

# The Brookings Institution

Metropolitan Policy Program  
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## The Federal Housing Policy Dilemma for Older Communities

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# The Federal Housing Policy Dilemma for Older Communities

I

Challenges and opportunities of older industrial cities

II

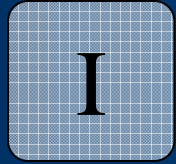
Challenges and opportunities of first suburbs

III

Role of current federal (and state) policies

IV

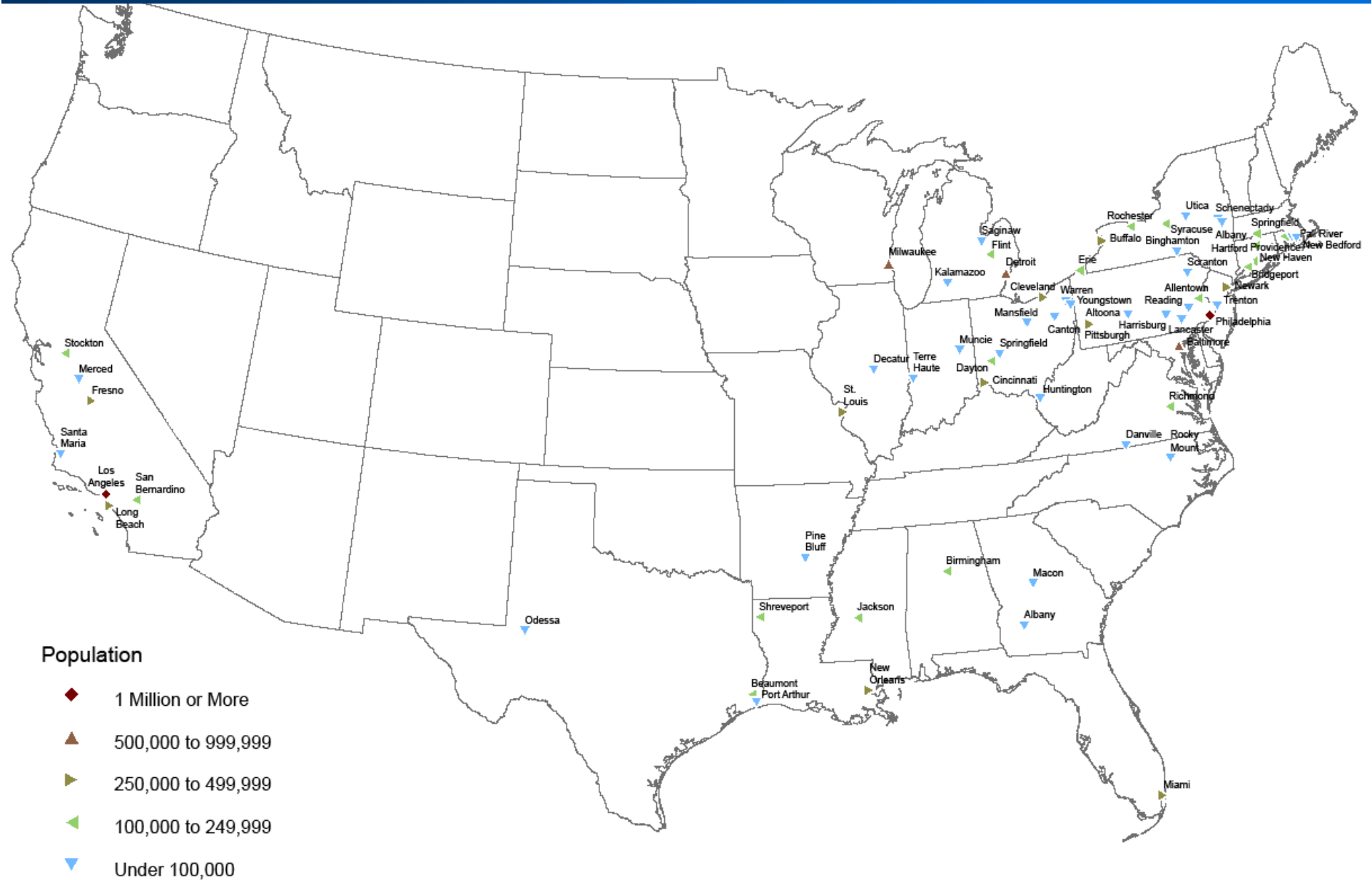
A framework for policy reform

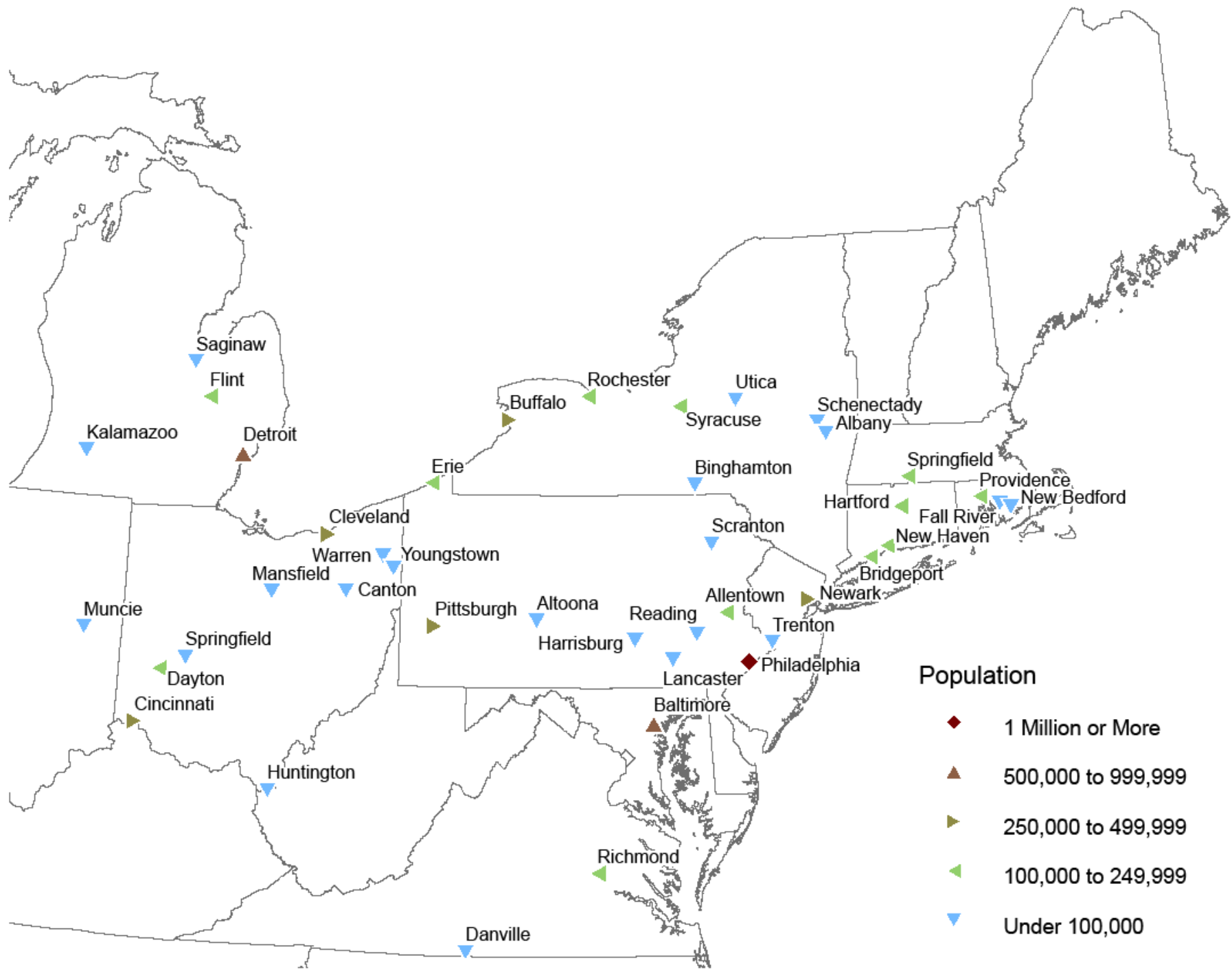


## Challenges and opportunities of older industrial cities

- 302 cities nationwide were ranked separately based on **economic** (employment growth, establishment growth, payroll growth) and **residential well-being** (income, unemployment rate, poverty rate, labor force participation) indicators
- 65 cities **ranked in the bottom third** across both sets of indicators

Most of these cities are older industrial cities that are primarily located in the Northeast and Midwest





## Older industrial cities differ significantly from the other 237 cities on a range of economic and social indicators

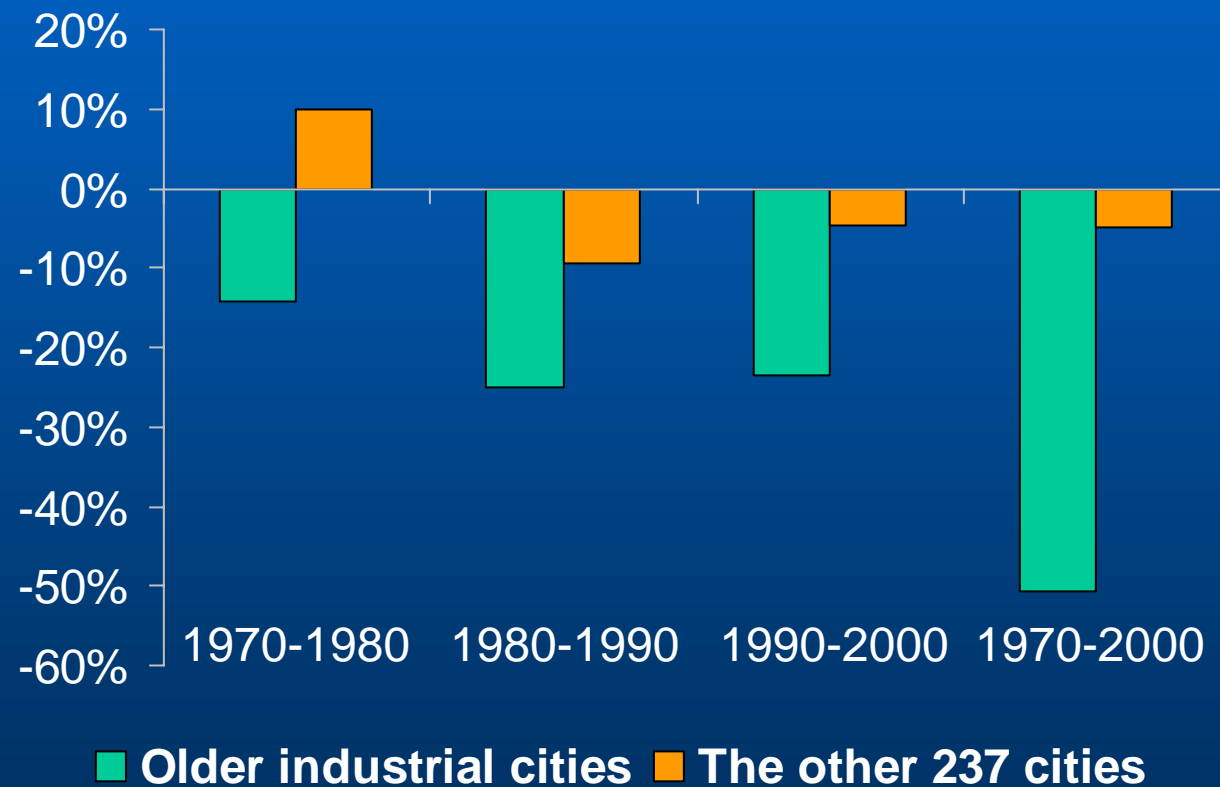
City Economic Condition Index	Older Industrial Cities	The Other 237 Cities
Change in Employment	-8.3%	18.0%
Change in Annual Payroll	14.0%	45.1%
Change in Establishments	1.4%	18.0%
Residential Economic Wellbeing Index		
Median Household Income	\$29,138	\$38,510
Per Capita Income	\$16,019	\$20,424
Unemployment Rate	10.0%	6.5%
Poverty Rate	23.0%	15.2%
Labor Force Participation Rate	58.8%	65.5%



## Deindustrialization has left older industrial cities struggling to find their economic niche in the knowledge-based economy

Percent change in  
manufacturing  
employment,  
1970-2000

Source:  
Bureau of Economic  
Analysis





## This shift has left long-term legacy costs that continue to hamper the recovery of older industrial cities

→ The **dominance of older established industries** can hinder entrepreneurialism and diversification

→ **Lower educational levels** puts these cities at a disadvantage in the competition for new firms

→ Many are saddled with the **tremendous environmental legacy** of the old economy: there are 5 million acres of abandoned industrial sites and contaminated brownfields in U.S. cities

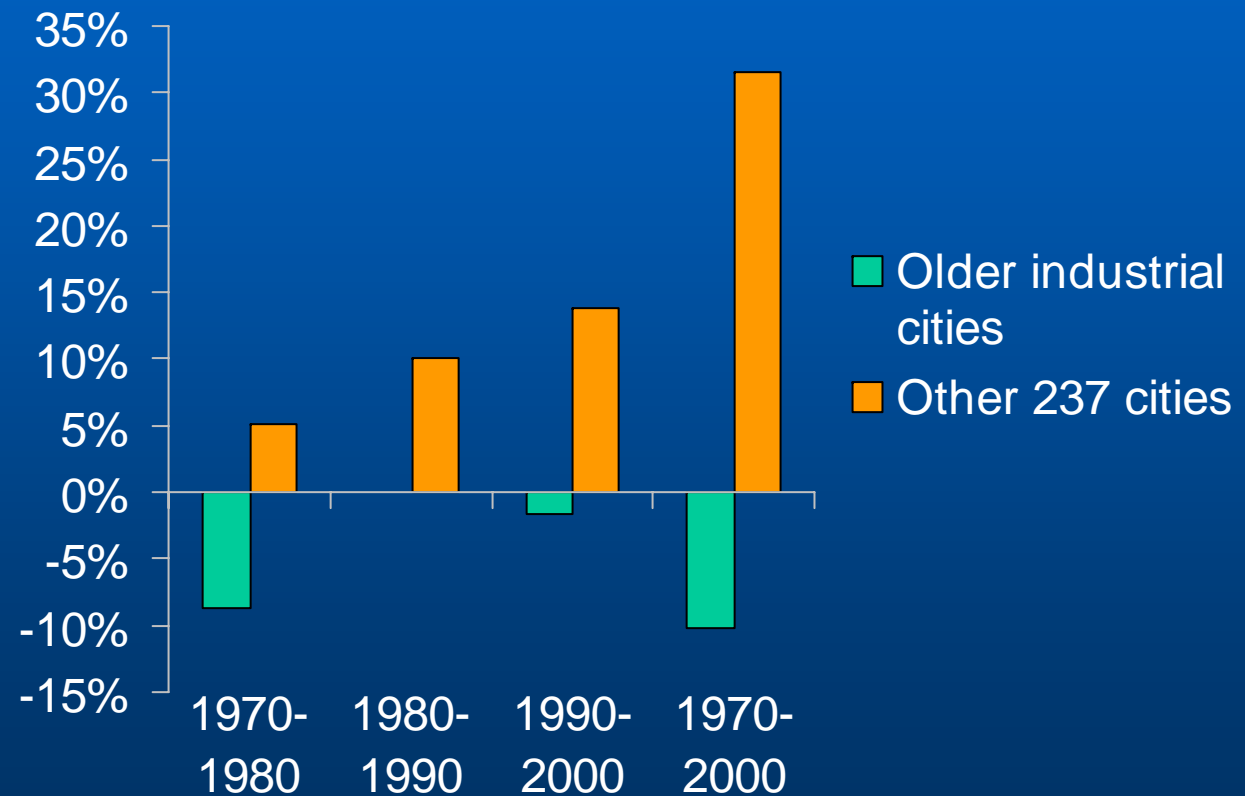




## Economic change has been exacerbated by negative demographic forces and unbalanced development patterns...

Percent change in  
population  
1970-2000

Source:  
U.S. Census Bureau





## These demographic shifts have had severe impacts on older industrial cities

→ City **population plummeted** and **poverty increased** between 1970 and 1990 in older industrial cities. These cities largely did not participate in the urban population resurgence of the 1990s

→ **Out-migration, racial and ethnic segregation, and concentrated poverty** have negative impacts on schools, public safety, market investment, fiscal health, and quality of life

→ As the quality of **human capital, costs of doing business, and amenities** are correlated with metro/city performance over time, these cities can become mired in a downward spiral



## But older industrial cities have numerous assets that set them apart

- *Physical attributes:*  
waterfronts, transit infrastructure, historic buildings
- *Economic attributes:*  
regional employment centers, downtown cores, concentrations of eds and meds
- *Social and cultural amenities:*  
cultural institutions, professional sports teams, vibrant street life



Given their assets, the moment is ripe for the revival of older industrial urban economies...



## Major demographic shifts are changing the size, makeup, and locational choices of the nation's households

- U.S. population growth in the 1990s was much stronger than in previous decades, with immigration fueling much of the increase
- The country's population is expected to add another 67 million people by 2025
- The nation's family structure is changing. Men and women are delaying marriage, families are having fewer children, and household size is declining
- Our population is aging. Adults over 65 make up more than 12 percent of the population. By 2012, the workforce will lose more than two workers for every one it gains



These demographic changes give cities a chance to compete for new residents



- **Young professionals**
- **Childless couples**
- **Baby-boomers**
- **New immigrants**
- **Empty nesters**
- **Elderly individuals**



This growing and diverse population desires a range of choices in neighborhoods, shopping, and transportation

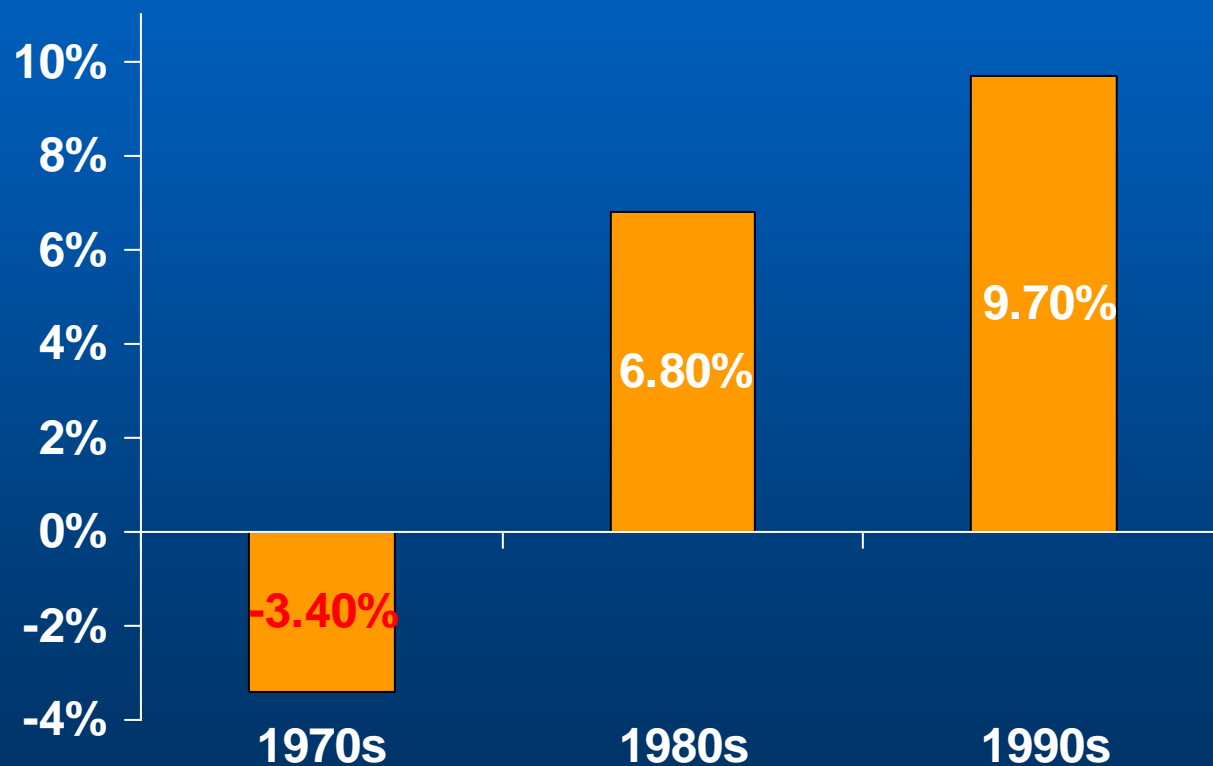




## These changes have led to a population surge in urban places in the 1990s

Population growth  
in 100 largest  
cities, 1970-2000

Source: U.S. Census  
Bureau



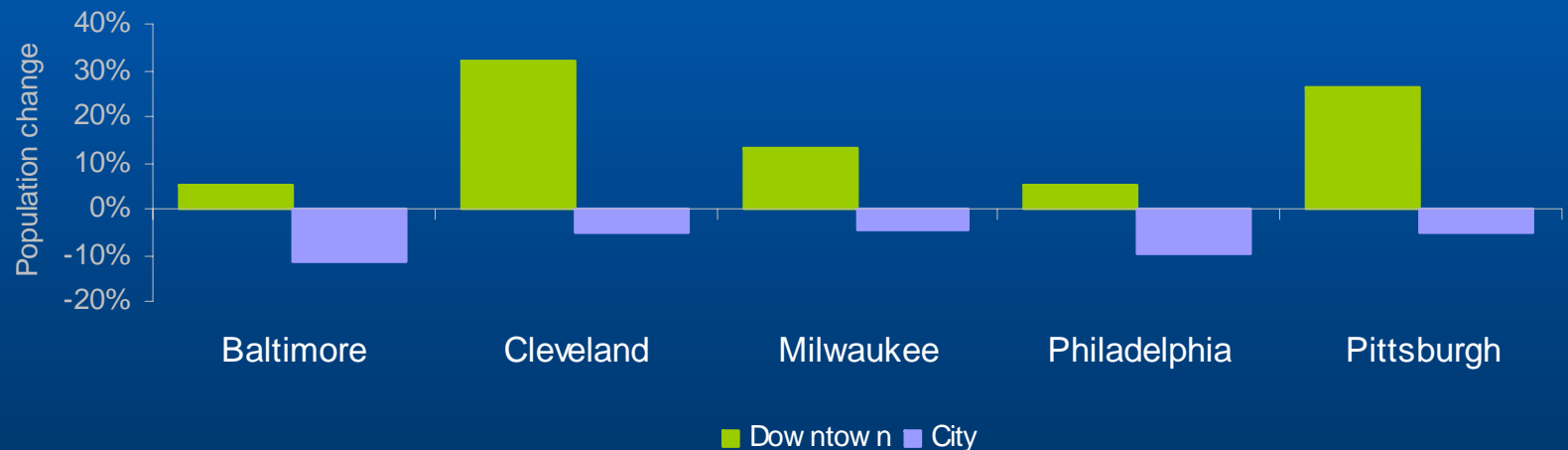




...and have also contributed to downtown revitalization in cities that lost population overall

Percentage change  
in population,  
1990-2000

Source:  
"Who Lives  
Downtown," 2005





## The U.S. is also going through a profound economic transformation as a result of global economic restructuring

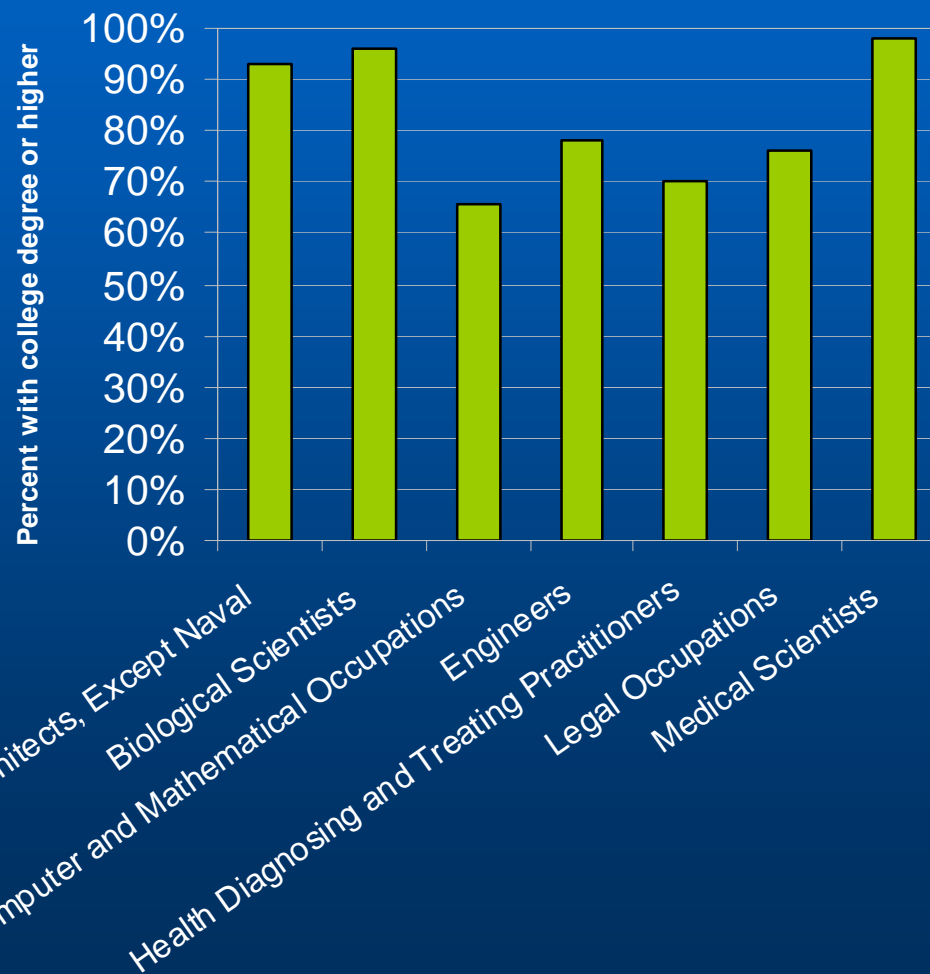
- Globalization and technological innovation have accelerated the U.S. economy's shift from manufacturing to services
- This transition demands greater numbers of highly-educated, highly-skilled workers, now the biggest drivers of growth in metropolitan areas
- The role and function of universities, colleges, medical research institutions in economic development and community revitalization is growing
- The knowledge economy has altered the value and function of density and proximity, which help to accelerate the transfer of knowledge and ideas between peoples and firms



## These changes are placing a high premium on education and skills...

BA attainment by  
selected  
occupations, 2002

Source:  
National Bureau of  
Labor





...and have revalued urban characteristics, giving cities a unique edge



- Density
- Waterfronts and other amenities
- Educational and medical facilities
- Creativity
- Multicultural diversity
- Built infrastructure



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A framework for policy reform



## II

# Challenges and opportunities of first suburbs

## What are First Suburbs ?



- They existed in 1950 as counties that were part of 1950 'standard metropolitan areas' (SMAs)
- They were in a metro area with a large primary city
- Data for the primary city is not included if such existed within the county



There are 64 first suburban counties found throughout the nation





## First Suburbs in the Northeast and Midwest suffer from 5 major challenges:

### 1. *First suburbs are getting older:*

- Infrastructure (housing, roads, sewer lines, schools) suffers from age and limited maintenance
- Shopping centers, retail strips, and commercial corridors are declining
- “Once you build it you are on your own”







# First Suburbs in the Northeast and Midwest suffer from 5 major challenges:

## 2. *Fiscal stress:*

- There are large spending demands
  - aging infrastructure
  - services for the working poor
  - schools
- There are few revenue sources
  - tax base weighted towards residential
  - declining commercial base
  - inadequate capital/redevelopment financing





## First Suburbs in the Northeast and Midwest suffer from 5 major challenges:

### 3. *Aging homes and declining real estate:*

- Housing stock may be less competitive
- Many have depressed market values, may lack amenities and be modest in size
- Often onerous property tax rates





## First Suburbs in the Northeast and Midwest suffer from 5 major challenges:

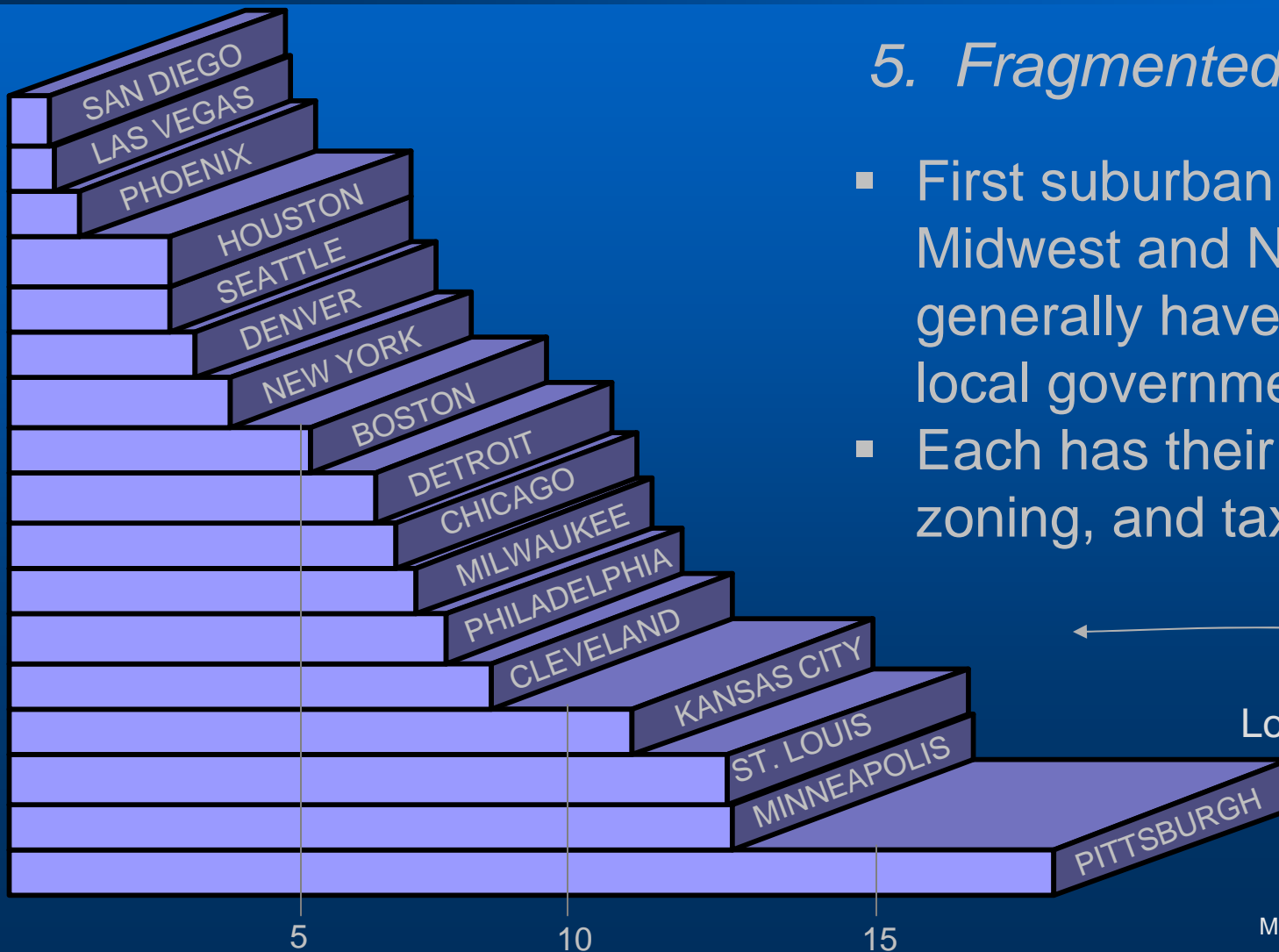
### 4. *Working families:*

- Families with earnings above poverty but below median are struggling
- These families are becoming increasingly concentrated in first suburbs.
- Welfare recipients are concentrating in urban counties as are working families who receive the EITC





## First Suburbs in the Northeast and Midwest suffer from 5 major challenges:



### 5. *Fragmented governance*

- First suburban areas in the Midwest and Northeast generally have hundreds of local governments
- Each has their own land use, zoning, and taxation powers.

Local Governments Per  
100,000 Residents



## But First Suburbs also have many assets and opportunities

### *Design and quality:*

- Mixed-use neighborhoods, parks, sidewalks
- Balance of jobs, services and housing
- Can support frequent transit
- Often well constructed





## Assets and opportunities, cont.

### *Centrality and convenience:*

- Located between new employment centers and the traditional central business district
- Near central city cultural, entertainment, sports and education amenities





## Assets and opportunities, cont.

### *Infrastructure:*

- Established transportation, water, sewer, schools
- Established networks of hospitals and amenities
- Reinvestment in first suburban infrastructure could be an asset to the region







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## Major federal and state policies stack the deck against cities and First Suburbs, exacerbating their problems and undermining their ability to build on their assets

### Federal

- Despite improvements, transportation funding is still geared toward highway building
- Subsidized housing policies reinforce concentrated poverty
- Homeownership tax expenditures favor buyers in outer areas
- Environmental regulations push growth outward
- Federal housing policy generally does not meet the housing maintenance and rehabilitation needs of first suburbs

### State

- States set the geography of fragmented local governance
- State fiscal systems are often biased against cities and older suburbs
- Many states distribute gasoline tax revenues in ways that disadvantage cities
- Barriers to property redevelopment hinder the productive re-use of existing sites
- Major state spending programs have skewed funding to greenfields
- State allocations of low income housing tax credits reinforce concentrated poverty



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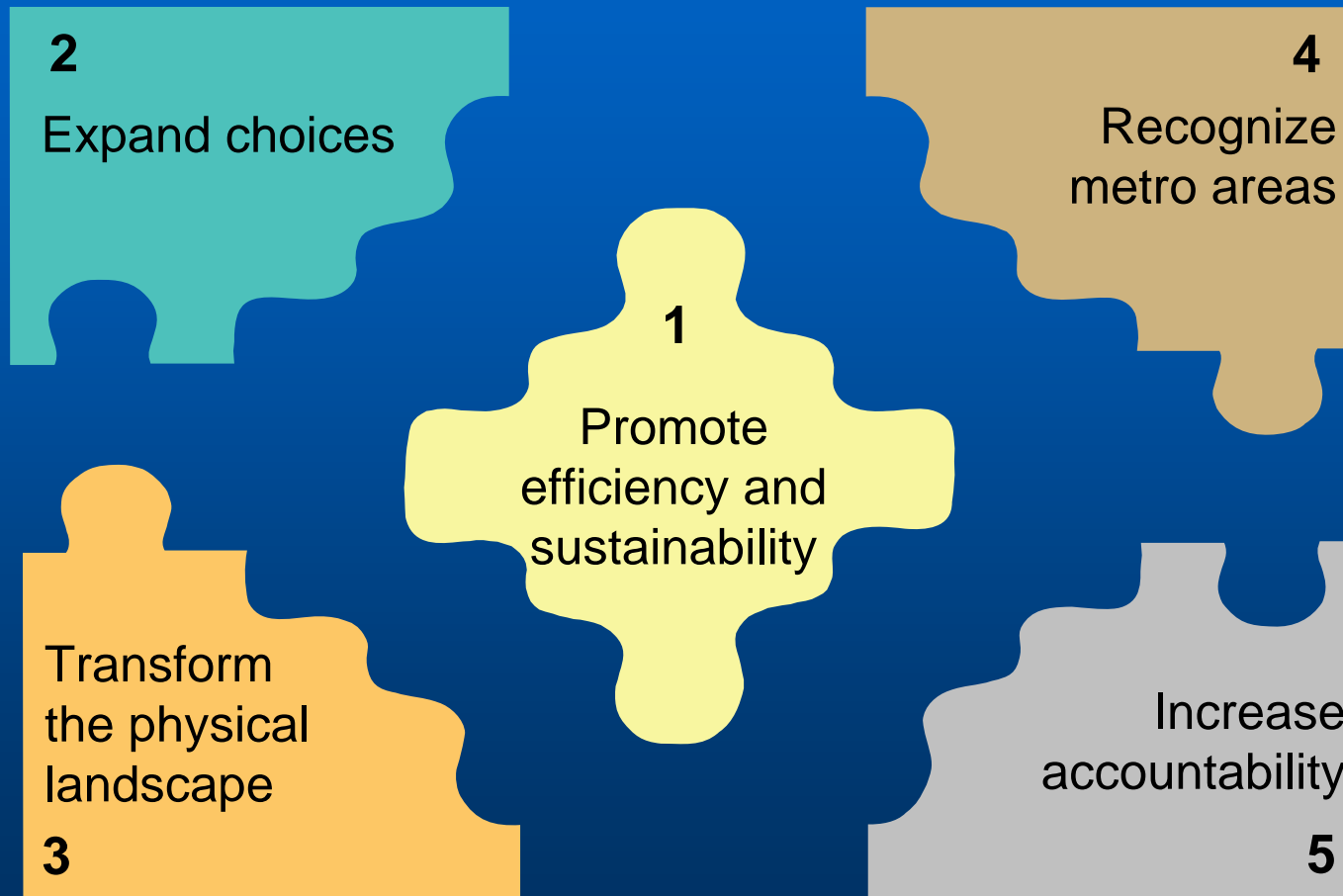
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## IV

# Broad framework for policy reform





## Promote efficiency and sustainability

*Since the supply of affordable housing is limited in scale and often confined either to central cities and older suburbs or jurisdictions at the periphery, many low wage workers live far from educational and employment opportunities and are forced to travel long distances to their place and employment.*

- Use housing policy to promote more efficient development patterns and reduce dependence on the car and the demand for lengthy automobile trips.
- Promote environmentally-sustainable strategies like green roofs





## Expand choices

*Federal housing policy continues to favor the concentration of affordable housing in central cities. Until recently, federal public housing catered almost exclusively to the very poor by housing them in special units concentrated in isolated neighborhoods.*

- Expand housing opportunities for moderate- and middle-class families in cities and close-in suburbs while creating more affordable, “workforce” housing near job centers.
- Invest more substantially in vouchers. A national goal of a million more vouchers over the next decade sets an ambitious, but achievable, target.
- Make it easier to allocate low income housing tax credits to areas of growing employment, not only to areas of distress and poverty. And existing funds should be invested in creating a network of regional housing corporations to develop and preserve affordable housing in suburban areas.





## Transform the physical landscape

*Cities have transformed the worst public housing in the country; since the mid 1990s dozens of projects have been demolished and remade as economically integrated communities of choice and connection.*

- The federal government should continue its efforts to demolish and redevelop distressed public housing and promote economic integration in federally assisted housing.
- The successful HOPE VI program should be renewed for another decade of investment and its reach should be extended beyond public housing to distressed housing projects financed by the federal government.

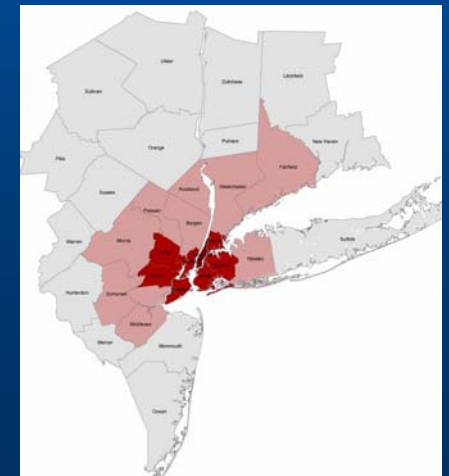




## Recognize the primacy of metropolitan areas

*The governance of federal housing programs is hyper-fragmented with power and responsibility provided to either state governments or parochial local governments or authorities. Despite the metropolitan nature of residential markets, the federal government has devolved responsibility for administering housing vouchers to thousands of local public housing authorities.*

- Metropolitan planning organizations (MPOs) should receive federal funding to prepare regional housing strategies that complement the regional transportation plans already mandated by federal law.
- Shift governance of the housing voucher program to the metropolitan level. Our vision is that competitions would be held in dozens of metropolitan areas to determine what kind of entity -- public, for-profit, nonprofit or combination thereof -- is best suited to administer the program.







## Increase accountability

*In recent years, federal housing programs have been characterized by lax oversight and the absence of an accountability system that rewards places that perform well and punishes places that do not.*

- A bonus pool of funding should be established to reward states and jurisdictions that achieve national objectives such as systematically removing regulatory barriers, expanding the production of affordable rental housing in areas of low poverty and pursuing metropolitan housing strategies that marry the efforts of cities and suburbs.
- Reforms should also increase funding for independent, rigorous, and objective research that evaluates the benefits and drawbacks of existing programs and policies, distills replicable innovations, explores the relation between housing, transportation and other areas of domestic policy.

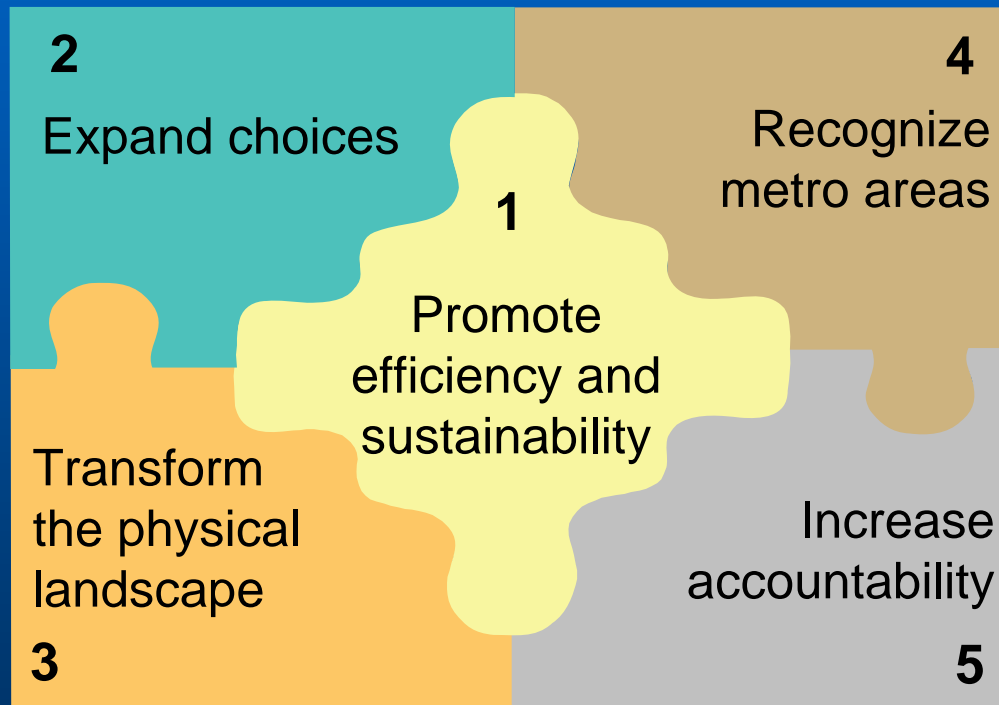






# IV

## Broad framework for policy reform





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**METROPOLITAN POLICY PROGRAM**



## First Suburbs are experiencing 4 major trends:

- First Suburban population growth lags behind metro growth.
- First Suburban population growth is highly uneven.
- First Suburban areas are becoming more diverse.
- First Suburbs are beginning to have high concentrations of the working poor.