low, Milwaukee's middle neighborhoods are not particularly affordable for owners or renters. A relatively high percentage of residents are cost burdened.

Milwaukee's middle neighborhoods are split: markets with homes prices ranging from $90,000 to $120,000 and those, albeit often similar in appearance, with home prices from $50,000 to $70,000. Some of this bifurcation may be related to Milwaukee's legacy of racial segregation. However, some of the price difference can also be accounted for by the much higher levels of foreclosure activity in the less expensive neighborhoods. History tells us though that segregation and foreclosures are not unrelated phenomena.

Table 10: Characteristics of Milwaukee's Markets

Milwaukee 2012

MVA Market Types	Median Sales Price 2011-12	Average Sales Price 2011-12	Variance Sales Price 2011-12	Foreclosures as a Percent of Sales	Percent Duplex/ MultiFamily Sales	Percent Water Shut Off	Percent New/ >$10k Rehab	Percent Owner Occupied	Percent Publicly Subsidized Rental	Percent Non Residential Area
A	$214,780	$234,429	.46	14%	62%	2%	3%	33%	2%	16%
B	$121,403	$121,067	.38	21%	11%	1%	4%	69%	3%	13%
C	$117,397	$113,297	.43	24%	24%	2%	3%	43%	4%	62%
D	$91,462	$99,228	.55	31%	53%	3%	3%	44%	6%	13%
E	$55,001	$64,723	.65	47%	13%	3%	2%	49%	12%	24%
F	$51,658	$63,400	.73	49%	61%	6%	2%	34%	6%	27%
G	$30,705	$44,611	.85	51%	74%	9%	2%	29%	7%	20%
H	$29,355	$44,001	.91	51%	29%	9%	3%	33%	9%	20%
I	$15,607	$29,497	1.09	65%	57%	16%	4%	26%	7%	24%

Philadelphia: Overall, 42.9 percent of Philadelphia's residents (663,000) live in the middle neighborhoods, a 4.6 percent rise over the decade. The nonwhite population of Philadelphia is over-represented in the more challenged market areas of Philadelphia. Although 47.8 percent of the residents in middle neighborhoods are nonwhite, disproportionately fewer (32.3 percent) of nonwhites live in middle neighborhoods.

Philadelphia stands out among the group of legacy cities in a number of ways. First, it has the largest population. Second, a considerable share of Philadelphia's residential population resides in the strong market areas in the downtown. Third, Philadelphia's residential downtown, along with a few communities, particularly in the northwest section, have sale prices well over $600,000 (price points not frequently observed in the other cities). The middle neighborhoods, however, are relatively affordable and are unmistakably Philadelphia's owner-occupied communities (Table 11). New construction is rare in these areas; however, that which is new will be found largely in the northwest and the far northeast sections of the city. Mortgage foreclosures continue to affect these areas; a second wave related to the recession came on the heels of a significant number of foreclosures in the early 2000s due to to subprime mortgages and abusive lending practices. Unlike some of the other legacy cities, middle neighborhoods in Philadelphia are largely absent renters with subsidies. Those renters are generally clustered in the most distressed markets.

Philadelphia's middle neighborhoods are home to 50 percent of all owners, and these areas have the highest typical owner occupancy rate at 62.1 percent. Notwithstanding the prices in Philadelphia's strongest markets, Philadelphia's middle neighborhoods are relatively affordable compared with the other legacy cities as evidenced by the relatively low levels of owner and renter cost burdens (among the cities examined, only Pittsburgh and St. Louis have lower levels of cost burdens). It is interesting to note just how different residents of Philadelphia's middle neighborhoods are from their stronger market counterparts. Of adults in middle areas, 23.2 percent have a college degree compared with 62.2 percent of those in the stronger markets. Such a stark difference is found only in Baltimore.

Philadelphia's middle neighborhoods are staunchly middle-class communities. Many of the residents earn a modest income. The most recent wave of foreclosures has visibly affected many of these communities and can be seen in the presence of REOs, especially in the more challenged parts of the middle areas. The poor quality of Philadelphia's schools hits these communities particularly hard. Unlike residents of the stronger markets, residents of middle neighborhoods generally cannot afford private schools, and public charter schools generally admit through lottery, not residence. The tenuousness of these communities is manifest, especially in the lower end of the middle areas.

Table 11: Characteristics of Philadelphia's Markets

Philadelphia 2011										
MVA Market Types	# Block Groups	Median Sale Price	Mean Sale Price	Variance Sales Price	Percent Owner Occupied	Percent Vacant (L & I)	Percent New Construction	Percent Commercial	Foreclosures as a Percent of Sales	Percent Public/ Assisted Housing
A	9	$ 624,122	$ 707,042	0.58	39.8%	1.6%	11.5%	5.7%	6.3%	0.0%
B	19	$ 435,249	$ 502,392	0.50	48.8%	0.7%	7.0%	7.3%	5.9%	0.0%
C	50	$ 325,897	$ 354,545	0.46	49.3%	1.4%	9.7%	6.6%	9.0%	0.8%
D	68	$ 245,930	$ 267,304	0.50	51.2%	2.1%	6.5%	5.9%	17.7%	2.1%
E	125	$ 194,459	$ 196,960	0.39	63.9%	1.0%	2.8%	3.3%	24.1%	0.5%
F	150	$ 148,066	$ 148,958	0.39	66.4%	1.6%	1.9%	4.0%	33.5%	0.4%
G	247	$ 97,860	$ 100,361	0.48	62.4%	2.7%	1.5%	3.9%	38.4%	3.8%
H	227	$ 51,190	$ 64,001	0.66	61.4%	4.2%	0.6%	3.9%	45.9%	2.3%
I	358	$ 19,649	$ 31,094	0.94	48.1%	8.1%	1.1%	5.1%	33.5%	10.3%

Pittsburgh: Of all legacy cities, Pittsburgh's middle neighborhoods are home to the lowest percentage of the city's population (37.1 percent). In some ways, this is a manifestation of the even distribution of the city's populations across all markets. Although Pittsburgh's population declined by almost 10 percent between 2000 and 2013, the middle neighborhoods fared reasonably well, losing only 5.3 percent of their population. We find a disproportionately large percent of Pittsburgh's white population in these areas (43 percent) and a disproportionately smaller percentage of its nonwhite population in middle neighborhoods (26.2 percent).

Pittsburgh's middle neighborhoods have home sale prices that are affordable even for those of fairly modest means (Table 12). In general, the city's middle neighborhoods have the highest levels of owner occupancy, higher even than the stronger market areas. One MVA middle market type is home to a significant group of subsidized rental properties. Foreclosures in Pittsburgh are elevated in the middle neighborhoods, and like some of the other legacy cities, the REO inventory is readily visible to the casual observer.

Owing to the very low home sale prices, the cost-burden in Pittsburgh's middle areas is relatively low compared to the other legacy cities. Cost-burdens are also relatively low among renters living in middle neighborhoods.

The educational profile of Pittsburgh's adult population residing in middle neighborhoods is the most advantageous among these legacy cities. Approximately one-third of middle area residents have bachelor's degrees and fewer than 9 percent lack a high school diploma. The poverty rate for residents of middle neighborhoods is notably lower than the other legacy cities.

In validating Pittsburgh's MVA, we were struck by how stable and advantageous the city's middle areas were, and how few residents have fully exploited the many extraordinary physical elevations and view sheds the city has to offer. Homes on a hill with an unobstructed view of the rivers that in other cities might be million dollar tear-downs sell for under $35,000, for example. Several of the communities along the Allegheny River have market momentum, and the East Liberty section is showing substantial market strength. Like some of the other legacy cities, the impact of the universities and medical centers is readily apparent in the surrounding real estate markets.

Table 12: Characteristics of Pittsburgh's Markets

Pittsburgh 2013										
MVA Market Types	# Block Groups	Median Sales Price 2011-2013	Variance Sales 2011-2013	Foreclosure 2011 - 2012 by Sales	% Commercial & Industrial, 2013	% Owner Occupied 2010	% Vacant Residential Land, 2013	% Public Housing 2013	% Violations 2011 - 2012	% All Permits 2011-2012
A	31	$333,578	0.50	4.70%	21.29%	58.12%	3.06%	0.61%	7.65%	4.28%
B	34	$191,998	0.49	11.39%	39.31%	23.90%	3.04%	3.09%	13.84%	3.53%
C	39	$119,922	0.55	17.95%	12.50%	60.70%	11.53%	2.50%	14.79%	1.37%
D	33	$84,342	0.64	14.08%	45.72%	35.88%	10.51%	9.93%	19.17%	2.08%
E	49	$69,816	0.52	28.20%	11.54%	72.89%	9.75%	2.33%	15.79%	0.60%
F	18	$45,819	0.79	28.47%	18.58%	47.88%	16.90%	59.53%	26.65%	1.59%
G	38	$40,787	0.79	30.92%	13.13%	59.93%	18.22%	5.15%	23.25%	1.08%
H	42	$19,282	0.89	32.64%	25.53%	51.66%	23.49%	21.81%	29.89%	1.50%
I	35	$8,790	0.92	32.46%	16.17%	48.75%	36.42%	11.84%	34.07%	0.45%

St. Louis: St. Louis's middle neighborhoods are home to 41 percent of its population. These areas lost 8.2 percent of their population during the last decade while the stronger market areas gained 10.7 percent. However, the city's most distressed markets–home to one-third of the population–lost 18.4 percent. The racial segregation in St. Louis is manifest in these markets. For example, although 60.7 percent of the white population lives in middle neighborhoods, only 36.8 percent of the nonwhite population lives in these areas.

The middle neighborhoods of St. Louis are largely in the southern part of the city, south of Dr. Martin Luther King Blvd. Like the other legacy cities, St. Louis's middle areas have comparatively low sale prices, making them reasonably affordable to both owners and renters. These are markets with high levels of foreclosures and a substantial level of investor activity (Table 13). As observed in other legacy cities, owner occupancy is generally highest in the middle neighborhoods. Like Detroit, vacant housing and land are common and have an obvious impact on community life. Subsidized rental housing, like other legacy cities, is more common in some of the middle neighborhoods, although there is a significant concentration in the city's most challenged market areas.

The adult population is relatively well educated in these middle neighborhoods compared with other legacy cities. One-third have bachelor's degrees, second only to Pittsburgh. Further, fewer than 15 percent failed to graduate from high school, again second only to Pittsburgh. St. Louis's middle areas have a poverty rate of 15 percent, a rate slightly above the city's stronger markets (13.5 percent).

Rehabilitation and redevelopment are consistent with the historic character of the city. Moreover, the quality of public facilities (i.e., parks and libraries) is amazingly high and consistent across the city, regardless of the challenges or strengths of the real estate markets. Although some of the most expensive real estate in St. Louis is adjacent to the city's Forest Park, there are several middle neighborhoods ringing the southern border of that same park. Even on the north side where the residential market is weaker, middle neighborhoods are adjacent to several of the city's parks. At the same time, like the other legacy cities, many of the middle areas are hanging on, apparently challenged by the elevated levels of investor-owned property.

Table 13: Characteristics of St. Louis's Markets

St. Louis 2013											
MVA Market Types	# Block Groups	Median Sales Price 2010-2012	Variance Sales Price 2010-2012	Foreclosure 2010 - 2012 by Sales	% Bank & Investor Sales, 2010-2012	% Nonresidential 2013	% Owner Occupied, 2010	% Vacant Housing Units, 2010	% Subsidized Rental Housing, 2013	Permits as a % of Housing Units, 2010-2013	% Vacant Residential Land, 2013
A	31	$205,311	0.55	13.08%	6.74%	25.83%	44.95%	12.96%	1.58%	8.58%	4.77%
B	26	$147,016	0.56	31.21%	9.26%	68.80%	29.48%	15.16%	13.68%	12.18%	12.80%
C	46	$122,314	0.44	20.69%	14.40%	10.55%	66.99%	9.15%	1.24%	3.57%	1.50%
D	53	$82,614	0.60	30.01%	19.07%	31.59%	54.03%	15.49%	4.21%	5.92%	7.59%
E	46	$48,766	0.74	34.99%	27.54%	25.90%	46.87%	18.16%	5.91%	3.03%	4.28%
F	51	$27,940	0.92	40.84%	28.40%	19.13%	43.00%	23.96%	10.44%	2.23%	12.28%
G	11	$21,578	1.04	38.77%	27.04%	81.72%	47.92%	22.07%	15.63%	7.35%	16.26%
H	38	$14,053	1.08	35.96%	34.58%	18.29%	49.51%	27.17%	9.73%	2.21%	18.48%
I	40	$8,036	1.27	33.55%	38.21%	33.30%	42.95%	32.14%	15.47%	3.15%	35.00%

Table 14: Demographic Characteristics of MVA Market Types

		2013 Population Counts							Percent Change; 2000-2013		
Market Type	Project	Total Population	% of Population	Non-White Population	% of Non-White	White Population	% of White Population	% Non-White	Total	Non-White	White
Low-Markets	Baltimore2014	120,470	19.4%	113,216	25.3%	7,254	4.2%	94.0%	-18.2%	-16.8%	-35.1%
Mid-Markets	Baltimore2014	317,930	51.2%	244,745	54.8%	73,185	41.9%	77.0%	-1.7%	7.2%	-23.0%
High-Markets	Baltimore2014	128,142	20.6%	43,383	9.7%	84,759	48.5%	33.9%	8.2%	19.2%	3.3%
No MVA Market Type	Baltimore2014	54,903	8.8%	45,511	10.2%	9,392	5.4%	82.9%	-11.6%	-6.2%	-30.7%
Low-Markets	Detroit2012	270,490	38.3%	257,429	39.7%	13,061	22.5%	95.2%	-34.8%	-33.4%	-54.1%
Mid-Markets	Detroit2012	364,980	51.6%	328,570	50.7%	36,410	62.7%	90.0%	-15.5%	-11.3%	-40.7%
High-Markets	Detroit2012	57,054	8.1%	51,469	7.9%	5,585	9.6%	90.2%	-33.2%	-34.0%	-25.1%
No MVA Market Type	Detroit2012	14,123	2.0%	11,135	1.7%	2,987	5.1%	78.8%	-25.7%	-30.1%	-2.7%
Low-Markets	Milwaukee2012	149,533	24.7%	138,109	36.2%	11,424	5.1%	92.4%	-10.5%	-5.2%	-46.6%
Mid-Markets	Milwaukee2012	223,365	36.8%	165,979	43.5%	57,386	25.5%	74.3%	1.7%	22.6%	-31.8%
High-Markets	Milwaukee2012	213,895	35.3%	66,273	17.4%	147,622	65.7%	31.0%	7.6%	80.6%	-9.0%
No MVA Market Type	Milwaukee2012	19,606	3.2%	11,421	3.0%	8,185	3.6%	58.3%	-4.1%	5.5%	-14.9%
Low-Markets	Philadelphia2011	621,548	40.2%	558,136	57.0%	63,412	11.2%	89.8%	-3.3%	3.4%	-38.4%
Mid-Markets	Philadelphia2011	662,758	42.9%	316,637	32.3%	346,121	61.1%	47.8%	4.6%	38.3%	-14.5%
High-Markets	Philadelphia2011	179,384	11.6%	53,708	5.5%	125,676	22.2%	29.9%	9.0%	-0.5%	13.7%
No MVA Market Type	Philadelphia2011	81,931	5.3%	50,958	5.2%	30,973	5.5%	62.2%	-3.9%	-3.5%	-4.4%
Low-Markets	Pittsburgh2013	98,233	31.5%	49,344	45.2%	48,889	24.1%	50.2%	-17.1%	-8.4%	-24.4%
Mid-Markets	Pittsburgh2013	115,667	37.1%	28,586	26.2%	87,081	43.0%	24.7%	-5.3%	20.5%	-11.5%
High-Markets	Pittsburgh2013	68,927	22.1%	15,509	14.2%	53,418	26.3%	22.5%	8.7%	23.8%	4.9%
No MVA Market Type	Pittsburgh2013	29,021	9.3%	15,677	14.4%	13,344	6.6%	54.0%	-19.4%	-24.3%	-12.8%
Low-Markets	StLouis2013	107,549	33.7%	95,598	52.3%	11,951	8.8%	88.9%	-18.4%	-16.3%	-31.8%
Mid-Markets	StLouis2013	130,682	41.0%	48,026	26.3%	82,656	60.7%	36.8%	-8.2%	2.0%	-13.3%
High-Markets	StLouis2013	59,603	18.7%	23,401	12.8%	36,202	26.6%	39.3%	10.7%	8.3%	12.3%
No MVA Market Type	StLouis2013	21,121	6.6%	15,842	8.7%	5,279	3.9%	75.0%	4.8%	1.3%	17.2%

Table 15: Housing Characteristics of MVA Market Types

		2013 Households and Cost Burdens									
Market Type	Project	Total Occupied Households	Owners	Renters	% of all Owners	% of all Renters	% Owner Occupied	% Owners Cost-Burdened	% Renters Cost-Burdened	% Owners Extremely Cost-Burdened	% Renters Extremely Cost-Burdened
Low-Markets	Baltimore2014	40,820	16,302	24,518	14.0%	19.6%	39.9%	36.4%	57.8%	17.8%	34.0%
Mid-Markets	Baltimore2014	121,684	68,695	52,989	58.9%	42.5%	56.5%	37.5%	54.8%	15.7%	30.2%
High-Markets	Baltimore2014	57,304	28,639	28,665	24.5%	23.0%	50.0%	27.5%	45.0%	10.7%	21.4%
No MVA Market Type	Baltimore2014	21,647	3,037	18,610	2.6%	14.9%	14.0%	37.9%	52.9%	15.8%	28.2%
Low-Markets	Detroit2012	93,591	51,048	42,543	38.3%	34.5%	54.5%	39.9%	62.8%	21.2%	45.0%
Mid-Markets	Detroit2012	133,970	71,295	62,675	53.6%	50.8%	53.2%	37.1%	59.0%	18.8%	37.2%
High-Markets	Detroit2012	22,850	10,078	12,772	7.6%	10.3%	44.1%	40.8%	55.3%	22.3%	33.3%
No MVA Market Type	Detroit2012	6,178	691	5,487	0.5%	4.4%	11.2%	39.3%	50.1%	18.4%	26.9%
Low-Markets	Milwaukee2012	49,685	16,115	33,570	15.8%	25.6%	32.4%	46.8%	64.7%	22.2%	40.5%
Mid-Markets	Milwaukee2012	82,396	36,150	46,246	35.5%	35.3%	43.9%	40.2%	58.3%	16.3%	32.3%
High-Markets	Milwaukee2012	94,287	49,103	45,184	48.3%	34.5%	52.1%	30.4%	45.7%	10.8%	24.7%
No MVA Market Type	Milwaukee2012	6,448	370	6,078	0.4%	4.6%	5.7%	55.9%	60.1%	19.2%	31.6%
Low-Markets	Philadelphia2011	216,621	109,418	107,203	35.2%	39.3%	50.5%	35.7%	57.6%	17.4%	36.2%
Mid-Markets	Philadelphia2011	249,943	155,309	94,634	50.0%	34.7%	62.1%	30.8%	51.6%	13.4%	29.8%
High-Markets	Philadelphia2011	86,498	40,602	45,896	13.1%	16.8%	46.9%	26.8%	43.0%	11.4%	23.0%
No MVA Market Type	Philadelphia2011	30,143	5,217	24,926	1.7%	9.1%	17.3%	34.6%	48.8%	12.8%	27.4%
Low-Markets	Pittsburgh2013	42,150	22,367	19,783	33.6%	28.6%	53.1%	24.1%	51.8%	9.8%	28.9%
Mid-Markets	Pittsburgh2013	53,358	30,222	23,136	45.4%	33.5%	56.6%	21.0%	44.9%	8.1%	24.6%
High-Markets	Pittsburgh2013	32,671	12,675	19,996	19.0%	28.9%	38.8%	21.2%	44.8%	10.0%	26.8%
No MVA Market Type	Pittsburgh2013	7,524	1,306	6,218	2.0%	9.0%	17.4%	26.2%	45.4%	9.3%	25.5%
Low-Markets	StLouis2013	40,952	18,043	22,909	28.8%	29.4%	44.1%	37.4%	61.8%	17.3%	38.0%
Mid-Markets	StLouis2013	60,108	32,792	27,316	52.3%	35.0%	54.6%	24.5%	48.6%	9.3%	25.3%
High-Markets	StLouis2013	30,825	10,561	20,264	16.8%	26.0%	34.3%	27.5%	43.7%	12.4%	23.6%
No MVA Market Type	StLouis2013	8,767	1,320	7,447	2.1%	9.6%	15.1%	24.7%	52.9%	11.6%	30.3%

Table 16: Education, Income and Poverty of MVA Market Types

		2013 Education, Income and Poverty				
Market Type	Project	% less than High School	% High School or Equivalent	% Bachelor's Degree+	Median Household Income*	% Families Below Poverty
Low-Markets	Baltimore2014	29.9%	38.4%	6.5%	$ 29,206	31.1%
Mid-Markets	Baltimore2014	19.3%	32.8%	21.0%	$ 44,609	16.0%
High-Markets	Baltimore2014	10.3%	14.0%	59.6%	$ 75,971	8.8%
No MVA Market Type	Baltimore2014	26.8%	32.2%	19.0%	$ 22,489	36.2%
Low-Markets	Detroit2012	23.0%	35.9%	8.1%	†	38.4%
Mid-Markets	Detroit2012	22.0%	30.0%	15.1%	†	30.4%
High-Markets	Detroit2012	22.9%	31.1%	17.9%	†	36.4%
No MVA Market Type	Detroit2012	19.8%	28.4%	17.5%	†	30.5%
Low-Markets	Milwaukee2012	31.3%	34.6%	7.8%	$ 24,868	41.1%
Mid-Markets	Milwaukee2012	21.6%	32.5%	16.3%	$ 35,271	26.3%
High-Markets	Milwaukee2012	9.2%	26.9%	35.6%	$ 52,152	10.9%
No MVA Market Type	Milwaukee2012	20.2%	29.3%	20.1%	$ 21,400	42.4%
Low-Markets	Philadelphia2011	26.6%	40.0%	9.6%	$ 26,976	33.4%
Mid-Markets	Philadelphia2011	16.1%	36.3%	23.2%	$ 46,113	13.6%
High-Markets	Philadelphia2011	7.1%	15.4%	62.2%	$ 69,257	5.9%
No MVA Market Type	Philadelphia2011	18.0%	29.3%	32.2%	$ 27,249	24.0%
Low-Markets	Pittsburgh2013	12.4%	38.6%	18.0%	$ 33,012	22.6%
Mid-Markets	Pittsburgh2013	8.9%	30.8%	34.2%	$ 45,203	11.5%
High-Markets	Pittsburgh2013	3.3%	13.1%	68.7%	$ 61,740	5.9%
No MVA Market Type	Pittsburgh2013	20.5%	40.5%	15.5%	$ 14,564	38.1%
Low-Markets	StLouis2013	25.1%	33.4%	10.5%	$ 25,416	31.5%
Mid-Markets	StLouis2013	14.8%	23.3%	33.6%	$ 43,529	15.0%
High-Markets	StLouis2013	8.3%	14.4%	53.5%	$ 48,691	13.5%
No MVA Market Type	StLouis2013	22.8%	26.4%	17.6%	$ 18,990	46.4%

*Note: education counts only include individuals > 25 years of age

Discussion

Economist Charles Tiebout is credited with popularizing the concept of the value proposition.[15] For policymakers and elected officials in legacy cities, it is a vital proposition for the middle neighborhoods. To reverse the loss of population, legacy cities must nurture the conditions and amenities that attract and retain residents.

In many ways, middle neighborhoods have the strongest value proposition for residents, at least for now. Middle neighborhoods contain an attractive housing stock and their homes are reasonably affordable to middle- and modest-income families.

Middle neighborhoods in each of the legacy cities manifest both market strengths and challenges. In many of the legacy cities, the middle neighborhoods are where racial-ethnic diversity is strong and modest-income families can live in a relatively opportune area. But, residents of middle neighborhoods also have relatively advantageous levels of education and income, which means they may have other options of where to live.

> **VALUE PROPOSITION.** Attracting new residents and retaining those who currently live in the city requires an effective "value proposition." For Detroit, this proposition is firmly based on offering a high quality of life that is well within each resident's grasp. This is arguably a proposition the city has not been able to effectively make. People make decisions about cities based on what their neighborhoods offer, including access to employment opportunities, quality schools, efficient and effective public services, housing options, safety and security, and affordability. Detroit must deliver on these to make itself truly regionally competitive–where area residents, city residents, and those coming to the region for the first time can truly see themselves, and in many cases their families, living in Detroit.
>
> Detroit Future City, 2012 *Detroit Strategic Framework Plan (2nd printing).* (Detroit: Inland Press, 2013), p. 478.

Accordingly, middle neighborhoods are also, in many ways, in the most precarious position. Local experts and practitioners pointed out that middle neighborhoods are the areas with the most to lose, and the farthest to fall when confronted with continued strain on residential markets.

One of the complications of working in middle neighborhoods is that cities are forced to simultaneously play offense and defense. A public official in one city noted the dual role that middle neighborhoods play as both nodes of strength for their surrounding neighborhoods and as fragile areas on the verge of decline. "If your neighborhood is close to strength, then you're really hoping to have positive bleed over. Where your neighborhood is surrounded by weaker areas, I could see folks thinking, 'now might be the time to get out.'"

15 C.M. Tiebout, "A Pure Theory of Local Expenditures," Journal of Political Economy, 64(5)(1956): 416-424.

Middle neighborhoods are areas where, in the words of one interviewee, "One or two boarded up houses on a block" can be the difference between a neighborhood on the rise or one falling into distress. This means that for cities with limited resources, investing in the middle neighborhoods can often produce the largest returns. In the words of a community development expert, "If you ignore these places, then you'll continue to see declines."

Stated differently, middle neighborhoods are where the real estate market continues to operate within market expectations while also providing homes within reach for low- and middle-income families. In contrast, distressed market areas have experienced market fallout and collapse, signaled by very few home sales or residential property turnover.

One of Reinvestment Fund's operating assumptions, developed over the 15-year history of the MVA, is that, owing in part to the scarcity of available housing subsidies, what subsidy does exist cannot alone create a market. Rather, subsidies should be used strategically to leverage private market forces, clearing barriers to private actors, and thereby multiplying the impact of public dollars in a given neighborhood. One interviewee noted, "These are places where your neighborhood is not so far gone that it takes decades or millions of dollars to see something change." Middle neighborhoods provide an opportunity to make targeted and focused investments, the result of which will be readily apparent. As another interviewee noted, focusing on middle neighborhoods is the nexus of bringing private-sector discipline to public-sector practice: "Of course these [middle markets] are the places that you want to invest."

> "Areas with relatively strong market activity should be targeted for investment, with the goal of increasing demand, strengthening property values, and rebuilding confidence in the community. Focusing resources on these places, which may include residential neighborhoods, commercial districts, and/or downtowns, can motivate existing property owners to reinvest in their properties, and encourage people to buy in the area."
>
> A. Mallach, Rebuilding America's Legacy Cities: Report of the 110th American Assembly (New York: The American Assembly, Columbia University, 2012), p. 329

For Legacy Cities, the health of middle neighborhoods is more important than ever. In his address to the 2013 Federal Reserve Bank of Richmond Community Development Conference, Jeremy Nowak pointed to the dangers middle neighborhoods face. "Demographics, economics potentially, and cultural factors have given some advantages to cities," he said, "including cities that are relatively distressed and have been quite distressed for 40 or 50 years." Residents, he said, "are now willing to pay more if they have access to certain things." Nowak warned, "if the relationship between quality and cost does not work, then they will opt out."[16]

These words speak to the importance of supporting middle neighborhoods in our legacy cities, and are echoed by a recent Pew Research study of millennials in Philadelphia.[17] Pew's research suggests that this younger generation was more likely than older generations to leave Philadelphia because of quality of life and opportunity issues (i.e., public safety, career opportunity, public education). At some point in the future, as millennials age, get married, and have children, the importance of safe streets and good schools will increase and these "consumer-voters" (in Tiebout's parlance) will leave. For middle neighborhoods, the failure to address these core issues may leave residents with few reasons to stay. For legacy cities, losing the battle in these places will have systemic and long-lasting effects.[18]

We return to the initial premise. Federal funds for neighborhood improvement have declined significantly during the past 40 years, and many of our public institutions and systems (e.g., public safety, public education, local government service, and infrastructure) are not where they need to be. Our officials are overly focused on the

In describing the condition in Youngstown, OH, Mallach and Brachman write:

"Youngstown Neighborhood Development Corporation focused its resources on neighborhoods that, although troubled, were still vital and potentially capable of regeneration … There are strong arguments to prioritize such areas over attempts to pursue the large-scale reconfiguration of mostly abandoned areas. Legacy cities like Youngstown are now seeing extensive and often rapid destabilization of traditional neighborhoods like Idora; absent concerted efforts to reverse this trend, some cities may be left with few viable neighborhoods outside their downtown and near-downtown cores. This is a matter of far more urgency for the future viability of legacy cities than repurposing land in largely vacant areas…"

A. Mallach and L. Brachman, *Regenerating America's Legacy Cities* (Cambridge, MA: Lincoln Institute of Land Policy, 2013), p.52.

16 Jeremy Nowak, "Redefining 'Rust Belt': An Exchange of Strategies by the Cities of Baltimore, Cleveland, Detroit and Philadelphia," presentation at the Federal Reserve Bank of Richmond, Community Development Conference, June 2013, Baltimore, MD. Available at http://jnowakassociates.com/publications/.

17 Pew Research, "Millennials in Philadelphia: A promising but fragile boom" (Washington, DC: Pew Research, 2014), at www.pewtrusts.org/en/research-and-analysis/reports/2014/01/21/millennials-in-philadelphia-a-promising-but-fragile-boom.

18 Brophy's analysis of Baltimore's neighborhoods concludes with a set of recommendations that both prioritize the city's middle markets and offer a promising programmatic approach to working in these areas. Specifically, the multifaceted Baltimore's Healthy Neighborhoods initiative exemplifies a demonstrably impactful and "cost-effective approach to strengthening middle neighborhoods." Paul Brophy, *Great Neighborhoods Great City: Strategies for the 2010s* (2012 update). (Baltimore, MD: Goldseker Foundation, 2012), p. 24, at www.goldsekerfoundation.org/uploaded_files/0000/0023/great_cities_2012.pdf.

downtowns, and they are competing vigorously for high-profile, but spatially compact, revitalization opportunities for distressed neighborhoods (e.g., CHOICE Neighborhoods and Promise Zones). Middle neighborhoods are not a priority. The fundamentals that support stability, opportunity, and quality of life are important to all city residents. But they are uniquely important to residents of middle neighborhoods.

Lastly, middle neighborhoods in these legacy cities are most representative of citywide racial composition and generally more integrated than the city itself or the other market types. Although we have argued that it is good public policy to use public funds to invest in middle neighborhoods from a community development or neighborhood improvement perspective, middle neighborhoods may also be important targets for public investment because they are places where opportunity is high and racial integration greatest.

Without a clear space in the public policy and investment conversations, the future of middle neighborhoods as areas of opportunity is in doubt. If Tiebout is correct, cities ignore their middle neighborhoods at their own peril. Unless policymakers recognize and act to maintain the quality of life and stability of these areas, residents may well leave because their economic wherewithal allows them to find those qualities elsewhere.

About Reinvestment Fund

Reinvestment Fund is a national leader in rebuilding America's distressed towns and cities through the innovative use of capital and information. A CDFI, Reinvestment Fund has made more than $1.7 billion in community investments since 1985 and is supported by nationally trusted research and policy analysis.

The authors of this chapter would like to thank the JP Morgan Chase Foundation for its support.

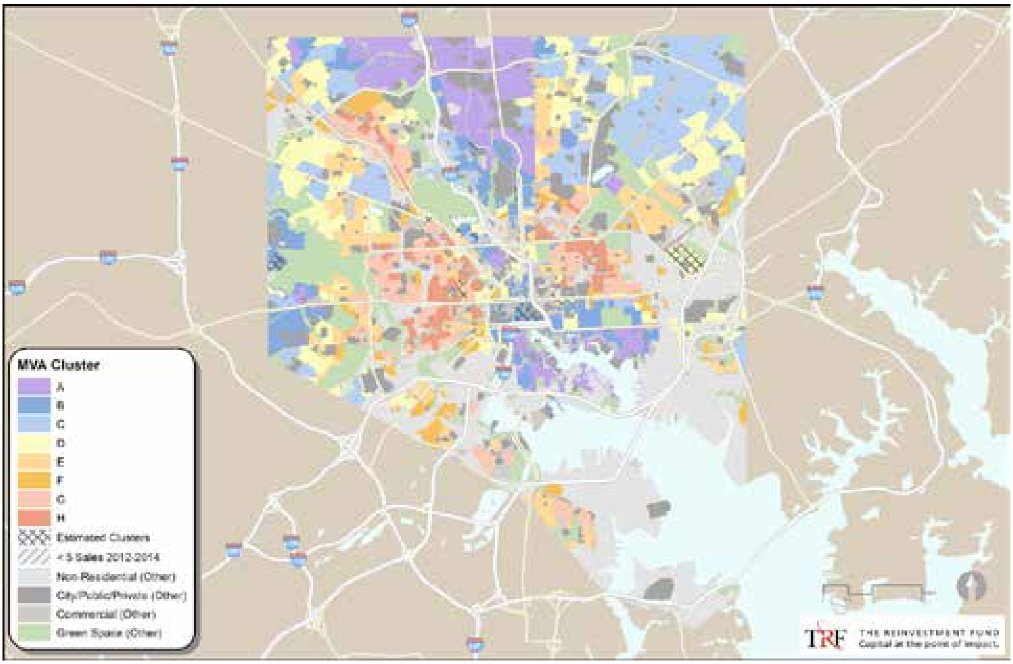
Ira Goldstein is the President of Policy Solutions at Reinvestment Fund. His research focuses on various aspects of housing and economic development in America's cities. Prior to joining Reinvestment Fund, Goldstein was Mid-Atlantic Regional Director of Fair Housing and Equal Opportunity at the US Department of Housing and Urban Development. For more than 25 years, Goldstein has been a Lecturer at the University of Pennsylvania, teaching courses focused on housing policy and social science research methods and statistics. Goldstein holds a PhD, MA and BA from Temple University.

Jacob L. Rosch is a Research Associate at Reinvestment Fund. His research focuses on residential housing markets, intersections between health and housing, and education. Prior to joining Reinvestment Fund, Mr. Rosch spent six years as a researcher and consultant advising educational institutions in K-12 and higher education. He holds a BA with honors from the University of North Carolina at Chapel Hill and an MPP from the University of Chicago's Harris School of Public Policy.

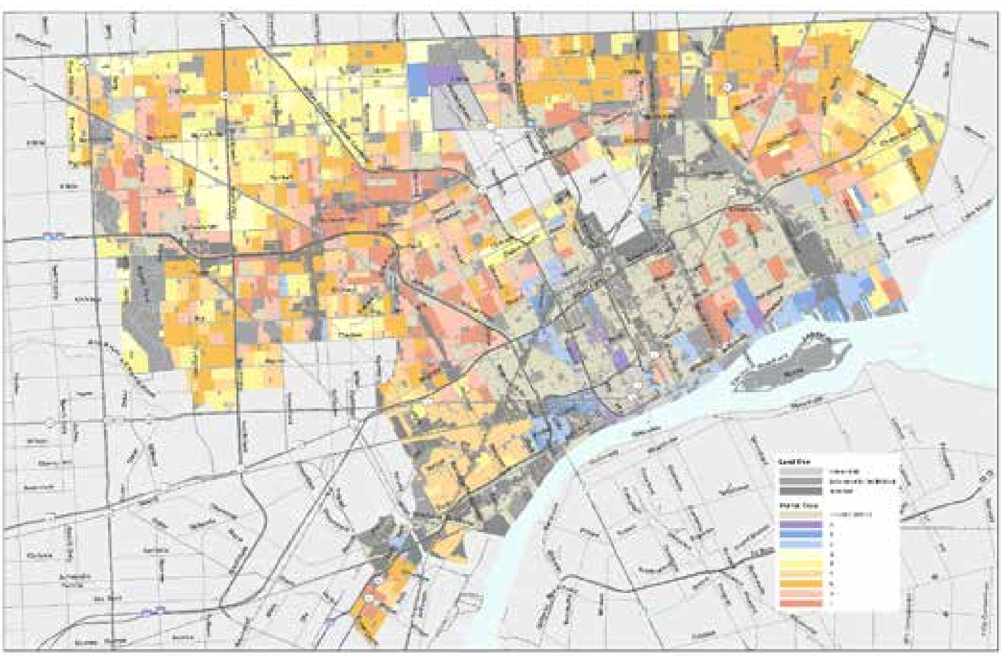
William Schrecker has been a Research Analyst at Reinvestment Fund since 2013, with much of his work focused on residential real estate analyses. His recent MVA projects include Baltimore, New Orleans, and Wilmington, DE, with past research including Houston, Pittsburgh, and St. Louis. Mr. Schrecker holds a Master's of Business Administration from the Fox School of Business at Temple University and a Master's of Social Work from the University of Pennsylvania.

Appendix 1: *MVA Maps*

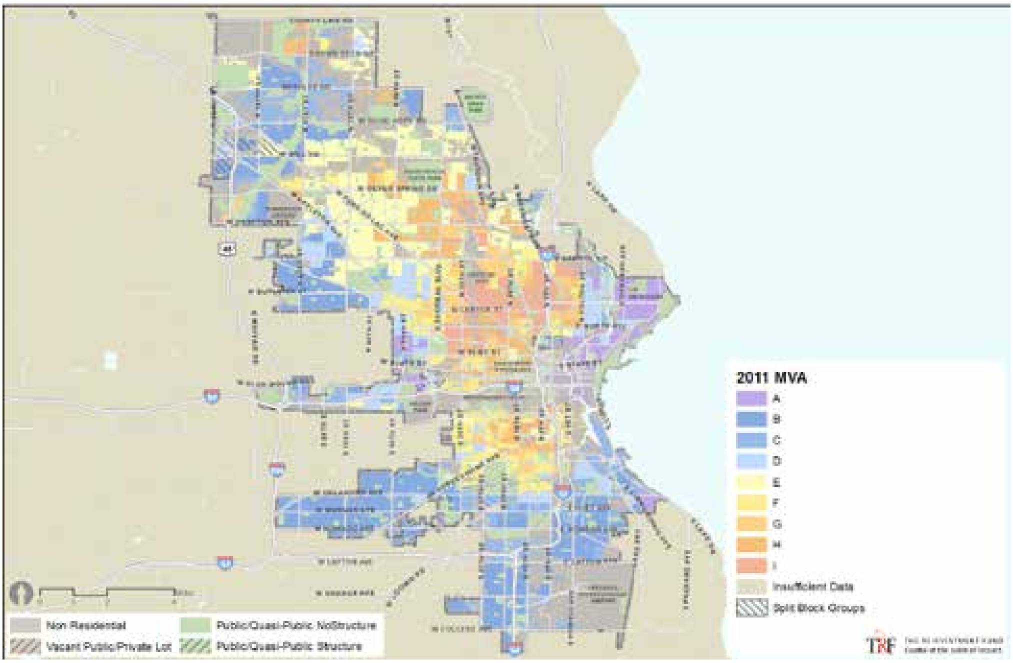
Appendix 1, Figure 1: Baltimore MVA



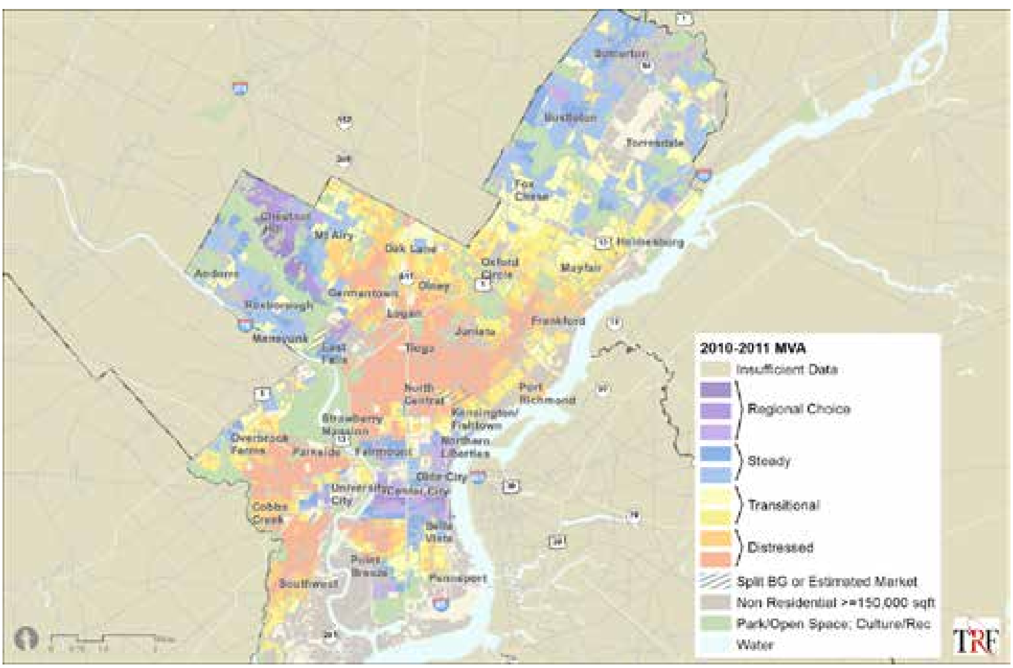
Appendix 1, Figure 2: Detroit MVA



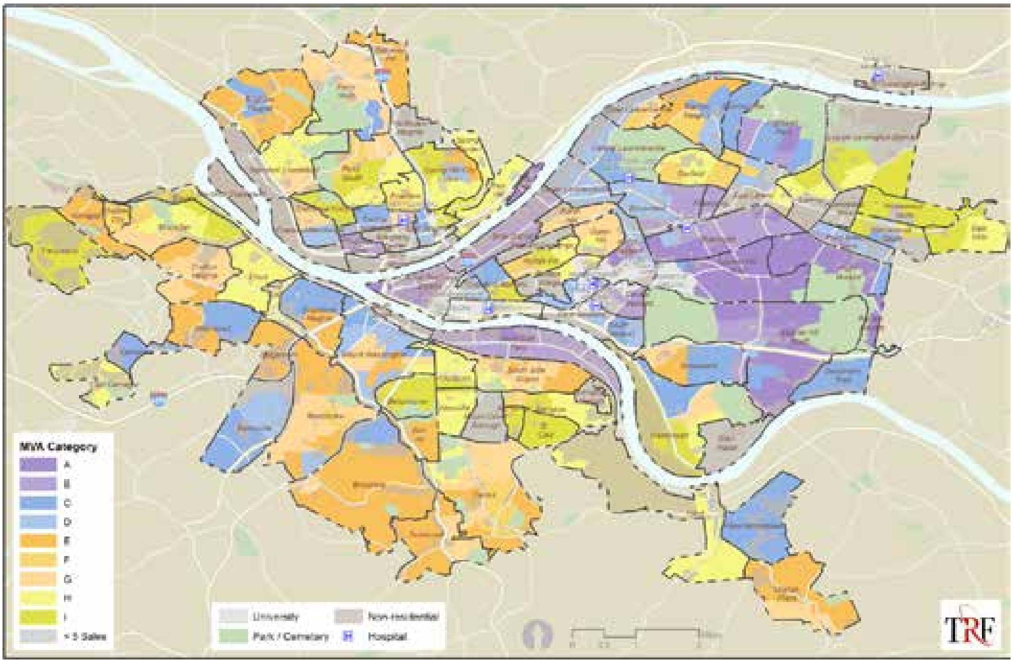
Appendix 1, Figure 3: Milwaukee MVA



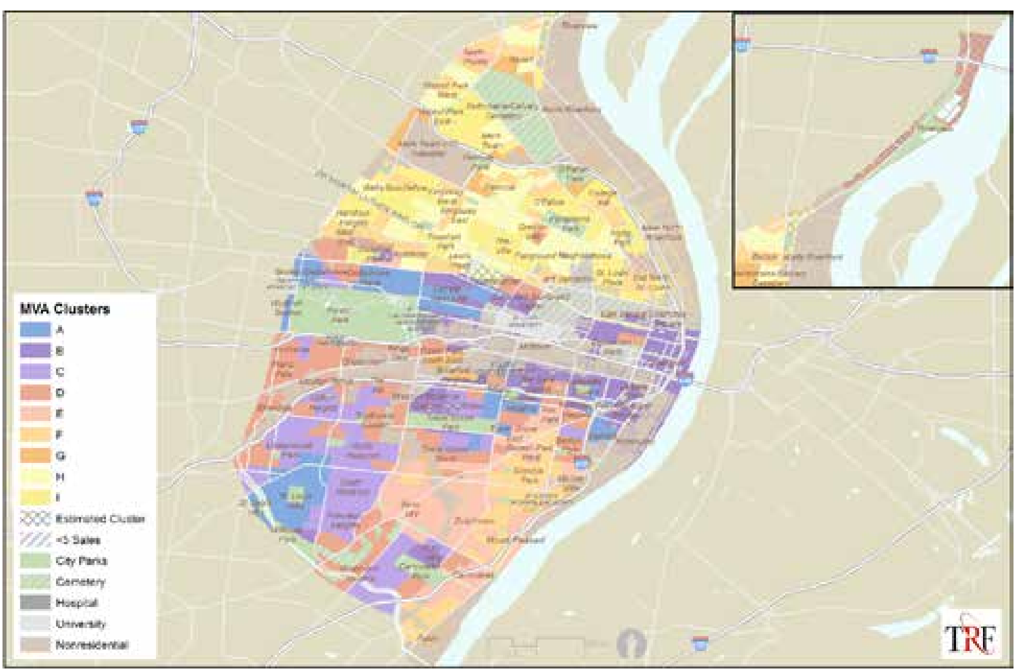
Appendix 1, Figure 4: Philadelphia MVA



Appendix 1, Figure 5: Pittsburgh MVA



Appendix 1, Figure 6: St. Louis MVA



Appendix 2: *Chapter Interviewees*

Brian Abernathy – First Deputy Managing Director at City of Philadelphia. Formerly served as Executive Director of the Philadelphia Redevelopment Authority.

Martha Brown – Deputy Commissioner, Milwaukee Department of City Development.

Kathryn Dunn – Vice President, Community Investment at the Greater Milwaukee Foundation.

Jeff Hebert – Chief Resilience Officer and Executive Director of the New Orleans Redevelopment Authority.

Karla Henderson – Director of Strategic Plannng and Facility Management at Wayne County Michigan and former Group Executive of Planning & Facilities for the City of Detroit.

Steve Janes – Assistant Commissioner of Research and Compliance for the City of Baltimore Housing Department.

Don Roe – Director of the Planning and Urban Design Agency, the City of St. Louis.

RJ Stidham – A community development consultant, who has worked with a number of cities on their development and implementation of the MVA, including Detroit and St. Louis.

Kyra Straussman – Director of Real Estate, The Urban Redevelopment Authority of Pittsburgh.