Middle Neighborhoods 101

Background on a growing national movement to address the trends undermining the household wealth of millions of middle Americans, and the long-term viability of cities.
Welcome

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The Big Picture

• Middle neighborhoods are neither healthy and thriving, nor overtly distressed.
• House almost half of urban populations.
• Neither adequately serviced by the market and public policies, nor are they beneficiaries of large-scale philanthropic support.
• Play an important role building opportunity and prosperity.
• Are a source of naturally occurring affordable housing [NOAH].
• Often a major source of municipal tax revenue.
• And in the face of colliding demographic, socio-economic, and market changes in cities and regions across the country, middle neighborhoods are steadily disappearing.—some to decline; others to gentrification.
Change in Income of Chicago Census Tracts 1970-2017

Maps show average individual income by census tract.

Source: Voorhees Center, University of Illinois at Chicago
These concerns led a group of researchers, practitioners and policymakers to write a book: *On the Edge: America’s Middle Neighborhoods*.

Dialogue and organizing surrounding the book launched a movement in multiple cities and suburbs to protect middle neighborhoods from the negative effects of gentrification or decline.

This agenda was further developed at national convenings in 2017 and 2018. In 2017, a Community of Practice was also formed to facilitate peer learning among Middle Neighborhoods practitioners.
Middle Neighborhoods Initiative

• Today, the Middle Neighborhoods initiative encompasses:
  • A National Initiative focused on mobilizing attention to reverse the trend of the disappearance of middle neighborhood. The initiative does this through research, policy analysis, communications, and advocacy.
    • The initiative is coordinated by the National Community Stabilization Trust and is advised by a Steering Committee of 20 prominent researchers, practitioners, and policy makers.
  • A Community of Practice that facilitates peer-to-peer learning among middle neighborhood practitioners. The CoP connects over 200 practitioners and city officials to organizations interested in their efforts.
    • The CoP is supported by NeighborWorks America and staffed by a small team of organizers.
Characteristics of Middle Neighborhoods

• Mostly single family housing: built for families with children.
• Still well more than 50% owner-occupied, but slowly eroding.
• Housing stock is aging, still in generally acceptable condition, but lacks features and updates to compete well for today’s homebuyers.
• Property values range from slow decline to flat to underperforming against city and/or inflation.
• Most of our members do not see hyper-inflation of housing price as a risk in their middles. Only a few middle neighborhoods, those in prime locations and usually mostly white, are appreciating, even gentrifying.
• More racially and ethnically diverse, a holder of hard-won middle household wealth.
Middle Neighborhoods Are Faltering In Their Sustainability

- Ability to **reliably attract replacement owner occupants** and other neighborhood-friendly buyers.

- Ability to **generate home values that support quality maintenance**, repairs and updates without appraisal gaps.

- Ability to **repel irresponsible investors**.

- Ability to **maintain engaged residents taking stewardship** of the neighborhood.

- Ability to **deliver home equity to owners and revenue to municipal government**.
Des Moines

Home values: $80,000-$180,000 across four target neighborhoods.
PB1  Can you add property values to each of the slides for cities--a general range?
Paul Brophy, 6/25/2019
Chicago

Single-Family median sales price approximately $60,000 to $85,000 across four Greater Chatham neighborhoods.
Baltimore

In Belair-Edison, approximately $75,000-$150,000 for a quality townhome; low end of the market $30,000; high end for detached quality home $325,000.
Cleveland

Prices range from $80,000 to $140,000 in Old Brooklyn.
St. Louis

Median 2017 prices in these four middle neighborhoods range from $37,800 to $179,900.
Quick Discussion

• Are any of you working in middle neighborhoods? And/or do you recognize this description of neighborhoods in your own communities?
Why Middle Neighborhoods Matter

Almost half of all urban residents in the US live in middle neighborhoods. (RF)

Investment in them can help:

• Safeguard the home equity of middle households, many of whom are people of color.

• Preserve the diversity of cities, and keep them from becoming nothing but rich and poor.

• Protect the city against the downward spiral of declining property values, leading to loss of its tax base as well as reduced services and quality of life for residents.

• Prevent the considerably higher cost of intervention in neighborhoods after they decline.

• In hot market places, investment is needed to counter gentrification.
Trends Working Against Middle Neighborhoods
The middle class is shrinking

The share of US households that qualify as middle income has decreased significantly in the last 40 years, from 43% in 1970 to 25% in 2014.
Change in Income of Chicago Census Tracts 1970-2017

Maps show average individual income by census tract.

Source: Voorhees Center, University of Illinois at Chicago
Suburbs are increasingly affordable and are often closer to jobs.

Affordable suburbs are competing for a shrinking pool of middle-class households in cities. Exurbs are competing with first ring suburbs.
4. Decline of homeownership rates

There are fewer homeowners in neighborhoods. In legacy cities, the rate of decline is higher than the national average.
Aging housing stock not meeting market demand

Homebuyers not interested in one-bathroom homes, kitchens that need updating. Banks don’t lend into appraisal gaps. Investors stepping into the void.
What’s Being Done About Middle Neighborhoods: Research, Policy, Practice
Research

- NCST is developing research on middle neighborhood dynamics and definitions
- Alan Mallach’s research agenda with the Lincoln Institute focuses on middle neighborhoods in legacy cities and African-American middle neighborhoods
- The National Steering Committee and CoP each count prominent researchers among their members.
Policy

• Local governments are investing in middle neighborhoods in new ways with new sources of funds, expecting ROI in tax revenue.

• NCST is researching and developing policy proposals for supporting and investing in middle neighborhoods.

• The Middle Neighborhoods Steering Committee and the CoP are connecting researchers and practitioners with policymakers to raise awareness, and craft and share better policy.

• The Neighborhood Homes Investment Act is proposed federal legislation that would create a federal tax credit to generate equity investment for the development and renovation of 1-4 family housing in neighborhoods where appraisal gap is an issue. This could benefit many middle neighborhoods.
Practice

**Actors**
- Local Housing and Neighborhood Nonprofits
- Regional and National Intermediaries
- Neighborhood Associations
- Financial Institutions
- Other Private Sector
- Municipal Government

**Funding**
- Foundations
- General Revenue
- Private Loan Capital
- Bond Proceeds
- Sales Tax
- Rarely, CDBG
GOAL: Sustainable Real Estate Market

1. Successfully Attracts Replacement Owner Occupants and Other Neighborhood-Friendly Buyers

2. Home Values Support Quality Maintenance, Repairs and Updates

3. Engaged Residents Exercise Stewardship Over Neighborhood

4. Has Mixed Income Choices

5. Delivers Home Equity to Households; Revenue to Municipality
Middle Neighborhood Core Strategies

1. Activate and Support Residents

2. Update Housing Stock & Curb Appeal, Lend to Lead Appraisals, Preserve Affordability

3. Rebrand and Promote New Image, Preserve Existing Culture and Leadership
1: Activate and Support Residents

• Organized, grassroots neighborhood residents are the key players in repositioning middle neighborhoods.

• Goals include building community and social capital, building confidence.

• Fears of gentrification are addressed thoughtfully and thoroughly.

• Social events, beautification activities, safety, marketing – more fun than not.
2: Update Housing Stock & Curb Appeal, Lend to Lead Appraisals and/or Affordable Preservation

• Middle neighborhoods tend to have homes that are out of step with today’s homebuyers: e.g., one bath, kitchens not updated in several decades.

• Appraisal gaps for rehab are common, so specialized loan capital needed.

• Values have often slipped to where investors buy half+ of the homes each year.

• Residents often fail to see their property, block, neighborhood with “fresh eyes”, so curb appeal suffers.
Example: Most middle neighborhoods have a price point below which investors become common purchasers. Knowing where this price point is makes it possible to strategize around at-risk properties.
Market analysis in the Triangle neighborhood also showed how configurations of beds and baths correlated with sales price. The nonprofit then targeted homes at greatest risk of investor purchase (because of low value and only 1 bath), with free architectural design and rehab loans to add a half bath, hoping to position them more competitively for a new owner-occupant when they next sell.
The City of Des Moines, Iowa is developing a suite of financing tools to update housing stock in middle neighborhoods.
3: Rebrand+Promote New Image and/or Preserve and Center Existing Culture+Leadership

• Professional, integrated place branding strategy.
• Find matches between neighborhood’s strongest selling points and target markets’ highest priorities = core brand attributes.
• Core brand attribute examples: family-friendly, tree-lined streets, close to downtown, artsy/creative, outdoor rec, friendly neighbors.
• Merge with overall improvement plan to align neighborhood improvement priorities to support core brand attributes.
• Residents, institutions, Realtors, etc. all use same language, and flood market with that language.
• Especially in hot markets, center existing culture + leadership
And other strategies, as needed

- Business (usually retail) recruitment, organizing and development
- School marketing
- Landlord/investor strategies
- Safety
The Middle Neighborhoods Community of Practice (CoP)

The Middle Neighborhoods CoP is an informal, facilitated network of practitioners, researchers and policymakers engaged in revitalizing middle neighborhoods. CoP members share learnings through topical webinars, referrals, site visits, phone calls, and occasional larger group events.

There are currently about 350 people in the CoP. Please join us!
Discussion

• What could the Community of Practice offer you to help you in your work in middle neighborhoods, or to assess the possibility of working in middle neighborhoods in your community?

• What advice would you give the National Middle Neighborhoods Steering Committee in creating awareness about the trends in middle neighborhoods and in inspiring cities to have a middle neighborhoods strategy?
May 2019 Newsletter

Cleveland community celebrates opening of new bike lane in Old Brooklyn with Mayor Frank Jackson. Photo credit: Old Brooklyn Community Development Corporation.

What We Talk About When We Talk About Middle Neighborhoods

By Nelson Beckford, The Cleveland Foundation

Picture this: a rectangular table with 30 leaders from Cleveland’s community development field. We were there to discuss the concept of “middle neighborhoods” and to provide a recap of the Middle Neighborhood working group meeting in Cleveland for those who weren’t able to join. I didn’t know what to expect. Will the group take offense to the term “middle neighborhood”? Read more

ON THE EDGE

AMERICA’S MIDDLE NEIGHBORHOODS

Paul C. Brophy, Editor

For More Information

www.middleneighborhoods.org