



REVIVING THE CITY OF ASPIRATION:

A study of the challenges facing New York City's middle class

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REVIVING THE CITY OF ASPIRATION

For much of its history, New York City has thrived as a place that both sustained a large middle class and elevated countless people from poorer backgrounds into the ranks of the middle class. The city was never cheap and parts of Manhattan always remained out of reach, but working people of modest means—from forklift operators and bus drivers to paralegals and museum guides—could enjoy realistic hopes of home ownership and a measure of economic security as they raised their families across the other four boroughs. At the same time, New York long has been *the* city for strivers—not just the kind associated with the highest echelons of Wall Street, but new immigrants, individuals with little education but big dreams, and aspiring professionals in fields from journalism and law to art and advertising.

In recent years, however, major changes have greatly diminished the city's ability to both retain and create a sizable middle class. Even as the inflow of new arrivals to New York has surged to levels not seen since the 1920s, the cost of living has spiraled beyond the reach of many middle class individuals and, particularly, families. Increasingly, only those at the upper end of the middle class, who are affluent enough to afford not only the sharply higher housing prices in every corner of the city but also the steep costs of child care and private schools, can afford to stay—and even among this group, many feel stretched to the limits of their resources. Equally disturbing, even in good times, the city's economy seems less and less capable of producing jobs that pay enough to support a middle class lifestyle in New York's high-cost environment.

The current economic crisis, which has arrested and even somewhat reversed the skyrocketing price of housing, might offer short-term opportunities to some in the market for homes. But the mortgage meltdown and its aftermath will not change the underlying dynamic: over the past three decades, a wide gap has opened between the means of most New Yorkers and the costs of living in the city. We have seen this dynamic play out even during the last 15 years, as the local economy thrived and crime rates plummeted. Despite these advances, large numbers of middle class New Yorkers have been leaving the city for other locales, while many more of those who have stayed seem permanently stuck among the ranks of the working poor, with little apparent hope of upward mobility.

This is a serious challenge for New York in both good times and bad. A recent survey found the city to be the worst urban area in the nation for the average citizen to build wealth.¹ For the first time in its storied history, the Big Apple is in jeopardy of permanently losing its status as the great American city of aspiration.

This report takes an in-depth look at the challenges facing New York City’s middle class. More than a year in the works, the report draws upon an extensive economic and demographic analysis, a historical review, focus groups conducted in every borough and over 100 individual interviews with academics, economists and a wide range of individuals on the ground in the five boroughs. These include homeowners, labor leaders, small business owners, real estate brokers and developers, immigrant advocates, and officials from two dozen community boards.

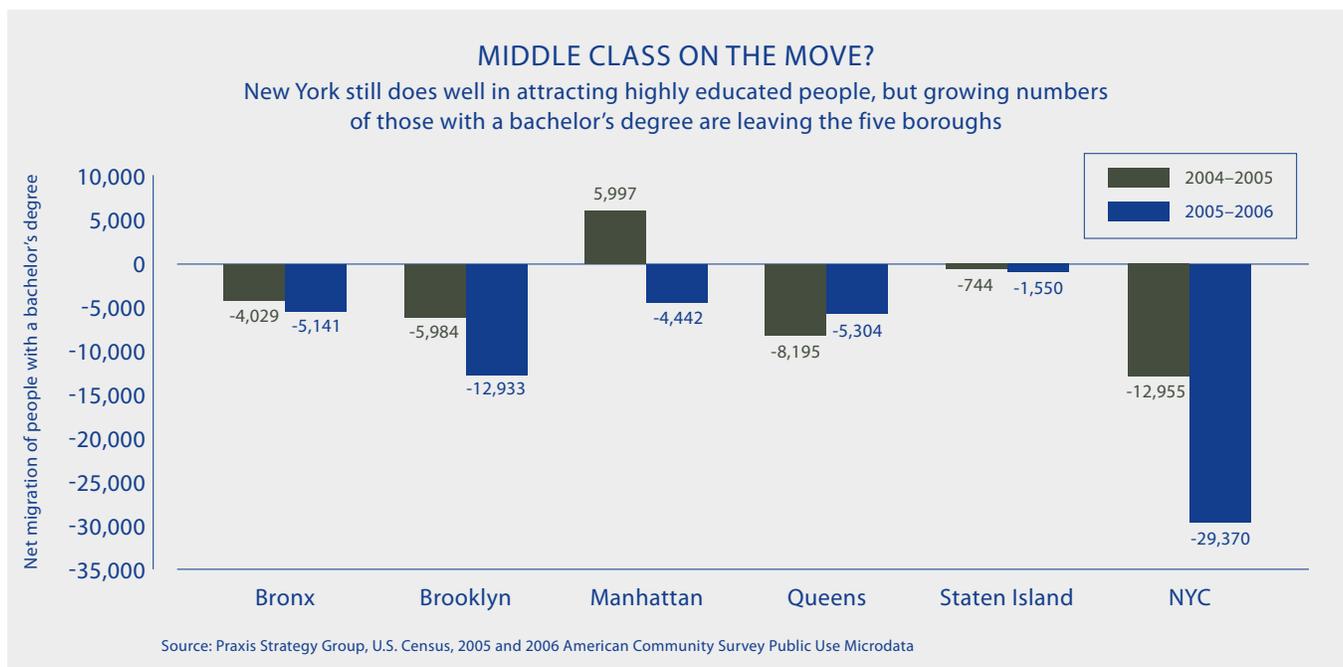
Throughout the course of our research, the vast majority of New Yorkers—for the most part fierce defenders of the city—were alarmingly pessimistic about the current and future prospects of the local middle class. “What middle class?” was the quip we heard repeatedly after telling people about our study.

But for all the valid concerns of those we spoke with, our conclusion is that a strong middle class remains in New York, and that there are considerable grounds for optimism about its future. In 2007, the city recorded the second highest total of building permits issued since it started keeping track in 1965, with Brooklyn and Queens hitting records—a clear sign that large numbers of people want to live in these long-time middle class havens. Home ownership rates in the city reached their highest levels ever in 2007, another testament to the city’s desirability—even if a not insignificant share

of the recent housing purchases were driven by unfair and deceptive predatory lending practices. And in many communities, there have been long waiting lists for day care centers and private schools. While the economic crisis is already leading to sharp spikes in foreclosures, a precipitous decline in housing sales and, most troubling, a massive number of layoffs, it should not reverse the sense of many middle class families that New York now offers a safe environment to raise their kids—a key factor in the decision to stay in the city rather than de-camp for the suburbs.

“The perception of New York among young people is so phenomenal,” says Alan Bell, a partner with the Hudson Companies, a housing development company. “It used to be that automatically you’d get married and had kids and you were out to Montclair, New Jersey or Westchester. Now they want to stay. The question is how they stay since it’s so expensive.”

Set against this picture of progress, however, are some alarming trends. Most of the people interviewed for this report told us of middle class friends, relatives or colleagues who had recently given up on the city. “I work with a lot of people who moved to Philadelphia and commute each day,” says Chris Daly, a media director at Macy’s who now lives with his wife and three kids in Tottenville, Staten Island but plans to move to New Jersey. “It’s the cost of living. You’re going to see more people moving to Philadelphia, the Poconos and commuting.”



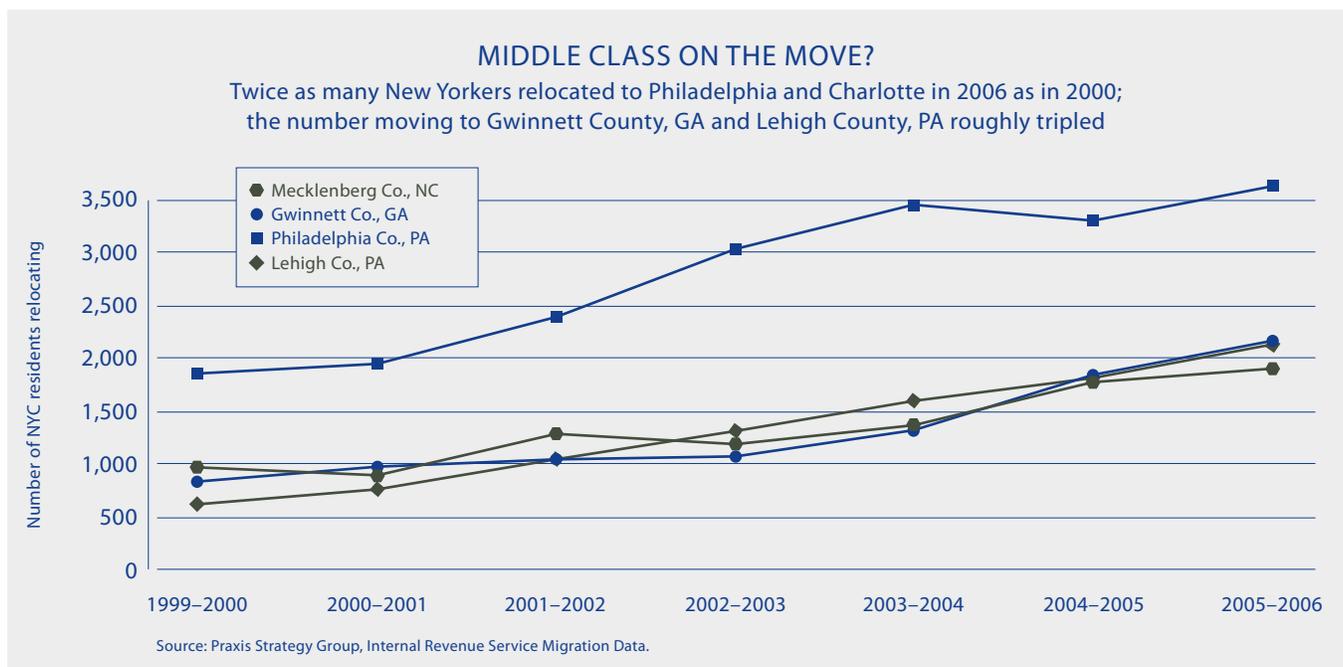
Indeed, twice as many New York City residents relocated to Philadelphia in 2006 than in 2000 (3,635 compared to 1,811). During the same period, the number of city residents moving to Charlotte, NC also doubled, from 904 to 1,893, while the number relocating to Lehigh County, PA—home to Allentown—more than tripled (from 648 to 2,101) and the number leaving for Gwinnett County, GA—a suburb of Atlanta—nearly tripled (from 762 to 2,121).²

Astonishingly, more residents left the five boroughs for other locales in each of the years between 2002 and 2006 than in 1993, when the city was in far worse shape. In 2006, the city had a net loss of 151,441 residents through domestic out-migration, compared to a decline of 141,047 in 1993.³ Overall, in 2006 the city had a higher net domestic out-migration rate per 1,000 residents (-18.7) than struggling upstate communities such as Ithaca (-8.0), Buffalo/Niagara Falls (-7.6), Rochester (-5.8) and Syracuse (-5.1).

Fewer New Yorkers left the city in 2007 than in 2006, perhaps because the slowing national economy offered dimmer prospects of finding employment elsewhere. But the extraordinarily high levels of those relocating through much of the decade—even as crime rates remained at record lows and the city’s economy was booming—suggests that growing numbers of New Yorkers simply couldn’t prosper here.

As we document in this report, the city has been losing, or is at risk of losing, many key constituencies:

- Individuals with bachelor’s degrees. Even before the economic boom ended, every borough was losing educated professionals. In 2005, New York City had a net out-migration of 12,955 individuals with bachelor’s degrees; a year later, the number had spiked to 29,370—an increase of 127 percent. Brooklyn had the largest out-migration that year, losing 12,933 compared to 5,984 in 2005. “It is significant,” says Mark Schill, a demographer with Praxis Strategy Group. “A place that should be a mecca for people that are highly educated is still losing them.”
- Families. While much has been made of Manhattan’s so-called “baby boomlet”—the borough’s number of toddlers under the age of four grew 26 percent between 2000 and 2004—our data shows that many of these new families don’t stay into their kids’ school-attending years: the percentage of children in Manhattan over age five drops well below the national average. Meanwhile, households with kids were most likely to leave the city; nearly 40 percent of those leaving had young children at home.
- Immigrants. Growing numbers of immigrants who have attained a degree of success in New York—including many business owners—are leaving the five boroughs for other cities, particularly in the Southeast, where housing is cheaper and immigrant communities are growing. For instance, our research suggests that growing numbers of His-



panics are moving to the Charlotte, NC area, and to communities in Georgia and Florida.

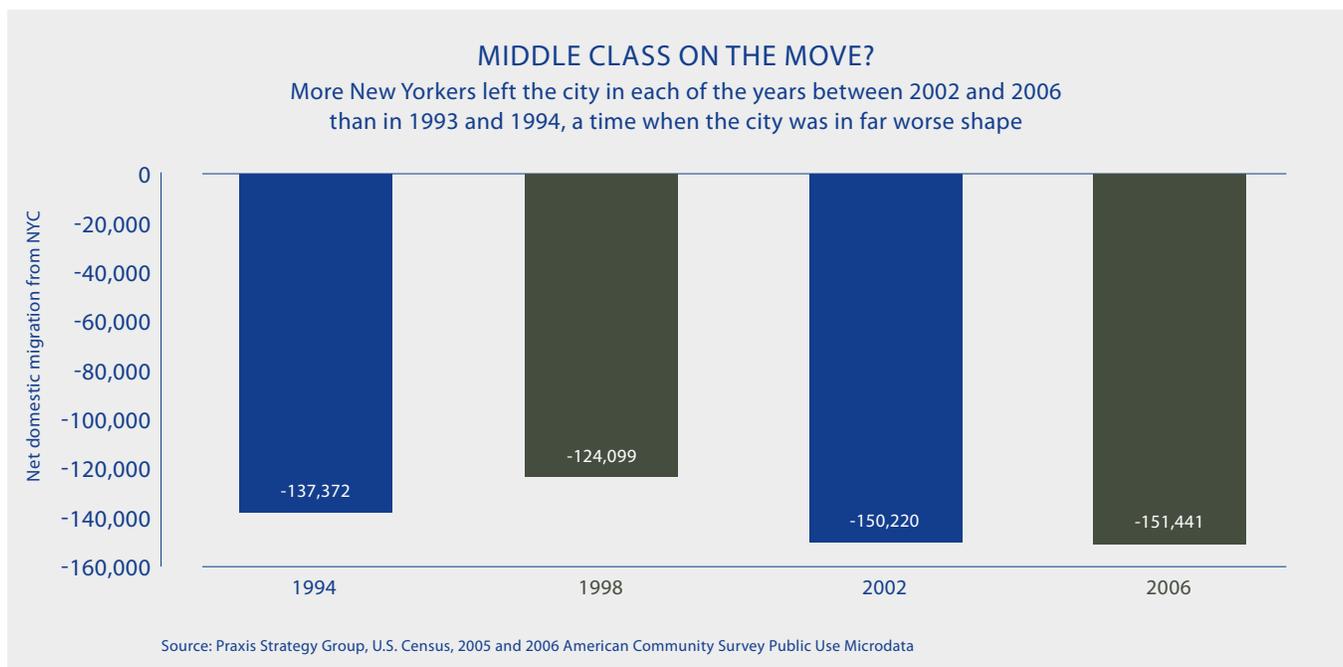
- **Municipal workers.** A job in city government was once a ticket to the middle class, but many municipal employees today have all but given up on living in the city. One indication of this is the ongoing campaign by the city’s largest municipal union, DC 37, to win the right for its members to live outside the five boroughs.
- **The black middle class in Eastern Queens.** The borough of Archie Bunker has nurtured one of the nation’s largest black middle class communities throughout a handful of adjacent Eastern Queens neighborhoods. But community leaders worry that the precipitous rise in real estate prices during the past decade, combined with stagnant wages, will make it difficult for the current generation of black New Yorkers to afford home ownership in these areas. As it is, the number of black residents in Manhattan and Brooklyn recently declined for the first time since the 1800s.

In addition to middle class flight, the city is increasingly bifurcated, with the path from poverty to the middle class more arduous than ever. During the years of economic growth from 2003 to 2007, average weekly wages, when adjusted for inflation, barely increased in the boroughs outside of Manhattan—rising by just 0.4 percent on Staten Island, 0.6 percent in

Brooklyn, 1.4 percent in Queens and 2.5 percent in the Bronx. In Manhattan, the increase was 21.8 percent. The historical trends are just as bleak: Between 1975 and 2007, while average real weekly wages nearly doubled (increasing by 96 percent) in Manhattan, they went up by 1.1 percent in Queens, 1.7 percent in Brooklyn, 2.5 percent in Staten Island and 8.6 percent in the Bronx.⁴

As the gap between earning power and expenses in New York widened even while the economy added jobs, the number of working poor has jumped. In 2005, 46 percent of New Yorkers living below the poverty line held regular jobs, versus only 29 percent in 1990. Perhaps this isn’t surprising given that 31 percent of workers over the age of 18 in the five boroughs are employed in low-wage jobs; the share is even higher in the Bronx (42 percent) and Queens (34 percent).⁵

Not surprisingly, we conclude that the city’s sky-high cost of living is the single most important reason that so many middle class New Yorkers find life here untenable. But cost is not the only issue: as we detail, a number of other deep-seated problems put the squeeze on middle class New Yorkers. These include a local economy that now struggles to create jobs that pay middle-income wages and offer clear paths to advancement; a public education system that countless middle class families still consider inferior; a mass transit system that, even before the recent MTA budget crunch and the resultant decision to increase fares



and cut service, failed to keep pacing with the growing demand—particularly in middle class neighborhoods outside of Manhattan; and a rash of unsightly and unplanned development that has diminished the quality of life in several of the city’s low-scale neighborhoods.

The story begins, however, with cost concerns. The basic cost of living in the five boroughs has risen much more rapidly than the incomes earned by most middle-income New Yorkers. The ACCRA Cost of Living Index, an analysis by the Council for Community and Economic Research, finds that Manhattan is by far the most expensive urban area in the United States, with an aggregate cost of living (224.2) more than twice the national average (100) and considerably higher than the second most expensive city (San Francisco, at 173.6).⁶ But the other boroughs don’t necessarily provide much relief: Queens had a higher cost of living (156.2) in the third quarter of 2008 than all but four of the 315 major urban areas measured. Only Manhattan, San Francisco, Honolulu (163.6) and San Jose (157.4) were more expensive.⁷ Brooklyn likely is as or more expensive than Queens, with the Bronx and Staten Island more affordable but still well above the national norm.

Not surprisingly, housing costs constitute a significant part of the cost burden. In the third quarter of 2008, only 10.6 percent of all housing in the New York City region was affordable to people earning the median income for the area—the lowest share of any major metro area in the United States. According to Reis, Inc., a New York City-based real estate research company, the city’s “average effective rent”—a measure which factors free rent incentives and other landlord concessions into the price of rent—during the fourth quarter of 2008 was \$2,801, 53 percent higher than the second place city (San Francisco, \$1,827) and almost three times the national average (\$995).⁸

Housing is not the only problem, however. City residents pay among the highest prices in the nation for electricity. Telephone service, auto insurance, home heating oil, parking and milk are also higher in New York than virtually anywhere in the continental U.S. The combined state and local tax bill is also tops among major cities. And in recent years all of these costs rose much faster than salaries for the average middle class worker: Between 2002 and 2007, the cost of home heating oil in the city shot up by 125 percent, the average property tax bill increased by 67 percent, milk prices rose by 60 percent, electricity bills were

up by 27 percent and telephone service cost 16 percent more. Of course, home prices (77 percent) and apartment rents (16 percent) increased as well.

A significant share of middle class New York families also end up paying tens of thousands of dollars a year in additional expenses that their counterparts elsewhere can minimize or avoid. For instance, since most middle class families in New York today require the incomes of two working parents just to get by, child care becomes a necessity for those without grandparents or other relatives to look after young children. These costs typically run from \$13,000 to \$25,000 per child, per year—and families often need to keep their kids in day care until at least age four, when they can enroll them in schools.

Second, and perhaps equally significant, New York City’s job mix has shifted away from positions that provide middle-income wages and benefits. Indeed, both the city and the New York metropolitan region have lost a far greater share of jobs in blue collar sectors like manufacturing and wholesale trade than most other major cities. In 2007, the manufacturing sector accounted for just 3.2 percent of all private sector jobs in New York City, versus 12.7 percent in Los Angeles, 11.3 percent in Chicago, 10.6 percent in Houston and 7.1 percent in Boston. On the opposite end, health care and social assistance—one of the lowest paying industries—comprises a much larger share of jobs in New York than in other cities. In 2007, it made up 17.4 percent of all private sector jobs in New York City, up from 12.7 percent in 1990. By comparison, Charlotte (8.6 percent), Washington, DC (9.7 percent), San Francisco (10.8 percent), Houston (10.9 percent), Los Angeles (11.0 percent), Chicago (11.8 percent) and Boston (15.8 percent) all had smaller shares of their private workforce in this field in 2007.⁹

Unfortunately, even before the recent Wall Street meltdown, there were few signs that the city’s economy will begin producing more middle-income jobs anytime soon. Almost all of the occupations that are expected to grow the most in New York City over the next half-decade pay low wages. Of the 10 occupations that are expected to have the largest number of annual job openings in the city through 2014, only two offer median wages greater than \$28,000 a year. Taking a wider view, 16 of the 40 occupations projected to have the largest number of annual job openings over the same period pay median wages below \$30,000 a year, while another six pay between \$30,000

and \$40,000.¹⁰

A third factor working against middle class New Yorkers is the inferior quality of the city's public schools, which continue to push large numbers of middle class families out of the five boroughs. Despite some improvement in school performance under the Bloomberg administration, our research finds that many families who would otherwise stay in the city end up leaving when their kids are ready to enter elementary or middle school. Simply put, many parents have no faith in the city's schools, and either can't afford private schools or simply prefer public schools in another location.

For years, the city's network of parochial schools provided a quality educational alternative at relatively affordable rates for many middle class families. Though a number of them undeniably remain standout institutions, several New Yorkers interviewed for this study believe that parochial schools no longer offer the strong alternative they once did. In many cases, tuition has gone up considerably; more importantly, dozens of schools have closed and many of those that remain struggle with large class sizes and unlicensed instructors.

Fourth, long commuting times on public transportation have caused a serious diminution of the quality of life for countless New Yorkers living outside of Manhattan, prompting many to consider moving to suburban communities where commutes might be shorter or more comfortable. As the ever-higher cost of housing has impelled these middle class residents further out into the other four boroughs, the frequency and quality of public transportation to these areas has not kept pace. Nationally, the average trip to work takes 25.5 minutes, but for outer borough residents it takes far longer—from 38.5 minutes in Greenpoint and 45.3 minutes in Bensonhurst to 49.5 minutes in Co-op City and 51.7 minutes in St. Albans.

Finally, much recent residential development in the middle class enclaves that remain often seems disturbingly out of scale with existing neighborhoods. This constitutes a major source of consternation for community residents, many of whom specifically chose their locations for the amenities of one- and two-family homes, quiet streets and ample parking.

To be sure, the city's middle class may find some short-term relief as home prices and apartment rents continue to plunge in the months ahead. And with new building projects practically grounding to a halt, concerns about overdevelopment will at least temporarily abate.

Yet, some of the problems we identify in this report will only get worse. The acceleration of the city's economic crisis—which is expected to produce 243,000 job losses over the next two years—will undoubtedly push numerous working poor residents deeper into poverty and bring financial insecurity to scores of solidly middle class families that bought expensive homes here in recent years based on the expectation that two members of the household would hold full-time jobs. Meanwhile, MTA budget cuts will result in fewer trains and buses—not more. And budget cuts planned for the Department of Education will strain efforts to improve city schools.

Finally, while some basic expenses will come down in price, others will stay the same or go up. For instance, Con Edison recently won preliminary approval from the state to raise electricity prices by roughly eight percent. Subway fares, property tax rates and sales taxes are also poised to increase.

Unless we find ways to reverse some of the trends detailed in this report, the New York of the 21st century will continue to develop into a city that is made up increasingly of the rich, the poor, immigrant newcomers and a largely nomadic population of younger people who exit once they enter their 30s and begin establishing families. Although such a population might sustain the current "luxury city"—as Mayor Michael Bloomberg famously described New York—it betrays the city's aspirational heritage. Further, a New York largely denuded of its middle class will find it nearly impossible to sustain a diversified economy, the importance of which is clearer than ever in light of the current finance-led recession.

As a final consideration, a large and thriving middle class has always provided the ballast that a great city requires. Throughout modern history, such cities at their height—for example, Venice in the 15th century and Amsterdam in the 17th—have nurtured a large and growing middle class. But no city has had a greater history as a middle class incubator than New York. As the legendary urbanist and long time New York resident Jane Jacobs once noted: "A metropolitan economy, if working well, is constantly transforming many poor people into middle class people, many illiterates into skilled people, many greenhorns into competent citizens... Cities don't lure the middle class. They create it."¹¹

Although some may suggest that this is a role New York can no longer play, we believe it is one that the city needs to address if it is to remain a truly great city.

WHO IS MIDDLE CLASS IN NEW YORK?

In most cities, the question of how to define “middle class” is pretty easily answered: researchers generally consider 80 to 120 percent of an area’s median family income as the parameters of middle class, a formula also used by some government housing agencies to determine income limits for middle-income housing. New York City’s median household income in 2007 was \$48,631,¹² which implies that families with annual incomes between \$38,905 and \$58,937 meet the definition of middle class.

Given the vastly higher cost of living in New York City, however, it is doubtful that any New York household that earns even \$60,000 per year enjoys a quality of life that remotely approaches what we typically imagine as “middle class.” The “New York City premium” on goods and services from housing and groceries to utilities and transportation means that a \$60,000 salary earned in Manhattan is the equivalent of making \$26,092 in Atlanta; \$31,124 in Miami; and \$35,405 in Boston. In less-expensive Queens, that same \$60,000 salary carries only as much purchasing power as \$37,451 in Atlanta, \$44,673 in Miami, or \$50,819 in Boston.¹³

In other words, income levels that would enable a very comfortable lifestyle in other locales barely suffice to provide the basics in New York City. “What you would call middle class elsewhere you would call working poor here,” says Lilian Roberts, president of DC 37, the city’s largest municipal union. “Most of our members have all the status symbols of the middle class, including credit cards, TVs and cars. So they don’t see themselves as being poor, even when they can’t afford decent health care or child care.”

“Together, my wife and I make about \$160,000 a year,” adds one nonprofit executive who lives in Brooklyn with his wife and two kids, one of which attends a private middle school and the other a public elementary school. “In pretty much any other city, that would put us in the top one percent. Here, we’re just digging out of a hole.”

A 2006 report by the Drum Major Institute, a policy institute, concluded “it actually takes \$75,000 to

\$135,000 for a family of four to have a middle-class standard of living in New York. For a single individual, the middle class range is \$45,000 to \$90,000.”¹⁴

People we interviewed for this report generally agree that families making well over \$100,000 are merely middle class in New York. Some argue that families with two or more kids are still middle class if they have a combined income of \$200,000. “Middle class to me is over \$100,000, says Siu Kwan Chan, director of the Renaissance Economic Development Corporation, a subsidiary of Asian Americans for Equality. “\$50,000 is really difficult to survive on in New York.”

Many we spoke with say that income is less relevant to defining New York’s middle class than when they bought their apartment. “What is middle class? It depends when you got into the real estate market,” says Jay Greenspan, a freelance writer living in Brooklyn. “If you got into the market 10 to 15 years ago, you can earn \$75,000 a year [and be middle class]. If you’re trying to get in today, it probably takes \$250,000.”

Historically, the popularly understood definition of middle class has often gone beyond income levels to include education and other intangible factors. This is how David K. Shipler described the term in a 1969 article about the middle class in the *New York Times*: “The term ‘middle class’ is difficult to define by income, because it connotes not just earning power, but a style of life, a set of values and tastes, a level of education and a class of occupation.”¹⁵

We take a relatively loose definition of middle class. In this study, we use it to indicate those who own homes or have the prospect of becoming homeowners, earn at least in the middle quintile of wages and enjoy a modicum of economic stability. The last point may be the most critical today. In that sense, being middle class means having enough money coming in—or in reserve—that you can pay your bills every month, have health insurance, own a home computer or laptop with Internet access, afford to live in a safe neighborhood, send your kids to a quality public school and take a vacation at least once a year.

WHY IS A MIDDLE CLASS IMPORTANT?

Is it really that important to worry about the possible decline of New York's middle class when the city has added so many well-heeled residents in recent years? For us, the answer is an emphatic "yes."

There's no doubt that the growing number of affluent New Yorkers has brought considerable benefits to the city. Their outsized incomes and lavish spending pumped billions of dollars into city coffers, fueled a good part of the now-fading housing boom and the growth of thousands of jobs in industries that service their luxurious needs, from dog walkers to limo drivers. Their purchasing power also spurred countless entrepreneurs to open high-end restaurants, wine bars and custom furniture shops.¹⁶

Yet, the middle class are ultimately more important to New York's success and future growth. The middle class are the backbone of the city's workforce—the book editors, web designers, lab technicians, architects, nurses, paralegals, actors, university professors, carpenters and bus drivers that provide the foundation for so many key industries. "The middle class are the professional people that really make the city run," says Rev. Edwin Reed, chief financial officer of the Greater Allen AME Cathedral, a Jamaica-based congregation.

The middle class contributes significantly to the city's vitality and vibrancy. They are far more diverse than the wealthy, not only ethnically but also in terms of their backgrounds, shopping habits and entertainment choices. While they may not regularly frequent boutiques on Madison Avenue or the city's four-star restaurants, the middle class provides the customer base for a wide mix of businesses across the city, including many of the independent stores, cafés, shops and cultural venues that help give New York its unique identity. They also add to New York's street life simply by being in the city; while many wealthy residents leave the city on the weekends for second and third homes in Aspen, the Hamptons and other hot spots, the middle class are more likely to stay put and spend their weekends in the city.

When neighborhoods become for upper-income residents only, or are dominated by foreign owners who live here part-time, street life declines and entrepreneurs take fewer chances with new retail, dining and entertainment ventures.

As such, the middle class provides critical stability as well as vitality to neighborhoods across the city. While the wealthy tend to be concentrated in Manhattan and a few neighborhoods in the other boroughs, the middle class are found in nearly every corner of the city. They account for a large share of the city's homeowners, who have a built-in self interest in ensuring the long-term health of their communities. But whether they own or rent, middle class New Yorkers tend to be more engaged in local civic matters than the wealthy, who have the luxury of being able to move elsewhere if the going gets tough. In community after community, middle class residents have pressured local officials and principals to improve the local schools, while affluent New Yorkers typically send their kids to private schools and have no stake in the public school system.

Data indicates that the middle class vote in higher numbers and take a more active involvement in their children's school than the poor. In the 2004 presidential election, the voting rate of citizens in the United States living in families with annual incomes greater than \$50,000 was 77 percent, compared with 48 percent for those living in families with incomes under \$20,000. Similarly, registration and voting rates increase at every successive level of educational attainment: citizens with a bachelor's degree have a voting rate of 78 percent; almost double that of those who had not completed high school (40 percent).¹⁷

Meanwhile, 80 percent of parents with at least a bachelor's degree attended an event at their child's school, compared to 45 percent of parents with less than a high school education. At the same time, 45 percent of parents in households that are above the poverty level acted as a volunteer or served on a committee at their kid's school, compared to 27 percent for parents living at or below the poverty line.¹⁸

THE CITY OF ASPIRATION: A HISTORICAL OVERVIEW

A great city by its very nature enables possibilities that could not come to be anywhere else. Perhaps no place has shown this dynamic through the centuries more than Amsterdam, the city whose financiers and entrepreneurs did so much to shape New York. Descartes observed that, in his day, this great Dutch city represented an “inventory of the possible.”¹⁹

Holland’s expanding middle class proved critical to its development as both a major business and cultural center in the early 17th century. The greatness of Amsterdam in particular grew as a highly diverse and entrepreneurial population made economic, cultural and social innovations unmatched anywhere in contemporary Europe. In much the same way, by the mid-1600s, its namesake New Amsterdam, a tiny settlement on Manhattan Island, also lured an astounding variety of citizens among its 1,000 residents. Eighteen languages were spoken and numerous faiths practiced.²⁰ Appropriately, the counting house, not the church or any public building, stood as the most important civic building.²¹

Even after the Dutch were pushed out of the new colony by the militarily more powerful and more numerous British,²² the bustling island city—renamed New York—retained its character as a fundamentally commercial city. Seeing the greater opportunities before them, most of the Dutch, Walloons, French, Jews and Africans chose to remain after the transfer of power and continued to increase their numbers under British rule.

Those who followed came largely because they saw in New York an ideal environment for skilled artisans and traders with high expectations.²³ The city’s pre-eminence rested not on political power but on its role as the leading port for both goods and immigrants.²⁴ Other important cities of the early 19th century, including Philadelphia and Boston, also created great opportunities for their residents, but New York emerged as the principal North American bastion for those seeking to improve their lives.²⁵ As historians Charles and Mary Beard noted of New York’s residents, “All save the most wretched had aspirations.”²⁶

HOW MUCH DOES IT TAKE TO BE MIDDLE CLASS?

An analysis of what a person living in Manhattan, Queens and other cities needs to make to enjoy a similar standard of living as someone earning \$50,000 a year in Houston



Source: All calculations from the Cost of Living comparison tool on CNNMoney.com: <http://cgi.money.cnn.com/tools/costofliving/costofliving.html>. Calculations made on January 29, 2009.

New York's 19th century growth was rapid and mostly unplanned, the result of largely unrestrained entrepreneurial energies coupled with a strong commitment to development of critical basic infrastructure. Gotham was to that century what Los Angeles, Phoenix, and Houston would be to the next. The sense of opportunity and lack of class stability startled many Europeans. As the French consul to New York complained in 1810: "...the inhabitants...have in general no mind for anything but business."²⁷

Early New York was not inherently pleasant or culturally edifying. Although its wealth ultimately would make New York the world's cultural capital, visitors from more genteel Philadelphia and Boston often regarded 19th century New Yorkers as crass and far too money-oriented: New York did not have a major public fine arts institution until the late 1870s.²⁸

New York's urban culture was shaped far more by the efforts of ambitious entrepreneurs than intellectuals or philosophers; the result was a dynamic social environment in which many who got their starts as skilled artisans and shopkeepers quickly rose into the ranks of the middle class—and, frequently, even higher.

NEW YORK'S SOCIAL AND ECONOMIC EVOLUTION

By the eve of the Civil War, New York was not only the nation's premier port but its largest industrial city, a status it would retain for over a century. Many of the sectors that contributed to New York's preeminence—such as the garment industry, which was to become the largest locus of manufacturing employment—came from the strenuous efforts of immigrants.²⁹

Initially many of those who worked in garments were poorly paid. But over the 20th century the industry performed two critical functions. First, it provided opportunities for small shop owners, jobbers, lenders and manufacturers, many of them Jewish immigrants, to enter the middle and even upper middle class. Garment firms could be started with relatively little money; sewing machines and other needed equipment were relatively inexpensive. Financing was readily available, and skilled workers, such as cutters and tailors, often became factory owners and provided an opportunity path for upward mobility to newcomers with limited educational backgrounds.

The second function emerged throughout the early decades of the 20th century, as workers in the garment industry gradually became organized. Although never as well-compensated as some workers in other industrial sectors, garment workers gradually won benefits such as health care, access to low-cost housing and pensions. For many, the legacy of the "sweatshop" may not have been riches, but particularly in union shops, work at least offered a path out of poverty and into the lower reaches of the middle class.

Although garments represented the city's largest manufacturing industry, this pattern of smaller shops proliferated throughout the economy. Unlike the industrial Midwest, New York's economy was dominated not by large-scale production but by literally thousands of smaller shops, each representing an opportunity for at least one family to climb into the middle class and beyond. French historian Fernand Braudel noted that this unique industrial structure lay at the root of New York's mid-century prosperity, and that prosperity evaporated as that structure began to decay: "Over the twenty years or so before the crisis of the 1970s, New York—at that time the leading industrial city in the World—saw the decline of one after another of the little firms, employing less than thirty people, which made up its commercial and industrial substance—the huge clothing sector, hundreds of small printers, many food industries and small builders—all contributing to a truly 'competitive' world whose little units were both in competition with, yet truly dependent on each other."³⁰

This economy of "the little men," as Braudel describes it,³¹ absorbed not only foreigners, but newcomers from rural America, including by the early 20th century many African-Americans. As sociologist Gunnar Myrdal noted in 1944, the "Great Migration" of African-Americans from the rural south to places such as Harlem created "a fundamental redefinition of the Negro's status in America." Urban life had its horrors, but in the cities it became increasingly difficult to restrict a person into "tight caste boundaries." African-American migrants from the South may have been different in many ways from immigrants from Italy, Ireland or Russia, but their fundamental aspirations were often very much the same.³²

While barriers of racial and ethnic prejudice, resistance to newcomers from local business elites, and periodic recessions all lined the road to upward

mobility, opportunities generally expanded for the middle class through the period of years between the 1930s and the 1970s. This epoch can be seen as a kind of golden age of the aspirational city, with the middle and working classes making unprecedented new gains, particularly after the Second World War.³³

THE RISE OF THE OUTER BOROUGHES

These gains were not just monetary. Modern urbanists might romanticize life in the dense, crowded inner cities, but for millions of New Yorkers, the move out of the core offered a vastly improved way of life. As the city expanded outwards, families could enjoy both access to the urban economy and a more bucolic setting. This process was accelerated by the incorporation of the outer boroughs into New York City in 1898 and further enabled by rail construction and, for better and for worse, new intra-city highways.

The consolidation not only made New York the empire city, but also allowed for the evolution of a new kind of urbanity spread across 322 square miles, by far the largest city east of the Mississippi. New York, as demographer Andrew Beveridge has noted, was “the Sunbelt of the 1910s and 1920s,” with a population that doubled between 1900 and 1930.³⁴

Most of this growth took place outside Manhattan. The massive public works constructed under Robert Moses in New York allowed places like Queens, long a rural backwater, to nurture the creation of new bedroom communities.³⁵ Notably, the construction of the Bronx Whitestone Bridge in 1939 opened up then-fairly exclusive northwest Queens to working class settlers from highly congested parts of the Bronx or Manhattan.

The rapid growth of the outer boroughs not only relieved the burgeoning inner city—New York’s population nearly doubled in the first half of the 20th century—but also created a new kind of urban life, which added the pleasures of the single family home and automobile to older patterns of settlement. Critics derided the tracts of Tudors, ranches, and colonials that rose chock-a-block as tasteless; historian Robert Caro described them as “blossoming hideously.”

Yet these new places—simultaneously urban and suburban—offered willing occupants an attractive alternative to the tenement life that they suffered in Manhattan, Downtown Brooklyn, and the South Bronx. In the 1920s alone, more than a million people

joined this exodus outward. The movement, accelerated by highway construction, also brutalized many neighborhoods and worsened conditions for the urban poor who were now left behind.³⁶ Yet overall, the dispersion of New York offered millions something that they wanted: an affordable place that provided a “middle landscape” of tree-lined streets, parks, and broad car-friendly boulevards.³⁷

This pattern of decentralization supported not only the expansion of Manhattan’s office economy, which could be accessed by public transit, but also a geographically diversified economy based around such activities as manufacturing, warehousing and local business services. The port was king; by the 1920s half of the country’s imports and exports ran through New York Harbor. Although Manhattan always retained its preeminence, Downtown Brooklyn and many other smaller regional centers maintained their own vital economies. The city spent a significant portion of its vast wealth on bridges, tunnels, transit lines and other infrastructure to knit the boroughs together.³⁸

The third quarter of the 20th century saw the decimation of this diverse economy, and with it much of New York’s wherewithal to create and sustain middle class jobs and lifestyles. In less than a quarter century, the city lost 80 percent of its generally well-paying 50,000 longshoreman jobs and hundreds of thousands of similarly compensated industrial positions. The high-end service economy based in Manhattan continued, on and off, to expand and contract, but this more diverse economy—both in geographical and sectoral terms—waned, with the outer boroughs taking a disproportionate hit.³⁹

Traditional middle class bastions in the outer boroughs shrank, as did their diversified economy. “Manhattan’s wealth has been a curse to Brooklyn,” suggests Cooper Union historian Fred Siegel, himself a long-time resident of Flatbush. “The city’s infrastructure was allowed to collapse because Wall Street was doing well and Manhattan thought the city didn’t need an old-fashioned industrial base.”⁴⁰

With that Wall Street-dominated economy in deep trouble, this danger of the city’s dependence on Manhattan has never been greater. As we will suggest below, there is a clear need to return to some semblance of the geographic and industrial diversity that served New York so well in the first half of the last century.

WHY THEY CAN'T MAKE IT HERE

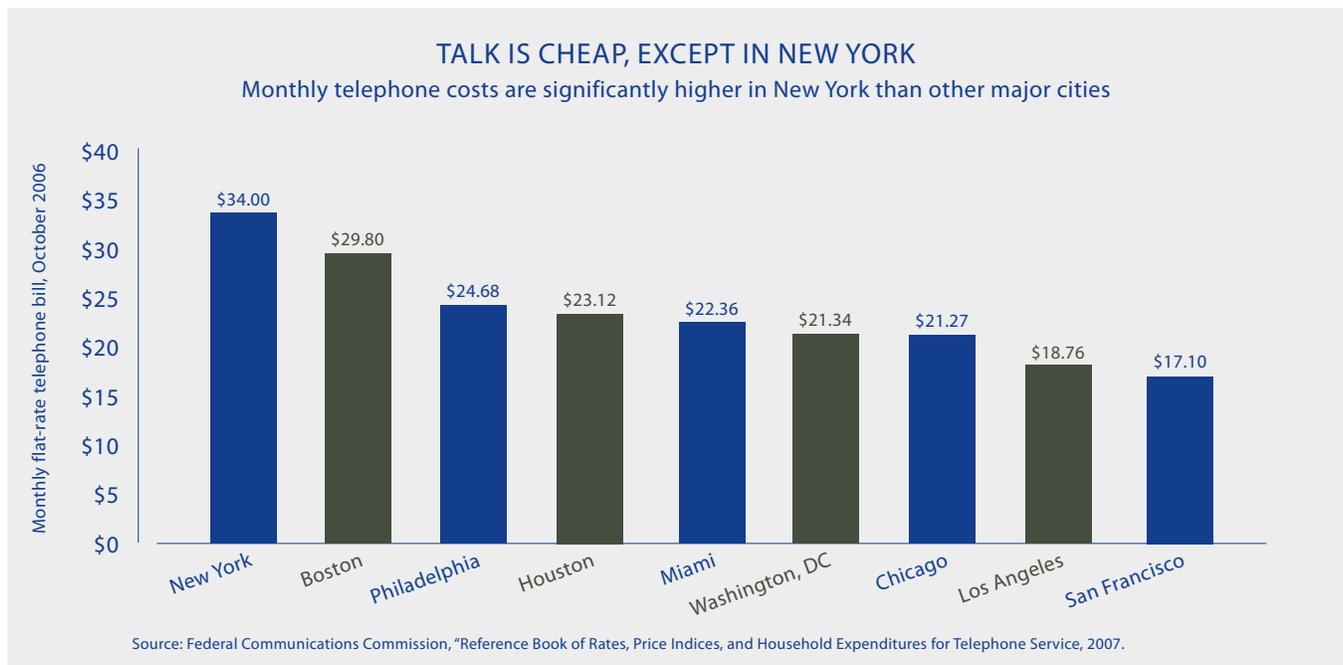
New York's exorbitant cost of living is making the city out of reach for many in the middle class

If it wasn't already clear that the cost of living in New York City is greatly out-of-whack with the rest of the country, it certainly became apparent in early 2008 when a new condo development in Brooklyn Heights began selling individual parking spaces—not apartments, parking spaces—for as much as \$280,000.⁴¹ Of course, many New Yorkers don't even own cars, and few of those who do pay such absurd prices: a garage today generally rents for between \$2,000 and \$5,000 a year in neighborhoods like Sunnyside and Park Slope. Yet, the case illustrates a sober reality about life in the five boroughs: New Yorkers not only pay among the highest prices in the country for basic necessities, but they also frequently have to dig into their wallets to pay for things people elsewhere get for free or much less.

New Yorkers pay considerably more for housing, on average, than people in every other city in the country. (See "Through the Roof, page 19)

But housing constitutes only one element of New York's out-of-sight cost of living. City residents also pay more in taxes, electric bills, groceries, phone bills and virtually every other imaginable expense. And many New Yorkers also have to shell out some of the highest prices anywhere for child care, secondary education and, yes, parking—costs that many people in other cities are able to avoid.

All of this adds up to exert enormous pressure on city households. Even though New York salaries tend to be somewhat higher for middle class professionals than those in other parts of the country, the overall cost of living makes it difficult, if not impossible, for most to enjoy the money they make in a manner they could elsewhere. A comparison below between the actual cost of living and average salaries in New York, Houston, Dallas and other cities makes this clear.



The “NYC premium” also makes it exceedingly difficult for poor and working class New Yorkers to get out from under their debts and develop a measure of economic security. It creates high barriers to home ownership, forces a broad range of New Yorkers to devote funds towards immediate expenses instead of saving for a home, retirement or a child’s college education and leaves little wiggle room for both the poor and the moderately well-off to weather unexpected events, such as a layoff or medical emergency.

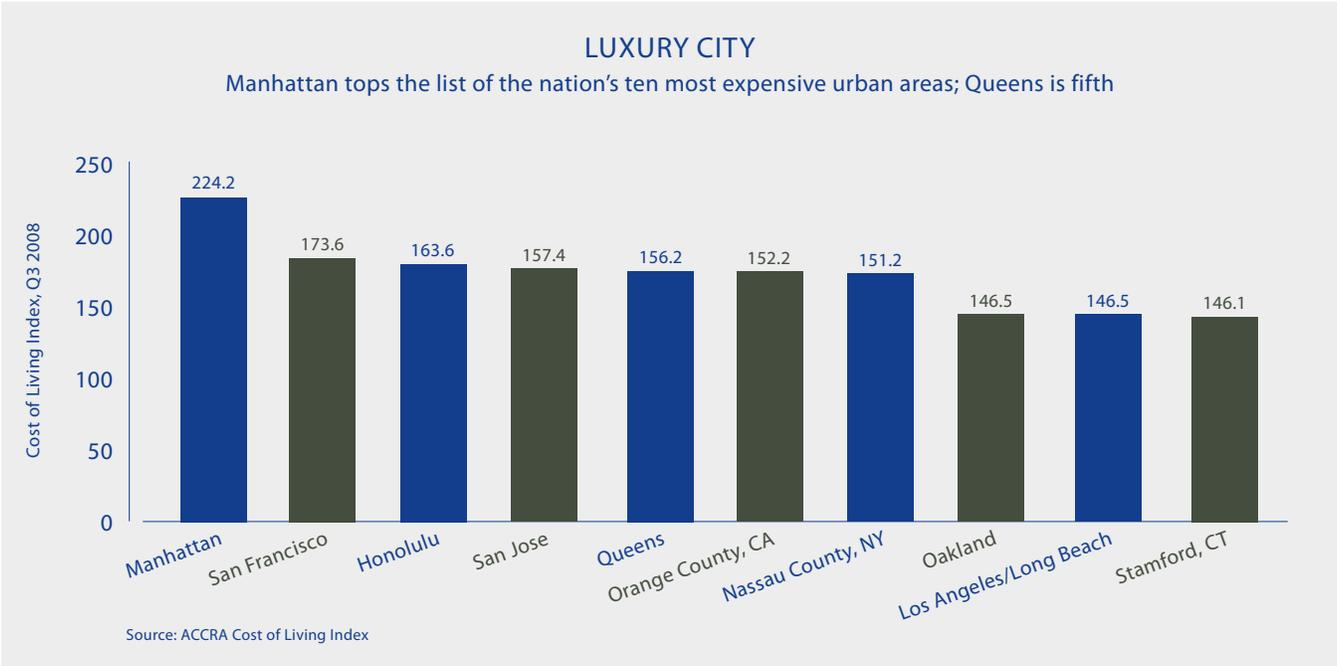
The city’s steep costs are perhaps the single biggest reason why so many middle class New Yorkers leave the city every year. “I know lots of people who’ve left when they have kids. They just can’t afford it,” says Heather Chaplin, a freelance writer and author who lives in Park Slope. Though she made around \$65,000 in income in 2007 and lives in a condo she bought in 2001, prior to the recent run-up in housing prices, Chaplin says that it’s difficult to stay ahead of her bills living here. “I don’t shop. I don’t eat out. I don’t get cable. I don’t get any magazines. I cancelled my *New York Times* subscription. I cancelled my [landline] phone. I don’t have a retirement account,” she says. “But it’s hard to keep my expenses under \$5,000 a month between mortgage condo fees, membership at Brooklyn Writers Space [a facility in the neighborhood used by freelance writers], Con Ed, cell phone and groceries.”

New York has always been an expensive place to live, but the costs have gone up significantly in recent years, as expenses have risen much faster than wages. “Gas, housing, electricity, food. . . it has all gone up and our wages have not [kept pace],” says Jim Tucciarelli, president of Local 1320, which represents roughly 900 sewage treatment plant workers. “It has become impossible to live in the city on a sewage treatment worker’s salary.”

David Galarza, a community leader in Sunset Park, says that the city’s escalating costs are not only making pushing longtime residents out of the working class neighborhood where he works; they’re actually prompting people living in Puerto Rico to think twice about moving to New York. According to Galarza, Puerto Ricans are again in the process of migrating to the States, in part due to recent economic problems on the island—but not to the fabled Nuevo York.

“A lot of folks are leaving the island [Puerto Rico] and coming back to the U.S., but not to New York,” Galarza says. “Years ago it was a given that you came to the largest Puerto Rican community outside of Puerto Rico [New York]. But many can’t make it here anymore.”

According to the U.S. Bureau of Labor Statistics, the cost of living in New York climbed faster than most other cities during the past decade. Between 1997 and 2006, the city’s consumer price index, a leading indicator of changes in the prices paid by



consumers for a representative basket of goods and services, increased by 29.2 percent while the national average for cities jumped by 25.6 percent.⁴² Additionally, New York City's cost of living continued to climb in the last few years while prices steadied or declined in several other major cities. For example, the ACCRA Cost of Living Index rose by 11 percent in Manhattan and 4 percent in Queens between the third quarters of 2005 and 2008, while it actually fell for other expensive cities like San Francisco, Los Angeles and San Jose.⁴³

Today, Manhattan is by far the most expensive urban area in the country, with a cost of living that's more than twice the national average and far ahead of any other city, according to a cost of living index developed by ACCRA. The only other New York City borough included in the ACCRA analysis is Queens, which has the fifth highest cost of living in the country, behind only Manhattan, San Francisco, Honolulu and San Jose.

An individual in Houston who earns \$50,000 would have to make \$123,322 in Manhattan and \$85,918 in Queens to live at the same level of comfort, according to ACCRA's Cost of Living Calculator. Someone moving from Houston to Manhattan would pay 68 percent more for groceries, 447 percent more for housing, 54 percent more for utilities, 22 percent more for transportation and 38 percent more for health care.⁴⁴

Our analysis shows that this data might not even capture the full extent to which costs in New York outpace the rest of the nation and create an overwhelming burden for middle class New Yorkers. Consider the following set of expenses:

ELECTRICITY

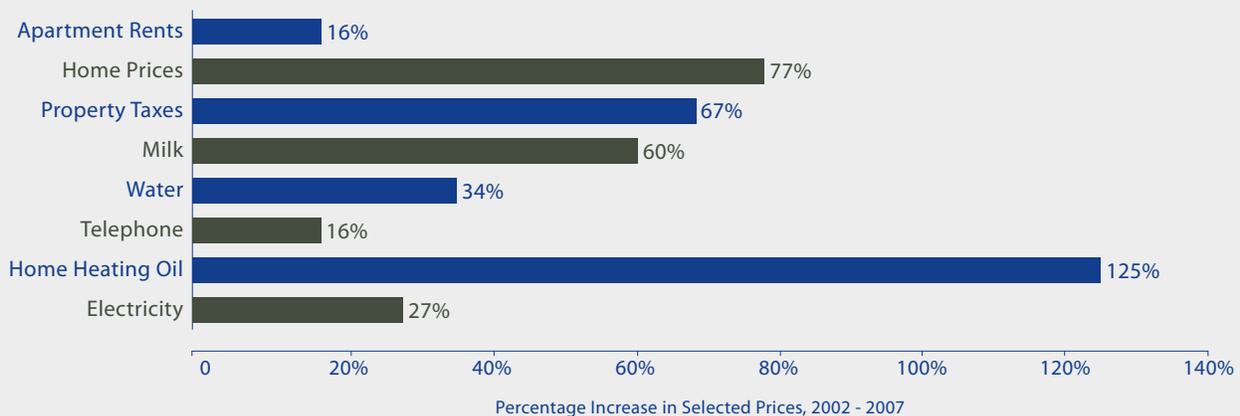
- Electricity bills are higher in New York than anywhere in the nation except Hawaii. And they've climbed sharply in recent years. Residential electricity prices increased by 27 percent between 2002 and 2007.⁴⁵
- Commercial customers in New York paid an average of 18.37 cents per kilowatt hour (kWh) in 2006, almost twice the national average of 9.46 and substantially higher than other major cities such as Chicago (7.65 cents per kWh) and Los Angeles (14.45).⁴⁶
- Between 2001 and 2006, average prices increased for Con Ed commercial customers in the city by nearly 18 percent—from 15.69 cents per kWh to 18.37.⁴⁷

HEATING OIL

- Home heating oil prices in New York City in December 2008 were down considerably from the previous winter. Yet, even after the recent decline, prices in the five boroughs are nearly triple what they were a decade ago: the monthly average

BREAKING THE BANK

Over the past five years, New Yorkers have had to pay significantly more for everything from milk to home heating oil



Source: Energy Information Administration; Federal Communications Commission; NYC Water Board; New York State Department of Agriculture and Markets; NYC Independent Budget Office; NYC Department of Finance; CitiHabitats. Property tax levy is for the average 1, 2 and 3 family home in NYC. Telephone bill is for flat rate service from 2002 through October 2006. Home prices are median sales prices for single family homes in NYC. Apartment rents are average Manhattan rents for a 2 bedroom apartment.

home heating oil price rose by 243 percent from December 1998 to December 2008, from \$1.08 per gallon to \$2.78 per gallon. (In December 2007, the cost was \$3.51 per gallon.)⁴⁸

- According to an October 2008 analysis by *Forbes*, New York City's home heating costs were the seventh highest among the nation's leading cities.
- One Astoria homeowner interviewed for this report says that heating oil prices have jumped from 99 cents a gallon in 1997, when he bought his attached, two-family house, to \$4.20 a gallon in early 2008. If, as he says, he fills up his 275-gallon tank about once a month between September and April, his annual fuel bill would have gone up from \$1,906 to \$8,805.

AUTO INSURANCE

- For this analysis, we computed "ballpark" auto insurance rates on Allstate.com for people living in each of the five boroughs and a handful of other major cities. We received rate quotes for individuals with the same characteristics—a 37 year-old married male driving a 2006 Toyota Corolla who has been in no accidents in the previous five years and has an excellent bill payment history. We then calculated rates for parts of New York and other cities with similar income levels.
- The results indicated that New York City residents pay significantly more for auto insurance than their counterparts elsewhere. An individual with the set of characteristics noted above would pay \$880 a year on New Dorp, Staten Island; \$1,040 in Co-op City, the Bronx; \$1,140 in Maspeth, Queens; \$1,250 in Bensonhurst, Brooklyn; and \$1,310 in Inwood, Manhattan. In contrast, the rates would be \$450 in Atlanta; \$610 in Washington, DC, \$640 in Chicago, \$840 in Houston and \$920 in Philadelphia; the Bensonhurst resident would pay between 36 percent (Philadelphia) and 178 percent (Atlanta) more for the same policy.

GROCERIES

- New Yorkers pay higher prices for milk than residents of all but four other cities. In September 2008, a gallon of whole milk in the city cost an average of \$4.08. Only New Orleans (\$4.95), Minneapolis (\$4.46), Miami (\$4.19) and Kansas City (\$4.15) had higher prices. The national average was \$3.82.⁴⁹

- Between 2002 and 2008, milk prices rose by a higher percentage in New York City than any other U.S. city except Milwaukee. The price of milk here rose by 50 percent; nationally, milk prices jumped by 33 percent.⁵⁰
- Manhattan was the most expensive city for ground beef, toothpaste and a bottle of wine, according to ACCRA. It was the second most expensive city to buy groceries, behind only Honolulu, the most expensive place for veterinary services and the fifth most expensive place for a cup of coffee.⁵¹

PHONE BILLS

- New York City had the fourth highest monthly landline phone rate among 95 major U.S. cities tracked by the Federal Communications Commission (FCC) in October 2006, the most recent month for which comparative data is available. Verizon's flat rate service in New York City cost \$34 at the time, only behind Milwaukee (\$37.01), Racine, WI (\$36.99) and Buffalo (\$35.71). The rates in the five boroughs were considerably higher than other large cities, such as Philadelphia (\$24.68), Miami (\$22.36), Chicago (\$21.27), Los Angeles (\$18.76) and San Francisco (\$17.10).⁵²
- Telephone rates in New York City increased by 36 percent between 2000 and 2006. Phone bills didn't rise as fast elsewhere, such as Los Angeles (with an 11.2 percent increase during this period), San Francisco (11.6 percent) and Philadelphia (27.2 percent).⁵³
- It costs significantly more in New York for telephone "connection charges including touch-tone, surcharges, and taxes" than most other cities. The rate is \$64.53. Of the 95 cities examined by the FCC, only Tampa, Ansonia, CT and Norwalk, CT had higher rates. Los Angeles and San Francisco are \$35.26. Chicago is \$38.39. Boston is \$14.59.⁵⁴

WATER RATES

- In 2008, the city approved a 14.5 percent increase for water and sewer rates in the five boroughs, the largest increase since 1992. Overall, water and sewer rates in the city have risen by 77 percent since 2001.⁵⁵
- City officials project that the average owner of a single-family home will pay \$800 for water in fiscal year 2009, compared to \$700 in fiscal year 2008.⁵⁶

TAXES

- New Yorkers pay higher taxes than people in any other major U.S. city, roughly 50 percent more than the average in other large cities. City taxes alone are 90 percent higher than the average in other major cities, according to a 2007 study by the Independent Budget Office.
- The average property tax bill for homeowners of a one-, two- or three-family home in New York City increased by 87 percent from fiscal year 2000 to fiscal year 2009 (from \$1,626.74 to \$3,375.85).
- Businesses also pay more. The average effective tax rate on businesses is 7.5 percent in the city, more than twice the rate in Westchester and 70 percent higher than Los Angeles, according to the Citizens Budget Commission.
- New York is one of just 11 states to impose mortgage recording tax on the sale of homes. Partly as a result, it has the most expensive mortgage origination and closing fees in the country. According to a 2008 survey by Bankrate.com, a resident of New York City getting a \$200,000 mortgage would pay an average \$3,830 in origination, title and closing costs—40 percent higher than the U.S. average.

CHILD CARE COSTS

To get by in New York, most families need both parents to work full-time—which means spending thousands per year in child care

Living in New York City presents a number of challenges for young families, but none is greater than finding quality, affordable day care. The four years between birth and pre-kindergarten – which marks the beginning of public school for 54,000 toddlers in New York each year⁵⁷ – can set parents back financially even more than the cost of paying for college, experts say.

According to government estimates used to gauge the value of vouchers and other subsidies, the market rate cost of nursery school for toddlers in New York City is \$13,260 per year; for infants it is \$19,240.⁵⁸ But, depending on the neighborhood, sending a child to day care for the full day, five days a week can cost as much as \$25,000 a year.⁵⁹ And that's not for a top-of-the-line program on the Upper East Side, but for basic child care at standard neighborhood organizations.

"New York has an acute shortage of day care centers," says Betty Holcomb, policy director at Child Care Inc, a Manhattan-based non-profit. "Regulated arrangements can only accommodate about half of the families that need care. And that affects everybody regardless of income."

Middle class families, however, are the most likely to feel the squeeze. They earn well above the \$47,700 cut-off for city-issued vouchers or federally subsidized programs like Head Start, but cannot manage the five-figure cost of day care.⁶⁰ Holcomb says that at current rates, a family of three earning \$55,000 a year will have to pay nearly half of their income for early childhood care. Families making \$100,000 will often pay more in day care costs than they do in monthly mortgage payments or rent.

Until their recent move to Forest Hills, Noemi Altman and her husband sent their one-year old to a nursery school called Kiddie Korner in Brooklyn Heights and paid \$18,000 a year for full-day care. That meant that they still would have had three more years before they could send him to public school, costing the parents, who are in their 30s, a grand total of \$54,000. At that price, Altman said she had to think long and hard about going back to work at all. "The job had to pay a whole lot more than \$18,000 a year for it to be worth my while," she said in a 2008 interview. "I wasn't going to go back just for the sake of working."

Manhattan's so-called "baby boomlet"—the borough's number of toddlers under the age of four grew 26 percent between 2000 and 2004—has been well-documented and publicized in recent years.⁶¹ But there's some evidence of drastically increasing numbers of young children in the other boroughs as well. Kiddie Korner director Shternie Raskin reports that demand has never been higher. "I've been here [in Downtown Brooklyn] 18 years, and I've never had a longer waiting list," she says.

As a result, day care centers are receiving more applications than they can accept, forcing families to apply to at least five or six different places. Besides costing hundreds of dollars in fees, filling out the applications are time-consuming and stressful; more often than not an interview and play-session are a required part of the admissions process. "One place we applied to," says Altman, "had a lottery for spots on the tour, and only on the tour could you get an application. We got into one place out five, and only then after a cancellation."

According to Holcomb, the city's day care shortage adversely affects young families most of all, since they typically earn less and have little in savings. "Affordable, high quality nursery schools can lift up a neighborhood in the same way public schools can," she says, "but we don't invest in the infrastructure and facilities needed to make them accessible."

Yet the real issue for the middle class is not having babies in the city—New Yorkers seem increasingly comfortable with that—but in being able to support their families as the children age and as families expand. In this context the crisis in day care could be directly related to the phenomena of more families with children ultimately choosing to leave the city despite their oft-stated desire to stay.

THROUGH THE ROOF

The rising cost of housing over the past decade, in virtually every corner of the city, is the single biggest factor pushing the middle class out of New York

With the average apartment in Manhattan selling for more than \$1.4 million (and the median price \$900,000) and studios renting for an average of \$1,800 a month in December 2008, it's hardly surprising that soaring real estate prices dominated the discussions in many of the focus groups we held.⁶² The cost of buying or renting a house or apartment has risen astronomically over the past five to 10 years—not only in Manhattan's toniest neighborhoods, but in communities from the Northeast Bronx to the South Shore of Staten Island.

Many New Yorkers are throwing up their hands in surrender and moving elsewhere. Meanwhile, those who stay are being forced to dig deeper and deeper into their wallets just to pay the rent or mortgage. Of course, the worsening economy, touched off by a mortgage crisis, seems likely to reduce some of these sky-high prices—at least in the outer boroughs—over the coming years. But mortgages will be harder to come by as banks impose much stricter

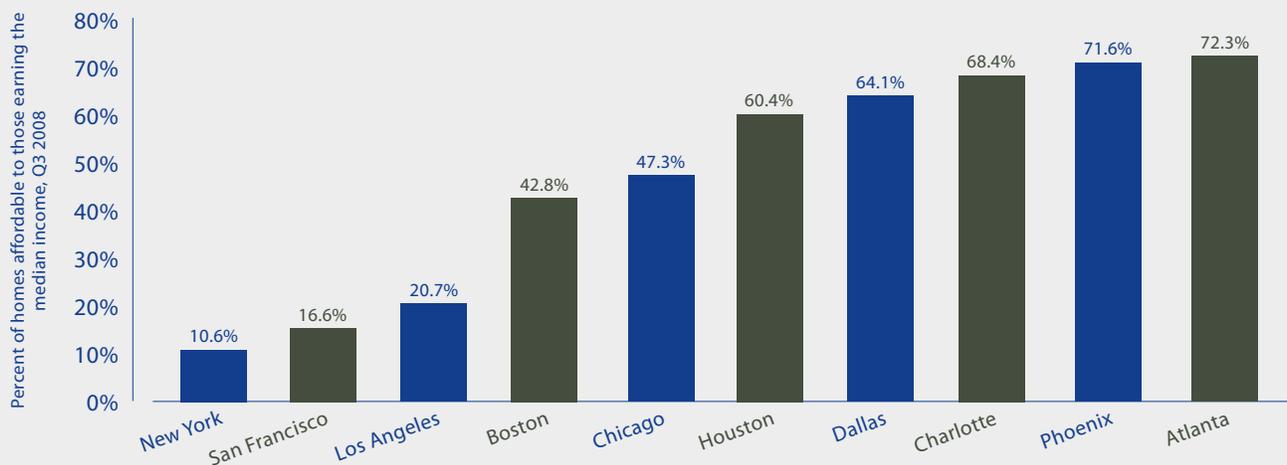
loan requirements to guard against further catastrophic losses. The mortgage meltdown, which started in heavily low-income parts of the city, now appears to be spreading to more traditionally middle class areas.⁶³

Under any circumstances, whether they rent or own, New Yorkers are likely to continue paying a higher percentage of their incomes for housing than anywhere in the country, and far more than they did a decade ago. At the same time, skyrocketing costs have pushed home ownership out of reach for a large majority of working New Yorkers in both boom and bust times.

In the third quarter of 2008, only 10.6 percent of housing in the metro region was affordable to people earning the median area income, the lowest share of anywhere in the country.⁶⁴ Even though housing prices rose steadily throughout the nation during the 1990s, most other major cities had a significantly higher share of housing that was afford-

IS THE AMERICAN DREAM OUT OF REACH IN NEW YORK?

In the third quarter of 2008, a smaller share of homes in the New York City region were affordable to those earning the median income than any other metro area



Source: Housing Opportunity Index, compiled by the National Association of Home Builders and Wells Fargo, third quarter 2008.

able to middle-income earners, including Boston (43 percent), Philadelphia (37 percent), Houston (60 percent), Charlotte (68 percent) and Atlanta (72 percent).⁶⁵ Even high-cost San Francisco (17 percent) and Los Angeles (21 percent) had a notably higher share of affordable housing.

The affordability gap shouldn't come as a shock given the sustained spike in housing prices. Between 1999 and 2006, the median sale price for single-family homes increased by 209 percent in Manhattan, 147 percent in Queens, 145 percent in Brooklyn, 142 percent in Staten Island and 131 percent in the Bronx.⁶⁶ Not only did sales prices jump through the roof during the past decade; so too did the amounts that homeowners pay each month in mortgage and maintenance costs. According to an analysis by professors at Queens College, the share of city homeowners spending 35 percent or more of their income on housing jumped from 15 percent in 1990 to 32 percent in 2005.⁶⁷

Renters haven't had it any easier. In fact, the average effective rent in New York was \$2,801 in the fourth quarter of 2008, according to Reis, Inc. That is down slightly from the previous quarter (\$2,856), but still by far the highest in the nation. The city's total was 53 percent higher than the second place city (San Francisco, where the average effective rent was \$1,827), almost double high-priced San Jose (\$1,506) and nearly triple the national average (\$995).⁶⁸

Even amidst the financial crisis, the city's apart-

ment vacancy rate in the fourth quarter of 2008 was a tight 2.3 percent, the lowest among the nation's 79 major apartment markets. That's notably lower than San Francisco (3.6 percent), Los Angeles (4.5 percent), Chicago (5.4 percent) and Boston (6.0 percent). The national average was 6.6 percent.⁶⁹

The U.S. Department of Housing and Urban Development (HUD) considers households that pay more than 30 percent of their monthly income on housing to be "cost-burdened" and those paying more than 50 percent of their income to be "severely cost-burdened." But a recent study showed that nearly 28 percent of New Yorkers—529,171 renters—are paying 50 percent or more of their income toward rent, a 15 percent increase since 1999.⁷⁰ Perhaps even worse, our analysis of Census data from 2006 found that a whopping 40 percent of renters in the city spent 35 percent or more of their income on rent.⁷¹

The city's inflated housing costs contribute to the high level of out-migration from the five boroughs. In fact, an internal study conducted for the Bloomberg administration in 2006—titled "NYC Movers Study"—found that high housing costs were the number one reason people are now moving out of the city. The Movers survey attempted to duplicate a similar city study done in 1993 that specifically examined what factors had caused people to relocate out of the five boroughs. In 1993, the three most commonly cited "major reasons" for leaving were to have a better life-

THE BIG SQUEEZE

Rents are on their way down, at last, but in the fourth quarter of 2008 New York City's average effective rent was still 53 percent higher than the second place city and nearly triple the U.S. average



Source: Reis, Inc. Monthly rental figures for apartment complexes with 40 units or more (20 or more in CA or AZ). "Effective rents" include free rent incentives and other landlord concessions.

style (59 percent), to live in a better home or neighborhood (55 percent) and to live someplace safer (54 percent). Thirteen years later, one concern dominated: housing costs, cited by 64 percent of those asked for their “major reason” for departing.⁷² “What drove people out of New York City in 1993 was basic quality of life issues—crime, safety, neighborhoods,” concluded the authors of the 2006 Movers study. “What is driving people out today is basically one issue—money and the cost of living.”

Our interviews certainly confirmed that this is the case. “Can you live a middle class life in New York, even in Brooklyn, when it costs \$650,000 to buy a two bedroom apartment in Fort Greene?” asks Jay Greenspan, a writer living in Brooklyn.

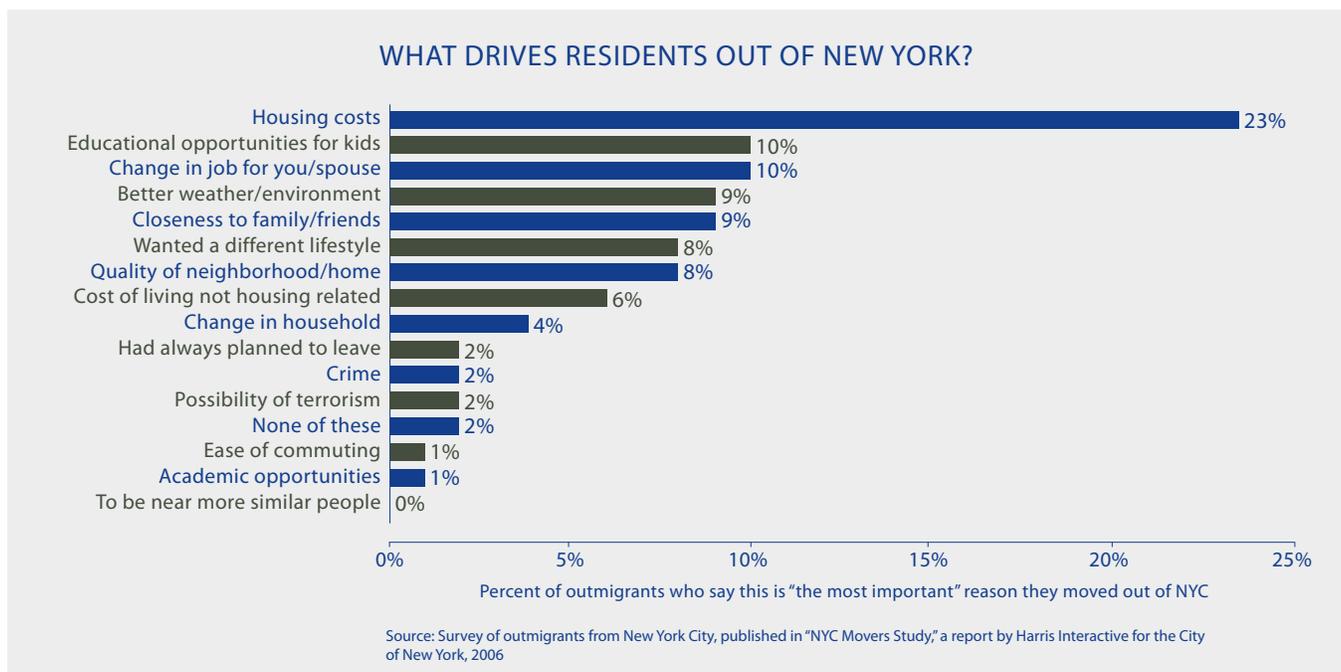
Greenspan and his wife, who works for a non-profit, have a combined income of about \$160,000. But because they can’t afford to buy a place in one of the Brooklyn neighborhoods they like, he and his wife are going to relocate, most likely to Providence or Western Massachusetts. “We’ve just decided to move. It’s heartbreaking because we want to stay.”

Jeremy Laufer, district manager of Brooklyn Community Board 7, which represents Sunset Park and Windsor Terrace, says the property costs in those neighborhoods are significantly less than in nearby Brooklyn neighborhoods like Park Slope and Carroll Gardens. But that doesn’t make it affordable. “I think it would be relatively hard for a family

making \$60,000 to buy in our area,” Laufer says. “So many people say to me: ‘My kids can’t afford to live here anymore.’”

Clearly, many New Yorkers made sacrifices to remain in the city. Some simply moved to neighborhoods farther away from Manhattan’s central business districts. Others overextended themselves and went deep into debt to afford the cost of a home in New York—all too often, more deeply than they could sustain. A case in point is the 163 percent spike in foreclosures in New York City between the third quarters of 2006 and 2008 (from 425 to 1,118), the majority of which occurred in Queens and Staten Island.⁷³

A number of others are cramming into tight spaces. In fact, several community leaders interviewed for this report say that there are growing instances of immigrants doubling and tripling up in neighborhoods such as Manhattan’s Chinatown and Sunset Park. Thomas Yu, director of Downtown Manhattan Community Development Corporation, an affiliate affordable housing developer of Asian Americans For Equality recently said that it’s not uncommon to see 10 Chinese immigrants living in a one-bedroom apartment. “Immigrants sharing apartments is extremely common,” adds Olga Djam, a Columbia native who sells insurance in Jackson Heights and Elmhurst. “Some of my clients will rent a single family house for \$2,100 and split it up between three families.”



ACADEMIC OPPORTUNITIES

NO TICKET TO RIDE

The steady erosion of middle-income jobs in New York has led to falling or stagnant wages and all-but-eliminated a longstanding path to social mobility

New York's uniquely high cost of living is a major reason why so many New Yorkers today are struggling. But these problems are magnified by a local economy that no longer produces vast numbers of jobs that pay middle-income wages and offer clear paths to advancement. The result is that large numbers of people in the five boroughs are working but not earning enough to live comfortably, save money or get ahead.

During the city's middle class heyday in the mid-20th century, New York's highly diversified economy was a powerful and steady engine creat-

es, more than one in five city residents (20.6 percent) were employed in the manufacturing sector. But in 2000, the sector accounted for just 6.6 percent of all jobs held by New Yorkers, and the number has continued to drop.⁷⁴

Manufacturing jobs have disappeared all over the country, but New York City and its metropolitan area have done worse in retaining this sector than almost anywhere else. In 2007, the manufacturing sector accounted for just 3.2 percent of all private sector jobs in New York City and 4.6 percent in the New York City metro region. The sec-

The industries expected to grow the most in New York during the decade ahead almost exclusively pay low wages. Of the 10 occupations that are expected to have the largest number of annual job openings in the city through 2014, only two offer average annual wages greater than \$28,000.

ing decent-paying jobs for people with a range of skills and backgrounds—from educated professionals and artisans to people with only a high school degree and immigrants with limited English language abilities. With strong assistance from the powerful labor movement and relatively progressive local government, many of these jobs offered a chance for mobility.

Unfortunately, the story of New York's economy over the past few decades has been a relative hollowing out of middle-income jobs in favor of fewer jobs that confer great wealth and many more that just offer bare subsistence. Worse, this trend has only accelerated in recent years.

By 1970, New York had already lost hundreds of thousands of manufacturing jobs. Despite those loss-

tor employs a much larger share in other major regions, such as Los Angeles, where manufacturing accounts for 12.7 percent of all private sector jobs; Chicago, in which 11.3 percent of private sector jobs are in manufacturing; Charlotte (10.8 percent), Houston (10.6 percent), San Francisco (8.0 percent) and Boston (7.1 percent).⁷⁵

New York has done almost as poorly in other blue collar sectors. Nationwide, employment in the wholesale trade sector grew by 12.6 percent between 1990 and 2007. However, in New York City and the New York metro region, employment in the sector declined by 22.2 percent and 22.1 percent, respectively, during this period. Other major metro areas did much better: the sector grew by 29.0 percent in Charlotte, by 23.9 in Houston and 0.6 percent in Los Angeles,

while it declined by comparatively smaller percentages in Chicago (a 4.2 percent decrease), San Francisco (4.9 percent), Philadelphia (11.9 percent) and Boston (13.4 percent).⁷⁶

Like other U.S. cities, New York has seen substantial growth in low-wage sectors like retail and hospitality. But another sector that pays poorly, health care and social assistance, accounts for a much larger share of all private sector jobs in New York than other cities. In 2007, the sector accounted for 17.4 percent of all private sector jobs in New York City and 16.9 percent in the metro region, up from 12.7 percent and 12.1 percent respectively in 1990. By comparison, Charlotte (8.6 percent), Washington, DC (9.7 percent), San Francisco (10.8 percent), Houston (10.9 percent), Los Angeles (11.0 percent), Chicago (11.8 percent) and Boston (15.8 percent) all had smaller shares of their private workforce in this field in 2007.⁷⁷

Citywide, 31.1 percent of workers over the age of 18 are employed in low-wage jobs—an alarming ratio.⁷⁸

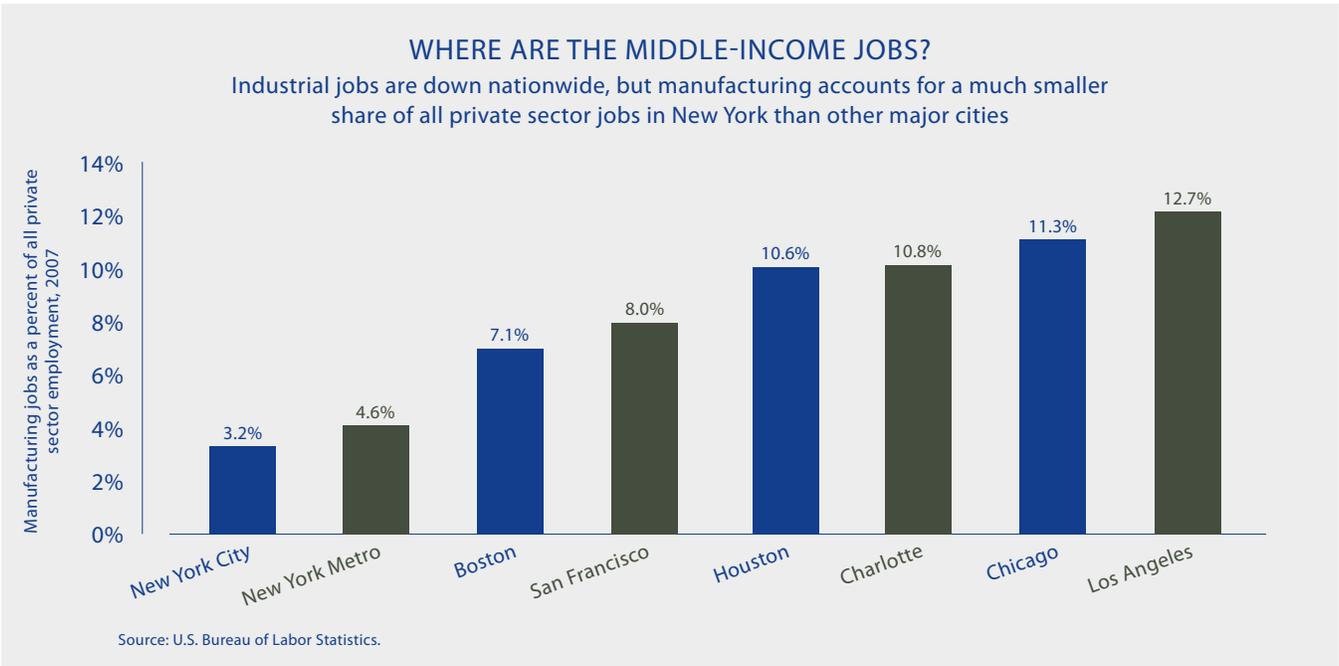
The movement towards an economy dominated by high-end sectors like finance and business services and low-end industries like retail and healthcare explains in large part why wages have remained flat for a significant number of New Yorkers—a critical problem as expenses have soared. In

fact, between 1975 and 2007, average weekly wages, when adjusted for inflation, barely increased in the boroughs outside of Manhattan. During this period, real weekly wages went up by just 1.1 percent in Queens, 1.7 percent in Brooklyn, 2.5 percent in Staten Island and 8.6 percent in the Bronx. In contrast, real weekly wages in Manhattan jumped significantly (96 percent).⁷⁹

“You have to have three jobs now [to be middle class in New York],” says Zoe Gaby, a housing lawyer who works for a community development organization in Elizabeth, NJ and lives in Park Slope. “That’s why middle class people move out [of the city]. If you have three jobs, when do you see your kids?”

Unfortunately, the industries expected to grow the most in New York during the decade ahead almost exclusively pay low wages. Of the 10 occupations that are expected to have the largest number of annual job openings in the city through 2014, only two offer average annual wages greater than \$28,000. The top 10 occupations for total job openings, along with their average annual wages, are:

1. Retail salesperson (\$20,690)
2. Cashiers (\$16,800)
3. Waiters & waitresses (n/a)
4. Nurses (\$76,490)



5. Home health aides (\$20,040)
6. Janitors and cleaners (\$26,660)
7. Office clerks (\$27,830)
8. Personal and home care aides (\$21,230)
9. Child care workers (\$25,440)
10. Executive secretaries and administrative assistants (\$47,240)⁸⁰

The trend toward an “hourglass economy”—swollen at the top and bottom, narrow in the middle—largely remains the same when one widens the list to include the 40 occupations that are expected to have the largest number of annual job openings in the city through 2014. Sixteen of the occupations have annual median wages below \$30,000, while another six pay between \$30,000 and \$40,000. Overall, 24 of the fastest growing occupations pay less than \$50,000; nine pay between \$50,000 and \$80,000; none pay between \$80,000 and \$130,000; and three pay more than \$130,000. (Salary information was not available for four of the top 40 occupations).⁸¹

Critically, job growth in higher end sectors has not been remotely strong enough to make up for the shift from higher wage employment overall. In the 1980s, for example, officials could plausibly claim that business and financial service growth could offset losses in manufacturing, warehousing and other sectors. But since that time, New York’s financial and business service sector has ebbed and flowed but has not

even kept pace with the rate of growth in that field elsewhere. In fact, securities industry job growth in New York between the mid-1990s and early 2008 was essentially flat, even as it went up by roughly 30 percent nationwide. Even before the meltdown, industry employment in the last “boom” never reached its 2000 peak levels.⁸²

Today this reliance upon high-end employment in these few chosen sectors once again looks like an Achilles heel for the city in general and its current and aspiring middle class residents in particular, as it was during New York’s last sustained downturn in the early 1990s. The recent financial crisis already has caused Wall Street giants Lehman Brothers, Bear Stearns and Merrill Lynch to go bankrupt or be acquired at fire sale prices and led to massive layoffs at Citigroup and other major financial companies. Economic experts believe the city’s securities industry will ultimately shed close to 50,000 jobs—a staggering 26 percent of its total employment from early 2008. Restructuring of financial markets, suggests former Lehman Brothers managing director David Shulman, could take as many as three to five years, depriving the city of a great lure for young talent as well as a source for employment for upwardly mobile families.⁸³ Overall job losses could reach 243,000 over the next two years, as people employed by financial services, both directly and indirectly, are caught up in the maelstrom.⁸⁴

WHERE ARE THE MIDDLE-INCOME JOBS?

Health care and social assistance, one of the lowest paying sectors in the economy, accounts for a much larger share of all private sector jobs in New York than other major cities



Source: U.S. Bureau of Labor Statistics.

NOT MAKING THE GRADE

Large numbers of middle class families still leave New York when their kids approach school age, due to continued problems with the public schools

The high cost of living is clearly taking its toll on New Yorkers, but for many middle class families, a bigger problem may be the quality of the public schools. To be sure, many city schools have improved in recent years as Mayor Bloomberg has won control over system governance and poured in billions of new dollars to support higher standards of accountability for students and teachers alike. But our research suggests that for a large segment of the city's middle-income households, the public education system remains a primary reason for leaving the city for the suburbs and other locales.

The city does boast a number of standout schools, but they tend to be concentrated in a handful of neighborhoods where housing prices are out of reach for all but the most affluent. In much of the city, including the outer borough communities where housing is more affordable, the public schools—particularly middle schools—are still widely perceived as inferior or unsafe, and many middle class parents simply do not consider them an acceptable option. “People like to live where they feel they have access to a good education for their children,” says Cheryl Caddle, the chairperson of the educational committee of the Cambria Heights Civic Association. “A lot of people believe that the public schools [in New York City] are subpar.”

Some parents turn to private schools. But many middle class families simply can't afford to pay from a few thousand dollars to more than \$30,000 in annual tuition—per child—for several years. For them, a financially prudent option is simply to move to suburban districts where they believe the schools offer a safer and more effective learning environment.

This is precisely what has happened in many middle class neighborhoods in the Northeast Bronx such as Throgs Neck and Pelham Bay. “There's

a flight out of many middle class people because of the schools,” notes City Councilmember James Vacca, a lifelong resident of the area. “A couple gets married. By the time their children get to age five, they move. It's not the housing. It's the education. They're buying more expensive housing in other areas and paying more property taxes because the schools are better.”

Migration data confirms what Vacca and so many other New Yorkers have observed. People who come to New York in their twenties tend to leave as their children enter school age.

According to a 2007 report by City Comptroller William Thompson, households with young children accounted for almost 40 percent of those who left the city, but just 12 percent of those moving here.⁸⁵ In the 2006 NYC Movers study of those who have left New York, ten percent of those surveyed cited “Educational opportunities for children” as the “most important reason” for relocating. Housing costs (23 percent) was the only factor cited by more respondents.⁸⁶

Mayor Bloomberg has made improving the schools a top priority, and he's recently pointed to higher test scores as proof that his reforms are working. But clearly there's still a lot of work to do. A national study released in early 2008 showed that just 45.2 percent of city public school kids earned on-time high school diplomas, a dismal performance that puts New York 43rd among 50 large cities in the United States—behind such cities as Los Angeles, Chicago, Philadelphia and Atlanta.⁸⁷

“Our education system is failing,” says Tanya Cruz, a board member of Queens Community Board 13, which covers neighborhoods including Cambria Heights, Laurelton and Queens Village. “The scores for the K-8 students are not where they should be. The dropout rate is alarming. The rate of kids not going to college is alarming. If you have the income, you send your kids to private school.”

In another discouraging sign, no city school made *Newsweek's* 2007 ranking of the top 100 public high schools while just nine are mentioned in the magazine's longer list of 1,258 excellent high schools. In contrast, Westchester County boasted 30 such schools, while Suffolk had 22 and Nassau County 35.⁸⁸

The most serious problems lay with the city's middle schools. "The real hole in the system is when you reach junior high school level. [Those schools are] usually not very good," says Eliot Rennert, an entrepreneur who owns a wine store in Ditmas Park. While his two daughters are currently enrolled in elementary school in Windsor Terrace, he says there's a good chance they will move out of the city after the

kids finish fifth grade.

A 2007 report concluded that the city's middle schools suffer from substandard teachers and insufficient resources, and ultimately "function as pathways to failure."⁸⁹ The relatively few excellent public middle schools are inundated with applications, forcing them to turn away qualified applicants. "There are far more students who want to get into the most coveted middle schools than there are spots for them," writes Liz Willen, founder of InsideSchools.org. "Finding a good middle school—and then getting into it—is hard enough now; the best have a long list of children shut out for lack of space."⁹⁰

A PAROCHIAL VIEW

Catholic schools once offered a quality alternative to substandard public schools, but dozens have been shuttered and those that remain are charging more and have larger class sizes

For many middle class families unsatisfied with the quality of their public schools, the Catholic parochial system long offered an academically strong and reasonably affordable alternative with a welcome focus on discipline and moral values. This was particularly the case for the children of disadvantaged immigrants. At their height in the 1950s and '60s, Catholic schools charged a nominal tuition of \$100 a year. Through the 1980s, that price climbed to approximately \$600 a year for elementary schools, and \$3,000 to \$4,000 a year for high schools, which for most families was still relatively affordable. Things have changed in a big way since then, however. Tuitions have more than doubled and since 2000 nearly every year brings a fresh wave of school closings.

In just the last decade, the Dioceses of Brooklyn and New York have shuttered over 60 schools in the city (29 in 2005 alone).⁹¹ The church has cited the rapidly rising cost of operating these schools in an era of high insurance rates and state-of-the-art computer labs as a reason for their closings. But, according to experts, just as important are the city's shifting neighborhood demographics and a subsequent decline in enrollment. In 1970, nearly 400,000 students between kindergarten and 12th grade attended Catholic schools in New York City and seven neighboring counties in New York State. Today that number is down to 160,000, a 60 percent drop in less than 40 years.⁹²

More than a few New Yorkers find those numbers alarming. Tim and Anne Reidy, who are siblings from the Riverdale section of the Bronx, both attended Catholic schools growing up and did fundraising work for inner city parochial schools after college. Both feel they got a top-rate education for a reasonable price and, if they stay in New York City, hope to be able to send their kids to a parochial school as well. But, according to Anne, who works for the Diocese of Brooklyn, that dream is fast becoming unrealistic. "The world we grew up in is really over," she says. "Operating costs have really driven up tuition. When Tim went to Fordham Pratt [a Catholic high school in the Bronx] in the 1990s, the tuition was \$5,000 a year; now it's \$12,000. That doesn't mean it's a better school. It just means it's a more expensive school."

Part of what's ailing the Catholic school system, the Reidys say, is the city's rapidly changing neighborhoods. Tim, who works as an editor for a national Catholic magazine, maintains that the more affluent schools like St. Gabriel's in Riverdale or St. Luke in Whitestone are going to continue to lose their core of students, which traditionally come from Irish and Italian families, as they move away or get priced out of the neighborhood. If Catholic schools are going to continue to play an important role in New York, Tim says, it will be through poorer inner city schools like Sacred Heart, where he volunteered after college. He observes that more than 50 percent of the students at that school come from families who fall below the poverty line.

Henry Levin, a professor of education at Columbia University who specializes in the economics of private schools, more or less agrees. "The Catholic school system will continue to shrink," he says, "but newly arrived Hispanic immigrants are definitely a target for growth." With any luck, maybe these schools will manage to do for them what they did for the immigrants of decades past.

STUCK ON THE TRAIN

Transit service has not kept pace with growing demand in several neighborhoods outside of Manhattan, leaving middle class New Yorkers frustrated by long and uncomfortable commutes

With housing prices in Manhattan practically out of reach for all but the affluent, the other four boroughs have become increasingly crucial to the city's hopes to retain its middle class. But one tradeoff for many middle class New Yorkers who moved to city neighborhoods outside of Manhattan in search of reasonably priced housing is a transportation infrastructure that is unable to meet the growing demand. The dismal result is overcrowded subways and buses and some of the nation's longest commuting times.

Though transportation infrastructure is not ordinarily considered one of the key problems facing the middle class, dozens of New Yorkers interviewed

commuting time is 38.5 minutes for those living in Greenpoint; 37.6 minutes from Astoria; 49.5 minutes in Ditmas Park; and 41.7 minutes in Bay Ridge. These communities have all experienced a significant increase in middle class professionals in recent years.⁹³

The commutes are typically even longer in a number of other traditional middle class enclaves, some of which have attracted growing numbers of first-time homeowners, such as Richmond Hill (with a 46.1 minute average commuting time), Co-op City (49.5 minutes), Bensonhurst (45.3 minutes), St. Albans (51.7 minutes) and Springfield Gardens (52.3 minutes).⁹⁴

Thirty-nine of the 50 subway stations with the largest percentage increase in ridership between 1998 and 2006 were in the boroughs or in Manhattan north of 96th Street. Twenty-two of the 50 were in Brooklyn.

for this report cited their long and often uncomfortable commutes as a major drawback to living in the city—and one of the main reasons they would consider moving. “If you’re commuting for an hour and a half, when are you going to spend time with your kids?” asks Olga Djam, an entrepreneur who lives in Elmhurst.

Indeed, Staten Island, the Bronx, Queens and Brooklyn have the four longest average commuting times of the 231 counties in the United States with populations over 250,000. And it isn't only people living in Far Rockway, Tottenville and other communities on the city's outer reaches who suffer through super long commutes. The average

Most who live in the boroughs say they expected longer commutes when they moved outside of Manhattan, but few expected things to get worse. Yet as these neighborhoods have fueled most of the city's population explosion—and much of the increase in transit ridership—during the past two decades, this is precisely what happened. According to the Tri-State Transportation Campaign, while commute times across the city dropped over three percent from 1980 to 1990, they rose by nearly seven percent between 1990 and 2000—and that longer trip, in most cases, became more unpleasant at the same time. “On a lot of bus lines, people are packed in there like sardines” says Yvonne Reddick, district

manager of Queens Community Board 12, which covers neighborhoods including Jamaica, Hollis and Springfield Gardens.

The growing strain on what is already the largest mass transit system in the country has highlighted the failure of city and state officials to make meaningful investments in increasing service or creating new transit options in the boroughs. In part, this is a function of the unique—and to many New Yorkers, uniquely infuriating—governance structure of the Metropolitan Transit Authority, as well as a federal funding formula for transportation that includes a built-in bias against large cities and public transit. And even within the city, the priorities remain in Manhattan, from the development of the eternally delayed Second Avenue Subway to the 7 train extension and costly station improvements for Lower Manhattan and Penn Station.

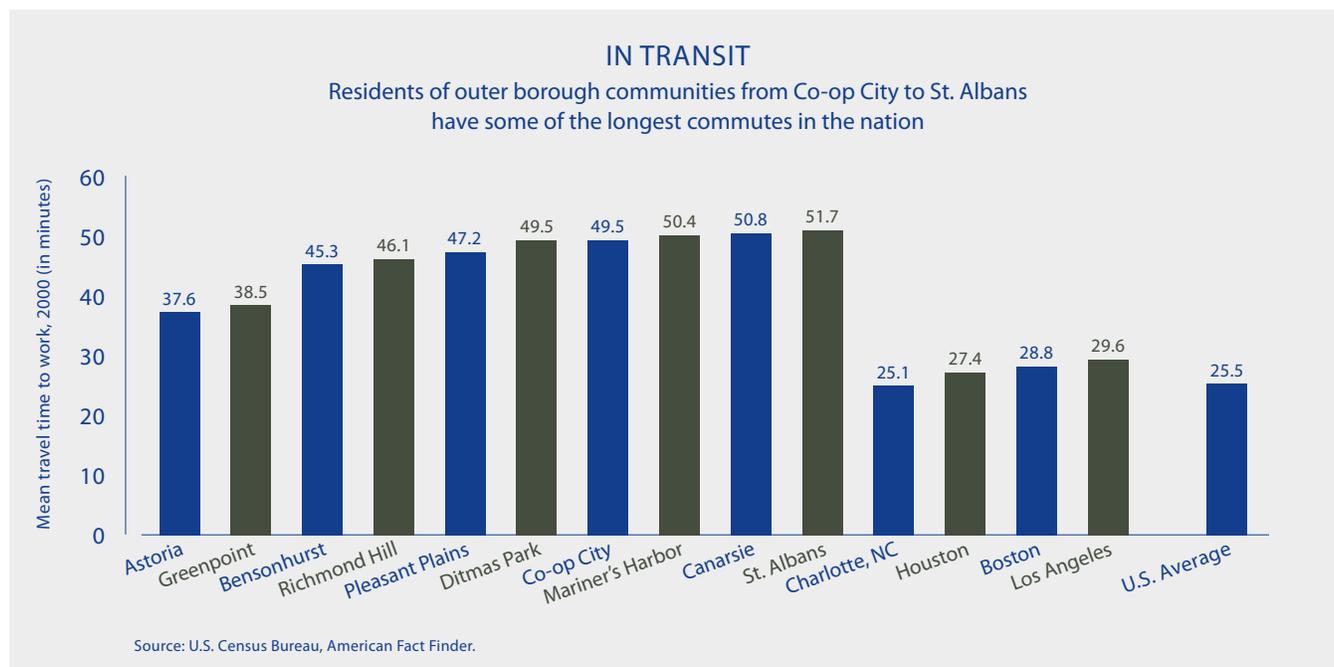
Yet, the rationale for improving and expanding transit service outside of Manhattan has never been clearer. Between 1990 and 2005, 87 percent of the city's overall gain in population occurred in the four boroughs outside of Manhattan.⁹⁵ Not surprisingly, each of these boroughs has experienced significant spikes in transit ridership. For instance:

- Between 1998 and 2006, 81 percent of the increase in bus ridership across the city occurred

outside of Manhattan. The number of people in Manhattan riding city buses rose by 11 percent, but this was far less than the increase in Queens (24 percent), Staten Island (23 percent), Brooklyn (22 percent) and the Bronx (18 percent).⁹⁶

- Thirty-nine of the 50 subway stations with the largest percentage increase in ridership between 1998 and 2006 were in the boroughs or in Manhattan north of 96th Street. Twenty-two of the 50 were in Brooklyn.⁹⁷
- In 2006, 54 stations outside of Manhattan had average weekday ridership over 10,000, compared to 46 in 2003 and 36 in 1998.⁹⁸

Sonia Flotteron, a mother of two who owns a children's clothing store in Tottenville, says that she and her husband initially moved to Staten Island for its affordability and for a good environment to raise their children. But the time-consuming and miserable experience of transportation is one of the factors that might ultimately prompt her family to move out of the city. "What would make it more attractive for us to stay on Staten Island is better transportation," Flotteron says. "My husband works on 60th and Lexington. He takes the express bus to 34th Street and then the subway. His commute is 1 hour 40 minutes each way."



THERE GOES THE NEIGHBORHOOD

During the building boom of the past decade, teardowns and out-of-scale development have diminished quality of life in many traditional middle class communities

A growing number of affluent New Yorkers are choosing to raise their families in upscale parts of Manhattan, at least until school age. But many middle and working class New Yorkers have opted for neighborhoods across the five boroughs with a decidedly more suburban feel. New York has dozens of these traditional middle class neighborhoods, from Bay Ridge to Whitestone, that are dominated by one- and two-family homes and offer quiet streets and a family-friendly environment. But in recent years, a number of these neighborhoods have been marred by a flurry of development not in scale with the physical character of the community, executed in a haphazard fashion and lacking the necessary infrastructure upgrades to meet the new demand.

Few have associated concerns about unsightly or unplanned development with the struggles facing New York's middle class. However, nearly as many of those we interviewed cited this issue as one of the key threats to New York's ability to retain a middle class as those who listed the city's skyrocketing cost of living.

It's not difficult to understand why. The building boom that occurred in nearly every corner of the city over the last decade included many instances of developers tearing down large homes to build multi-story apartment buildings, rows of townhouses or garish mansions. In numerous cases, the new developments were built right up against the property lines, eliminating yards and resulting in housing spaced too closely together. Some of these new buildings may help alleviate the dire shortage of housing throughout the city, but such development often undermines the very qualities that make these neighborhoods attractive.

"I've watched probably seven single family homes knocked down since I came here," said Nelson Ryland, a film editor who lives in Ditmas Park with

his wife and children. "They're putting up six-story apartment buildings. It's really a shame to lose the neighborly feel of the neighborhood."

The same thing has been occurring in Richmond Hill and other Southeastern Queens neighborhoods, where stately Victorian homes are being replaced with a number of less attractive dwellings. "We are having houses demolished. [Developers] would buy the house for \$500,000 and build three or four brick townhouses on them and triple their money," one longtime Richmond Hill resident said. "People are also cementing their lawns and people are parking their cars there. There's no aesthetic beauty."

The practice of demolishing homes has become so common here in recent years that the New York metropolitan region overtook Chicago as the "teardown capital of the United States," according to the National Trust for Historic Preservation.⁹⁹ The Trust's running tally of neighborhoods where a significant number of teardowns have been occurring includes 18 communities in Queens, the entire borough of Staten Island and a handful of neighborhoods in Brooklyn and the Bronx.¹⁰⁰

Beyond merely diminishing the character of these communities, the wave of haphazard development occurring around the city has strained the local infrastructure. In many areas, the flood of new housing units and subsequent population surge has led to overcrowded schools, parking problems, sewer backups and additional traffic.

"I understand there's going to be growth," says one elected official on Staten Island, where community disgust at overdevelopment prompted officials to pass a blanket downzoning of the entire borough. "What I'm against is irrational density. The infrastructure can't withstand that. Where do people park? Where do they send people to school? It should be higher density where it makes sense."

SCHOOL'S OUT

University professors are solidly middle class, but large numbers of them are opting to leave schools in New York for locations where their salaries go a lot farther

In recent years, New York City has become one of the most desirable destinations in the nation for high school students entering college. But the city's colleges and universities are finding it increasingly difficult to attract and retain top professors due to New York's steep cost of living.

"It may have been true in the past that if you were offered a job at NYU or Columbia, you took it," says John Curtis, director of the Department of Research and Policy for the American Association of University Professors (AAUP). "But I don't think that's the case anymore. [Professors] might make a little more money in New York but the difference in salary isn't going to be enough to lure a lot of candidates."

John Esser, a professor of sociology at Staten Island's Wagner College, says that if he were planning to have kids with someone who makes as much as he does, he would not still be in New York City. Esser, who rents a one bedroom apartment in Staten Island, says that when he got here 15 years ago, a down payment of \$20,000 was enough to buy a single family house. That was affordable, but with college and graduate school loans to pay back it was still beyond his means. Now at age 50, Esser can easily afford a \$20,000 mortgage down payment, but that amount isn't enough to afford a home. "Wagner has lost a number of [faculty] stars this way," says Esser.

A good example is Esser's colleague, Mark Elliott, a history professor at Wagner until recently. In 2008, Elliott accepted an offer from a university in North Carolina, citing the New York metro region's high housing costs as his primary reason for leaving. "We have two kids, and in North Carolina you can get twice the house for half the price," says Elliott.

Nichole McDaniels, a 36-year old assistant professor at Bronx Community College, sees herself as a reluctant refugee of sorts from New York's high cost of living. She recently moved to New Jersey with her boyfriend because she wants to start a family and couldn't find anything in the city limits. "In New Jersey, we got a house with three bedrooms, something that's actually practical to have a family and office in," says McDaniels. "We looked in New York City and decided what we were seeing wasn't even close [to what we could afford]. I don't have expensive tastes. My needs are pretty simple. But I can't afford New York."

Paul Welch, an archeology professor, left Queens College for a tenured, mid-career position at the University of Illinois Carbondale in 2001 and says one of his biggest reasons for leaving was the city's high housing costs. "I took a noticeable pay cut to come here [to southern Illinois], but cost of living has noticeably offset that. I won't retire with nearly as much money, but I'm comfortable here," Welch says. "I saved for 10 years in New York City to buy a house. Here I was able to buy at the upper end of the market immediately."

Welch recalls that while he was at Queens College both of the other archaeologists were quietly looking for other positions outside the city. He says turnover was very high for tenure-track positions: in the 11 years he was there, five assistant professors left Queens College (and the five boroughs) because of cost of living issues.

Of course, deeper-pocketed institutions like NYU, Columbia and Rockefeller University are all able to cope a little better with the city's high housing costs by investing in subsidized housing and low interest mortgages for at least some faculty members. Their average salaries are much higher too. According to 2006 AAUP data, NYU comes in near the top nationwide with an average annual salary for tenured professors of \$144,000. But when adjusted to a cost of living index, which moves salaries upward or downward according to how a city's cost of living compares to the national average, that dropped to a value of \$70,098. "Many professors are coming to CUNY and other smaller regional schools, getting themselves established, and then leaving," says AAUP's Curtis. "Either they leave the city altogether or they go to NYU or Columbia. But even at Columbia housing is an issue that can't be ignored."

CITY LIMITS

Municipal jobs used to provide a clear path to upward mobility, but today many city workers can't even afford to live in the five boroughs

Once upon a time, a job with city government was considered a surefire ticket into the middle class. The positions generally paid well, covered health care and included a pension. But with the cost of housing and other basic expenses in New York ratcheting well above sustainable levels, many municipal workers in New York can no longer afford to live in the city that they work for.

"The civil service used to be about upward mobility," says Henry Garrido, assistant director of District Council 37 (DC 37), the city's largest union of municipal employees. "It was a path to the middle class." But, he adds, over the last ten to 15 years city accountants, electricians, gardeners, tow truck drivers—not to mention teachers, police officers and firemen—have found it increasingly difficult to survive financially in the five boroughs.

According to DC 37 officials, hundreds of union members have been rendered effectively homeless because of the city's skyrocketing rents and a requirement that they live in the five boroughs. Some have had to start living out of their offices; others have had to move in with roommates at the age of 65.

In large part because of the growing financial strain DC 37 members felt living in the city, union leaders have spent the better part of two years trying to convince lawmakers to repeal a 1986 city law that required many non-uniformed city employees to live in one of the five boroughs as a condition of employment. The union's campaign finally met with success in December 2008 when the City Council voted to implement a bill that requires DC 37 members to live in the city limits for two years before they're allowed to move to any surrounding counties (including Nassau, Westchester, Suffolk, Orange, Rockland and Putnam).

Teachers have long been able to live outside the city's borders, but Roni Messer, a 30-year veteran with the city's school system, believes that conditions have gotten particularly challenging in recent years. Messer says that it's a lot more difficult for teachers starting out now than when she became a teacher. Messer has lived in the same rent-controlled two bedroom apartment in Peter Cooper Village since 1968; she and her husband raised two kids there and will probably stay on even after they retire. But she doesn't see similar options for younger teachers today.

"On the open market, you can't get what we have in Manhattan for less than \$3,000 a month," says Messer. "Our pay [as teachers] has gone up quite a bit recently, but everything else has gone up with it. I did better earning \$30,000 a year in the late 1980s than [earning what] I do now, because the cost of living has gone up so much."

Jeannette Downs, who works for the United Federation of Teachers (UFT) helping new teachers adjust to the rigors of living in the city, says that most young instructors today live outside of Manhattan. Yet even then, the housing costs are prohibitive for those earning a teacher's salary. According to Downs, a two-bedroom apartment in Queens now rents for at least \$1,600 a month, a price beyond the budgetary reach of most young teachers, whose salaries start out at \$43,000 a year. "I hear a lot of new teachers say 'I'm not going to put a lot of time in the system because I can't afford to raise a family here,'" says Downs.

The high cost of housing, whether in Manhattan or Queens, is why a significant number of city teachers already live outside the five boroughs. It's also one of the main reasons why teachers in New York are quitting their jobs at alarming rates, a trend that has continued even after Mayor Bloomberg granted teachers significant raises that have essentially given them parity with their brethren in the suburbs. In fact, teachers' salaries have risen 43 percent in the last seven years, yet the city's public schools still lose a third of all new teachers in the first three years of teaching and fully one half of all new teachers in the first six years.¹⁰¹ The Office of the New York City Comptroller estimates that in 2005 alone, over 5,000 teachers left the city for other locales.

DETOUR FROM THE DREAM

Successful immigrants are leaving New York to take their shot at the middle class in other regions where buying a home and raising a family is easier to attain

New York City continues to serve as one of the nation's leading gateway cities for new immigrants. Anecdotal evidence suggests, however, that growing numbers of immigrants who have enjoyed a measure of success in New York are moving to North Carolina, Georgia, Florida and other states where the cost of living is significantly lower—and where they stand a better chance to achieve middle class goals like owning a home and saving money to send their children to college.

A number of community leaders and immigrant advocates interviewed for this report told us that there has been a noticeable increase in immigrants leaving the New York region entirely. Meanwhile, officials in cities like Charlotte, NC say the influx of New York's immigrants is evident.

Tom Hanchett, an urban historian who works for a museum in Charlotte called the Museum of the New South, has been working on a research project about the immigrants who are coming to Charlotte. "New York is the largest donor state to the Charlotte region," he says. Recent cutbacks on Wall Street could well accelerate this migration.¹⁰²

Experts in New York say there are two principal reasons why the city's newcomers are relocating: First, the city's astronomical housing costs make it extremely difficult, if not impossible, for many of them to realize their aspirations of home ownership. High commercial rents also make it more difficult to build a significant business.

Second, new migration patterns have created a critical mass of ethnic communities in cities that have traditionally had very little diversity. With more people who speak their language, stores that sell the products they want and houses of worship serving their faith, immigrants now feel comfortable making the move.

"In other places, especially in the South, they can put \$10,000 together and get a mortgage for a new house. That's something most Hispanic immigrants can't even dream of doing in New York City," says Eduardo Giraldo, an insurance broker based in Jackson Heights and past president of the Hispanic Chamber of Commerce of Queens. "Some are saying they're making more money down there, but even when they don't, they can buy more with the money they do make."

ShaKerra Samuels, who was born in Jamaica but grew up in the East Flatbush section of Brooklyn, is one case in point. After she graduated from college in 2002, Samuels accepted a job with Bank of America in Jacksonville, Florida that paid roughly half the salary of a similar job in New York. Still, she thinks she has come out ahead in the long run. A year after moving to Florida, she bought a three bedroom house for \$150,000, which, she claims, she could never do in New York. Samuels says she misses New York a lot, especially the shopping. But she got married in June 2007, and whenever she thinks about the challenge of raising a family in the city she still regards as home, the nostalgia slowly disappears.

Some New York-based immigrants aren't just being driven away by the city's high cost of living. Many business owners are being lured away by the market opportunities of newer, less established immigrant communities. According to Elizabeth Perdomo, former program director for the Queens Economic Development Corporation, New York-based immigrant entrepreneurs can take the businesses they built under intense market pressures in Jackson Heights and really make them flourish in the newer immigrant neighborhoods of big southern cities like Charlotte, where there is less competition and a growing demand. This is particularly true for the owners of multi-services businesses, which provide translation and tax filing help, among other things, to newly arrived immigrants.

Eligio Pena moved the supermarket chain he founded in Queens to Raleigh, NC in 2000 and then again to Charlotte in 2003. Pena says the growing immigrant populations in many cities in the South have opened up a profitable market for entrepreneurs like him. As an example, he observes that in Charlotte the local supermarket chain Winn-Dixie hasn't figured out how to cater to the different needs of local ethnic neighborhoods, which is a marketing strategy he puts at the very center of his business model.

Ultimately, however, Pena says that immigrants are moving from large northeastern cities to places in the South for the same reasons as non-immigrants. "In North Carolina, you can afford a bigger house with a bathroom attached to every bedroom," he explains.

REVIVING THE MIDDLE CLASS DREAM IN NEW YORK

Our framework for retaining and growing the city's middle class calls for everything from embracing community colleges to improving subway service outside of Manhattan

Of the many daunting challenges in New York City's history, perhaps none will be greater than what we now face in maintaining and nurturing a strong middle class here against powerful countervailing economic forces. But to preserve New York City's greatness, we have no choice.

A New York denuded of its middle class would be less vibrant, less safe and more vulnerable economically. In an era when technology allows many business functions to move seamlessly across global boundaries and more regions than ever before are competing to woo the most talented and highly-skilled workers, we must find answers to the questions of affordability and quality of life that threaten to drive the middle

by the rich, the nomadic young and the poor. After all, New York prospered in recent years even as it became increasingly unaffordable for those making a middle class salary. But that city would not be the New York of memory, or history—and in the long run, such a city is unlikely to sustain a diverse economy or create the kind of sustainable living environments that all great cities need.

Ultimately, New York City needs to preserve and grow a strong middle class because its critical competitive advantage in today's global economy is its people. This means more than just hedge fund managers, corporate attorneys and art dealers. It requires a diverse mix of the individuals who make the city's

Ultimately, New York City needs to preserve and grow a strong middle class because its critical competitive advantage in today's global economy is its people. This means more than just hedge fund managers, corporate attorneys and art dealers. It requires a diverse mix of the individuals who make the city's key industries and institutions run.

class out of the five boroughs. The alternative is a future New York of unprecedented inequality—with islands of concentrated wealth surrounded by a sea of deprivation, placing permanent strain on city budgets and ensuring a dynamic in which “getting ahead” forever means “getting out.”

Such a state of affairs would not mean the end of New York City, of course. New York might have some future success as a premier “superstar” city, a term that Wharton real estate economist Joe Gyourko uses to describe places like San Francisco, Boston, Los Angeles—and New York—that have become exceedingly expensive to live and predominantly inhabited

key industries and institutions run—including book editors, television producers, human resource managers, freelance writers, retail sales managers, publicists, university professors, accountants, nonprofit caseworkers, illustrators, nurses, chefs, subway engineers, teachers and truck drivers.

New York does well in attracting this talent, particularly young professionals who settle here in their early 20s to pursue careers in fields from advertising and acting to publishing and finance. But as we have shown in the first part of this report, these experienced professionals too often leave the city by the time they reach their 30s.

In the second half of this report, we attempt to lay a foundation for a new set of policies that can help restore New York as a place where middle class individuals and families can prosper and where poor and working poor people have ample opportunities for mobility. Accomplishing these goals won't be easy, especially at a time when city and state resources are severely limited because of the fiscal crisis. And clearly, local policymakers will need significant help from the Obama administration and Congress, particularly in addressing the high cost of health care and electricity, barriers in access to higher education and the shortage of affordable housing. But the turnaround must begin with local action, and city officials have a number of concrete steps to take.

Rather than providing a point-by-point action plan, we have set forth several basic principles that should drive policy decisions. They include:

Diversify the economy, with a focus on creating middle-income jobs. The recent Wall Street meltdown is only the latest in a long series of reminders that New York City's economy is dangerously over-dependent on Wall Street. Although the Bloomberg administration has taken some steps to diversify the economy, much more can and should be done. Any future diversification strategy should include more robust city support for entrepreneurs and freelancers, as well as a stronger focus on maintaining and growing sectors that provide large numbers of middle-income jobs—from

REASON FOR OPTIMISM

This isn't the first time in New York City's history that middle class individuals and families have had the distinct feeling that they are on an endangered species list.

As far back as 1907, the *New York Times* proclaimed: "Very soon New York will be a city without citizens, expense of living and noisy surroundings are driving people out to the suburbs."¹⁰³ In the late 1960s, the federal Bureau of Labor Statistics found that it cost more to be middle class in New York City than in any large city in the country other than Honolulu. In the early 1970s, middle class housing prices in New York were 26 percent higher than the nation's urban average, at a time when middle class concerns also included rising crime and failing education.¹⁰⁴

New York seems to have gone through several evolutions where out-migration was more pronounced—as in the 1950s and 1960s—and then less so, as over the last two decades when immigrants and young people arrived in larger numbers than the residents—mostly families—who left. New York's reputation among its residents has improved as well: we found that many of the people who moved to the city want to remain here, as long as they can afford it. As recently as 1990, roughly six in ten New Yorkers told surveyors that they would live somewhere else if they could.¹⁰⁵ More recent polls suggest that such negativity is less prevalent today; even in the relatively rough economic times in the early 2000s, no more than a third to two-fifths of New Yorkers were thinking of moving out.¹⁰⁶

An internal study conducted in 2006 for the city by Harris Interactive which surveyed people who had recently moved out of New York City found that even those who left had considerably more positive views about the city than people in the same situation who were surveyed in 1993. According to the "NYC Movers" study, almost three in five (59 percent) people said they were glad to leave the city in 1993 while 39 percent would have preferred to stay. In 2006, the numbers were reversed: over two-thirds (68 percent) said they would have kept living in New York if not for the reason they gave, while only one quarter (27 percent) said they would have moved anyway.¹⁰⁷

The negative effects of gentrification and rampant housing speculation might merit significant concern, but these trends are preferable to the "dark and apocalyptic" New York of the 1970s, when crime, graffiti and general disorder were driving businesses and families out of the city.¹⁰⁸ Indeed, the social successes of the past decade, particularly the reduction of crime, should be seen as a linchpin of a renewal for the city's middle class.

Much of our optimism centers not on things such as the glitzier improvements in Midtown Manhattan, but about the resurgence of neighborhoods in the outer boroughs that can accommodate middle class families. In previous decades, residents of the outer boroughs had good reason to suspect they were being ignored by the city administration—the 1969 snow emergency of the Lindsay era, when Queens' streets were left unplowed for four days and 26 residents died, being perhaps the most notorious example.¹⁰⁹

Yet since then there has been a growing trend among some urban observers to see the outer boroughs as holding the key to the city's fate. These areas have the space and the relatively lower rents to attract and retain the upwardly mobile middle and working class. The movement of young professionals and families to these areas is a hopeful sign; if these residents stay long enough, they could force a welcome shift of city attention and resources to the outer boroughs.

the city's ports and port-related warehousing sector to niche manufacturing, educational services and green collar industries. Additionally, City Hall should bolster workforce development efforts to get more young people prepared for fields that pay middle-income salaries and are expected to grow—including legal secretaries and paralegals, pest control workers and technician positions in health care and the sciences.

Embrace community colleges as engines of mobility. In today's economy, individuals without at least a two-year college degree face overwhelming odds against attaining jobs that pay middle-income wages and provide a path to upward mobility. New York has several high-caliber community colleges,

officials must make a stronger commitment to preserving what's left of the city's affordable housing and address the barriers to building new middle class housing.

Go back to the basics, by improving the subways, schools and upgrading critical infrastructure. As the city economy boomed over the last dozen years, city leaders expended a large chunk of New York's economic development and planning resources on costly sports stadiums and glitzy developments like Atlantic Yards, Governor's Island and the new Penn Station—projects that garner headlines and facilitate huge private profits, but do little to shore up the basic building blocks of life in the five boroughs. The opportunity cost came in investments not made

Over the last dozen years, city leaders expended a large chunk of New York's economic development and planning resources on costly sports stadiums and glitzy developments—projects that garner headlines, but do little to shore up the basic building blocks of life in the five boroughs. The opportunity cost came in investments not made to infrastructure projects that would help improve New Yorkers' quality of life.

but too many of their students don't qualify for state or federal tuition assistance and city officials have long treated these institutions as a stepchild of the education system, failing to provide them with adequate resources to hire enough full-time faculty or address significant infrastructure deficiencies.

Preserve existing middle-income housing and ensure that more of the new residential development is geared to middle-income residents. The sale of Manhattan's Stuyvesant Town development in 2006 is the most high-profile example of how middle class housing has disappeared in New York City. Recent studies show that New York lost 27 percent of its subsidized housing between 1990 and 2006, and is in danger of losing a large chunk of what's left as buildings developed under the Mitchell-Lama program revert to market rates.¹¹⁰ At the same time, very little of the new housing developed across the city in recent years has been geared towards people earning middle-income salaries; most of the developments are aimed at the high and low ends of the market. City and state of-

to increase the frequency of subway service, create new express bus and ferry routes and renovate critical infrastructure—projects that would help reduce commuting times and improve New Yorkers' quality of life. Local officials must now make it a priority to undertake these infrastructure projects, while continuing ongoing efforts to improve public schools and reduce crime.

Pay closer attention to the boroughs outside of Manhattan. Brooklyn, Queens, Staten Island and the Bronx have long been safe havens for the middle class. But their importance has become even greater after a decade of sharply rising real estate prices has rendered Manhattan unaffordable to all but the wealthy. However, the boroughs do not always get the attention and resources they deserve from City Hall. For the most part, the neighborhoods outside of Manhattan require attention to fundamentals like transportation, public safety, education and sanitation and a stronger commitment to preventing development that is out of scale or character with neighborhoods.

A PLATFORM FOR MOBILITY

Though neglected and under-funded by local officials, community colleges play a vital role in boosting New Yorkers into the middle class

For much of the 20th century, New York City provided unparalleled opportunity for individuals from modest backgrounds to rise up into the middle class. Longtime residents with limited education and newcomers with poor English skills could get ahead here thanks to an economy that produced hundreds of thousands of blue collar jobs in sectors from the rag trade to the ports. But with the city's industrial sector now only a skeleton of its former self, higher education has become the single most important ticket to the middle class.

In today's information age, a college education has become the minimum requirement for a significant share of the jobs in the city that pay middle-income wages and provide a path to upward mobility. Several blue collar fields now require at least some college coursework, while most of the middle class job titles that are projected to grow in the years ahead—from nurses to legal secretaries—also require either a two- or four-year college degree. Further, the payoff for those with a college degree is greater now than ever before. Individuals who have graduated from college now earn 76 percent more than those with only a high school diploma—up from 36 percent more in the 1970s—and are far more likely to hold jobs that provide health insurance.¹¹¹

While four-year colleges and universities generally open more doors than two-year institutions, community colleges arguably play an equal or greater role in elevating New Yorkers into the middle class.

For tens of thousands of low-income residents and immigrants, New York's community colleges are the only entry point into the higher education system. Many of these individuals don't have the grades, money, language skills or connections to attend a four-year institution. For others, four-year colleges

simply don't offer the flexibility they need to take classes while maintaining a full-time job to support themselves and their family.

By themselves, community colleges provide meaningful economic advantages: Individuals with an associate's degree earn \$10,000 a year more than those with only a high school diploma or GED.¹¹² They also give countless New Yorkers who otherwise wouldn't be able to qualify for or immediately afford a four-year institution the chance to do so. Indeed, 68 percent of community college graduates in New York transfer to four-year institutions.¹¹³ Additionally, community colleges enroll thousands of adults who have been in the workforce but need to obtain new skills, either to keep pace with technological advancements in their industry or to position them for an entirely different career.

"Community colleges are real gateways to opportunity," says Regina Peruggi, president of Sheepshead Bay-based Kingsborough Community College, one of six community colleges in the five boroughs that are part of the City University of New York (CUNY). "You definitely need higher education to compete in today's economy. Years ago, people would compete with a high school diploma. But today, continued training after high school is almost a necessity."

Economic data supports this argument. According to the U.S. Bureau of Labor Statistics, half of all jobs nationwide that are expected to grow most significantly in the years ahead will require at least some postsecondary education, and the training for 60 percent of those jobs can be handled exclusively by community colleges.¹¹⁴ An associate's or bachelor's degree will be even more essential for jobs that pay middle-income wages—particularly in New York. "This is a city that rewards education," says James Brown, a labor market analyst for the New York State

Department of Labor. "Overall, it's increasingly clear that you need more than a high school education to make good salaries."

Brown says that many of the new, decent-paying jobs specifically require an associate's degree. And for a number of other positions that do not require college, a degree from a community college gives applicants a leg up over those who only have a high school diploma. "If you're an employer and six [applicants] have an associate's degree and four have only a high school diploma, you might cut out the people that only have a high school diploma. It becomes a way of screening, even if it doesn't say so in the ad," says Brown.

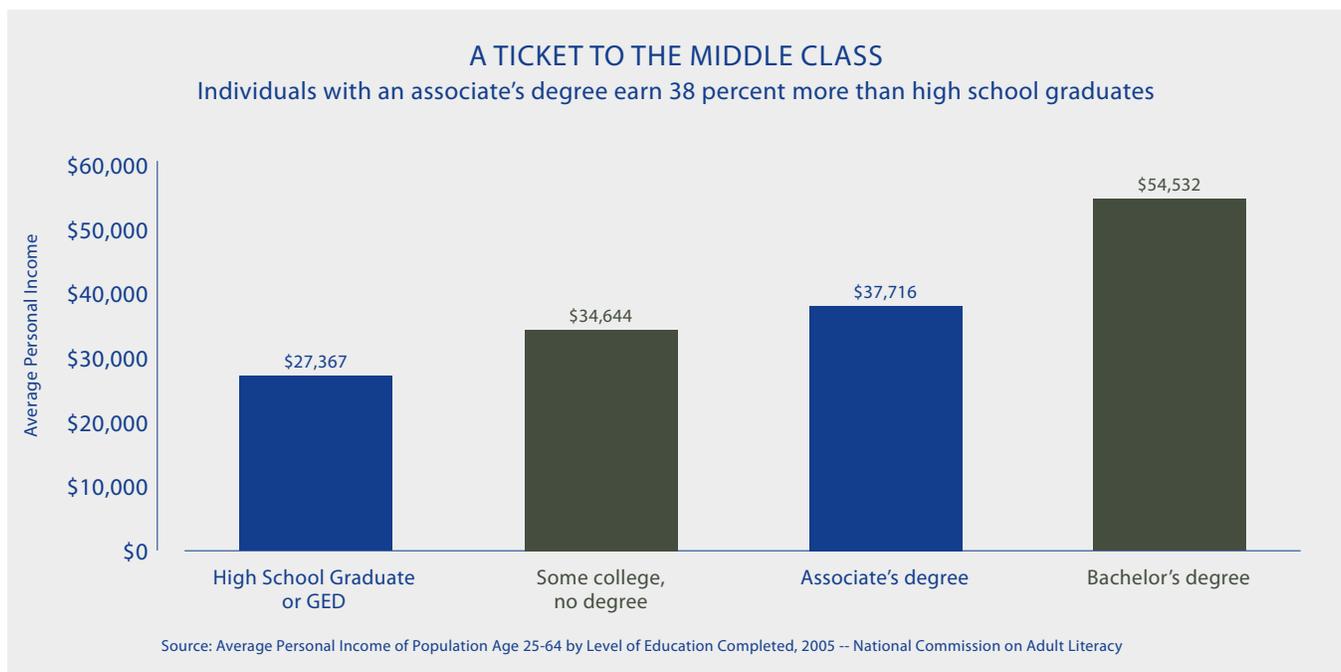
"A nice chunk of the workforce falls into the education category of 'some college,'" he says—perhaps not even a two-year degree, but indicative of time spent in a college classroom. "You don't need a four year college degree. You do, however, need significant training beyond high school," Brown says. "For instance, legal secretaries make quite good money and [the field is] growing well. You don't need a college degree to be a legal secretary, but you'll find that college degrees are becoming more common."

Community colleges are already a key part of the education system both nationally and in New York. Today, community colleges enroll 46 percent of all undergraduates in the United States, including 55 percent of Hispanics, 47 percent of African-Ameri-

cans and 47 percent of Asians.¹¹⁵ In the five boroughs, 81,518 students were enrolled in community colleges in the fall of 2008.¹¹⁶

There's little question that these institutions need more help. Graduation rates at community colleges, both in New York and around the nation, are woefully low. Nationally, only about one out of every five students at two-year institutions graduates in two years. In a 2007 interview with the Center for an Urban Future, CUNY Chancellor Matthew Goldstein said that this was likely the reason that community colleges haven't been embraced by policymakers. "This is a serious issue that pushes some people away from community colleges," said Goldstein. "There are legitimate reasons for this. Many students come in very poorly prepared, so we have to remediate them with work that is not college work. That can take a year or a year and a half. Also, the students are often poor. Many have to work while they are going to school, and that's a serious issue. And [the community colleges] are not well-funded, so we can't give a wide spectrum of courses over a wide number of hours during the day. You put all that stuff together and it adds up."

Unfortunately, policymakers here and in Washington have shown little understanding of the critical role these institutions now play in the city's economy, much less as vehicles for mobility. In New York, as in many other cities, community colleges are overshadowed



owed by virtually every other facet of the education system; they have not received the financial support needed to effectively educate students that come from a wide variety of backgrounds and often require academic remediation.

The need is becoming more acute as more New Yorkers look toward college campuses for advancement. Community college enrollment in the city has increased by 22 percent over the past 10 years—from 62,540 in 1999 to 76,018 in 2008—but total funding, adjusted for inflation, has risen by just five percent over the same period.¹¹⁷ “Funding is not keeping pace with needs,” says Carolyn Williams, president of Bronx Community College (BCC). “[Higher] education has been truly underfunded in the state for the last 15 years.”

Williams says that when she first assumed the position at BCC, she was surprised that community colleges were largely viewed in a negative light by policymakers and the public. This was not the case in her two previous stints running community colleges, in Michigan and California. “There was a respect for community colleges” in those places, says Williams. “In New York, it’s totally different.”

According to several education experts, limited public support for community colleges has resulted in a system with serious unmet infrastructure needs, too few full-time professors and outdated equipment that is often unable to prepare students for the technological needs of today’s economy. It also has constrained CUNY’s ability to keep tuition low. Indeed, while the CUNY community colleges across the five boroughs have open admissions policies, they are not necessarily affordable to all New Yorkers. Even the least expensive of the six institutions—\$3,104 at Bronx Community College to cover annual tuition charges and fees—runs almost a third more than the national average (\$2,361) for public two-year colleges and higher than all of New York’s peer states (California, Florida, Illinois, Massachusetts, Ohio, Pennsylvania, and Texas).¹¹⁸ By contrast, tuition and fees for a full-time community college student in Los Angeles averages just \$600.¹¹⁹

As individual costs have risen, state and federal public tuition assistance has not kept up. Today, many of those attending community colleges don’t qualify for state and federal aid programs. Numerous middle class students and their families earn too much to qualify for the state’s Tuition Assistance Program (TAP) but too little to afford the cost of tuition and

fees. Additionally, TAP doesn’t take into account the fact that a large number of community college students spend a year or more taking remedial courses before their college-level classes even begin. The grants typically expire when many students are only part of the way to their degree. “Many students are either denied TAP, exhaust their TAP prematurely or are forced to take more credits than they should really take, simply to qualify for financial aid, often without good academic results for the students,” says Lenore Beaky, a professor at LaGuardia Community College in Long Island City.¹²⁰

City Hall could also be doing far more to support community colleges. In fact, the city has been the main impediment to dealing with the overwhelming infrastructure and maintenance needs at New York’s community colleges. Unlike CUNY’s senior colleges, whose capital needs are exclusively paid for by the state, construction work at community colleges requires the city to match state funding. During the Giuliani administration, this contribution rarely materialized. It has improved during the Bloomberg administration, but not enough. In 2008, for instance, the governor allocated \$1.4 billion to fund the critical maintenance needs identified for CUNY’s senior colleges. But CUNY received no similar infrastructure funding for community colleges because state officials did not feel confident that the city would match its contribution.

“There is a growing gap in our ability to expand classroom and programmatic space and improve conditions of the senior colleges, which are state funded, and our ability to provide the same for the community colleges and Medgar Evers [College], which are jointly funded by the state and the city,” said Iris Weinshall, CUNY’s vice chancellor for facilities planning, construction and management (and a former city commissioner under Mayor Bloomberg), at a February 2008 City Council hearing. “And that is due to the inconsistent manner with which CUNY receives funding from the city.”¹²¹

To its credit, the Bloomberg administration recently provided \$19.5 million to help CUNY develop a pilot program to help improve graduation rates among its community college student, known as the Accelerated Study in Associate Programs, or ASAP. At the same time, however, both the city and the state have reduced financial support for CUNY in their most recent budgets.

A NEW ECONOMY FOR NEW YORK

City officials must diversify the local economy and groom industries that offer potential to create middle-income jobs

Any strategy to retain and expand the city's middle class must focus on increasing opportunities for economic mobility for a wide spectrum of New Yorkers. For local policymakers, this means not only advancing initiatives that enable more city residents to access higher education and skills training programs, but also focusing economic development resources on creating and preserving jobs in sectors that pay middle-income wages.

It is important to understand that New York City's future middle class will be different from its past model. We cannot simply turn back the clock to the days when the city was home to more than a million industrial jobs, many of which paid wages high enough to allow workers with limited educational backgrounds to live a middle class life. Most of those jobs are gone for good, not just from the five boroughs, but from the United States. And in today's highly competitive global economy, the advantage for high-cost cities like New York lies in information, creativity and design—not the production and distribution of goods.

That said, the city's economic development officials could do a far better job of nurturing industries that will create new middle skill jobs; preserving existing manufacturers; helping new entrepreneurs—including the large numbers of immigrant-owned firms—expand beyond the mom-and-pop stage; and developing career pathways for young people in occupations that pay middle-income salaries and are expected to grow.

To his credit, Mayor Bloomberg has long acknowledged the city's unhealthy reliance on Wall Street and advanced policies to diversify New York's economy. The most visible components of this strategy has been the administration's efforts to expand the city's bioscience, film and tourism sectors, but it has also taken some steps to support the growth of New York City's maritime port. Yet, city economic development officials have done little to focus on several other sectors that could create a significant number

of middle-income jobs in New York, such as warehousing, air cargo and green manufacturing. On balance, the mayor and his top aides have talked a better game than they've played.

One opportunity lies with warehousing jobs connected to the New York Harbor's fast-growing container port. According to the New York Shipping Association, employment in the region's wholesaling/warehousing industry grew by 42 percent between 2000 and 2004, from 55,000 to 78,000 jobs.¹²² Many of these jobs were created adjacent to the container terminals in Northern New Jersey, where the explosive growth in cargo shipments led to the development of warehousing centers that optimize just-in-time supply chain principles. Industry experts suggest that this type of port-related warehousing will continue to grow in the years ahead. The Port Authority forecasts the demand for warehouse space in the New York/New Jersey port area to be eight million square feet by 2060, nearly three times the amount that existed in 1999.¹²³

Thus far, New York City has captured relatively few of these jobs. But as New Jersey's options dwindle for developing new warehouses in close proximity to the port, Staten Island could reap the benefits. There is a vast amount of undeveloped space in close proximity to the Staten Island-based New York Container Terminal, one of the region's fastest growing port facilities in recent years. Terminal operators recently renovated a 212,000 square foot warehouse just outside the facility's gates. Also nearby is the 677-acre site where the International Speedway Corporation hoped to build a NASCAR track before local officials killed the plan in 2006.

Green collar jobs could be another source of middle-income job growth. Mounting support for new environmentally-friendly policies aimed at reducing carbon emissions has already prompted a number of New York-based developers to erect Leadership in Energy and Environmental Design (LEED)-certified

buildings that require locally-made building materials and other furnishings. As this trend accelerates, new demand is anticipated for locally-made building supplies. Brooklyn-based IceStone, which makes counter tops using recycled materials, is one of the early pioneers of this movement. “I believe that this is the future of manufacturing and a source of high-wage jobs for the middle class,” says Adam Friedman, executive director of the New York Industrial Retention Network, a nonprofit that advocates on behalf of manufacturers in the five boroughs. “It’s different from the old manufacturing and it has a great future.”

Another possible avenue to create middle-skill jobs is a large-scale effort to retrofit existing apartment towers and office buildings in New York with solar panels and other energy-efficient upgrades—an initiative championed by environmental leaders and policymakers. Indeed, President Obama has expressed support for including billions of dollars in the federal stimulus pack-

anchored to this region because their competitive advantage is being close to their customer base. Scores of them—from ethnic food producers to the makers of home furnishings—have real potential for growth. However, many of these firms are being squeezed out by rising real estate prices and city zoning policies that have facilitated the conversion of longtime industrial areas to residential development. More than a few firms have simply relocated to the surrounding region, meaning that the city is losing blue collar jobs not just to China, but to New Jersey and Westchester.

The Bloomberg administration admirably created an office to support manufacturing businesses and established 16 Industrial Business Zones, districts that the mayor promised would be off limits to new attempts to convert manufacturing land into other uses. But despite these positive efforts, Bloomberg’s two terms have seen a steady erosion in the number of properties that are zoned for manufacturing and a precipitous increase

Labor economists already know which occupations in New York have been adding jobs that offer middle-income salaries and don’t necessarily require a bachelor’s degree. They include legal secretaries, dental hygienists, nurses, cable installers, auto and transit mechanics, pest control specialists, occupational therapy assistants, chefs, construction managers and a range of service technicians.

age for such an initiative. This undertaking, which would reduce energy consumption and save owners money, would require thousands of construction-related jobs. In his January 2009 State of the City address, Mayor Bloomberg gave an indication that city policy might lend a hand in this effort. Bloomberg announced plans to “green” the city’s Building Code, including a requirement that existing private sector buildings improve their energy efficiency, and to create green jobs by investing \$900 million over the next nine years to retrofit city schools, hospitals and other buildings with new energy systems.

Beyond grooming industries with growth potential, the city should also do more to support small and mid-sized industrial businesses around the five boroughs that have a strong rationale for remaining in the New York region. While globalization and the city’s high cost of doing business have caused countless industrial firms to relocate to cheaper locales or go out of business, most of the city’s remaining manufacturing are

in real estate prices for industrial buildings in neighborhoods from Long Island City to Sunset Park. The preservation of manufacturing companies undeniably has been a low priority for the administration.

On another front, city economic development officials should devise a new set of strategies to help entrepreneurs start and grow businesses in New York. With blue collar jobs on the decline, entrepreneurship has become an increasingly important route to the middle class for immigrants and other New Yorkers who lack the educational background or language skills to get living wage jobs with existing businesses. As the Center documented in its 2007 “A World of Opportunity” report, the city has already experienced an explosion of new businesses in recent years, with many of the new firms being started by recent immigrants.¹²⁴ But most entrepreneurs here face daunting obstacles just to survive, from the high cost of real estate and insurance to overzealous enforcement efforts by the city’s regulatory agencies.

Without help in getting over these barriers, too few of the city's entrepreneurs end up expanding beyond the mom-and-pop stage, resulting in countless missed opportunities for new jobs. For instance, of the 15 cities in the U.S. that have the most Hispanic-owned businesses, New York has the lowest average receipts per firm. The average Hispanic-owned company in the five boroughs earned just 37 percent as much as a Hispanic-owned firm in Houston, 40 percent of the average in Chicago and 42 percent of the average in Miami. Similarly, New York City's Asian-owned businesses took in a smaller amount of receipts, on average, than their counterparts in 13 of the 15 cities with the most Asian-owned firms. The average Asian-owned firm in New York earned 48 percent as much as a similar firm in Los Angeles, 57 percent of one in Houston and 71 percent of one in San Francisco.¹²⁵

Finally, the city ought to be more aggressive in promoting career pathways that lead to mobility for New York's poor and working poor—and developing training programs that help local residents access these positions. Labor economists already know which occupations in New York have been adding jobs that offer middle-income salaries and don't necessarily require a bachelor's degree. They include legal secretaries, dental hygienists, nurses, cable installers, auto and transit mechanics, pest control specialists, occupational therapy assistants, chefs, construction managers and a range of service technicians.

In several of these cases, workforce development programs run by city agencies or nonprofit groups are targeting these opportunities and gearing training programs accordingly. Many others, however, have gone unaddressed. James Brown, a labor market analyst for the New York State Department of Labor, says that some of the growing occupations that pay mid-range salaries have not yet become a major focus of local workforce development providers.

Take pest control. The growth of the city's population in recent years has led to a demand for pest control specialists, jobs that pay in the \$30,000 to \$40,000 range. "You'd think pest control would be obvious," says Brown. "It's growing, and it's not small. When I look at various training programs that are offered, through the WIB (Workforce Investment Board), there are actually relatively few for pest control and most of the ones that [do exist] aren't in New York City. I found four programs and most were in the Hudson Valley. It didn't make particular sense."

Brown sees the same missed opportunities in some of the occupations that involve repairing or installing technological equipment, from personal computers to fiber optic networks. "A lot of them have to do with repairing or servicing things," says Brown. "No one is advertising about these jobs in subways. You never see them on TV, but they're there and are growing." And, he adds, they can't easily be outsourced.

Finally, although it will never recover its past scale or importance as a source of employment, what remains of New York's manufacturing sector still can provide upward mobility. As manufacturing employment has dropped, the percentage of industrial jobs that require high skills—and pay accordingly—has continued to grow. In many parts of the country, shortages of skilled workers such as machinists, welders and tool and die makers have become quite severe.¹²⁶

Retaining such industries could have an importance that is disproportionate to the number of jobs directly saved. According to an analysis of Census data by University of Washington geographer Richard Morrill, there is a direct correlation to the concentration of manufacturing jobs and the level of inequality. Areas more reliant on government, business services and other services tend to have greater inequality; those that have attracted, or retained, industry, such as in the Great Plains and parts of the Southeast, have actually seen inequality decline.¹²⁷

Proof that opportunity persists is offered by the chronic complaints of industrial employers that they remain short of skilled workers. More than 80 percent of the 800 U.S. manufacturing firms surveyed in 2005 by the National Association of Manufacturers, the Manufacturing Institute, and Deloitte Consulting reported that they were "experiencing a shortage of qualified workers overall." Nine in 10 firms stated that they faced a "moderate-to-severe shortfall" of qualified technicians.¹²⁸

After decades in which high costs pushed industrial jobs out of New York City, a new market dynamic could provide a local boost to emerging industries such as creating green construction products and organic or ethnic food production; as energy costs rise, firms choose to locate close to the markets they serve whenever possible.¹²⁹ City action to ensure sufficient and affordable industrial space, and to facilitate the training and placement of workers in these new fields, will be vital in creating a new area of opportunity for middle-class New Yorkers.

IF YOU BUILD IT...

New York desperately needs more housing for the middle class, yet almost all of the new housing being built in the five boroughs has been aimed at the luxury market or the poor

On September 15, 2008, the day Lehman Brothers failed and the credit markets seized up, New York City's biggest residential construction boom since 1965 came to an official and irrefutable end. Since then more than \$5 billion of new construction in the city has come to a screeching halt. Yet, despite the conventional assumption that more supply means less demand and lower prices, the historic building boom that spanned most of Mayor Bloomberg's first two terms in office produced a surprisingly small number of new units geared towards middle class families and professionals.

Mark Alexander, a veteran developer of both affordable and market-rate housing in the city, suggests that only the extremes of the housing market are viable in New York. "There's virtually nothing in the middle," he laments. Similarly, when we asked Jason Muss, a housing developer in Brooklyn and Queens, whether there was a middle class housing gap in the city, he responded: "If you're talking about the sales market and you're looking at units priced in the \$400,000 to \$700,000 range, then yes, of course there's a gap. There's a big gap. It's hard to produce housing at that price."

City, state and federal housing subsidies go almost exclusively to families who earn less than \$56,000 a year. For instance, of the approximately 64,000 units developed so far under Mayor Bloomberg's ambitious affordable housing plan, 75 percent have gone to the city's lowest income residents. Between 2004 and 2007, the city spent \$1.12 billion of the capital budget on building and preserving units for families who earn \$56,720 per year or less, but only \$87 million on units for families making more than that.¹³⁰ Meanwhile, on the other end of the spectrum, luxury condo and co-op sales experienced unprecedented growth in the same period.

Of course, few policy experts would recommend redirecting already scarce public funds away from

low-income New Yorkers in order to finance more middle class developments, but the tradeoff from that decision exacerbates the city's middle class housing plight. Another issue is the apparent disconnect between what many middle class families want in a home and what developers feel they can provide, given the space and cost constraints of building in New York City. For example, Alexander observes that the traditionally cheap-to-develop, single-family housing common to suburban communities is not really an option in many places throughout the five boroughs. Land values are too high and the need for denser communities too great to make that style economical or, from a planning standpoint, desirable for New York. Similarly, one developer told us matter-of-factly that he couldn't justify building apartments with more than two bedrooms, despite acknowledging the pent-up demand among middle class families for more space. He said all the money is in studios, which command a higher rental or purchase price per square foot.

Another important facet is the near-Byzantine system of government subsidies and tax incentives designed to stimulate both market rate and affordable housing construction in the city. Some experts we spoke with worry that the new affordable housing stipulations to the state's 421a tax abatement program, revised by the legislature in 2007, will block development in neighborhoods like the South Bronx, which traditionally lag behind in housing construction. This is just one among many entrenched difficulties with the current system of incentives across different levels of government, starting with how the federal Department of Housing and Urban Development calculates its target income brackets.

Ultimately, however, every complicating factor that contributes to New York's middle class housing

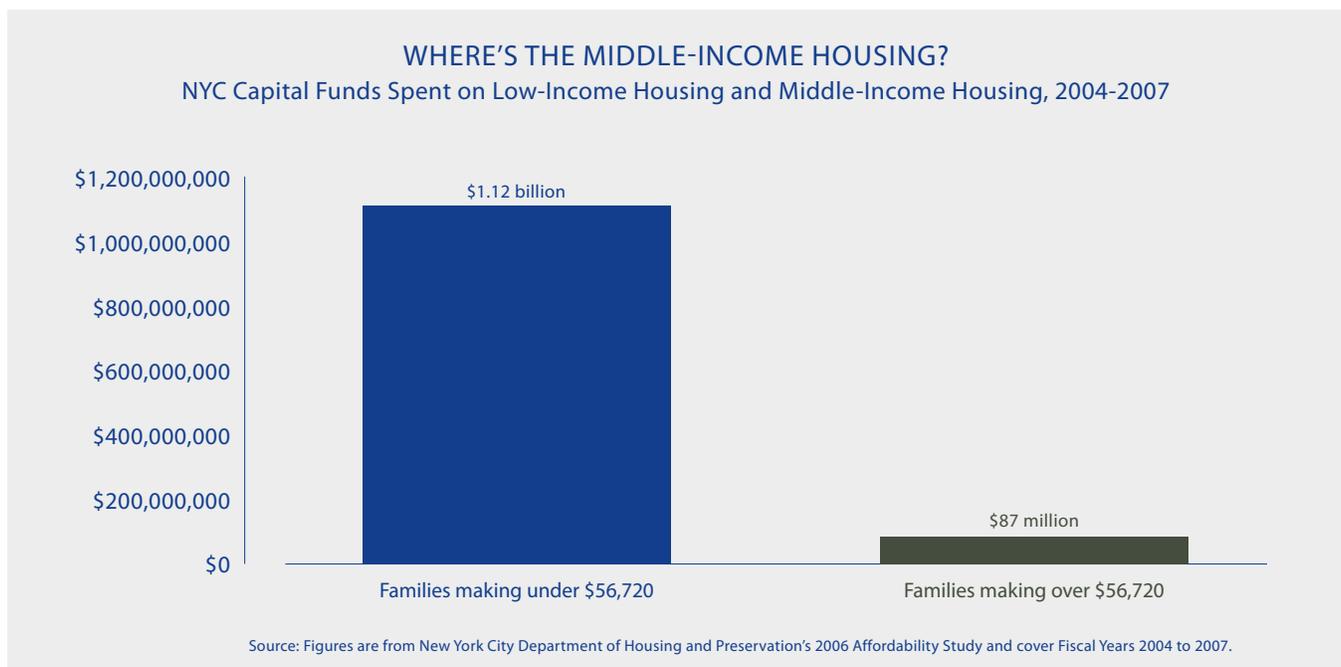
shortage leads back to the cost of construction inside the city limits. This always-vexing problem is getting worse: according to a 2008 report by the New York Building Congress, construction costs in the city rose 32 percent between 2004 and 2007; over the past 35 years, costs have increased 400 percent. As a result, it is now 60 percent more expensive to build in New York than in Dallas, 50 percent more than in Atlanta and 20 percent more than in Los Angeles.¹³¹ One reason for such high costs of course is high land values; another is the city’s building code, which, for example, outlaws in new buildings the once ubiquitous external fire escape, requiring more expensive internal arrangements.

Another big cause, says Randy Lee, chairman of the Building Association of New York City, is the bureaucratic red tape. “You can file a project with [the Department of] City Planning and wait a year before you get the building passed,” Lee says. “A sewage change will take you two years. The bureaucratic environment is really hostile in New York.”

This wasn’t always the case. New York has a proud history of middle class housing developments. As early as 1909, innovative real estate companies were developing huge swaths of Queens for two- and three-family homes. In Sunnyside Gardens and Forest Hills Gardens, rows of attached three story cottages were built around larger apartment buildings and greenswards in order to create both density

and a sense of suburban detachment; many houses included two or three distinct units, enabling homebuyers to recoup some of their investment by renting out the extra space. As it happens, the city’s Department of Housing Preservation and Development sponsored a similar kind of development in 2001 in Far Rockaway called Arverne-by-the-Sea, and Mayor Bloomberg’s office is now pushing hard for two more just like it—another one on the beach in Arverne and one in Long Island City, just across the East River from Manhattan.

Though these developments are all extremely large, requiring big land grants, property tax exemptions and, in one case, even federal tax exempt bonds, the early results from Arverne-by-the-Sea are decidedly mixed. The developers—Long Island-based Beechwood Organization and Benjamin Companies—initially bragged of long waiting lists, but after starting out at a reasonable \$350,000 price, the houses quickly climbed to a minimum of \$500,000. In fact, despite a long commute (12 miles to Manhattan, and more than an hour by subway) and a location near JFK airport, many of the houses were selling for as much as \$1 million—that is, at least until last fall’s financial crisis. Only time will tell if the crisis will relieve the upward pressure on home prices—and if so, whether the city will retain enough middle class jobs to allow prospective homebuyers to take advantage of lower prices.



BOLSTERING THE BOROUGHES

With most Manhattan apartments out of reach, the other boroughs represent the best, and perhaps only, hope of retaining the middle class

New York's long-term future as a middle class city cannot be secured simply by focusing on the expansion of what some urban experts call "the urban glamour zone."¹³² Instead, economically and socially viable urban centers outside Manhattan that can provide attractive locales for increasing share of people who are thirty, forty or older need to be cultivated.

The good news is that New York City has much to build on. While most of Manhattan and outer-borough neighborhoods like Williamsburg, Brooklyn Heights and Hunters Point have gotten out of reach for those earning modest incomes, large swaths of Brooklyn, Queens, the Bronx and Staten Island remain havens for the middle class. Neighborhoods from Ozone Park, Queens to Mill Basin, Brooklyn experienced significant growth in new housing development during the past decade, including one- and two-family homes still generally affordable to middle class residents.¹³³ In fact, during a good part of this decade the boroughs surpassed Manhattan as the primary locus of housing construction in the city.¹³⁴

These areas have benefited, perhaps even more than Manhattan, from the decentralization of policing activities and the reduction of crime.¹³⁵ In many cases these districts have long stood out as resilient communities that managed to resist the urban decay of the 1970s and thrive in the decades since, while remaining affordable. These are not glamorous neighborhoods that dominate the images of great cities or receive large coverage in the global or national media. Often these might be considered the relatively "plain vanilla" neighborhoods. "Queens," observed writer Ian Frazier, "specializes in communities nonresidents have heard of but could never place on a map."¹³⁶

Yet such communities, many with long histories of middle class residence, provide a critical balance to

both the exclusive precincts of the "luxury city" and the most neglected neighborhoods. Such places need to be the focus of modest ambitions, rather than the grand projects usually celebrated by the media and business groups. They represent the critical small building blocks with which future great urban areas can be built and nurtured.

Maintaining these neighborhoods will require careful application of public policy. In many cases, people we interviewed in the outer boroughs were resistant to some of the city's plans for upzoning their neighborhoods. Many suggested that it was the relative lower densities that made these places attractive; replacing single or two family homes, or low-rise co-ops, with large towers, they said, would not encourage middle class people, particularly families, to stay in the city. Notes Beth DeBetham, president of the Local Development Corporation of Laurelton, Springfield Gardens and Rosedale, all heavily middle class African American areas: "What we see is that the issue is not about race, black or white but about squeezing the middle class. We like the trees and the small town community. That's what keeps the middle class family here."

These communities remain, as one Maspeth resident put, "the last of the small towns of New York."¹³⁷ They are sustained not by the subsidies that developers often receive for mega-developments, but rather by attention to the fundamentals of transport, public safety, education, and sanitation—basics of urban living less likely to compel the interest of city officials than big-money, high-profile projects.

Less excitement, however, does not mean less value. In large part, residents of those less glitzy outer-borough neighborhoods chose to stay in the city because they found family friendliness and social cohesion. Nelson Ryland, a film editor with two

children who who works part-time at his home in Ditmas Park suggests, “It’s easy to name the things that attracted us: the neighbors, the moderate density. More than anything it’s the sense of the community. That’s the great thing that keeps people like us here.”

We believe that this “sense of community” will become one of the keys to sustaining middle class neighborhoods. The city as “entertainment machine” will always exert a pull on the wealthy, and on young people willing to trade day-to-day material comfort for proximity to cultural excitement. But such places in the longer term will inevitably lose those with limited resources, as well as those once-enchanted young people as they start families and advance toward middle age.¹³⁸ Successful, sustainable urban places in the 21st century, just as in the 20th or 19th, will be those that nurture people, families and businesses across generations and life stages.

The sustainable city of the future will rely in large part on the re-emergence of traditional institutions that have faded in many of today’s cities. Churches and other houses of worship—albeit often in reinvented form—help maintain and nurture such communities. Particularly among the poor and new immigrants, local religious organizations have come forward to pick up the slack. Many organizations that develop everything from soup kitchens to AIDS hospices to low-cost housing do so from bases in churches and other spiritual institutions.

Similarly, extended family networks will be critical to future successful urban areas. As Queens resident and real estate agent Judy Markowitz puts it, “In Manhattan, people with kids have nannies. In Queens, we have grandparents.”¹³⁹

Such ties were certainly a consideration when Bay-side native Jaime Bartolotta and her husband Angelo recently moved from an apartment in Whitestone to a new home they purchased for \$735,000 not far from Citi Field, the new home of the New York Mets. Her job at Empire Erectors, a company that hangs signs throughout the city, often requires assistance from grandparents to care for their two young children during the day. “With kids you need space and a safe place,” she explains. “And you need a community where you have relatives, friends, people you can count on.”

If it wasn’t for this comfort zone, Ms. Bartolotta might have moved out of the city entirely. Many of

her friends, she notes, have joined the middle class mass migration to Arizona, Florida, Pennsylvania and North Carolina. But she stayed because Whitestone provides both a community and a sense of continuity those other places could not.

“You see it all the time around here,” she explains. “On Palm Sunday there’s a line outside the church. You know your neighbors, there’s good schools and little crime—and you can walk to an express bus to Manhattan and you’re in the middle of it in half an hour. But best of all are the people—everybody knows everybody. New people move in but in that way the neighborhood doesn’t change.”¹⁴⁰

In the coming decades, technology also can play a contributing role to this community-building process. Technology can help networked residents stay in touch about what is happening in their communities; this is particularly critical in spread-out areas such as the outer boroughs of New York. Neighborhood blogs, social networking sites and other tools can also be critical to facilitating contact between artists in different parts of the city, and to organize and inform communities beyond the traditional mechanisms offered by churches, political parties, or homeowner associations. Even more intimate, localized parents’ sites allow families to inform each other about parks, doctors and cultural events. “The churches and synagogues are part of the network we reach out to, but it’s all part of a broader effort to make this a more family-friendly neighborhood,” explains Ellen Moncure of the Flatbush Family Network. “Without the network, without the friends and the connection, we’d never stay. There’s an attempt in this neighborhood to break down the city feel and to see this more as a kind of a small town. It may be in the city, but it’s a community unto itself, a place where you can stay and raise your children.”

These “digital villages” offer a viable urban option that has some of the characteristics of a classic suburb—small, cohesive and community-oriented but still has the more distinctive urban virtues.¹⁴¹ From these dense networks of communities, New York’s middle class can continue to grow and flourish in the coming decades. They can represent the key assets in helping the city remain vital and relevant amidst the challenges of the economic dispersion which will dominate the coming era.

BACK TO THE BASICS

Instead of building stadiums and other glitzy developments, New York officials need to focus on less glamorous tasks that would help improve everyday life for the middle class

New York City's revival since the early 1990s came as three successive mayors made commitments and set policies to improve New Yorkers' quality of life. The brilliance of this campaign lay in its utter simplicity: more than majestic urban renewal projects, what the city really needed was a back-to-the-basics focus on the problems that negatively impact everyday life across the five boroughs, including high crime rates and dirty streets. Among the results were a surge of business activity and tourism revenue, as well as a general rehabilitation of the city's image at home, around the country, and indeed across the world. When Mayor Bloomberg took office in 2002, he pledged to consolidate the achievements of his predecessors, but also smartly expanded the quality of life campaign with his focus on improving public schools and building new parks.

Investing in basic infrastructure improvements and improving the regulatory environment are the logical next steps in the city's quest to make the city more livable and ease some of the biggest causes of daily frustration for middle class New Yorkers. Priorities should include increasing the frequency of service on overburdened subway and bus lines outside of Manhattan, improving the inferior road system in places like Staten Island and the Springfield Gardens section of Queens, upgrading the telecommunications infrastructure in parts of Brooklyn that still sometimes lose service in bad weather, and reducing the costly burden of overzealous regulatory enforcement agents on residents and businesses.

Unfortunately, city and state officials have squandered opportunities in recent years to address these issues in favor of a succession of high-profile development projects from the construction of three new sports stadiums (four, including the failed attempt to build a new facility for the Jets) and expansion of the Jacob K. Javits Convention Center to the redevelopment of Penn Station and rehabbing of Governor's Is-

land. In total, these projects would cost taxpayers billions of dollars in subsidies while providing minimal benefits to the average middle class resident.

Indeed, despite the staggering rise in tax collections generated by the stock market and real estate transactions over the past decade, city and state officials did little to upgrade critical infrastructure. City Comptroller William Thompson estimated that actual infrastructure spending levels in the late 1990s and early 2000s were barely half of what was required to maintain the city's streets, main roads, and railways in "a systematic state of good repair." As a result, key transportation linkages in America's biggest city are frequently shut down after heavy rains due to flooding caused by poor drainage. Brownouts and blackouts have become common during summer high-use periods, caused in part by chronic underinvestment in energy infrastructure.¹⁴²

Many of those interviewed for this report complained that city has failed to provide the infrastructure—schools, transit service, and sanitation—needed to keep pace with the rapid development that has occurred in communities across the five boroughs. A 2008 report by the City Comptroller found that the city "is failing to build enough new schools to accommodate children in many neighborhoods experiencing residential construction booms." According to the study, the city's school construction plan includes no new seats for the Queens West area of Long Island City even though at least 3,330 units of housing were completed in the area since 2005 and the one public school there has already been operating at capacity, with space for just 237 students. Similarly, the city capital plan includes no new school seats in College Point and Whitestone even though the six elementary schools there were vastly over capacity; in four schools, students were being taught in trailers.¹⁴³

It's not just school construction that's failed to keep up with demand. On Staten Island, which grew

faster than any county in the state during the 1990s, mounting traffic congestion has become the single biggest headache for those living in the borough. The haphazard nature of much of the recent development has exacerbated this concern. But the traffic problems also stem from that fact that much of the road network dates back to the 19th century: some of the most heavily-traveled roads—including Forest Avenue, Victory Boulevard and Richmond Road—are only one lane wide in each direction for long stretches.¹⁴⁴ Many Staten Islanders believe that public officials have failed to adequately address their transportation woes.

Particularly galling is the failure of city and state officials to help the MTA find the resources to increase subway and bus service, especially in fast-growing communities outside of Manhattan.

Investing in basic infrastructure improvements and improving the regulatory environment are the logical next steps in the city's quest to make the city more livable and ease some of the biggest causes of daily frustration for middle class New Yorkers. Priorities should include increasing the frequency of service on overburdened subway and bus lines outside of Manhattan.

Even before the MTA's recent announcement that the fiscal crisis might prompt the closure of some subway lines and service reductions on others, subway service had badly lagged behind the record growth in ridership of recent years. Many lines are now overcrowded, resulting in long and unpleasant commutes for numerous New Yorkers living outside of Manhattan. In 2007, Howard H. Roberts Jr., president of New York City Transit, provided a bleak assessment of the system. "This is scary in the sense that right now, on a lot of these lines, we're several years and a big capital construction project away from being able to provide what I consider adequate service," said Roberts.¹⁴⁵ With the subsequent collapse of the MTA's revenue stream from real estate properties, things are very likely to get worse on the city's subways and buses.

Mayor Bloomberg has noted the "challenges" of transportation infrastructure as well. He observed in a December 2006 speech that "Ridership has soared making some commutes more of an 'up close and personal' experience than we'd like." Bloomberg's campaign to impose a congestion charge on vehicles enter-

ing Midtown and Lower Manhattan, which ultimately was shot down by the New York State Assembly in April 2008, would have created a revenue stream to fund key transit initiatives. But the mayor has done little else in his eight years to make transit improvements a priority, and he did not emphasize the positive implications for mass transit in his unsuccessful effort to win approval for congestion pricing.

Similarly, New York City and its environs could benefit from significant new investment in trade infrastructure, perhaps including the proposed rail-freight tunnel under the East River. New York's emergence as the nation's premier trading post grew largely out of major public investment, notably the Erie Canal, which took advantage of its magnificent natural harbor. There is a compelling argument that the disproportionate loss

of warehouse and other blue collar employment from New York can be traced to a basic reluctance to build significant new infrastructure, while cities such as Charleston and Savannah have proven willing to do so. These cities have also leveraged their strong ports to expand industrial opportunities, often on land adjacent to their harbor facilities.¹⁴⁶

We should not minimize the expense that these infrastructure upgrades would require, nor the short-term inconvenience they would cause for New York's already beleaguered residents and workers. It's also true that fixing roads, adding subway lines and building schools don't garner headlines and campaign contributions to the extent of stadium development and business-friendly rezoning. Ultimately, though, a new emphasis on the unglamorous basics might be the key to saving middle class New York—both for the tangible results, and by giving a sense that our leaders are engaged not just on behalf of art stars and Wall Street's wizards, but the lower-profile engineers, carpenters, computer technicians, nurses and graphic designers who give the city its full character.

RECOMMENDATIONS

New York City has enjoyed phenomenal success in many areas over the past 15 years. But in one crucial respect—the ability to retain and grow a middle class—the city faces a crisis.

Those who would dismiss this problem as a byproduct of the city's good fortunes are missing the bigger picture: a New York City inhospitable to middle class aspirations will lose population, character and ultimately even its economic pre-eminence. New York's own history, as well as that of urban centers throughout the world, has proved that a strong middle class offers tremendous social, political and economic benefits. This is even truer today, as the "plutonomic" economy built around Wall Street continues to shrink.

The city's middle class may enjoy some short-term respite as apartment rents and home prices continue to dip in the months ahead. But this will hardly provide a lasting remedy to the multitude of challenges facing New York's middle class described in this report—especially since the ongoing economic crisis likely will magnify existing problems (too few middle-income jobs created and inadequate transit service, to name two) more than it creates opportunities. Instead, what's needed is a series of policies designed for the long haul that help preserve and expand the city's middle class. We suggest, in brief, the following steps:

Develop a comprehensive strategy to diversify the economy and support the growth of middle-income jobs. City economic development officials should dramatically increase the resources they put into nurturing entrepreneurs, artisans and freelancers; helping more small home-grown firms get to the next level; and supporting the growth of sectors that provide middle-income jobs—from port-related warehousing to food manufacturing.

Stop neglecting the city's community colleges. City and state officials must embrace community colleges as engines of mobility and dedicate the resources necessary to strengthen these institutions and ensure that a greater number of middle class, poor and working poor New Yorkers can attend these schools and complete their degrees.

Pay attention to the basics. City officials must prioritize efforts that enhance New York's quality of life. This means keeping crime rates low, continuing the efforts to reform and improve city schools, and generally committing to preserve and ultimately improve quality city services such as sanitation—even in a time of tight budgets and economic upheaval.

Improve transit service, particularly in the boroughs outside of Manhattan. Instead of spending billions to build glamorous new sports stadiums, train stations and

other large-scale development projects, city and state officials should steer public resources toward increasing the frequency and quality of subway, bus and ferry service and upgrading deteriorating roads across the five boroughs.

Increase the stock of housing that is affordable to the middle class. City and state officials should become much more aggressive about preserving what's left of the city's affordable housing while also addressing barriers to building new middle class housing, including the city's sky-high building costs. They should also increase the amount of city capital funds used for middle-income housing.

Protect the character of city neighborhoods. If New York is to increase its stock of affordable housing, city officials must support at least moderately high density residential development in parts of the outer boroughs that have sufficient infrastructure to accommodate additional residents. Yet, city planners need to show far greater resolve to protect the city's numerous low-rise neighborhoods from teardowns, shoddy building and developments that are out of scale and character with the community, and ensure that projects do not go forward in those neighborhoods unless and until adequate sanitation, school facilities and other necessary supports are present.

Rethink efforts to increase revenue from fees and fines. Middle class New Yorkers bear the brunt of the city's recent efforts to significantly increase collections from parking tickets, sanitation fines and other regulatory efforts. City officials should scale back its overzealous enforcement efforts.

Address other escalating costs. Policymakers could do far more to help residents and businesses reduce their energy bills by expanding conservation efforts and improving incentives to make homes and buildings more energy efficiency. They could also help lower the monthly bills New Yorkers pay for telecommunications services—from Internet to cell phones—by supporting policies that foster competition in the marketplace and eliminating some of the numerous telecommunications taxes and fees.

Invest in workforce development efforts with career ladders. Local policymakers should invest in educational and training initiatives that put New Yorkers on the track to decent-paying jobs, including English as a Second Language (ESOL) and career and technical education (CTE) programs. These programs should fit into a pipeline from the city's public schools and nonprofit training providers to local employers seeking to fill quality jobs.

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