GOVERNING
THE STATES AND LOCALITIES

(Photographs by David Kidd)

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by Alan Greenblatt | June 2018

Gregory James bought his house way back in 1972. As he looks around at the stone-fronted rowhouses that line either side of his street in the Mt. Airy section of Philadelphia, he considers himself a relative newcomer. Out of 72 houses on the block, he counts 15 that are still occupied by the families who were already residing there when James arrived. Back in the 1970s, this part of Philadelphia was a choice neighborhood for middle-class blacks who were able to move themselves out of rougher parts of town.

Now the homes in Mt. Airy are aging, and so is the infrastructure around them. The houses may be structurally sound, but not enough attention is being paid to the condition of things like driveways, curbs and retaining walls. James complains that the city itself sometimes ignores his community. There are certainly neighborhoods that are worse off, but you don't have to travel far to find others where services such as trash pickup are noticeably better. "When you go further north, it's better, and when you go south, it's worse," says James. "If you stay here, you're caught in the middle."

There's a sense in Philadelphia, as in many major cities these days, that it's divided between the affluent folks who are driving up condo prices in and around downtown, which is known as Center City, and those being left behind in parts of town plagued by blight and drugs. Philadelphia has received considerable attention in recent years as one of the nation's top magnets for educated millennials. At the same time, it has the highest poverty rate of any major city, at 25.7 percent. But left out of the equation are places like Mt. Airy, where most people have decent-paying jobs as schoolteachers, as utility company workers or, like James, as nurses. Or they're part of a generation that was able to retire with decent pensions. Neighborhoods are a little like seesaws. Some are rising to the top, while others seem to be stuck at the bottom. No one seems to pay attention to what's in the middle.

Middle neighborhoods have been off the nation's policy radar for decades. While many of them are relatively stable, others have become shaky in recent years, due to a lack of interest from governments and the private sector. That has left large shares of urban America at risk, particularly in older cities. In Philadelphia, 41 percent of residents live in what are defined as middle neighborhoods, where most people earn between 80 and 120 percent of the area median income, which in the Philadelphia region is $66,000. Nationwide, 48 percent of urban residents live in such neighborhoods, which tend to be more diverse than either wealthy or low-income areas. "There are huge chunks of our cities that are not seeing rapid growth, nor are they completely desolate, economically isolated places," says Jeffrey Verespej, who runs a community development corporation in Cleveland. "They're not as sexy as high-investment, high-growth neighborhoods and lack the moral imperative to help those who are truly needy."

But they're increasingly under threat. The reality is that no place stays exactly the same year after year. All neighborhoods evolve. The question is what direction they're moving in, and what forces are pushing them that way. Middle neighborhoods have a lot working against them. Most are not especially close to downtown and lack the anchor institutions such as universities or hospitals that spur new investment. Residents of middle neighborhoods generally don't receive assistance from poverty programs. At the same time, they don't have access to capital, either. Half of the residents of Philadelphia -- and many in Mt. Airy -- have credit scores below 650, perilously close to the point where banks won't even bother looking at a loan application. The city's denial rate for home improvement loans is 62 percent, well above the national average of 37 percent.

Once a choice neighborhood for middle-class blacks, the homes and infrastructure in Mt. Airy are now aging.

Most of the factories that middle neighborhood residents used to walk to, or ride streetcars to, have long since closed, taking their jobs with them. Aging residents on fixed incomes are unable to keep up their properties as well as they might like to. These once-aspirational neighborhoods have been bypassed for the suburbs by younger generations. But what's pushed middle neighborhoods closer to the edge, counterintuitively, is their high rate of home ownership. Many residents have been victims of predatory lending, or even foreclosure. There are indicators that will tell you if a neighborhood is beginning to gentrify, such as increased occupancy and investment. If you flip those numbers on their head and look at areas that are trending down in those categories, you're looking at an enormous share of many cities. "There are a lot of negative forces working in these neighborhoods," says Alan Mallach, a senior fellow at the Center for Community Progress, "and very few positive ones to counterbalance them."

The danger is that they'll slip further. Once a couple of properties are left vacant on a block, neighborhoods can get caught in a downward spiral that's difficult to reverse. Adjacent to the elementary school near James' house, a volunteer-run food pantry hands out donated meat and canned goods to 850 residents, many of them seniors taking care of grandkids. The pantry puts 50 to 60 more people on a waiting list each week. "We will do ourselves a disservice if we don't pay attention to the middle now," says Philadelphia Councilwoman Cherelle Parker, who represents Mt. Airy and neighborhoods like it. "If we don't want the middle to become part of that deep poverty, we better invest now."

Parker, whose conversational flow is like an unstoppable freight train, has spent her entire life in northwest Philadelphia, residing on the same block since college. As a city council aide, she promoted economic development projects for the area and helped craft an anti-predatory lending law considered to be among the nation's toughest. She was the youngest African-American woman ever elected to the state House, and served there for a decade prior to winning her council seat in 2015. She now seeks to convince colleagues that, while their districts may be dominated by the desperate or the affluent, all of them also represent middle neighborhoods.

Parker, who is 45 years old, says in trying to address the issues facing middle neighborhoods she's long felt "like a lone wolf howling in the wind." Every city has to triage its funds. Devoting resources to areas where residents are doing just well enough not to qualify for assistance, or a little bit better, has not been seen as an imperative. Even the term "middle neighborhoods" evokes an image of relative prosperity. "One of the criticisms I'm hearing about even raising this issue of middle neighborhoods is whether it will take money from distressed neighborhoods," says Paul Brophy, an economic development consultant who edited a volume about such neighborhoods called *On the Edge*.

Still, a growing number of mayors and other city officials are realizing that it might be better to offer middle neighborhoods an ounce of prevention, rather than waiting until they need a pound of cure. The type of help middle neighborhoods can use is typically a lot cheaper and may be more cost-effective than seeking to ameliorate poverty in more desperate parts of town. Under the auspices of the American Assembly at Columbia University and the Federal Reserve, Brophy is helping to coordinate a nascent movement among policymakers to think about ways to shore up middle neighborhoods so they can remain a healthy part of urban life. "These are neighborhoods that are still strong, but there are things around the edges that need to be addressed," Philadelphia Mayor Jim Kenney says. "We need to put resources into these communities to make sure that they continue to be productive."

Some cities and nonprofits are starting to take what might be called a "broken windows" approach to neighborhood stabilization, addressing early warning signs before they fester into more serious problems. In Cleveland, Verespej's group buys and rehabilitates homes while organizing neighborhood engagement efforts such as block clubs and crime watch. A pooled private fund in Baltimore is providing grants and loans for home rehabilitation in 42 neighborhoods. In Philadelphia, Parker and Council President Darrell Clarke convinced colleagues to create a $40 million home improvement loan program to assist people in middle neighborhoods who have been denied credit in the private market.

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When thousands of Philadelphians are living in homes that have leaky roofs or lack heat, it’s a tough sell to ask for public resources to help people repoint bricks or install a new bathroom. No politician wants to get caught between the have-nots and what Parker calls the have-a-littles. “You want to tell me we should direct everything toward those who are living in deep poverty,” she says, “versus trying to preserve those who are right over the line. That is a challenge.”

Although designed to benefit individual homeowners, a smart program of investment can pay larger dividends. If enough people have homes that are more attractive and desirable, that’s a boon for the neighborhood and, by extension, the city as a whole. It’s similar to the logic that applies when city hall underwrites megaprojects to help the downtown. In this case, it’s an attempt to preserve neighborhoods that have gotten along without much government assistance for years, but may not remain viable forever if they’re left to fend for themselves. “You have to help these neighborhoods,” says Dwight Evans, who represents Philadelphia in Congress, “because if you don’t, there won’t be a tax base to run the city.”

There was a time when Washington thought about middle-income neighborhoods. Under President Jimmy Carter in the 1970s, the Department of Housing and Urban Development (HUD) actually had an Office of Neighborhood Development. After cities began creating neighborhood services programs, which sought to link communities with city hall, Congress followed with a charter for a Neighborhood Reinvestment Program, which is now known as NeighborWorks America. Its programs combine self-help at the hyper-local level with lending and code enforcement from the city. But most NeighborWorks affiliates, as well as community development corporations, concentrate their efforts in the poorest parts of town, not those in the middle.

Most HUD guidelines, which states and localities tend to follow, limit program eligibility to people earning less than 80 percent of the area median income, cutting out those a few rungs above them. The enterprise zones and empowerment zones of the Reagan and Clinton years were similarly focused on distressed communities. As federal spending on cities in general started to diminish in those years, and homelessness became a serious problem, the policy lens focused more narrowly on housing. Middle neighborhoods, and neighborhood-oriented policies, have been largely neglected since then. “An awful lot of the ‘solutions’ that come out of government, including the federal programs that are available for neighborhoods, are not neighborhood solutions but affordable housing solutions,” says Mallach of the Center for Community Progress. “These are tools that are important, but not tools that actually stabilize neighborhoods.”

In Philadelphia, there was a time in the not-too-distant past when the numbers of vacant homes and abandoned cars both reached into the tens of thousands. The city was also shedding people -- 400,000 between the 1960s and early 1990s. When Edward Rendell became mayor in 1992, he concentrated on pulling the city back from the brink of ruin, in large part by reviving Center City. It worked. Directly across the street from city hall, the Residences at the Ritz-Carlton has hoisted a huge banner boasting of $275 million in sales.

Rendell’s successor, John Street, looked outward from downtown, pursuing an initiative to deal with vacant properties. The effort was funded largely by bonds, and the bond money has run out. During the Great Recession, Philadelphia slashed funds for clearing abandoned vehicles and vacant lots, along with other programs that offered assistance to neighborhoods, including those in the middle, such as graffiti removal and street cleaning. At the same time, Philadelphia’s high rate of homeownership made it a prime target for predatory lending. “You started to see a decline not only in infrastructure, but also the ability to maintain homes in a lot of these communities,” says Clarke, the council president. “There was not a lot of attention paid to these areas.”

The reputation of middle neighborhoods as the city’s neglected stepchildren can be overstated, insists Anne Fadullon, Philadelphia’s planning and development director. Lots of city programs are available that benefit people in such neighborhoods, she says, such as spending on schools, parks and recreation centers. The reality, however, is that while Philadelphia is now growing again, its budget has not recovered fully from the recession. “Unfortunately, regardless of what area we’re seen as focusing on,” Fadullon says, “there are just not enough resources to deal with issues across the board.”

Most of the homes in Philadelphia’s middle neighborhoods are old. Many of them are either large with lots of unused space, such as front rooms, or else too small for current tastes. Rowhouses are inherently sturdy and efficient, buttressing one another and requiring less money to cool and heat than stand-alone homes. But they weren’t designed for today’s buyers, which is a problem with much of the housing in middle neighborhoods across the country. “It’s the ‘All in the Family’ neighborhood, with two bedrooms upstairs, one bathroom,” says David Erickson, director of community development at the Federal Reserve Bank of San Francisco.

That’s what motivated Parker and Clarke to direct money to home improvement loans. Philadelphia has a backlog of thousands of homes that need basic system repair -- replacement of water heaters or removal of mold that causes health problems. The majority of bond money being raised from an increase in real estate transfer taxes is going to those more dire needs, but homeowners earning up to 120 percent of the median metro income, with credit scores as low as 580, will also be able to apply for remodeling loans. Fifteen thousand dollars spent adding a bathroom might add $50,000 to the value of a home. “You’ve got to think about our area, not just the new, sexy neighborhoods,” Parker says.

The city’s redevelopment authority hopes that once the program is set in motion and more homes are fixed up, private lenders will see middle neighborhoods as a market they want to enter. But when the agency initially asked banks to lend their own money, with the city providing a guarantee, none were interested.

The city's redevelopment authority is overseeing a program that directs money to middle neighborhoods for home improvement loans.

In a city seemingly divided between pricey hipster villages and decaying slums, middle neighborhoods offer a forgotten trove of affordable housing. But it takes more than spruced-up homes to make a neighborhood successful. Plenty of residents being priced out of gentrifying areas such as Fishtown and Northern Liberties are good candidates for mid-range places like Mt. Airy, but in order for these communities to be attractive, they need to be better connected to transportation and jobs, show some improvement in their schools, and have a little more life in their commercial corridors. People want cafes where they can sit outside and non-chain restaurants where they can sit down, period. People in middle neighborhoods talk nostalgically of the days when their main shopping streets were home to bakeries, pharmacies and full-service grocery stores, along with accountants, lawyers and others providing professional services. Nowadays, they're more likely to encounter nail salons, take-out joints, smoke shops and storefront child care centers. They offer bare services to residents and no reason for outsiders to come exploring. "A lot of these neighborhoods came to be or thrived in the middle of the 20th century," Fadullon says. "The customer of the future wants to be able to walk to things in their community."

For the past 33 years, Dr. Louis Brown has operated a dermatology clinic on Rising Sun Avenue in Philadelphia's Lawndale section. Every day, he sees problems with trash pickup and storefronts gone sloppy. Getting anyone to invest in improving the properties along his strip is difficult, he says, because there's often a disconnect between the absentee landlord and the owner of the business. Philadelphia has matching grant programs to help pay for security cameras and storefront improvements, but it's hard to get anyone interested, Brown laments. "You get a blank stare, the Philly shrug," he says.

Sticks might work better than carrots, he believes. Brown sometimes warns his neighbors they risk getting fined by the city if they let their storefronts atrophy. But there he runs into a classic middle neighborhood conundrum. The city's Department of Licenses and Inspections is oversubscribed. If you call enough times to complain, someone might come out to inspect a property, but the department is concentrating on tearing down hundreds of buildings considered "imminently dangerous." Given the constraints, regular inspections are a pipe dream. A middle neighborhood corridor like Brown's might have issues, but they simply aren't urgent enough to demand official attention when there are more pressing problems elsewhere.

When it comes to dealing with the city, Joe Sannutti refuses to take no for an answer. He runs a funeral home a few blocks from the Delaware River, in Philadelphia's Tacony neighborhood. It's the kind of place where parents often live across the street from their adult children. But a lot of people have been moving out in recent years and home values have slipped. Sannutti is a near-daily visitor to his council member's district office on Torresdale Avenue, having learned over the years that asking for help from a city agency once is never enough. He's become a conduit for complaints from his neighbors, who know he's learned where to knock.

Sannutti is compulsive about picking up bits of trash as he walks down the street. He writes down the license plate numbers of cars that have been parked for too many days. When newcomers to Tacony fail to keep up their yards, Sannutti offers to lend them a lawnmower. If they don't take the hint, he calls 311. "I tell the neighbors, this is what's expected of you," Sannutti says.

Joe Sanutti was president of the Tacony Civic Association for 35 years before he stepped down in May. His group makes sure business owners in his community know about and take advantage of the storefront improvement program.

Until last month, he was the longtime president of the Tacony Civic Association, a local business group that sponsors summer concerts and festivals. The association, along with the Tacony Community Development Corporation, makes sure that area business owners know about and take advantage of the storefront improvement program, along with any other services the city makes available. The development corporation helped convince the city to devote $6.7 million to a renovation of the local library branch, which now hosts a program devoted to boosting small businesses by offering them access to databases filled with market analyses and demographic information. Alex Balloon, who directs the Community Development Corporation out of the library building, is always looking for ways to make a visible impact with a modest amount of money, hoping for that snowball effect whereby tree planting leads to storefront improvements, which lead to new tenants and customers. "We've worked to tip the scale in terms of greater investment," Balloon says. "When they are investing, get them to invest a little bit more."

In its efforts to think about what middle neighborhoods need, government in Philadelphia is ahead of its counterparts in almost every other major city. Still, they've just been baby steps. The home improvement loan program is just getting underway and won't come anywhere close to meeting the demand from the estimated 20,000 residents who have been turned down by banks. Philadelphia's office of business services has only recently assigned managers to concentrate on specific middle neighborhoods. The dollars the city devotes to these neighborhoods have come piecemeal through a variety of programs that Philadelphia still needs to figure out how to braid together to create quality places. "I don't think in government we have been strategic in our thinking about these neighborhoods," says Congressman Evans.

Fadullon is surely right when she says government can't solve the problem all by itself. Repairing and uplifting middle neighborhoods will require a variety of approaches. Homes and civic infrastructure need renovation. Individual neighborhoods need to learn how to market themselves to potential homebuyers and shoppers, developing a mix of stores and services that will strengthen commercial corridors. All of this requires money and, by their nature, middle neighborhoods are bound to lose out to more vibrant areas when it comes to attracting private capital, and to lose out to more depressed areas when it comes to government intervention.

Still, middle neighborhoods are at least starting to see flickers of official attention. Some mayors and city councils realize neighborhoods that continue to be neglected and plunge into poverty can put entire cities at risk. "If, 20 years from now, we look back at these communities and they are not stabilized," Parker says, "if we see intense levels of poverty here, it will be the fault of elected officials like me."

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