

## **City and Suburban Decline and Revival**

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The political and economic landscape of U.S. cities and suburbs is about to transform.

Clues about a possible transformation have appeared in population increases in downtowns, escalating residential sales prices in many cities, and reductions in poverty concentrations in some neighborhoods. The challenge is to discern whether these are spotty improvements or systemic changes that are being replicated across the nation.

We believe the changes are fundamental and widespread rather than occasional and isolated. If our explanation for these changes is sound, the pace of transformation of most cities and many older suburbs should increase.

Significant improvement in conditions in cities and older suburbs can be discerned by careful examination of neighborhood and suburban trends during the 1990s. On the other hand, among middle-aged suburbs which developed between 1945 and 1970, widespread suburban disaster areas are emerging.

Improvements in pre-1940 neighborhoods probably have resulted from housing market forces rather than because of federal, state, or local public policies. No major public policy innovations occurred in the 1980s, 1990s, or early 2000s that had the sweeping effects of the Interstate Highway program launched in 1956 or the federal support for home ownership that began in the 1930s and took off after World War II.

These federal government policies often are credited, or blamed, as major influences on rapid suburbanization from 1945 forward. Recent rapid outer suburban population expansion seems to indicate a continuation of general suburban prosperity. But this appearance is deceiving.

Housing market forces have been shifting. With more Baby Boomers reaching the empty nest and retirement stages of life, a growing market for condominiums has emerged. As frustration with suburban traffic congestion has increased, more working adults have yearned for more convenient locations. In addition, more young adults, married and single, may have decided the four bedroom house on a quiet cul de sac is not for them, at least not until later in life. The opportunity to walk to something other than a neighbor—work, shopping, recreation, school, or a cup of coffee—seems to attract more home buyers as well.

What is the evidence about recent trends that may have fundamental effects on city and suburban prospects?

The bad news for many suburbs is apparent. In our examination of trends in 2,586 suburbs in 35 large metropolitan areas, we found that about half the suburbs declined in relative median family income and relative per capita income between 1990 and 2000. Relative income refers to the income of residents in these 2,586 suburbs relative to the income in their metropolitan area. If suburbs' income went down relative to metropolitan income, that means the suburbs were not as attractive to metropolitan residents in 2000 as in 1990.

A majority of year 2000 residents probably had not been residents of the same suburb in 1990. Nearly 50 percent of residents move to a different location within five years. Because of high moving rates, each city, suburb, and neighborhood is vulnerable. If housing markets turn negative, the character of a suburb can be transformed within one or two decades.

Evidence that negative forces occurred in many suburbs can be seen in the fact that in 1,339 of these 2,586 suburbs, relative per capita income declined faster, or increased more slowly, than in their central cities between 1990 and 2000.

In addition, some suburbs had descended to low levels of relative income by 2000, lower than Detroit, which in 2000 had the lowest relative income among large cities, 60 percent of its metropolitan income in 2000. In these 35 metropolitan areas, 155 suburbs were below 60 percent of their metropolitan area's per capita income in 2000. The lowest relative income suburbs were below 40 percent of metropolitan income, suburbs like Wellston and Washington Park outside St. Louis and Robbins, Dixmoor, and Harvey south of Chicago.

Insights about reasons why some suburbs decline come from analyzing the decade when their housing was constructed. Size of units is one reason why the period of housing construction matters.

In 1950 the median size of new single unit houses was 1,100 square feet. In 1970, the median size was 1,375 square feet. By 2000, the median was 2,000 square feet, and it has risen since then.

It is unrealistic to expect the typical middle income buyer of houses today to be eager to buy a 1,100 square foot house or a 1,375 square foot house with one bathroom, two or three bedrooms, lacking central air conditioning and needing basic repairs. Consequently many suburbs with a surplus of small middle-aged houses built between 1945 and 1970 have failed to attract similar replacements for residents who move elsewhere.

This expectation is supported by data trends. In the 2,586 suburbs we studied in 35 large metropolitan areas, 66 percent of the suburbs containing substantial amounts of housing constructed in the 1960s experienced falling relative per capita income during the 1990s, as did 61 percent of the suburbs that had specialized in housing built in the 1940s and 1950s.

When we extended the analysis to 8,400 small neighborhoods in the Atlanta, Chicago, Los Angeles, Philadelphia, Richmond, and Washington, D.C. metropolitan areas, we found that 80 percent of the 1960s neighborhoods and 70 percent of the 1950s neighborhoods had declined in relative income between 1990 and 2000.

Other evidence suggests that old neighborhoods are reviving, and that many cities and older suburbs will benefit.

For the 2,586 suburbs we studied, suburbs with substantial proportions of pre-1940 housing were more likely to increase in relative income than neighborhoods built during the next 20 years.

As for the 8,400 small neighborhoods, 50 percent of the pre-1940 neighborhoods increased in relative per capita income from 1990 to 2000 in both cities and suburbs. Only 21 percent of 1960s neighborhoods went up in relative income, and only 30 percent of 1950s neighborhoods improved.

Until recently, low income households consistently gravitated to the oldest housing. This fact supported the argument that as housing aged, it filtered or trickled down from upper-income and middle-income occupants to moderate and low income households. This tendency led to income patterns in which the oldest neighborhoods were the location of the poorest households.

By 2000, this pattern had changed. Suburbs that developed predominantly in the 1940s and 1950s were more likely to have relative per capita income below metropolitan levels than were suburbs that developed before 1940.

Among the 8,400 small neighborhoods, pre-1940 neighborhoods also were higher in relative per capita income in 2000 than neighborhoods built mainly in the 1940s and 1950s. Preliminary data for 2000 to 2003 from the Census Bureau's American Community Survey indicate that cities have improved their relative income position since 2000. We expect this trend to accelerate.

Rearrangement of the income geography of cities and suburbs presents new opportunities and challenges for public policy makers. Alleviation of effects of concentrated poverty and depleted city government treasuries remain daunting challenges. But now, market forces may contribute to reducing these problems rather than compounding them.

If small middle-aged houses are too numerous, the main challenge is to find buyers willing to invest in rehabilitation, upgrading, and expansion. Where market forces are strong because of location advantages, tear downs and McMansions occur. But where market forces are weak, inducements to buyers, design and investment assistance for owners, and major roles for non-profit housing corporations are essential. The array of public policies capable of coping with these conditions has yet to be invented.