



FURMAN CENTER
FOR REAL ESTATE & URBAN POLICY
NEW YORK UNIVERSITY
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE



NYU Wagner

Robert F. Wagner Graduate School of Public Service

What Explains Population Growth in Cities and Neighborhoods?

Ingrid Gould Ellen

Johns Hopkins University Social Policy Seminar
September 20, 2012

Population Growth or Economic Growth?

- Many local economic development policies are aimed at increasing jobs and not population *per se*.
 - At city level – there is a strong correlation among changes in employment, incomes and population.
 - At neighborhood level, the connection may be more tenuous.
- Much of research (especially at neighborhood-level) focuses on income growth.

WHAT EXPLAINS POPULATION GROWTH IN CITIES?

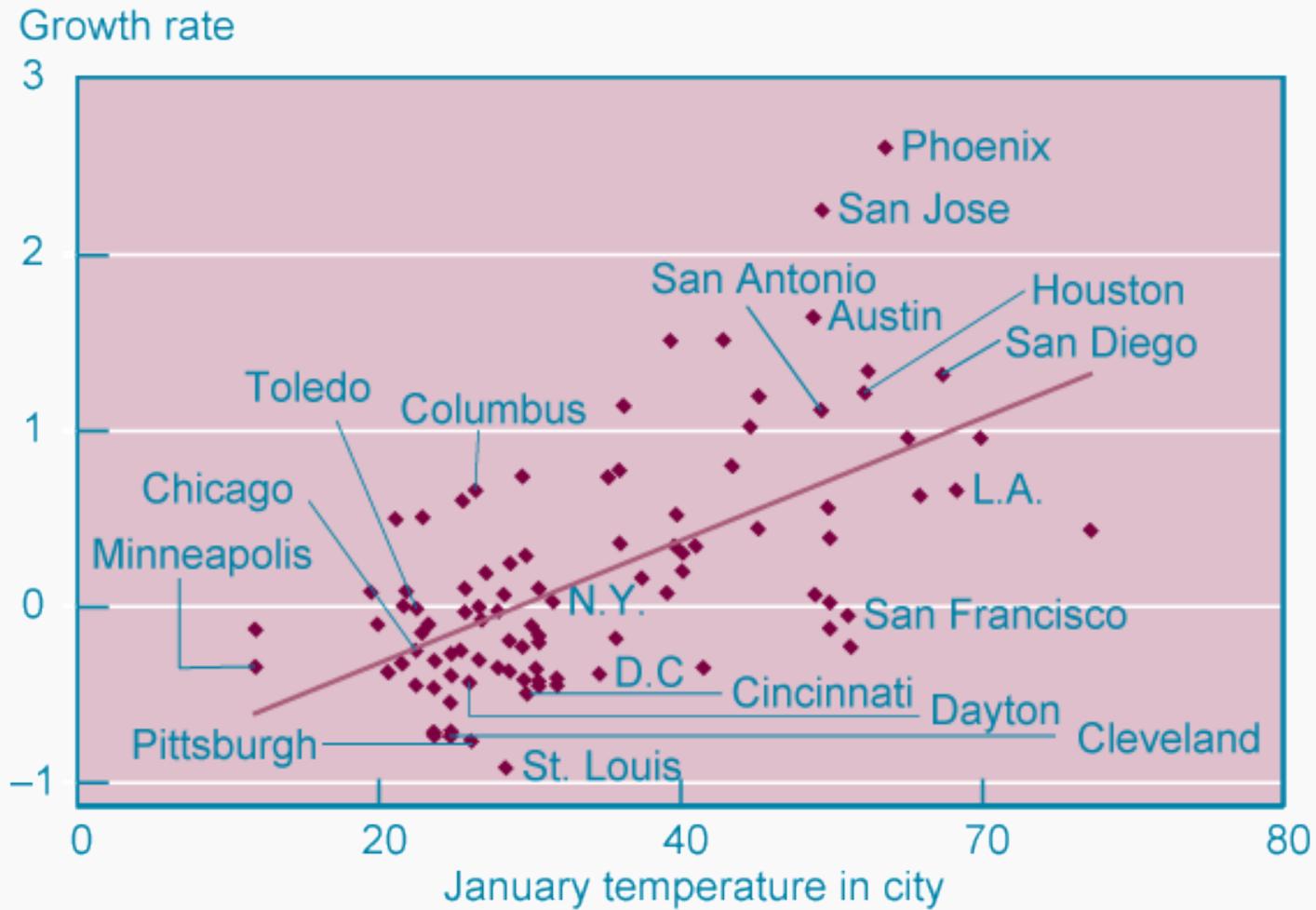
Background Facts

- Between 1950-1990, urban decline was widespread
- During the past two decades: far more variation
 - 1990s Decade:
 - 87 large cities experienced population growth over 10%
 - 33 large cities shrank by more than 2% (Baltimore: -12%)
 - 2000-2010 Decade:
 - Of 50 largest cities, 20 cities grew by more than 10%
 - 5 shrank by more than 2% (Baltimore: -5%)

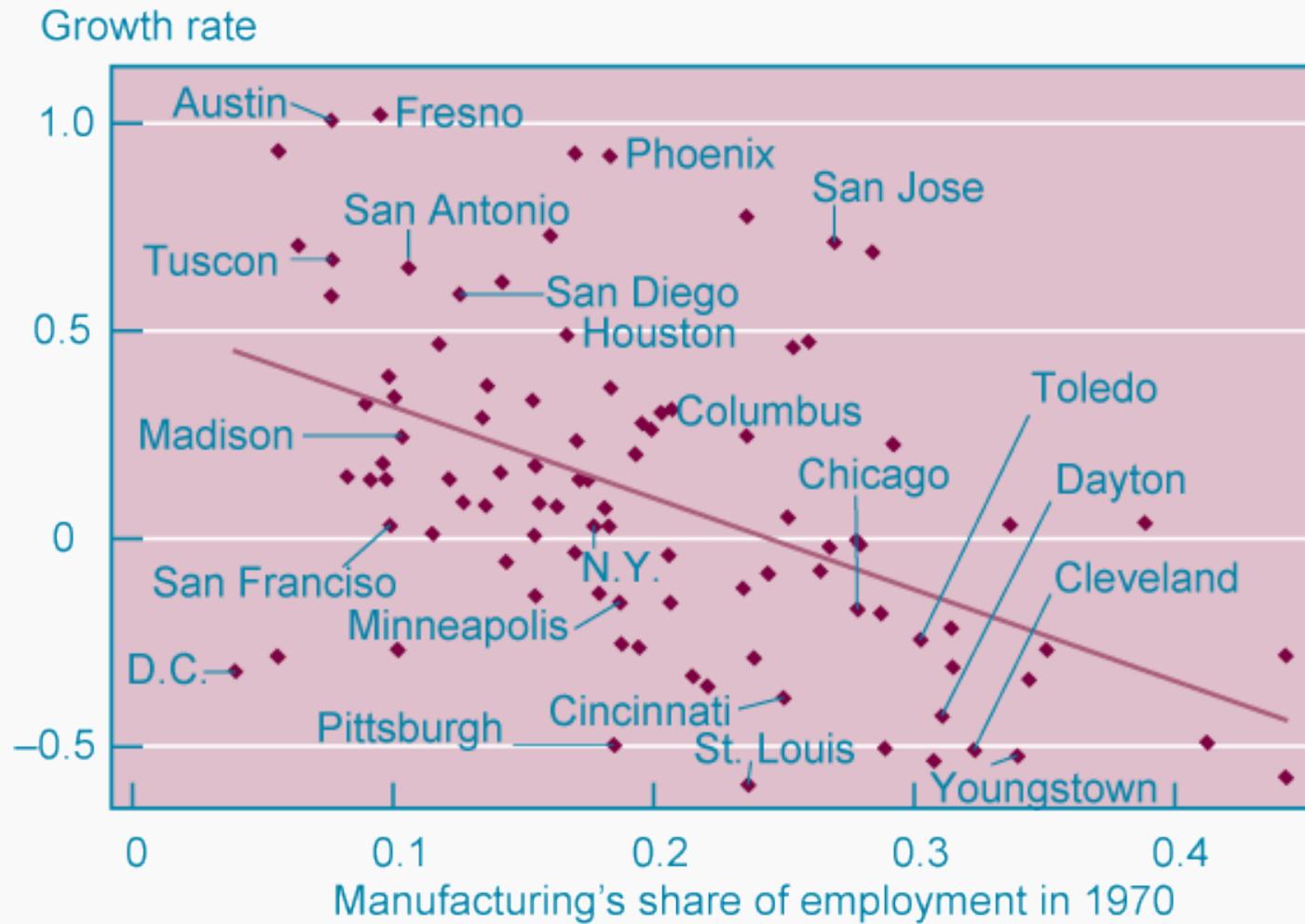
What is Different About Growing Cities?

- *Climate*: Sunbelt cities: cities in warm, dry climates.
- *Density*: Low-density cities with newer housing.
- *Industry Mix*: Cities with less employment historically in manufacturing.
- *Immigration*: Cities with larger foreign-born populations.
- *Skills*: Cities with more educated populations.

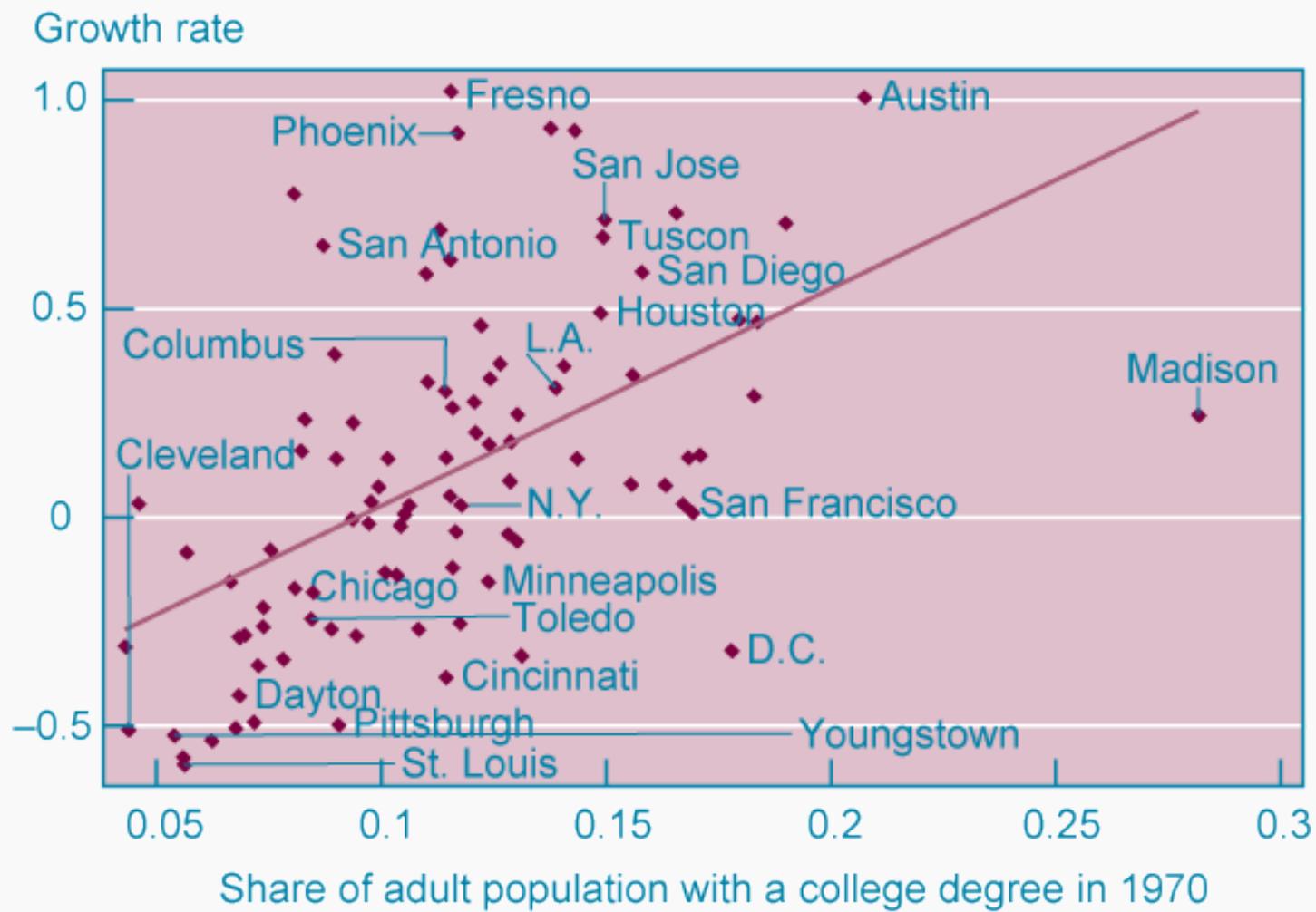
Sources: Glaeser, Scheinkman, and Shleifer, (1995) Glaeser and Shapiro (2001); Dunne (2007)



Source: Federal Reserve Bank of Cleveland



Source: Federal Reserve Bank of Cleveland



Source: Federal Reserve Bank of Cleveland

Familiar Economic Development Strategies

- Lowering Taxes
- Smokestack Chasing (Special Tax Incentives)
- Enterprise Zones
- Growing High-Tech Sector
- Sports Stadiums
- New Convention Centers
- Casinos

No Easy Answers: Cautionary Notes for Competitive Cities

- No Magic Bullet
- Difficult to Steer Market Forces
- No One-Size Fits All Approach
 - Context is key: Understand individual strengths and challenges
 - Can't just copy approach adopted by neighbor

Source: Ellen and Schwartz (2000)

So What Can a Poor Mayor Do?

- No easy answers but... some guidance.
- Consider consumption benefits to residents – don't focus only on production.
- Focus on making cities livable/attractive to mobile, high-skilled workforce
 - Fix the basics – crime, schools, services
 - Keep taxes relatively low
 - Invest in higher education
 - Attract the creative class?

Attracting Creative Class?

- Richard Florida (2002):
 - Ideas and creativity are engine of new economy
 - Policy Advice: Promote ‘Tolerance, Talent, Technology’
- Right to pinpoint importance of skills and ideas
- But research suggests that focus on attracting Bohemians is not answer
 - Bohemian types may not make a city successful; rather, cities that are successful attract bohemian types
 - Real driver of growth appears to be education and skills

What About Reducing Crime?

- Ellen and O' Regan (2010) study relationship between large reductions in crime in cities during 1990s and population growth.
 - Annual popn and crime data for 145 cities, 1980-2000
 - City-suburb migration data for 111 cities, 1995-2000
- Mixed answer
 - Reductions in crime have modest effect on popn growth
 - Crime reductions did not appear to attract new residents
 - But reductions did appear to encourage existing residents to stay

WHAT EXPLAINS GROWTH IN NEIGHBORHOODS?

Past Research Provides No Direct Answer

- More work on related question: Which neighborhoods see gains in income and why?
 - Ellen and O'Regan (2008); Ellen and O'Regan (2011); Rosenthal (2006); Brueckner and Rosenthal (2007)
- Income growth should be correlated with population growth
 - Low-income neighborhoods that lose population typically lose income too.

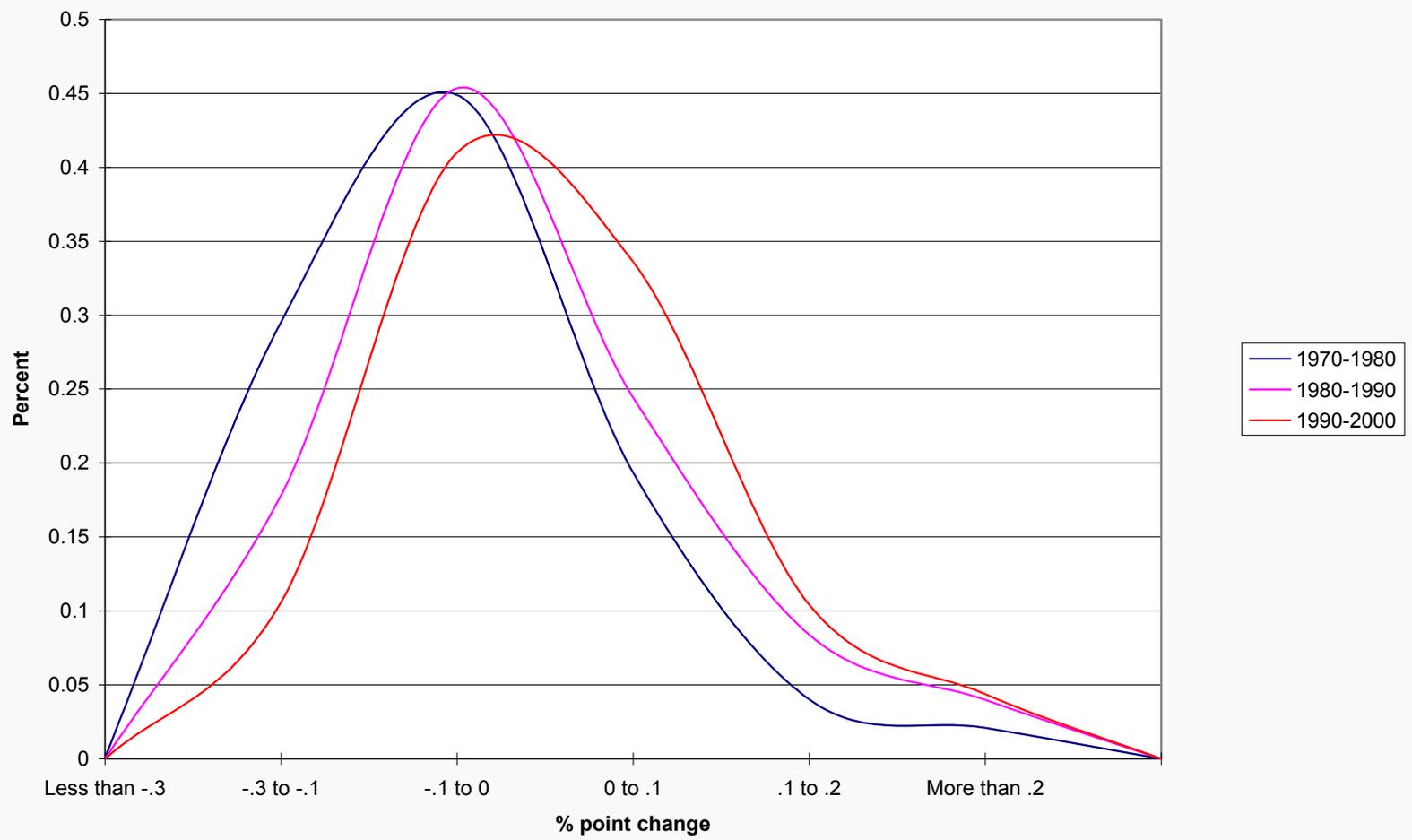
Background Facts

- Low-income urban neighborhoods were much more likely to gain economically during the 1990s than during the 1970s and 1980s
- No shift in fortunes observed for other neighborhoods
- Lots of variation across neighborhoods

Share of Tracts Experiencing Large Gains and Losses in Relative Income

Tract Type	Decade	% Gaining	% Losing
Low-Income	1970s	7%	23%
Low-Income	1980s	8%	26%
Low-Income	1990s	19%	7%
Other	1970s	12%	37%
Other	1980s	14%	38%
Other	1990s	13%	36%

Chart A: Change in Income Ratio, NE



What's Different about Neighborhoods that Experience Relative Income Gains?

- Metropolitan growth = key determinant
- Within MSAs
 - Housing: Very new and very old housing stock
 - Population attributes:
 - Higher shares of Hispanic residents
 - Higher homeownership rates
 - Higher education levels
 - BUT also...Higher poverty (at least during 1990s)
- Lots of unexplained variation – limited variables

How Do Neighborhoods Gain?

- Three key sources of Neighborhood Income Gains:
 - Selective entry of higher income households
 - Selective retention of higher income households
 - Incumbent upgrading
 - the households that stayed in place in gaining neighborhoods experienced greater increases in income than those staying in other neighborhoods

How Do Neighborhoods Gain?

- Three key sources of Neighborhood Income Gains:
 - *Selective entry of higher income households*
 - Selective retention of higher income households
 - Incumbent upgrading
 - the households that stayed in place in gaining neighborhoods experienced greater increases in income than those staying in other neighborhoods

How Do Neighborhoods Gain?

- Three key sources of Neighborhood Income Gains:
 - *Selective entry of higher income households*
 - Selective retention of higher income households
 - Incumbent upgrading
 - the households that stayed in place in gaining neighborhoods experienced greater increases in income than those staying in other neighborhoods
- Ellen and O' Regan, *Why Do Higher Income Households Choose Lower Income Neighborhoods?*

Hypotheses: Why Do Some Households Choose Relatively Lower Income Neighborhoods?

- *Prospecting*: Believe neighborhood homes will appreciate
- *Taste for Accessibility/ Downtown Living*: Value convenience of neighborhoods
- *Weaker Neighborhood Preferences*: Willing to trade off neighborhood attributes for nicer, larger housing
- *Constraints*: May face constraints in residential choices
- *Thrift*: May simply want to spend less on housing bundle

Definitions

- Move to relatively low income neighb (RLIN)
 - Income of inmover is *at least* 10% higher than the median income of the neighborhood and at least 10% higher than the income of the previous occupant of specific unit
 - Additional restrictions
 - Neighborhood must have income below MSA median
 - All metro in-movers with income *above* 60% of AMI
 - Neighborhood must have density above 200 people per km and majority of homes more than 10 years old

Empirical Approach

- Revealed Preferences
 - Which households make RLIN moves?
 - Which metro areas invite more RLIN moves?
 - Which homes/neighborhoods do RLIN movers choose?
- Stated Preferences
 - What motivates households to make RLIN moves?
 - How do households rate/describe new neighborhood?
- Comparisons of Spending pre/post Move

Data

- Housing and household-level data from the American Housing Survey
 - National, longitudinal survey of 55,000 housing units
 - Geocoded, internal version
 - Four move-in windows
 - Moves into neighborhoods between 1989-1991 and 1991-1993
 - Moves into neighborhoods between 1999-2001 and 2001-2003
- Neighborhood-level data from decennial census
 - Census tracts proxy for neighborhoods

Selected Coefficients: Household Characteristics

HH Characteristics	Coefficient	Standard Error
Homeowner	-0.101***	0.011
First-time Homeowner	0.053***	0.011
Black	0.161***	0.016
Hispanic	0.109***	0.011
Kids	-0.029***	0.008
Married	-0.002	0.006
MSA Characteristics		
House Price Appreciation	0.166**	0.080

Modeling Neighborhood Choices

- Conditional logit model
- Restrict to in-movers with income $> 60\%$ of AMI
- Choice set includes the unit HH actually chooses plus a sample of ten randomly selected, available units of same tenure within metropolitan area
- Separate models for renters and owners
- Key coefficients: interactions between RLIN mover and housing/neighborhood characteristics

Revealed Preferences: Choice of Housing and Neighborhood

- RLIN movers choose housing bundles that cost less (looking to save money?)
- RLIN movers choose neighborhoods with greater % old housing
- RLIN movers choose neighborhoods with lower homeownership rates and higher minority shares

- Little evidence that job accessibility matters

Stated Preferences: Primary Reason for Choosing Home and Neighborhood

- RLIN movers more likely to report unit cost as key
- RLIN movers no more likely to cite access to jobs as leisure as key reason
- RLIN movers appear to care less about schools

Conclusions

- Who chooses to make RLIN moves?
 - Households who place less weight on local services
 - Renters and households without children
 - Households facing more constrained residential choices
- Little evidence that households are ‘pioneering’ when making these residential choices
- Much more evidence that households are looking to spend less on housing

Many Unanswered Questions

- Need more work to understand what really drives neighborhood choices.
- We are now linking data on residential decisions to richer data on local conditions and services
- Related research offers suggestive evidence
 - MTO research suggests that crime matters A LOT!
 - Research shows local school quality affects housing prices.
 - Guerreri et al (2011) find that poor neighborhoods that are closer to richer neighborhoods have much higher housing price appreciation during boom periods.