Rebound Neighborhoods in Older Industrial Cities: The Case of St. Louis

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Neighborhoods in American cities are changing all the time. A study of 35 metropolitan areas from 1950 to 2000 found dramatic change in the economic status of neighborhoods, with the relative economic status of an average census tract moving up or down about 13 percent per decade (Rosenthal 2007). Researchers have extensively studied the causes and consequences of neighborhood decline. Research on revitalizing or rebounding neighborhoods is less extensive but growing. A recent study of over 50,000 census tracts between 1970 and 2009 classified between 13.6 percent and 20.6 percent in each decade as “ascending” (Owens 2012). Even in the most distressed older industrial cities some neighborhoods are doing quite well. Fueled by the growth of relatively high-paid professional jobs in urban cores and the growing demand of young professionals for exciting, pedestrian-friendly urban environments, many urban neighborhoods are rebounding from decline (Ehrenhalt 2012; Leinberger 2008).

The term most often used to describe ascending urban neighborhoods is “gentrification.” The dominant view in the literature is that gentrification is harmful to the long-time low-income and minority residents of the area. Burdened by rising rents and taxes, critics argue, long-time residents are forced to move out of the neighborhood, severing social ties and paying more for replacement housing. Even if they are able to remain, affluent newcomers can push longtime residents to the economic, cultural, and political margins of the community. Retail outlets catering to the luxury consumption patterns of the newcomers, for example, replace stores meeting the basic needs of longtime residents.

The critical view of gentrification depicts neighborhood change not as the result of housing markets in equilibrium continually bringing supply and demand into balance. Rather, according to Neil Smith’s “rent gap” thesis (1979; 1986), gentrification is driven by the gap between land rents realized under existing land uses and the land rents that could be charged if the land were converted to higher value luxury consumption. Large rent gaps make gentrification occur suddenly—like a rubber band snapping back after being stretched. Rent gap theory implies that gentrification is not an alternative to neighborhood decline.

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1 Owens defines ascending census tracts as those that increased their rank in the metropolitan area on her indicators of socioeconomic status by 10 percentile points or more.

2 For a synthesis of the literature on gentrification that stresses its negative effects, see Lees, Slater, and Wyly 2008.
but in fact declining and ascending neighborhoods are complementary. Rebound requires decline.

The critical view of gentrifying neighborhoods is also rooted in sociological tipping point theory. According to racial tipping point theory, once a neighborhood reaches a certain threshold of black population, whites will begin to panic and flee the neighborhood en masse (Grodzins 1957; Schelling 1969; 1971). The critical view of gentrification implies a kind of reverse tipping process: as a minority neighborhood experiences an influx of whites it could reach a tipping point where people of color would feel unwelcome and the area quickly would transition to all-white. A similar process could be hypothesized for an influx of affluent households. One of the basic explanations of “gentrification” is that it occurs in proximity to growing clusters of professional employment in the central business districts of major cities. This increased demand for housing concentrates in nearby neighborhoods with historic architecturally significant housing stock and urban amenities. Once a critical threshold of affluent households has been reached, market behavior could become infected by “contagion effects,” or what might be called “panic buying,” causing rapidly rising housing values that force out low-income residents.

Besides economic and social processes driving gentrification, critics argue that public policies play a key role. Through public investments in infrastructure, zoning changes, repeal of rent control, tax abatements, and other subsidies, local governments have accelerated gentrification and the displacement of low-income and minority residents. ³ Research has also documented how federal programs, such as HOPE VI, have been used to reduce the number of public housing units, contributing to gentrification of valuable urban real estate (Goetz 2013).

But the view that an influx of higher income residents and new investment necessarily harms long-time low-income and minority residents is far from universal. To some scholars, neighborhood ascendancy is characterized as “revitalization.” Some researchers have found that gentrifying neighborhoods do not have higher rates of involuntary displacement than other neighborhoods. Even if revitalization leads to rising rents, neighborhood uplift can benefit longstanding low-income and minority residents by improving the quality of life in the area, providing, for example, more retail outlets and local job opportunities (Freeman 2002; 2006; Vigdor 2002; Hartley 2013).

Moreover, neighborhoods with a strong social fabric may be able to resist displacement from gentrification pressures. Strong “social capital” has been correlated with neighborhood stability (Temkin and Rohe 1998). Mixed-income and mixed-race neighborhoods exist and have been correlated with strong

³ Under so-called “third-wave gentrification,” beginning in the 1990s, governments in league with corporate interests became more involved in directly promoting gentrification (Lees, Slater, and Wyly 2008, 178–9).
social networks that cut across racial and economic divides (Nyden, Maly, and Lukehart 1997). A study of West Mount Airy, Philadelphia, for example, found that strong social organization in the neighborhood, led by the churches, played a key role in enabling the neighborhood to maintain its racial diversity while improving economically (Ferman, Singleton, and DeMarco 1998).

Finally, public policies can be used to protect the interests of long-time residents in revitalizing urban neighborhood from forced relocation. Housing production trust funds, rent controls, tax refunds, right of first refusal on condominium conversions, and the use of low-income housing tax credits (LIHTC), and Housing Choice Vouchers (also known as “Section 8”) can be used to enable residents to remain in neighborhoods that are trending upward. Community Development Corporations (CDCs) are often credited for representing the interests of longtime residents to remain in the neighborhood as it rebounds through land trusts, limited-equity coops, and expanding the supply of nonprofit housing.

In short, the scholarly literature has developed two contrasting models of ascending or what we call “rebound neighborhoods.” The critical view, associated with the term “gentrification,” posits that ascending neighborhoods almost invariably harm low-income and minority residents. A more favorable view, associated with the term “revitalization,” maintains that ascending urban neighborhoods do not necessarily harm and may even benefit long-time low-income and minority residents.

This paper explores whether the gentrification or revitalization model best describes the process of neighborhood ascendency in St. Louis, Missouri. Almost all of the research on ascending neighborhoods has focused on strong market cities on the two coasts, such as New York and Seattle. In contrast, St. Louis is an older industrial “weak housing market” metropolitan area. A weak housing market is often defined as a market where the ratio of median house price to median household income is less than 3:1. Among the largest 25 metropolitan areas in the United States, St. Louis had the fifth lowest ratio of median housing price to median income (2.85) (American Community Survey 2013). Compare this to ratios of 7.8:1, 7.7:1, and 6.1:1 in the Los Angeles, San Francisco, and New York City metropolitan areas, respectively. Moreover, St. Louis is a sprawled-out metropolitan area where the number of new housing units built on the suburban fringe has consistently outpaced the growth of new households, leading to housing vacancy and abandonment in the urban core (Bier and Post 2003).

4 Critics of CDCs argue that they often promote disruptive gentrification (Stoecker 1997). For a defense of CDCs see the rejoinders to Stoecker by Rachel Bratt and Dennis Keating in the same volume.

Older urban neighborhoods are essentially forced to “run up a down escalator”—though this escalator has slowed in recent years with renewed interest in urban living by young, educated professionals and empty nesters. Much research suggests that the gentrification model well describes neighborhood ascendency in strong market cities. What is unclear is whether the same conclusions would hold in weak market cities like St. Louis.

This data analysis is guided by these two contrasting models of ascending urban neighborhoods. Findings do not indicate that it is either possible or desirable, however, to “test” individual hypotheses about neighborhood change in classic social science fashion. For example, findings do not show that it is possible to test the reverse tipping point hypothesis, i.e., that the influx of white higher-income households into low-income minority neighborhoods reaches a point where the neighborhood inevitably becomes all white and high income. It would be impossible to isolate the independent variables (percent white and high income) while holding all other variables constant. Neighborhoods are open systems influenced by intertwined economic, social, and political forces; everything varies together. Using the “gold standard” of scientific research to isolate and test causal variables could actually distort reality by isolating variables that cannot be understood apart from their interactions with each other. This paper follows Robert Sampson’s advice to work toward a “contextual social science” (Sampson 2012, 382–83). Neighborhood change needs to be understood in a holistic and interdisciplinary fashion; causal relationships can vary from one context to another.⁶

In order to explore the issue of how neighborhood ascendency affects low-income and long-term residents, within the limits of available data and methodology, this paper pursues the following descriptive questions: How widespread are rebound neighborhoods in St. Louis metropolitan area? Are rebound neighborhoods a major or minor trend, i.e., do they have the potential to slow down or even reverse longstanding urban population decline and disinvestment? Finally, do rebound neighborhoods in St. Louis more closely resemble the critical view of gentrification or the more benign model of neighborhood revitalization?

**Data and Methods**

Following a common practice, census tract data is used to trace neighborhood change. In order to track neighborhood trends over time, the data set extends over a 40-year period (1970 to 2010).⁷ To ensure that uniform

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⁶ For an extended version of this analysis, including qualitative case studies of five rebound neighborhoods, see Webber and Swanstrom (2014).

⁷ The most recent period uses the American Community Survey. Years 2008 through 2012 are combined in order to disaggregate to the census tract level. This is referred to by the mid-year, 2010.
geographies are tracked across time, the US2010 Longitudinal Tract Data Base (LTDB) is used, which normalizes data for each census into 2010 tract boundaries. This paper focuses on urban neighborhoods that have revived after periods of economic stagnation or decline. It does not examine rural areas that improved socioeconomically when new suburban development occurred. For this reason, the data base consists of all 218 census tracts in the “urbanized area” of St. Louis in 1950 as defined by the U.S. Census Bureau (figure 1). In 1950, the study area represented 55.6 percent of the metropolitan area population; by 2010 that had declined to 28.4 percent as the population sprawled out into distant suburban counties. These post-1950 suburban areas are not included in this neighborhood analysis.

In order to identify rebound neighborhoods, a three-part index is used based on: (1) median home value, (2) median rent, and (3) per capita income. The Rebound Index (RI) is a tract-level simple additive index of standardized scores (Z-scores) for these three variables. For each variable, a standardized score (Z) is computed by subtracting the variable’s mean value (x) from the variable’s observed value (x̄) and dividing by the standard deviation (s). Expressed symbolically:

$$Z = \frac{x - \bar{x}}{s}$$

The resulting standardized scores are then summed, so that for every tract:

$$RI = Z_i + Z_p + Z_o$$

Where RI is the Rebound Index, Z_i is the Z-score of housing values, Z_p is the Z-score of rent, and Z_o is the Z-score of per capita income. This calculation provides a measure of how the census tract did relative to the mean score for all 218 census tracts for that year.

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9 The urbanized area generally consists of contiguous territory that is part of a metropolitan area of at least 50,000 people that has a density of at least 1,000 persons per square mile. For a more complete explanation of how the Census Bureau defines urbanized area see U.S. Bureau of the Census, Urban and Rural Definitions, October 1995, www.census.gov/population/censusdata/urdef.txt. Only census tracts that were wholly within the urbanized area as of 1950 were included; small parts of the urbanized area in 1950, therefore, are not included in the data set.

10 The authors note that this paper accounts for the weaknesses of using census data to track housing values. The Census Bureau asks respondents to estimate how much their home is worth. The median home values used in this paper are therefore based on perceptions not actual sales. Respondents may overestimate values when prices are going up and underestimate when prices are declining. However, the data reasonably accurately track differences between neighborhoods across extended periods.
“Ascending tract” is defined as any census tract that moved up at least 10 percentile points in the rankings. Descending neighborhoods are the mirror image of rebound neighborhoods, that is, census tracts that descended 10 percentile points or more in the rankings. This paper differentiates neighborhoods using a relative, not an absolute, measure of performance in order to focus on how they are doing after controlling, as much as possible, for the common challenges facing all older neighborhoods in the region. As described below, 1970–2010 was a period of sharp decline in St. Louis and most neighborhoods declined. Despite these daunting regional head winds, nearly every ascending tract improved in absolute terms on all three scores from 1970 to 2010 (controlling for inflation).

This paper uses a typology of six different types of neighborhoods based on their trajectory—ascending, stable, and descending neighborhoods—and where they end up (“high” being those in the top 50 percent and “low” being those in the bottom 50 percent). Based on the results of the Rebound Index, all 218 census tracts in the urban core are divided into six categories:

1. Ascending high, or “rebound neighborhoods” (35 tracts; 102,060 population)
2. Ascending low (16 tracts; 42,264 population)
3. Stable high (59 tracts; 235,480 population)
4. Stable low (51 tracts; 137,874 population)
5. Descending high (15 tracts; 67,725 population)
6. Descending low (16 tracts; 155,316 population)

Figure 1 shows the distribution of the different neighborhood types across the study area. The term “rebound neighborhood” is reserved for ascending tracts that both moved up at least 10 percentile points and ended in the upper half of the distribution. Rebound neighborhoods are then compared with the other neighborhood types across a range of economic, social, and political variables in order to examine precursors and patterns of neighborhood change.

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11 A tract that moved up in the 1990s was eliminated if it moved down in the 2000s.
12 Sixteen census tracts ascended 10 percent or more but still ended up in the bottom 50 percent of tracts. We do not believe that neighborhoods in the bottom half can be truly be called “rebound neighborhoods.” Also, a cluster analysis was performed using 10 noneconomic variables. The cluster analysis showed that “low rebound” tracts have different demographic and social characteristics from high rebound tracts. For this reason this analysis focuses on ascending tracts in the upper half of the distribution.
Figure 1. Map of study area by census tract
Results

Neighborhood Change: Initial Findings

Table 1 shows conditions in the typical census tract in the study area from 1970 to 2010. The results here are clear: The period from 1970 to 2010 was a time of great change and considerable decline in the core of the St. Louis region. The population of the median census tract fell 39.1 percent. The median poverty rate increased from 14.6 percent to 20 percent. Per capita income, after falling precipitously in the 1970s, grew steadily from 1980 to 2010. Rents and housing prices increased modestly. Adjusted for inflation, the median home value in the typical (median) census tract increased just over 1 percent per year, while rents increased by only about 0.3 percent per year.

Behind these overall trends, however, are great differences across neighborhoods. Table 2 shows the condition of the typical or median census tract for each of the six categories in 2010. The differences are considerable. In 2010 median home values ranged from $73,200 to $190,500, per capita income varied from $13,029 to $33,328, and the aggregate poverty rate ranged from 8.7 percent to 33.8 percent.

In order to understand neighborhood dynamics, this paper examines how different categories of neighborhoods performed over time. Table 3 presents changes from 1970 to 2010 by neighborhood type. The results are striking: In upper-half ascenders (rebound neighborhoods) median per capita income grew

| Table 1. Neighborhood changes in the St. Louis region’s urban core, 1970–2010 |
|-----------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Home values (median)                          | $76,541   | $76,496   | $87,375   | $79,851   | $110,600  | $34,059         |
| Rent (median)                                 | $468      | $371      | $472      | $474      | $531      | $63             |
| Per capita income (median)                   | $23,596   | $17,527   | $19,012   | $20,881   | $21,387   | $(2,209)        |
| Census tract population (average)            | 6,047     | 4,813     | 4,317     | 3,923     | 3,679     | -2,369          |
| Black population % (aggregate)               | 26.9%     | 33.8%     | 36.3%     | 40.5%     | 40.6%     | 13.6%           |
| Poverty rate (aggregate)                     | 14.6%     | 16.1%     | 18.0%     | 18.0%     | 20.0%     | 5.3%            |

Note: All dollar figures are CPI-adjusted to 2010 dollars.
by 23.4 percent over the 40 years, adjusted for inflation. By contrast, median per capita income fell by over 30 percent in all lower half neighborhoods combined. Housing values increased in every neighborhood category but they went up over 3 percent a year in rebound neighborhoods compared to almost no increase in lower-half descending neighborhoods.

Table 2. Neighborhood status in St. Louis’s urban core, 2010

<table>
<thead>
<tr>
<th></th>
<th>UPPER-HALF ASCENDERS</th>
<th>LOWER-HALF ASCENDERS</th>
<th>LOWER-HALF STABLE TRACTS</th>
<th>LOWER-HALF STABLE TRACTS</th>
<th>UPPER-HALF DESCENDERS</th>
<th>LOWER-HALF DESCENDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home values (median)</td>
<td>163,200</td>
<td>73,500</td>
<td>190,500</td>
<td>73,200</td>
<td>124,500</td>
<td>81,500</td>
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<tr>
<td>Rent (median)</td>
<td>563</td>
<td>496</td>
<td>721</td>
<td>441</td>
<td>581</td>
<td>470.5</td>
</tr>
<tr>
<td>Per capita income (median)</td>
<td>27,866</td>
<td>13,029</td>
<td>33,328</td>
<td>13,540</td>
<td>24,788</td>
<td>16,293</td>
</tr>
<tr>
<td>Census tract population (average)</td>
<td>3,074.89</td>
<td>2,643.19</td>
<td>4,445.86</td>
<td>3,028.59</td>
<td>4,346.13</td>
<td>3,977.14</td>
</tr>
<tr>
<td>Black population % (aggregate)</td>
<td>30.47%</td>
<td>77.64%</td>
<td>12.20%</td>
<td>76.94%</td>
<td>27.35%</td>
<td>69.00%</td>
</tr>
<tr>
<td>Poverty rate (aggregate)</td>
<td>18.95%</td>
<td>36.23%</td>
<td>8.67%</td>
<td>33.76%</td>
<td>12.78%</td>
<td>27.83%</td>
</tr>
<tr>
<td>Total population</td>
<td>107,621</td>
<td>42,291</td>
<td>262,306</td>
<td>154,458</td>
<td>65,192</td>
<td>167,040</td>
</tr>
</tbody>
</table>

**Note:** All dollar figures are CPI-adjusted to 2010 dollars.

Table 3. Neighborhood status in St. Louis’ urban core: percent changes, 1970–2010

<table>
<thead>
<tr>
<th></th>
<th>UPPER-HALF ASCENDERS</th>
<th>LOWER-HALF ASCENDERS</th>
<th>LOWER-HALF STABLE TRACTS</th>
<th>LOWER-HALF STABLE TRACTS</th>
<th>UPPER-HALF DESCENDERS</th>
<th>LOWER-HALF DESCENDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home values (median)</td>
<td>124.40%</td>
<td>46.84%</td>
<td>89.21%</td>
<td>21.13%</td>
<td>27.54%</td>
<td>3.35%</td>
</tr>
<tr>
<td>Rent (median)</td>
<td>35.37%</td>
<td>49.84%</td>
<td>6.71%</td>
<td>15.85%</td>
<td>-15.32%</td>
<td>-3.59%</td>
</tr>
<tr>
<td>Per capita income (median)</td>
<td>23.40%</td>
<td>-35.10%</td>
<td>11.28%</td>
<td>-31.58%</td>
<td>-1.13%</td>
<td>-31.49%</td>
</tr>
<tr>
<td>Census tract population (average)</td>
<td>-44.50%</td>
<td>-62.65%</td>
<td>-22.61%</td>
<td>-53.60%</td>
<td>-14.27%</td>
<td>-36.56%</td>
</tr>
<tr>
<td>Black population % (aggregate)</td>
<td>63.98%</td>
<td>91.91%</td>
<td>115.89%</td>
<td>62.56%</td>
<td>1,149.19%</td>
<td>216.98%</td>
</tr>
<tr>
<td>Poverty rate (aggregate)</td>
<td>12.67%</td>
<td>46.13%</td>
<td>29.78%</td>
<td>74.48%</td>
<td>164.10%</td>
<td>149.77%</td>
</tr>
<tr>
<td>Total population</td>
<td>-44.50%</td>
<td>-62.65%</td>
<td>-22.61%</td>
<td>-53.60%</td>
<td>-14.27%</td>
<td>-36.56%</td>
</tr>
</tbody>
</table>

**Note:** All dollar figures are CPI-adjusted to 2010 dollars.
The Regional Geography of Neighborhood Change

Figure 1 shows the location of the six types of neighborhoods in the urban core. The six neighborhood types are not randomly distributed across the landscape; neighborhoods with similar trajectories tend to cluster together. The story of neighborhood change in St. Louis is a story of place.

One of the most striking patterns is that nearly all of the ascending, or rebound, tracts (yellow) are located in what is called the Central Corridor. Much of the success of rebound neighborhoods can be attributed to their locational advantage. Over the past 40 years, the major growth in jobs in St. Louis, like many cities, has been in health care and higher education. The largest health care and education providers in St. Louis are located in the Central Corridor, including Barnes Jewish Hospital, Washington University, and Saint Louis University. This part of the city is notable for a variety of high-quality, architecturally distinctive housing, walkable neighborhoods, a mix of uses, and a plethora of urban amenities, including one of the nation’s great urban parks, which contains within it the St. Louis Zoo, the Missouri History Museum, the St. Louis Art Museum, and the St. Louis Science Center and Planetarium. The region’s light rail system runs down the heart of the Central Corridor (Bryant 2014).

Lower-half descender neighborhoods (dark blue), the areas in sharpest decline in our study, generally do not border on rebound neighborhoods. They are located at the northern extremes of St. Louis City and across the city border in the suburbs of St. Louis County, as well as in the far eastern suburbs on the Illinois side of the metropolitan area. Included are many of the neighborhoods surrounding Ferguson, Missouri, where unrest occurred following the shooting of Michael Brown. Clearly, poverty is moving to the suburbs (Kneebone and Berube 2013). Predominantly white and middle class in 1970, these neighborhoods are now more than two-thirds African American and their aggregate poverty rate has soared to 27.8 percent. Many of these areas were settled in the 1940s and 1950s as housing for white and blue collar workers in St. Louis industries. As those industries declined, these communities destabilized.

Primarily located in north St. Louis City north of the rebounding neighborhoods in the central corridor and in East St. Louis, lower-half stable census tracts (middle blue) have the second highest poverty rate (33.8 percent) of the six neighborhood types and declining per capita income. Located in the manufacturing belt of the city, these neighborhoods have been hurt by the decline of industrial jobs. Spillover effects from rebound neighborhoods may help account for their modest increases in housing values and rents. Many lower-half...
ascending neighborhoods (lighter blue) are also located near the rebounding neighborhoods in the Central Corridor, which may help explain why their home values and rents increased over the 40-year period.

Upper-half stable neighborhoods (light green) are located almost entirely in the suburban areas south and west of the City of St. Louis with a small presence in the southwest section of the City of St. Louis. Included in this category are the most prestigious and wealthiest towns in the region. Home ownership rates in upper half stable neighborhoods have been around 75 percent since 1970. While the African American percentage of residents in these neighborhoods has grown, it remains relatively low (12.2 percent). With a strong housing stock, a growing commercial center in the suburban town of Clayton, and easy access to growing business centers in the western suburbs, this category of census tract is the strongest in the region.

Scattered throughout the region, the upper-half descender category (green) is the only category without a clear geographical pattern. Some of the upper half descenders are contiguous with upper half stable neighborhoods while others are next to lower half descending neighborhoods. They are generally located outside the City of St. Louis, with many on the outer edges of the study area. In 1970, the upper half descenders had the smallest percent African American population of any category, but black population has now increased to 27.4 percent. Over the 40-year period, per capita income remained about stable and housing prices increased modestly.

**Rebound Neighborhoods: Pathways and Outcomes**

This paper’s primary focus is on upper half ascender neighborhoods, or rebound neighborhoods. Rebound neighborhoods are not widespread; only 13.5 percent of the population of the urban core lives in rebound neighborhoods. The question remains, however: How significant are rebound neighborhoods for the future of the region? Do rebound neighborhoods generate broad benefits for residents of older neighborhoods or is rebound largely a zero-sum game in which some neighborhoods benefit at the expense of others and long-time residents are displaced by rising housing costs? These important, but difficult-to-answer questions can be addressed by comparing rebound neighborhoods to the other five types.

Clearly, economic forces of supply and demand go far toward explaining rebound neighborhoods. As discussed in the previous section, most rebound neighborhoods are located in the Central Corridor in St. Louis where the growth of professional jobs has been concentrated. As figure 2 shows, rebound neighborhoods are characterized by significant growth in the percent of the civilian labor force in professional occupations. This result is predicted by
both the gentrification and revitalization models. Neighborhood ascendancy is often based on an increasing demand by urban professionals for housing near employment centers. Rebound neighborhoods have “come back” both in relative and absolute terms, reflected in significant inflation-adjusted increases in home values, rents, and per capita income. Market confidence has been restored to neighborhoods that suffered precipitous losses in the 1970s. The vacancy rate in rebound neighborhoods increased by an average of 1.5 percent, but that figure is significantly lower than the 3.4 percent increase for all census tracts in our study area. As figure 3 shows, rebound neighborhoods (upper half ascenders) are the only ones that witnessed an increase in the homeownership rate in the 2000s.

Clearly, rebound tracts are doing well, but many question whether economic success for some can cause problems for others, with rising home values and rents pushing out existing residents. Using an index based on home values, rents, and per capita income, it is inevitable that residents of rebound neighborhoods will experience upward pressure in housing costs. Surprisingly, though, rebound neighborhoods did not experience a steep drop in low-income households. In fact, the number of poor people in these rebound neighborhoods declined, on average, by only 18 persons per census tract.

14 Unless otherwise noted, the figures are averages across census tracts unweighted by population.
tract between 2000 and 2010 (though as discussed below, the decrease in the black population over that same decade was more significant). Rebound tracts had the highest level of income diversity among all neighborhood types. Based on an income diversity index using three roughly equal categories of income, rebound tracts averaged the highest score (.649) compared to an average of .625 for all tracts.\(^\text{15}\)

While housing costs are rising in rebound tracts, rents in these neighborhoods are still relatively affordable. Average monthly rents increased a hefty 20.4 percent between 2000 and 2010 in rebound tracts, but the median contract rent in the median rebound census tract rose to only $563 per month. Assuming that utilities cost $150 per month, using the common standard that households should not spend more than 30 percent of their income on housing, the median apartment in these rebound tracts would be affordable to families making $28,235 a year, or 52 percent of the 2013 median family income for the metropolitan area.\(^\text{16}\)

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\(^{15}\) Income diversity is measured using three income ranges and measuring how far the tract falls from having an equal number in each category. Using the Gini Index of Inequality, which measures the degree of income spread within census tracts, this rebound tracts scored .450, the second highest among the six types of neighborhoods.

\(^{16}\) St. Louis metropolitan statistical area median family income was $54,449 in 2013 (American Community Survey, one-year estimates; retrieved from Social Explorer).
to other regions, housing unaffordability in St. Louis is driven more by low incomes than by high rents.

Subsidized housing also plays an important role in the continued economic diversity of rebound neighborhoods. According to analysis of subsidized housing, which combined counts of LIHTC units and Housing Choice Vouchers, rebound neighborhoods account for 15 percent of the region’s occupied housing units, but 27 percent of its subsidized units (figure 4).¹⁷ By comparison, the upper half stable neighborhoods accounted for 34 percent of all occupied housing units, but only 11 percent of subsidized units. Neither LIHTC nor Housing Choice Vouchers is a permanent supply of affordable housing in a changing neighborhood, but the existence of a solid amount of subsidized units suggests that some affordability could be sustained in the rebound neighborhoods.

Rebound neighborhoods are not just driven by the economics of supply and demand but by social forces, as well. Race plays a crucial role. For example, neighborhoods that were predominantly African American in 1970 had a slim chance of rebounding.¹⁸ Figure 5 shows the distribution of rebound neighborhoods by percent African American in 1970. Twenty times as many predominantly white neighborhoods (more than 90 percent) rebounded than predominantly black (more than 90 percent) neighborhoods. Only five out of 35 rebound census tracts were majority black in 1970.

It is not just the racial composition of the census tract that matters. Every one of the majority African American census tracts in 1970 that rebounded over the next 40 years was located in the Central Corridor, surrounded by white or racially diverse neighborhoods. Not a single majority black neighborhood in 1970 that was surrounded by other black neighborhoods rebounded in the subsequent decades. In short, what matters is not just the neighborhood but the “neighborhood of the neighborhood.” Being located in north St. Louis City or County is a huge structural disadvantage.

Although majority black areas had a small likelihood of rebounding, racial diversity at ranges below 50 percent black was not a major barrier to rebounding. As figure 6 shows, rebound neighborhoods were almost completely white in 1970, averaging less than 1.5 percent African American. Over the next 30

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¹⁷ The authors recognize that some Section 8 units may be in LIHTC developments. LIHTC has a 15-year minimum compliance period, so the authors are confident that most of the units counted over the 15-year period still housed low-income families at the end of the period. Of course, there are many other programs that provide affordable housing to specific groups, such as elderly and veterans, which were not counted.

¹⁸ In a study of Chicago, Hwang and Sampson conclude that when a neighborhood is greater than 40 percent African American, other things being equal, gentrification is highly attenuated (2014). See also Florida (2014).
Figure 4. Share of occupied and subsidized units by neighborhood type, 2013

Figure 5. Rebound tracts by percent African American, 1970
years the Black population in these census tracts grew rapidly—to an average of 34.7 percent in 2000. Contrary to racial tipping point theory, many neighborhoods that had experienced rapid growth of minority population experienced economic uplift. Instead of tipping over into all-black neighborhoods, they experienced a moderate decline in African American population; notably, rebound neighborhoods were the only neighborhood category that had a decline in percentage African American from 2000 to 2010. From 2000 to 2010 rebound census tracts experienced an average loss of 250 black residents. It is not clear whether black households were pushed out and/or pulled by better opportunities. There may indeed be pressures pushing blacks out of rebounding neighborhoods, echoing the critical view of gentrification (Bologna et al. 2015). Despite the loss of black population, however, rebound neighborhoods remained the most racially diverse of all six neighborhood types in 2010 (table 4).

In sum, rebound neighborhoods in St. Louis do not resemble the neighborhoods depicted in the critical literature on gentrification, and evidence

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19 The racial diversity index is calculated using six racial categories with the highest score possible when all six categories have the same percentage of the population. The formula is basically one minus the sum of the squares of all the racial percentages for each tract.
does not support the rent-gap thesis (see also Monti and Burghoff 2012). The neighborhoods that rebounded in St. Louis were not the ones that had fallen to the lowest rents but rather areas in the Central Corridor that declined in the 1970s and 1980s but had still retained substantial strengths. Ascending neighborhoods do not rise out of the most deprived neighborhoods, as rent-gap theory would predict. The influx of higher income white professionals has not caused rents to soar to the point that poor populations are displaced entirely. The black population in rebound neighborhoods is declining, which is a cause for concern, but rebound neighborhoods remain the most economically diverse neighborhoods in the region. This is very different from hot market metros where rising housing costs can push families—not just out of neighborhoods—but out of the city entirely. This pattern may change in the future and St. Louis may come to resemble hot market cities like San Francisco and Boston where housing costs are a huge burden for the average household, but that is not the current reality.

**Persistent Poverty**

Rebound neighborhoods are evidence that, given concerted investment in affordable housing, it is possible to sustain diverse neighborhoods. This is good news for the region. But other analysis suggests deep concerns. While rebound neighborhoods were home to 107,621 residents in 2010, in that same year well over 300,000 people lived in lower half descending or stable tracts. These census tracts have a median home price under $80,000, an average per capita income of roughly $15,000, and a poverty rate of roughly 30 percent. Moreover, as of the last decennial census, these neighborhoods are not showing signs of ascending.

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20 “Gentrification on a city scale, or interjurisdictional gentrification, is much more damaging in that it moves low-income people not only to other neighborhoods, but also to other cities, which are often underequipped to provide needed social services” (Powell 2002, 93).
It should be noted that the method used to identify ascending and descending neighborhoods on a relative scale is biased toward finding equal numbers, at least of census tracts, in the two categories. For every census tract that goes up in the ranking, by definition, another census tract must go down. An absolute standard for identifying ascending and descending neighborhoods would allow for greater differentiation in the size of ascending and descending areas. For instance, Cortright and Mahmoudi (2014) examined how many census tracts ascended from high poverty to low poverty compared to how many descended from low poverty to high poverty over the period 1970 to 2010. Across the 51 large metropolitan areas studied, only 105 census tracts transitioned from high poverty (over 30 percent) to low poverty (under 15 percent); by contrast, 2,428 census tracts transitioned from low poverty to high poverty (Cortright and Mahmoudi 2014). Similar results are found for the geography studied in St. Louis: Only 5,816 people live in census tracts that transitioned over the 40-year period from high poverty to low poverty, whereas 98,953 live in neighborhoods that became newly poor during that period. Using this method, 17 times as many people live in descending tracts than in ascending tracts.

If gentrification is defined as relatively poor areas that experience an influx of affluent households pushing out the poor, gentrification is not a widespread phenomenon in St. Louis. The more prevalent problem is not middle class and affluent households moving toward the poor and pushing them out, but that rather moving away from the poor, leaving behind resource-poor neighborhoods burdened by concentrated poverty.

Discussion: Policy Implications

The major challenge of St. Louis is that of deep concentrated poverty, poverty that shows no signs of abating. While there are areas of progress, large sections of the region continue to decline. St. Louis has been a slow-growth region for many years. St. Louis has slow wage growth, slow population growth, large disparities in income by race, no natural barriers to regional

Table 5. Population and percent of population by neighborhood type, 2010

<table>
<thead>
<tr>
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<th>UPPER-HALF ASCENDERS</th>
<th>LOWER-HALF ASCENDERS</th>
<th>UPPER-HALF STABLE TRACTS</th>
<th>LOWER-HALF STABLE TRACTS</th>
<th>UPPER-HALF DESCENDERS</th>
<th>LOWER-HALF DESCENDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>107,621</td>
<td>42,291</td>
<td>262,306</td>
<td>154,458</td>
<td>65,192</td>
<td>167,040</td>
</tr>
<tr>
<td>Percentage of population</td>
<td>13.47%</td>
<td>5.29%</td>
<td>32.83%</td>
<td>19.33%</td>
<td>8.16%</td>
<td>20.91%</td>
</tr>
</tbody>
</table>
sprawl, and continued suburban development (Gordon 2008). All urban neighborhoods are trying to run up the down escalator. It is hard to imagine that the very large areas of high poverty in north St. Louis and East St. Louis can be improved greatly without greater regional growth. In St. Louis, large-scale neighborhood improvement is conditional on economic improvement. An active jobs agenda for the region is critical, as is a transportation agenda that connects workers in declining or stable low-income areas to jobs. The trends in St. Louis and other cities suggest that most job growth will occur in the Central Corridor, near universities, existing high technology job clusters, and walkable dense neighborhoods. In order to ensure access to these jobs for many residents, a transportation agenda is necessary.

While much of the St. Louis agenda must be regional and economic there are steps that should and must be taken at the neighborhood and sector level. Particularly worthy of attention are policies ensuring that affordability is maintained in rebounding neighborhoods, as well as strategies for alleviating concentrated poverty. Implementing these steps will, in all cases, require a detailed analysis of local market conditions, population trends, and local capacity. There is no one-size-fits-all community development proposal.

Policies for Rebound Neighborhoods

Rebounding neighborhoods provide an opportunity for sustained integration along lines of race, ethnicity, and social class. Analysis suggests that this has been substantially achieved to this point, but the future remains uncertain and steps should be taken now could ensure long-term economic and racial diversity, including the following recommended policy options.

First, affordable housing in rebound neighborhoods can be guaranteed by targeting housing subsidies. State and federal LIHTCs, often layered with other subsidies, provide the most common means of financing low-income rental housing. Current LIHTC policy increases depth of subsidy for development proposals in “qualified census tracts,” often defined as those tracts with poverty rates of 25 percent or more. Looking specifically at LIHTC units built in the study area of this paper from 1998 to 2013, the good news is that more units were allocated to rebound tracts (27 percent of all LIHTC units) than any other neighborhood type. However, a majority of LIHTC units (60 percent) were located in neighborhoods in the bottom half on the Rebound Index in 2010. Policymakers should revise LIHTC allocation rules to increase the use of the tax credit in rebounding neighborhoods and other
high opportunity areas.\footnote{Similarly, Section 8 housing vouchers often end up in areas of high poverty (Metzger 2014a). Reforms are needed to ensure that holders of Section 8 vouchers have opportunities to enter high-opportunity neighborhoods. Recommendations on reforming Section 8 can be found in Metzger (2014b). Reforms to LIHTC and Section 8 were recently included as calls to action by the Ferguson Commission (see “Forward through Ferguson: A Path Toward Racial Equality,” \url{http://forwardthroughferguson.org}).}

Second, increasing the use of community land trusts, in which a nonprofit community organization retains ownership of the underlying land but sells the housing structure to a low- to moderate-income buyer, is recommended. Profits from subsequent sale of the home are then capped, so that the home remains affordable for the next owner. Community land trusts offer an opportunity to control housing inflation, but governments differ with regard to how they assess the value of the home for taxation purposes. State and local policymakers should consider property tax assessment policies that take into account the community land trust arrangement to prevent the displacement of eligible homeowners due to rising property taxes (Bagdol 2013). Nonprofit-owned housing is another way to help low-income and minority households stay in rebounding neighborhoods.

Third, in addition to creating new housing opportunities, housing and tax policy should be harnessed to prevent the displacement of existing low- and moderate-income households. Some states provide a “circuit breaker” program, allowing for a tax rebate based on households’ housing costs. Missouri’s circuit breaker is currently available only to low-income senior citizens and individuals with a disability. This program could be extended to cover other low-income renters, as well. Property tax abatement could also be expanded. St. Louis City currently offers tax abatement for new homebuyers, but this benefit could be extended to existing low-income homeowners.

Finally, the City of St. Louis and other municipalities should carefully evaluate requirements for inclusionary zoning. As markets strengthen in St. Louis it should be possible to enact policies that require developers to build 20 percent affordable housing units in any development of substantial size.

Policies for Declining and Distressed Neighborhoods

The great policy challenge of St. Louis is how to reduce concentrated poverty. As figure 2 makes clear, St. Louis has very large areas of the region north of the Central Corridor that are marked by both high poverty rates and economic decline. The loss of industrial jobs, structural and institutional racism, and the lack of anchor institutions combine to create a daunting challenge. The strategy of rebound in the Central Corridor, while impressive, is unlikely to be successful in north St. Louis City or County. The north region
lacks the growing job centers, dense walkable communities, and amenities of the Central Corridor. The strategy will need to be different and it will need to be sufficient in scale to turn the market around. The interventions require collaboration across sectors—public, private, and nonprofit—and across levels of government, simultaneously addressing jobs, crime, health, education, and other needs (Turner et al. 2014). These interventions require resource commitments far beyond those now commonly provided.

The Obama administration’s Promise and Choice Neighborhoods programs are examples of comprehensive community revitalization initiatives (White House 2011), but they are not funded at anywhere near the level that would be needed to have a chance to turn around the degree and extent of poverty in north St. Louis. The fragmentation of local government in Missouri (90 municipalities in St. Louis County alone) makes effective local action difficult. Ultimately, at least in part, this is a political question: Can we summon the resources needed to solve deep poverty and contribute to national prosperity? Support need not be all financial. A concerted regional and governmental effort to place regional amenities in north St. Louis City and County would be very helpful, but it must be substantial and long-term. Particular attention should be focused in four areas.

First, it is necessary to affirmatively locate regional amenities in areas of historic neglect. There is no disagreement among local analysts in St. Louis about the way the two great parks of the City of St. Louis have driven neighborhood development. Could not a great regional park be placed in north St. Louis, something that would draw people from throughout the region and provide particular value for local residents? North St. Louis is poor and it is primarily African American. Middle class residents who moved to north St. Louis or the northern suburbs and bought property 30 years ago received vastly lower returns on their investments than those who moved to the western or southern suburbs. It is time for an affirmative program of building market demand.

Second, policies are needed to link declining neighborhoods to rebounding neighborhoods. These policies would aim to spread the market strength and housing demand of rebound neighborhoods to adjoining, weaker market areas. One policy tool that could be used this way is tax increment financing (TIF). Though TIF in Missouri is legally targeted on “blighted areas,” the courts have allowed such a loose definition of blight that TIFs are located throughout the St. Louis region, even in the strongest market communities (Coffin 2013). On the other hand, TIFs often do not offer enough incentive by themselves to entice developers into declining neighborhoods. TIF districts, however, could be extended from rebound neighborhoods to weak market areas along retail corridors and public transit lines, using the TIF bond...
proceeds to build infrastructure to jump start investment in weak market areas. This would help St. Louis spread the strength of the Central Corridor north and south into disadvantaged minority communities.

Third, in order to conduct the complex, multi-sector work described previously, there is a need for a consistent entity that serves as a convener. This backbone to collective impact efforts could increase cooperation across entities and provide for more strategic planning across fragmented governmental and non-governmental entities. Currently a number of entities serve in this sort of a capacity in the St. Louis region, but it is not clear whether they will be viable in the long term and whether they can promote changes to existing community development practice as fundamental as those described previously.

Finally, as previously noted, the problem in St. Louis is not so much inflated housing costs as inadequate incomes. A critical part of the solution is decent paying jobs. Locating affordable housing in rebound neighborhoods with an expanding job base does not guarantee that low-income and minority residents will get those jobs. A recent study of 10 older industrial cities concluded: “The city’s job base is increasingly becoming concentrated in the central core, while those jobs are increasingly held by commuters rather than city residents” (Mallach 2015, 464). Targeted job training and placement programs, leading to living wage jobs, should be a high priority across the region.
References


