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Understanding Community Change

A Look at Low-Income Chicago Neighborhoods in the 1990s

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Summary

The 1990s saw considerable improvements in many inner-city neighborhoods, with long-distressed communities experiencing renewed economic activity. Not all neighborhoods improved, though, and the extent and rate of change varied widely across communities. An analysis of change in low-income Chicago neighborhoods illustrates some of the factors explaining the different experiences.

- Chicago's low-income neighborhoods generally experienced notable improvement. Real per capita incomes rose by 21 percent, unemployment fell by over 4 percent, and conventional mortgage lending in these areas increased by 110 percent.
- The most significant improvements took place in low-income communities closest to the downtown Loop (Chicago's central business district). Revitalization resembled a typical gentrification pattern, with an influx of young, childless, well-educated, white urban professionals.
- The city's overwhelmingly black neighborhoods improved, although they continued to lose substantial portions of their population. For the most part, those who left tended to be less economically productive.
- The neighborhoods had an older, better educated populace by the end of the decade than they had at the outset.
- Neighborhoods with high proportions of immigrants tended to decline on a number of economic measures. Many of these communities experienced population growth, but the influx of linguistically isolated, undereducated individuals, coupled with a growing number of children, contributed to lower per capita incomes, higher poverty rates, and lower levels of conventional mortgage lending.
- Although many of the economic indicators suggest that conditions in the immigrant neighborhoods have declined, the substantial population growth in these neighborhoods bodes well for their future prospects. Many of the communities are already experiencing significant economic activity, as evidenced by a growing housing market.

Introduction

There has been marked improvement in many of the country's low-income urban neighborhoods in the past decade. Communities that had long been characterized by poverty, blight, and disinvestment are now experiencing significant growth and reinvestment. Empty lots have been replaced by housing developments and shopping centers. Unemployment and crime rates have fallen. At the same time, many urban neighborhoods have shown little improvement in the past decade, and some have experienced continued decline.

What distinguishes the improving neighborhoods from the declining ones? What are the characteristics of neighborhood change, and what explains the variation in that change across communities? This brief begins to answer these questions by quantitatively analyzing changes in Chicago's low-income neighborhoods during the 1990s. It sets out ways of measuring

local change, illustrates the characteristics of such change, and examines the different dynamics in improving, declining, and seemingly stable communities. At least in Chicago, many of the broad interneighborhood differences can be attributed to the city's immigration patterns.[1]

The Context for Urban Improvement

Decline and disinvestment have characterized many of the nation's older, industrialized cities for most of the past 50 years. Beginning in the 1950s, major industrial centers such as Chicago, Cleveland, Detroit, Milwaukee, and Pittsburgh began to lose residents to their surrounding suburbs. The exodus of residents and businesses accelerated throughout the next few decades, as more and more middle- and upper-income individuals left the northern central cities for their suburbs and/or for the growing regions of the south and southwest. As a result, the central cities housed increasing concentrations of lower-income and minority residents. The exodus of businesses resulted in fewer job opportunities and higher rates of urban unemployment. Crime rates rose significantly, products of increased drug trafficking and a variety of social pathologies. Banks and other investors increasingly shunned inner-city markets as too risky.

These negative trends slowed significantly and/or began to reverse in the 1990s. Fewer individuals left the industrial central cities, and some municipalities began to attract larger numbers of new residents. Cleveland and Detroit, for example, which had experienced double-digit percentage population declines in the 1980s, saw only single-digit declines in the 1990s. Chicago and Kansas City, cities that had seen a net population loss in the 1980s, experienced a net gain of residents in the 1990s. Virtually every major Northeastern and Midwestern city experienced a smaller rate of population decline—or a greater rate of growth—in the 1990s than in the 1980s.[2] To a large extent, the effects of these population trends spread throughout urban neighborhoods. As Thomas Kingsley and Kathryn Pettit have noted, "almost all types of neighborhoods (census tracts) in these cities did better in the 1990s (median population growth of 2.7 percent) than the 1980s (median loss of 0.5 percent)." Even those neighborhoods that lost population in the 1990s (predominantly black and high-poverty communities) lost fewer people than they had a decade earlier.[3]

Population dynamics only tell part of the urban revitalization story. Communities may actually experience a net loss of residents while simultaneously becoming much more economically vibrant. Baltimore, Cleveland, Philadelphia, and Pittsburgh have all seen substantial reinvestment in their downtown areas in the form of new office buildings and residential lofts, even though each of the cities lost population during the decade. A number of communities close to downtown business districts have experienced radical demographic and economic changes. Baltimore's Federal Hill, Boston's South End, and Seattle's Central Area and Columbia City neighborhoods have attracted substantial numbers of well-educated singles and childless couples, young professionals who have infused residential and retail investment dollars into neighborhoods that had long qualified as economically distressed.

Although they are often the most visible areas of urban redevelopment, the central business districts and the surrounding "yuppie" neighborhoods have not been the only sites of positive change. Overall crime rates, and particularly violent crime rates, have declined substantially in many inner-city neighborhoods. Unemployment rates decreased in even the hardest-hit communities. Communities surrounding some of the country's largest urban public housing complexes, for example, saw crime rates decline by nearly 47 percent and joblessness drop by nearly one-fourth.[4] The number of census tracts with poverty rates of 40 percent or more declined considerably between 1990 and 2000, as did the number of people living in such tracts. Chicago, for example, had only 114 such census tracts in 2000 (down from 187 tracts 10 years earlier) and roughly 178,000 fewer people living in high-poverty communities. In addition to reductions in poverty, the most distressed urban neighborhoods experienced simultaneous increases in education levels and female employment rates, and declines in the proportions of female-headed households and households receiving public assistance income.[5] They also received considerably more private investment than they had in years, as evidenced by widely reported increases in residential and commercial lending across central city neighborhoods.[6]

Multiple factors have contributed to the improvements in urban neighborhoods.[7] The strong national economy throughout much of the decade generated millions of additional jobs and led to 30-year lows in national and regional unemployment rates. Unlike past economic booms, this one appeared to benefit individuals across the income spectrum. With increased employment came increased buying power and additional investment. The strength of the economy also caused lenders and retailers to seek out previously untapped (or undertapped) markets. Communities that had long been seen as economically barren suddenly became potentially fertile ground for companies looking to maximize their marginal returns. Increased federal enforcement of the Community Reinvestment Act contributed to banks' increased involvement in these areas, as regulators focused more attention on lenders' performance throughout their designated service areas.

Specific programmatic efforts also generated positive local benefits. Community policing strategies seemed to contribute to declines in urban crime rates, as did concerted efforts to combat social disorder, vagrancy, and petty crimes such as subway fare-beating and non-requested squeegeeing. The federal HOPE VI program facilitated the redevelopment of many of the largest and most deteriorated public housing complexes, buildings that had too often become centers of violent crime and abject poverty. The growing sophistication of community development corporations and other local nonprofits resulted in the development of thousands of housing units and hundreds of commercial facilities in low-income communities throughout the country. Not only did these projects help provide needed goods and services to their neighborhoods, but they often represented potentially catalytic investment in the areas.[8]

The economy of cities has always been driven in large part by newcom-

ers, individuals who have migrated to urban areas in search of greater opportunity. The pattern continued throughout the 1990s; many of the neighborhoods experiencing the greatest population growth—and some of the most extensive economic activity—were those with large proportions of recent immigrants. What distinguished the 1990s, though, was a growing number of suburbanites and former urban residents who chose to move back into the city.[9] This urban repopulation has multiple causes, including desires to escape suburban sprawl and traffic congestion, to be closer to work and/or cultural amenities, and (at least initially) to take advantage of relative housing bargains. Whatever the principal causes, the end result has been the same: an influx of new investors and taxpayers. The presence of additional disposable income helps attract additional housing and commercial opportunities.

While most researchers and practitioners will agree on these and other factors as contributors to urban redevelopment, there is relatively little understanding of the relative importance of the various factors. Communities do not respond in the same way to the same forces. Seemingly similar neighborhoods can change at very different rates. We still have much to learn about how broader issues play out at the local level and what particular characteristics enable certain neighborhoods to improve. But first we need to understand the extent and character of neighborhood change that has occurred.

Focusing on Chicago

Chicago provides an excellent city in which to analyze neighborhood change for a number of reasons. Chicago is a city of neighborhoods, in terms of both popular perception and statistical reporting. The city is broken into 77 community areas, regions whose boundaries are coterminous with census tracts. Community areas average 37,606 residents, with a high of 117,527 (Austin) and a low of 3,294 (Burnside). With two exceptions—the addition of O'Hare and the creation of Edgewater from the bisection of Uptown in the 1970s—the community area boundaries have not changed since they were created in the 1920s. Many city agencies regularly report information by community area, as do widely referenced research institutions such as the Woodstock Institute and the Metro Chicago Information Center.

Chicago and its surrounding region experienced considerable economic growth during the 1990s. Like most other older cities, Chicago's growth paled in comparison to that of its suburbs. The city's population grew by 4 percent during the 1990s, while its suburbs gained 16 percent more residents. Yet Chicago itself made significant economic gains. The city's median household income grew at twice the national average, and its per capita income increased by 16 percent in constant dollars.[10] Chicago continues to be a major entry point for immigrants, especially those from Mexico and Eastern Europe. It is also widely acknowledged to have one of the most sophisticated local infrastructures for neighborhood development. Once the home of Saul Alinsky and his brand of community organizing, Chicago currently has an established cadre of effective community development corporations, an active community banking and lending industry, and a city government that has been publicly and financially committed to neighborhood improvements. One would therefore expect to see some noticeable improvements in at least some of the city's lower-income communities.

Methodology

This article examines quantitative changes in Chicago's low-income community areas from 1990 to 2000. It focuses principally on those neighborhoods whose per capita incomes were at or below 80 percent of the citywide per capita income in 1990 (see the appendix table for full list of community areas and per capita incomes). To explore differences in neighborhood conditions, this analysis groups these community areas into the following four clusters based on income trends, immigration patterns, and racial composition:

Cluster 1: gentrifiers—low income in 1990, moderate/high income in 2000
Cluster 2: predominantly black neighborhoods—low income in 1990 and 2000
Cluster 3: immigrant communities—low income in 1990 and 2000
Cluster 4: new low-income communities—moderate income in 1990, low income in 2000

Measuring actual changes in these communities is tricky, since there is no single indicator that can adequately capture the range of neighborhood conditions. The analysis therefore incorporates a range of demographic, economic, and social measures whose data are available from the Neighborhood Change Database (NCDB), the only source of tract-level decennial census data in which tract boundaries are defined consistently over time. It augments them with Part I index crime data collected by the Chicago Police Department, as well as Home Mortgage Disclosure Act (HMDA) data collected by the Federal Financial Institutions Examination Council and the Woodstock Institute.

It is important to assess neighborhood changes in both absolute and relative terms. Neighborhoods evolve within a dynamic urban and metropolitan environment; in an improving city- and regionwide economy, absolute improvements in a neighborhood may actually constitute relative declines in the community's status. For example, a community's property values may increase by 5 percent, but if values in its surrounding (initially comparable) neighborhoods increase by 10 percent and those citywide increase by 15 percent, the neighborhood ends up in a worse relative position than it was in at the outset. Comparing neighborhood change to the Chicago average helps calibrate the extent of local improvements (or declines) while also providing a clear benchmark of success. Since conditions in the neighborhoods were below average in 1990, any movement toward the city mean would represent a positive step.

One way of assessing overall neighborhood economic improvements is through a composite indicator. The overall index score used in this analysis represents the weighted average of the three indicators relative to the city: per capita income (50 percent), conventional home mortgage purchase rates per 100 housing units (25 percent), and median single-family property values (25 percent).[11] For each of these indicators, the neighborhood value is calculated as a percent-

age of the city average (set at 100 in all cases). Per capita income serves as a measure of individual economic conditions and eliminates disparities in family or household size. Conventional mortgage loans provide a sense of investor confidence in an area: how many people are buying homes and how confident the lender feels in the borrower's ability to repay. (Unlike government-backed loans, conventional mortgages offer no guarantee of repayment.) Housing values, derived from census respondents' estimate of their homes' economic worth, provide another indicator of a neighborhood's market strength. Table 1 shows the index values for the composite indicator of neighborhood change, as well as for the individual component indicators, by community area. Douglas, for example, improved relative to the city overall from 1990 to 2000, with its index score increasing 17 points to 89.6. South Lawndale declined by over 24 points to 49.9.

General Findings

Chicago's low-income neighborhoods experienced significant absolute improvements during the 1990s on a number of key economic and social indicators. In many cases, the poorer neighborhoods improved at faster rates than did the city as a whole. Per capita incomes increased by an average of 21 percent (in 1999 dollars) in low-income community areas, in comparison with the city's 16 percent increase. Unemployment rates fell by over 4 percentage points in these neighborhoods (from 24.2 to 20.0 percent), whereas the city rate declined by only 1.2 percent during the decade. There was a 32.4 percent decline in Part I crimes committed in the neighborhoods, compared with a 30 percent decline for the city overall. Consistent with the trends in other cities across the country, Chicago experienced a deconcentration of poverty during the 1990s. Twelve community areas had poverty rates of 40 percent or more in 1990, yet only seven had such rates by the end of the decade. The average low-income neighborhood had its poverty rate drop by 8.5 percentage points during the 1990s.

The city's lower-income neighborhoods also experienced significant increases in private investment during the decade. Banks became far more willing to provide mortgage financing in communities that they had previously shunned as too risky. Between 1990 and 2000, the number of conventional home mortgages closed in Chicago's low-income community areas rose by 110 percent. In comparison, the number closed in Chicago overall rose by only 75 percent during the same period. As noted above, part of the change undoubtedly resulted from increased CRA pressures; Chicago in particular has a history of community organizing around local investment issues. Banks may well have targeted additional resources to find viable deals in the lower-income neighborhoods, and the communities may well have had greater pent-up demand for financing. The larger percentage increases may also result from smaller starting points; moving from 4 to 8 loans represents a greater percentage increase than going from 50 to 80 loans. Yet residential lending in the historically underserved communities increased in both absolute and relative terms. The average conventional loan rate in the selected community areas was 58.2 percent of the Chicago average in 1990 and 71.2 percent of the average in 2000.

Although Chicago's low-income neighborhoods generally experienced improvements, there was significant variation across communities. Four of the low-income community areas in 1990 had become either moderate- or middle-income by 2000. At the same time, eight new areas qualified as low-income in 2000 after being moderate-income in 1990. (Low-income areas are those whose per capita incomes are below 80 percent of the city's per capita income. Moderate-income areas have incomes between 80 and 120 percent of the city's, and middle-income communities have incomes between 120 and 150 percent of the city's.) Seventeen of the 32 low-income neighborhoods in 1990 experienced an increase in their index score, but 15 neighborhoods saw a decline. Per capita incomes rose in real (constant dollar) terms in all but one of the neighborhoods from 1989 to 1999, but 17 of the communities saw a decline in their income position relative to the city as a whole. In four neighborhoods, banks and other reporting lenders made fewer conventional home purchase loans in 2000 than they did in 1990. Furthermore, despite the booming Chicago real estate market, two communities saw real declines in their median single-family property values during the decade.

Findings for Community Clusters

In addition to viewing the low-income neighborhoods as a whole, much can be learned from examining the patterns within the four community clusters. This section describes each of the clusters in detail and begins to explain the characteristics and causes of the variance in outcomes. Table 2 summarizes selected measures for each cluster.

Cluster 1—Gentrifiers

Four of Chicago's neighborhoods—Logan Square, West Town, the Near West Side, and the Near South Side—experienced arguably the most significant improvement during the 1990s. Each of these communities no longer qualified as low-income in 2000. Their rates of positive change generally outpaced that of the city as a whole (often by large margins). What were struggling neighborhoods in 1990 had become some of the city's most desirable 10 years later.

Each of the communities' index scores rose by at least 22 points, changes that reflected widespread (though not uniform) economic and social improvements. The greatest gains occurred in resident income levels. Together, the gentrifying neighborhoods experienced an average real growth in per capita income of 122 percent, as well as a substantial decline in their poverty rate (see figure 1). Unemployment rates fell by at least 1.6 percentage points. The neighborhoods also received substantial additional private investment. Three of the communities gained housing units; the one exception, the Near West Side, had a small net decline due principally to the condemnation of its large public housing complexes. In 1990 conventional mortgage rates in these neighborhoods were all below average. Ten years later, they were either just below or well above the city mean. In each case, the rate of increase out-

TABLE 1. Neighborhood Revitalization Indices by Cluster and Community Area in Chicago

	Index values, 2000				Change in index values, 1990–2000			
	Per capita income	Residential loan rate	Median property value	Overall index	Per capita income	Residential loan rate	Median property value	Overall index
City of Chicago	100.0	100.0	100.0	100.0	na	na	na	na
1. Gentrifiers								
Logan Square (22)	86.0	99.1	143.5	103.6	17.4	9.5	46.3	22.6
West Town (24)	108.4	138.3	195.2	137.6	44.4	45.6	78.4	53.2
Near West Side (28)	101.3	218.6	162.4	145.9	36.9	175.2	16.7	66.4
Near South Side (33)	144.4	366.4	250.4	226.4	97.9	293.0	–109.1	94.9
2. Black neighborhoods								
Austin (25)	67.5	44.5	77.5	64.2	–0.4	–16.9	–13.8	–7.9
W. Garfield Park (26)	49.3	35.1	60.7	48.6	1.4	3.2	2.4	2.1
E. Garfield Park (27)	52.0	43.3	81.7	57.3	6.7	29.5	26.2	17.3
N. Lawndale (29)	42.7	27.2	55.8	42.1	–0.4	3.9	0.7	1.0
Douglas (35)	77.4	60.1	143.6	89.6	5.9	49.9	7.0	17.2
Oakland (36)	40.6	18.0	135.0	58.6	12.4	8.5	77.8	27.8
Fuller Park (37)	67.9	31.9	45.7	53.3	20.3	18.4	–13.0	11.5
Grand Blvd. (38)	51.6	36.1	125.2	66.1	15.1	27.2	36.1	23.4
Washington Park (40)	47.3	17.8	61.4	43.5	8.6	9.4	–8.8	4.5
Woodlawn (42)	55.8	40.1	72.3	56.0	–2.4	24.4	–1.1	4.6
Burnside (47)	63.4	106.0	54.8	71.9	–6.5	46.2	–17.5	3.9
Roseland (49)	74.0	56.0	61.6	66.4	–5.2	0.5	–16.3	–6.5
West Pullman (53)	73.0	71.3	56.9	68.6	–0.3	16.5	–18.4	–0.6
Riverdale (54)	36.6	13.8	38.5	31.4	6.0	8.4	–18.8	0.4
W. Englewood (67)	49.6	64.0	49.1	53.1	–4.5	31.2	–8.7	3.4
Englewood (68)	47.1	34.9	43.6	43.2	1.3	21.7	–9.4	3.7
Greater Grand Crossing (69)	68.9	35.0	57.3	57.5	–2.5	9.2	–12.9	–2.2
Auburn Gresham (71)	71.3	42.4	62.8	62.0	–5.7	–5.7	–18.0	–8.8
3. Immigrant communities								
Albany Park (14)	76.5	95.5	128.0	94.1	–3.1	–22.5	–10.9	–9.9
Hermosa (20)	62.4	64.3	92.2	70.4	–9.5	–49.7	–7.7	–19.1
Humboldt Park (23)	50.0	62.0	67.8	57.5	–3.5	2.2	1.6	–0.8
S. Lawndale (30)	46.7	33.9	72.3	49.9	–2.2	–104.9	11.8	–24.4
Lower West Side (31)	54.7	20.4	79.6	52.4	4.6	–43.2	24.2	–2.5
Armour Square (34)	71.7	79.3	103.4	81.5	–1.0	4.2	–21.2	–4.8
South Chicago (46)	62.1	54.7	57.5	59.1	–6.8	21.0	–10.9	–0.9
S. Deering (51)	74.7	62.0	53.1	66.1	–3.2	–6.3	–13.2	–6.5
New City (61)	52.6	46.6	57.8	52.4	1.4	–16.0	3.7	–2.4
Chicago Lawn (66)	59.7	62.4	63.6	61.4	–18.9	–53.1	–12.8	–25.9
4. New low–income communities								
Belmont Cragin (19)	71.3	86.4	101.8	82.7	–21.3	–92.9	–14.9	–37.6
Avondale (21)	72.2	78.3	106.4	82.3	–14.8	–42.4	3.3	–17.2
South Shore (43)	76.2	32.0	81.5	66.5	–7.3	3.1	–13.5	–6.3
Pullman (50)	70.5	54.0	57.8	63.2	–13.1	–1.7	–10.8	–9.7
East Side (52)	74.1	60.4	62.8	67.8	–9.0	–58.8	–10.9	–21.9
Brighton Park (58)	60.7	61.6	75.9	64.7	–24.6	–78.9	1.3	–31.7
McKinley Park (59)	72.7	73.3	69.2	72.0	–10.1	–74.5	–1.5	–24.0
Gage Park (63)	55.8	66.3	68.0	61.5	–31.1	–137.0	–7.0	–51.5

Sources: Neighborhood Change Database, 1990–2000; Home Mortgage Disclosure Act, 1990–2000, for loans.
Note: Community area numbers are in parentheses.
na = not applicable

paced that of the city. Property values showed similar trends, outpacing the city's rate of growth in three neighborhoods. (Values in the Near South Side, the one exception, still remained well above average in 2000.)

What drove the economic growth in these areas? Only the Near South Side experienced a noticeable increase in residents, while the populations in the other neighborhoods remained essentially constant. The Near South Side's growth can be largely attributed to the residential development of an area whose previous use had been largely commercial and industrial. Yet the character of its growth mirrored that of the other three communities. Each of the neighborhoods became a destination for young, childless urban professionals. The communities saw at least a 12 percent increase in the number of residents age 25 to 39, double-digit increases in the proportion of

TABLE 2. Selected Indicators in Chicago Neighborhoods, by Cluster

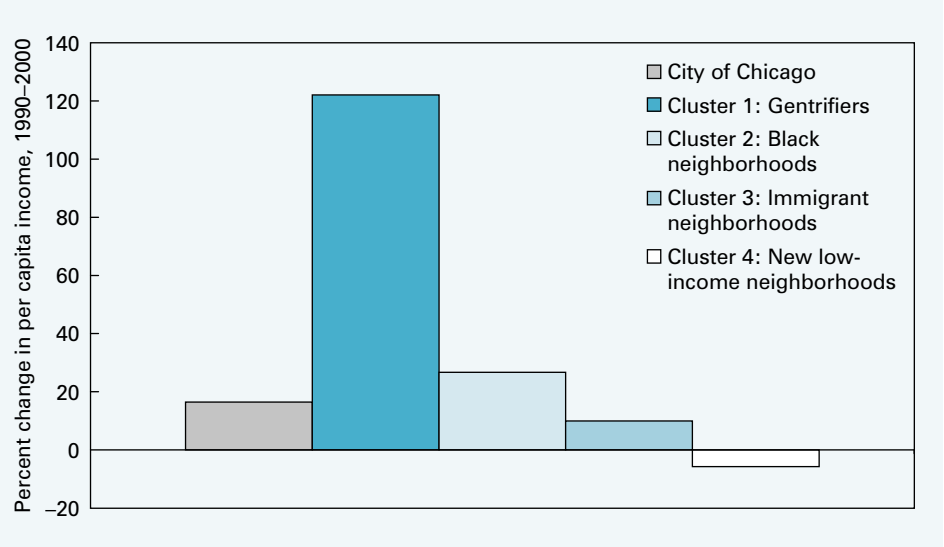
	Cluster 1: Gentrifiers	Cluster 2: Black neighborhoods	Cluster 3: Immigrant neighborhoods	Cluster 4: New low-income neighborhoods	City of Chicago
Economic index					
Overall index value, 2000	153.4	57.4	64.5	70.1	100.0
Change in index value, 1990–2000	59.3	5.3	9.7	25.0	na
Demographic/Social					
Change in population, 1990–2000 (%)	10.4	(11.1)	5.7	21.9	4.0
Change in proportion of children, 1990–2000	(5.1)	(3.7)	1.4	14.7	1.3
Foreign born, 2000 (%)	17.3	2.0	32.9	31.5	21.7
Population immigrating since 1990 (%)	7.6	0.9	15.7	13.4	10.1
Population over age 5 linguistically isolated, 2000 (%)	9.2	0.9	22.0	18.2	10.2
Population 25 and over with high school degree, 2000 (%)	69.9	65.8	54.8	59.3	71.8
Economic					
Change in real per capita income, 1989–1999 (%)	122.0	26.6	9.9	(5.7)	16.4
Change in poverty rate, 1989–1999 (%)	(16.2)	(4.5)	0.1	2.5	(2.0)
Change in unemployment rate, 1990–2000 (%)	(6.3)	(2.7)	(1.4)	1.1	(1.2)
Housing					
Change in conventional home purchase loan rate, 1990–2000 (per 100 units)	474.0	80.0	25.0	(25.0)	122.0
Change in real median value in owner-occupied housing units, 1990–2000 (%)	72.1	39.4	37.1	27.7	38.8
Change in housing units, 1990–2000 (%)	24.4	(8.4)	2.9	4.6	172.0

Source: Neighborhood Change Database, 1990–2000; Home Mortgage Disclosure Act, 1990–2000, for loans.

college graduates, 19 percent or greater increases in the number of single-person households, and sharp declines in the number of children. West Town alone accounted for over 11 percent of the city's net new college graduates in 2000. The influx of well-educated, upwardly mobile individuals helped to drive up per capita incomes, property values, and residential lending rates. The relationship between population turnover and crime rates is less clear; both the Near West Side and the Near South Side had significantly lower crime rates in 2000 than in 1990, while the rates in West Town and Logan Square showed comparatively little change.

The nature of the improvements in these four neighborhoods fits much of the conventional gentrification model. Young urban professionals, many of whom are white, move into an area and help spark considerable redevelopment. (West Town gained over 10,000 new white residents during the decade.) Many neighborhood advocates claim that such gentrification effectively displaces existing residents, a disproportionate number of whom are poorer blacks, Latinos, or members of other minority groups. In both West Town and the Near West Side, the entrance of white professionals coincided with a noticeable exodus of Latinos (West Town) and blacks (the Near West Side). Such displacement did not appear to occur on a significant scale in the Near South Side, however, where the development was essentially an adaptive reuse of unoccupied space. Logan Square also had little racial or ethnic turnover, though the decline in its proportion of linguistically isolated households (and the resulting increase in per capita income) suggests an influx of better-educated Latinos. The data cannot explain whether the change stemmed from existing residents becoming better off or from outsiders moving into the community.

FIGURE 1. Change in Per Capita Income by Cluster



Cluster 2—Overwhelmingly Black Neighborhoods

One would expect comparable neighborhoods exposed to the same factors

to change at roughly similar rates and for generally similar reasons. The challenge lies in understanding the conditions that make neighborhoods comparable. For the gentrifying neighborhoods described above, location has played an important role. Each sits either adjacent to or very close to the Loop, Chicago's central business district. To the extent that downtown experiences economic rebirth, one might expect to see the surrounding neighborhoods become more attractive to people looking to live close to their workplaces. Map 1 shows this relationship visually. Distance from the Loop had a statistically significant ($p = 0.005$) inverse relationship with median property values, controlling for income, crime, ownership, age of the housing stock, and racial/ethnic composition.[12] Another key similarity in Chicago is a neighborhood's racial and ethnic composition. Chicago remains one of the most racially and ethnically segregated cities in the country, with the highest degree of segregation between blacks and Latinos and the second highest between blacks and whites.[13] The city itself is racially and ethnically mixed, but very few of its neighborhoods reflect this broader diversity. Clustering low-income neighborhoods along racial and ethnic lines helps to identify common characteristics of community change.

The second cluster includes those 18 community areas whose population was overwhelmingly (85 percent or more) black in 1990. (Indicative of Chicago's continuing segregation, each remained 85 percent or more black in 2000 as well.) These neighborhoods were generally among the poorest in the city in 1989; some, such as Riverdale and Oakland, ranked among the poorest in the country. All still qualified as low-income in 1999 and remained below the city average on most indicators. Yet as a group, the communities generally experienced economic improvement during the decade. Real per capita income increased by an average of 27 percent, outpacing the city change of 16 percent (see figure 1). Unemployment rates in the neighborhoods declined by an average of 2.7 percentage points, and poverty rates fell by 4.5 percentage points. Two of the nine communities that had poverty rates exceeding 40 percent in 1989 had dropped below that threshold 10 years later. The number of conventional home purchase loans closed in the neighborhoods more than doubled from 1990 to 2000, with the cluster's loan rate moving from 27 percent of the city's rate to 43 percent. Median property values rose in real terms, although they continued to lose ground relative to the citywide median. Crime rates also fell. Although these neighborhoods collectively continued to have the highest crime rates in the city, the number of serious infractions decreased by an average of 42 percent during the decade.

Unlike the gentrifying areas, the predominantly black communities lost a substantial portion of their residents during the 1990s (see figure 2). The typical neighborhood lost 3,000 individuals, fully 11 percent of its population. The number of housing units declined commensurately, by an average of 8.4 percent. For the most part, the communities tended to lose a higher proportion of their less economically productive individuals. The neighborhoods saw some net gains in the number of high school and college graduates and declines in the number of children. In effect, the communities became older and better educated, factors that would contribute to higher per capita incomes and greater willingness on the part of investors to commit to the area. The communities with the greatest index score increases (Douglas, Oakland, and Grand Boulevard) all benefited from the condemnation and/or demolition of extremely distressed public housing complexes. The deconcentration (and in many cases, exodus) of public housing residents helps account for neighborhood-wide improvements in per capita incomes, poverty rates, and unemployment. It also may help account for the lower numbers of children (who generally are not wage-earners). The physical redevelopment also contributes to higher loan rates and enhanced property values.

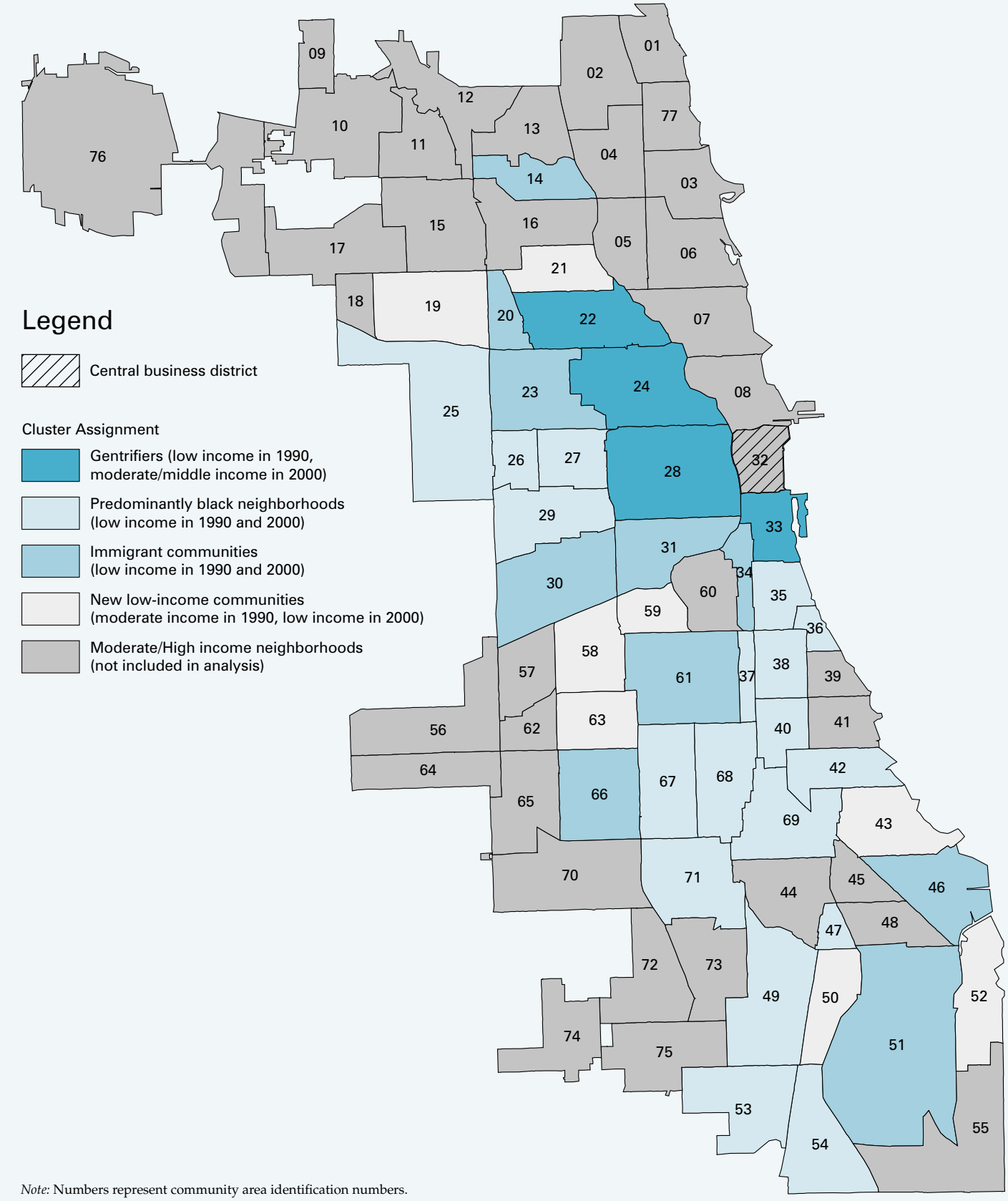
Cluster 3—Immigrant Communities

Chicago has long been a point of entry for immigrants, particularly those from Eastern Europe and Mexico. Chicago has one of the largest Polish communities outside of Warsaw and annually honors Casimir Pulaski, a Polish general who fought for the Americans in the Revolutionary War, with an official city holiday. In the mid-1900s, Chicago served as a prime destination for hundreds of thousands of domestic movers, first Appalachian whites and then southern blacks attracted by the promise of jobs in Chicago's vibrant industrial economy. The past few decades have seen an influx of Mexicans seeking similar opportunities. Pilsen and Little Village (formally the Lower West Side and South Lawndale community areas) have become two of the largest Mexican communities in the United States.

Like the city's blacks, Chicago's Latino and Asian immigrants have tended to reside in well-defined, relatively narrowly concentrated areas. There is relatively little ethnic integration in the city; most census tracts are predominantly white, black, Latino, or Asian. Even communities that have large portions of both blacks and Latinos, for example, tend to be characterized by a fair amount of physical segregation. It is therefore reasonable to cluster neighborhoods by their proportion of Latino residents. Each of the communities in the third group had a 25 percent or higher Latino population in both 1990 and 2000. The lone exception was Armour Square (the site of Chicago's Chinatown), where individuals of Asian ancestry made up more than half of the population in each year.[14] For the most part, these communities lost ground economically relative to the city during the 1990s. All suffered a decline in their economic index scores. Yet there are a number of other indicators that suggest economic vibrancy and the potential for future growth.

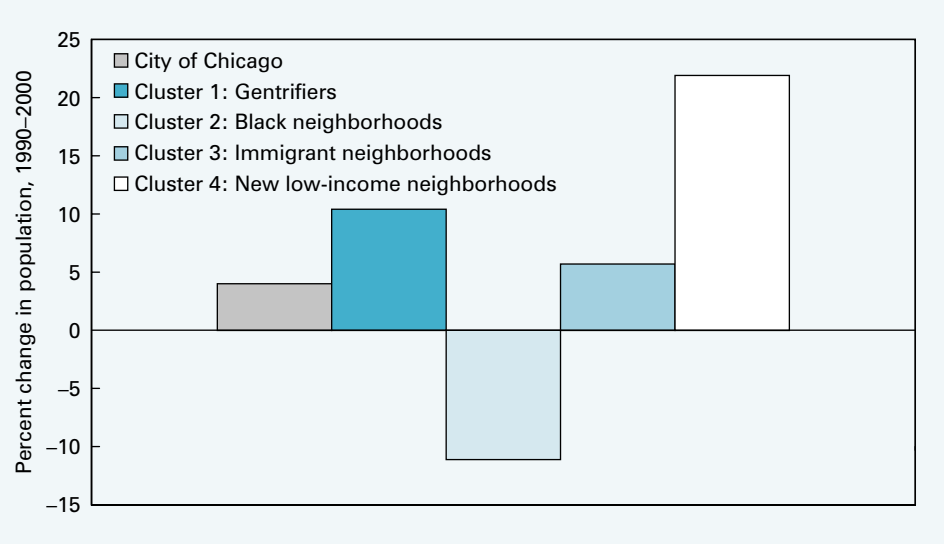
The universal declines in index scores were driven primarily by decreases in the neighborhoods' relative per capita incomes and residential loan volumes. Although real incomes rose in 9 of the 10 communities, only two of those neighborhoods matched or exceeded the city's rate of growth. Poverty rates actually increased in six of the neighborhoods. The sharpest economic decline occurred in residential lending. By 2000, conventional mortgage rates were below average in every neighborhood, even though four neighborhoods had had above-average rates in 1990. Overall, lending rates in Chicago's low-income neighborhoods increased more quickly than the city's

MAP 1. Chicago Community Areas by Cluster



Note: Numbers represent community area identification numbers.

FIGURE 2. Change in Population by Cluster



rate, but that growth did not extend to the immigrant neighborhoods. None of the 10 communities in this cluster matched the city increase in conventional mortgage rates. Three neighborhoods (South Lawndale, the Lower West Side, and Chicago Lawn) actually experienced a net reduction in the number of such loans made between 1990 and 2000.

Economically stagnating or declining neighborhoods are generally characterized by declining populations, as people move elsewhere for better opportunities. Yet only half of these neighborhoods lost residents during the 1990s—with a maximum population loss of 5.3 percent in South Chicago—and the other half experienced double-digit percentage *increases*.[15] Combined, neighborhoods in this cluster saw a population increase of 5.7 percent (see figure 2). One might also expect to see increases in unemployment, but jobless rates in these communities fell more sharply than the city rate. On average, unemployment rates in the cluster 3 neighborhoods were slightly above average at the end of the decade, yet the rates were much lower than the per capita incomes would suggest. Real property values also rose in each of the neighborhoods, though only two communities matched the city's rate of increase.

Although there are some exceptions, the cluster 3 communities tend to be characterized by substantial immigration. In seven of the neighborhoods, at least one-fifth of the residents in 2000 were foreign-born. In six of those neighborhoods, more than 10 percent of the population had moved to the United States during the 1990s, and at least 20 percent of the household heads had difficulty understanding and speaking English. All of the communities had below-average levels of education, and all but one had above-average numbers of children. These data suggest that many of the communities were welcoming newcomers with lower levels of education, younger (and/or larger) families, and linguistic barriers. These immigrants were generally able to find jobs, but the jobs tended to pay moderate to low wages. (The proportion of households earning less than 80 percent of the metropolitan area median rose slightly during the decade.) The lower wages, coupled with the increased number of children, tended to depress per capita incomes. Lower wages also reduce households' ability to save, which makes it more difficult to make the higher down payments necessary to purchase homes with conventional mortgages. (The lower loan rates may also be a product of the immigrants' lack of familiarity with the American banking system, coupled with banks' lack of familiarity with the immigrants' needs and customs.)

Cluster 4—New Low-Income Communities

Neighborhoods are dynamic entities whose populations and economic fortunes often change over time. Many of the poorest communities on the south and west sides of Chicago were once solidly middle-class areas composed primarily of immigrants from eastern and central Europe. Some of the upper-income communities now booming on the north side qualified as low- to moderate-income areas a few decades ago. Areas that once had mostly white residents are now primarily populated by blacks and Latinos, whereas other predominantly minority communities (such as some of those in cluster 1) are experiencing a notable increase in their white populations. In each case, the racial/ethnic transition has brought with it distinct changes in economic indicators.

Eight Chicago neighborhoods qualified as low-income in 1999/2000 after having had moderate-level per capita incomes in 1989/1990. Six of these neighborhoods experienced substantial population turnover during the decade, turnover that helps explain the economic decline.[16] Each of the six communities saw its proportion of Latino residents increase by at least 22 percent while its proportion of whites declined by 28 percent or more. Like their counterparts in cluster 3, these neighborhoods are among the primary destinations for recent immigrants. Foreign-born individuals made up at least 28 percent of the population in these areas in 2000. In five communities, over 15 percent of the residents had immigrated to the United State since 1990. Many of the newcomers lacked formal education—Gage Park saw a nearly 10 percentage point drop in its proportion of high school graduates—and had difficulty understanding or speaking English.

Not surprisingly, the demographic changes had many of the same economic effects as those in the cluster 3 neighborhoods. What is notable is the extent to which conditions declined in the cluster 4 communities. This group of neighborhoods was the only cluster to see an average decline in per capita income (see figure 1). Among the cluster 4 communities, five experienced real (constant dollar) decreases in per capita incomes, and three of those had declines that exceeded 10 percent. Five communities received significantly fewer conventional mortgages in 2000 than they

had in 1990, in sharp contrast to the trend prevalent throughout most of Chicago. Poverty and unemployment rates rose in six of the eight neighborhoods. Again, the explanation seems to lie in the nature of the immigration. Newcomers without much formal education and with linguistic barriers have struggled to obtain jobs, especially well-paying ones. The resulting low incomes, in concert with larger numbers of children in the neighborhood, have pushed down per capita income levels and made it more difficult for residents to obtain conventional mortgages.

At the same time, the factors contributing to economic decline during the 1990s may well be sowing the seeds for future economic growth. The six transitioning neighborhoods each had population increases of 15 to 45 percent, resulting in the highest cluster average of 21.9 percent (see figure 2). The number of housing units in the neighborhoods grew by up to 8 percent, and crime rates remained lower than the city average. Real property values increased in each of the neighborhoods (though often not as fast as the median city value). Independent of the income and lending figures, these data would suggest that the neighborhoods are improving. Individuals do not move into areas unless they feel that the neighborhoods have something to offer; the sheer number of new residents indicates a strong positive attraction.

Understanding Community Change

Chicago and its surrounding region experienced strong economic growth throughout much of the 1990s, and that growth helped to improve conditions in many of the city's low-income communities. Change has varied across neighborhoods, though; some have improved considerably, others have shown comparatively little improvement, while others have regressed on certain key economic indicators. Demographically and geographically similar communities have generally changed in similar ways, but not necessarily at similar rates or to the same extent. Immigration has been a major driver of neighborhood change, but its impact has been complicated. On one hand, the newcomers bring an additional demand for housing and other goods and services. Immigrant neighborhoods generally have higher proportions of children and thus experience a demographic rejuvenation. On the other hand, the newcomers' lower levels of education and linguistic skills depress their earning capacity and contribute to lower incomes, fewer homebuyers, and thus comparatively lower residential loan rates and property values.

The quantitative analysis has shed light not only on the extent of local change, but also on the characteristics of such change in similar neighborhoods. The dynamics in Chicago's overwhelmingly black communities, for example, have been noticeably different from those in its predominantly Latino areas. Clustering communities by location, race, and ethnicity helps identify and clarify general explanations for neighborhood change.

The quantitative analysis can take us only so far, however. It offers broad outlines and explanations for what has happened, but it cannot explain many of the key discrepancies among individual communities. Why are certain neighborhoods so attractive to Latino immigrants, for example? Why have property values risen more quickly in certain neighborhoods than in others? What explains the notable differences in income gains and loan rates between communities within the same cluster? What distinguishes a neighborhood such as Humboldt Park from one such as New City (also known as Back of the Yards)? Neighborhood-level data may also conflate the effects of different trends taking place within a single community. The Near West Side, for example, encompasses 5.72 square miles. Conditions in the eastern part of the community have changed much more quickly and more substantially than have conditions in the western portion.

Understanding the nature and dynamics of neighborhood change ultimately requires a multipronged methodology. A quantitative analysis is an important first step, but it is merely one piece. It needs to be followed by a much more in-depth qualitative analysis, one that involves a series of interviews with key local actors and potentially longitudinal surveys of a sample of community residents. Such conversations help to identify the important local characteristics—an influential church, an active community development corporation, an innovative recreation program, etc.—that catalyze and shape change. Only with such a nuanced analysis can we truly understand the causes of neighborhood revitalization.

Notes

1. For another perspective on immigration, gentrification, and other aspects of neighborhood change in Chicago, see Garth Taylor and Sylvia Puente, "Immigration, Gentrification, and Chicago Race/Ethnic Relations in the New Global Era," presented at the 2004 Conference on Chicago Research and Public Policy, May 12–13, 2004.
2. See Alan Berube, "Gaining but Losing Ground: Population Change in Large Cities and Their Suburbs," in *Redefining Urban and Suburban America*, edited by Bruce Katz and Robert E. Lang (Washington, DC: Brookings Institution Press, 2003), 33–50.
3. G. Thomas Kingsley and Kathryn L.S. Pettit, *Population Growth and Decline in City Neighborhoods* (Washington, DC: Urban Institute, 2002).
4. Sean Zielenbach, "Catalyzing Community Development: HOPE VI and Neighborhood Revitalization," *Journal of Affordable Housing and Community Development Law* 13 (Fall 2003): 49.
5. G. Thomas Kingsley and Kathryn L.S. Pettit, *Concentrated Poverty: A Change in Course* (Washington, DC: Urban Institute, 2003).
6. See, for example, chapters 5 and 6 of Paul S. Grogan and Tony Proscio, *Comeback Cities* (Boulder, CO: Westview Press, 2000).
7. Urban improvement is often relative. Most northern industrial cities continued to lose ground to their surrounding suburbs during the 1990s; suburban population and job growth, for example, tended to dwarf that of the central cities. Even with reductions in unemployment and increases in income, many urban neighborhoods continue to have poverty rates of 30 percent or more.
8. Among the many discussions of recent urban improvement are George L. Kelling and Catherine M. Coles, *Fixing Broken Windows* (New York: Free Press, 1996); Grogan and Proscio, *Comeback Cities*; Michael H. Schill, Ingrid Gould Ellen, Amy Ellen Schwartz, and Ioan Voicu, "Revitalizing Inner-City Neighborhoods: New York City's Ten-Year Plan," *Housing Policy Debate* 13, no. 3 (2002): 529–66; and Sean Zielenbach, "Assessing Economic Change in HOPE VI Neighborhoods," *Housing Policy Debate* 14 (2003): 621–55.
9. See Elvin K. Wyly and Daniel J. Hammel, "Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification," *Housing Policy Debate* 10, no. 4 (1999): 711–71; and Maureen Kennedy and Paul Leonard, "Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices," discussion paper prepared for the Brookings Center on Urban and Metropolitan Policy, April 2001.

10. "Chicago in Focus: A Profile from Census 2000," report prepared by the Brookings Institution Center on Urban and Metropolitan Policy for Living Cities: The National Community Development Initiative (2003), 5, 11–12.
11. This measure is derived from the revitalization index developed in Sean Zielenbach's *The Art of Revitalization* (New York: Garland Publishing, 2000), particularly chapter 2. The index is possible because of the positive, though generally weak (0.117–0.521) correlations among the three indicators. Its heavy reliance on conventional home mortgages, which by definition only focus on owner-occupied properties, may make it somewhat less reliable in communities where rental housing predominates.
12. The analysis focused on median 2000 single-family property values in each of Chicago's census tracts. For each mile the tract was further away from the center of the Loop, property values decreased by $4,514.
13. "Chicago in Focus," 22.
14. As the one neighborhood with a large Asian population, Armour Square did not fit neatly into any of the clusters. It is included in this one because of its substantial immigrant population.
15. There was no apparent correlation between population change and economic performance, at least not in terms of income or lending increases.
16. The other two, South Shore and Pullman, had relatively little demographic change during the decade. These areas are primarily African-American, and their characteristics are more similar to the communities grouped in cluster 2. They are included in cluster 4 simply because they did not qualify as low-income in 1989.

About the Author

Sean Zielenbach is the research director at the Housing Research Foundation and consults with community development organizations on issues relating to neighborhood revitalization.

APPENDIX TABLE. Per Capita Income by Community Area in Chicago, 1989 and 1999

Community area	Name	Per capita income, 1989		Per capita income, 1999	
		Value ($)	As pct. of city	Value ($)	As pct. of city
	City of Chicago	12,899	na	20,175	na
1	Rogers Park	12,603	97.7	16,900	83.8
2	West Ridge	14,792	114.7	18,933	93.8
3	Uptown	12,389	96.0	23,554	116.7
4	Lincoln Square	13,091	101.5	22,496	111.5
5	North Center	14,132	109.6	32,790	162.5
6	Lakeview	26,025	201.8	46,645	231.2
7	Lincoln Park	38,481	298.3	64,309	318.8
8	Near North	44,537	345.3	63,090	312.7
9	Edison Park	18,170	140.9	29,507	146.3
10	Norwood Park	17,985	139.4	26,440	131.1
11	Jefferson Park	16,890	130.9	24,131	119.6
12	Forest Glen	24,585	190.6	33,915	168.1
13	North Park	14,887	115.4	22,194	110.0
14	Albany Park	10,273	79.6	15,436	76.5
15	Portage Park	15,351	119.0	20,080	99.5
16	Irving Park	13,721	106.4	18,999	94.2
17	Dunning	15,000	116.3	21,211	105.1
18	Montclare	14,261	110.6	17,727	87.9
19	Belmont Cragin	11,938	92.5	14,380	71.3
20	Hermosa	9,287	72.0	12,599	62.4
21	Avondale	11,228	87.0	14,573	72.2
22	Logan Square	8,846	68.6	17,345	86.0
23	Humboldt Park	6,905	53.5	10,094	50.0
24	West Town	8,258	64.0	21,871	108.4
25	Austin	8,759	67.9	13,616	67.5
26	W. Garfield Park	6,174	47.9	9,938	49.3
27	E. Garfield Park	5,852	45.4	10,501	52.0
28	Near West Side	8,306	64.4	20,434	101.3
29	N. Lawndale	5,550	43.0	8,609	42.7
30	S. Lawndale	6,307	48.9	9,412	46.7
31	Lower West Side	6,467	50.1	11,034	54.7
32	Loop	40,637	315.0	51,276	254.2
33	Near South Side	5,992	46.5	29,133	144.4
34	Armour Square	9,386	72.8	14,469	71.7
35	Douglas	9,223	71.5	15,608	77.4
36	Oakland	3,638	28.2	8,199	40.6
37	Fuller Park	6,133	47.5	13,691	67.9
38	Grand Blvd.	4,713	36.5	10,416	51.6
39	Kenwood	18,342	142.2	27,564	136.6
40	Washington Park	4,994	38.7	9,551	47.3
41	Hyde Park	19,689	152.6	27,860	138.1
42	Woodlawn	7,509	58.2	11,267	55.8
43	South Shore	10,769	83.5	15,373	76.2
44	Chatham	12,292	95.3	17,794	88.2
45	Avalon Park	13,014	100.9	19,637	97.3
46	South Chicago	8,885	68.9	12,520	62.1
47	Burnside	9,025	70.0	12,799	63.4
48	Calumet Heights	14,873	115.3	21,694	107.5
49	Roseland	10,217	79.2	14,934	74.0
50	Pullman	10,777	83.5	14,216	70.5
51	S. Deering	10,038	77.8	15,062	74.7
52	East Side	10,716	83.1	14,944	74.1
53	West Pullman	9,457	73.3	14,734	73.0
54	Riverdale	3,952	30.6	7,392	36.6
55	Hegewisch	13,252	102.7	19,898	98.6
56	Garfield Ridge	13,322	103.3	19,490	96.6
57	Archer Heights	13,907	107.8	17,960	89.0
58	Brighton Park	11,000	85.3	12,250	60.7
59	McKinley Park	10,682	82.8	14,674	72.7
60	Bridgeport	10,715	83.1	17,477	86.6
61	New City	6,607	51.2	10,607	52.6
62	West Elsdon	14,180	109.9	16,350	81.0
63	Gage Park	11,207	86.9	11,262	55.8
64	Clearing	14,527	112.6	20,373	101.0
65	West Lawn	14,350	111.2	16,811	83.3
66	Chicago Lawn	10,144	78.6	12,048	59.7
67	W. Englewood	6,976	54.1	10,012	49.6
68	Englewood	5,914	45.8	9,507	47.1
69	Greater Grand Xing	9,204	71.4	13,901	68.9
70	Ashburn	14,773	114.5	19,433	96.3
71	Auburn Gresham	9,938	77.0	14,387	71.3
72	Beverly	20,002	155.1	29,986	148.6
73	Washington Heights	11,548	89.5	17,830	88.4
74	Mt. Greenwood	16,061	124.5	23,802	118.0
75	Morgan Park	13,406	103.9	22,159	109.8
76	O'Hare	20,246	157.0	25,338	125.6
77	Edgewater	16,261	126.1	23,504	116.5

Source: Neighborhood Change Database, 1990 and 2000.

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The Rockefeller Foundation has funded the Urban Institute to conduct a project that will advance knowledge about neighborhood change in America's urban areas, particularly as it occurred over the 1990s. The project has had two purposes. The first was to develop the Neighborhood Change Database (NCDB)—the only database that contains nationwide census data at the tract level with tract boundaries and variables consistently defined across the four U.S. censuses from 1970 through 2000 (for more information about the NCDB, visit http://www.geolytics.com). The second was to conduct research on neighborhood change using the NCDB, focusing particularly on changes in the concentration of poverty, conditions in distressed neighborhoods, and racial patterns. This brief is one product of that research.

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