



# **SOCIAL AND ECONOMIC TRENDS IN INDIANAPOLIS 2000-2014: AN OVERVIEW OF NEIGHBORHOOD LEVEL CHANGE**

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# **SOCIAL AND ECONOMIC TRENDS IN INDIANAPOLIS 2000-2014: AN OVERVIEW OF NEIGHBORHOOD LEVEL CHANGE**

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In order to develop effective strategies to address a community's social and economic challenges at the neighborhood level, it is important to understand what is happening, what the overall trends and conditions are, and where different areas may be trending in different directions. The purpose of this memo is to explore what those trends and conditions may be, by presenting data on critical current social and economic conditions and trends between 2000 and 2014 for the city of Indianapolis, and for individual census tracts within the city<sup>2</sup>. We will begin by summarizing overall citywide trends, and then drill down to the census tract level. The report's findings are based solely on statistical data. We recognize that there is much more to neighborhood change than what can be seen in the numbers; at the same time, the numbers are an important – even necessary – starting point<sup>3</sup>.

Indianapolis is a great city, with strong institutions, valuable assets, and healthy job and population growth. While some parts of Indianapolis are seeing rising incomes, house values and similar indicators, however, the data shows that substantially more parts of the city are seeing decline in these same indicators than are seeing growth. The city has been losing ground in important respects, experiencing weak income and house value growth, increased poverty and vacant housing, and a job base that is increasingly made up of commuters rather than city residents. These trends represent serious challenges for Indianapolis' future.

## ***Citywide conditions***

To get a picture of overall trends between 2000 and 2014 in Indianapolis, we initially looked at five indicators for which data from the Census and American Community Survey (ACS) for both years is available, as follows:

- Median house value
- Median household income

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<sup>1</sup> The assistance of Justin Godard, Program Associate at the Center for Community Progress in data gathering and analysis is gratefully recognized.

<sup>2</sup> We recognize that there are a number of areas within Marion County that are not part of the consolidated city-county. While the statistical information presented in the report is for Indianapolis City, the census tract maps include the other incorporated municipalities within Marion County. This does not materially affect any of the points made in this report.

<sup>3</sup> Since Indianapolis contains over 200 separate census tracts, to present individual tract-by-tract data in this memo would be unwieldy. An Excel spreadsheet with individual tract data for those interested in looking at the picture for specific tracts is available.

- Percentage of adults 25 and over with a BA/BS or higher degree
- Percentage of population in poverty
- Percentage of housing units vacant<sup>4</sup>

Taken as a whole, these measures provide a good snapshot of a community’s economic conditions. We compared trends and conditions in the city with conditions and trends in the state of Indiana, and in the United States as a whole. As Tables 1 and 2 show, Indianapolis is falling behind both the state and the nation with respect to all of these measures. Table 2 is particularly striking.

**TABLE 1: CONDITIONS AND TRENDS FOR KEY INDICATORS 2000 AND 2014**

	2000	2014	Change 2000-2014
<b>Median House Value</b>			
United States	111800	175000	56.50%
Indiana	92500	122700	32.60%
Indianapolis	96600	117200	21.30%
<b>Median household income</b>			
United States	41994	53482	27.40%
Indiana	41567	48737	17.20%
Indianapolis	40051	42076	5.10%
<b>Percentage of adults with BA+</b>			
United States	24.40%	29.30%	20.10%
Indiana	19.40%	23.60%	21.60%
Indianapolis	25.40%	27.60%	8.70%
<b>Percentage of population below poverty level</b>			
United States	12.40%	15.60%	25.80%
Indiana	9.50%	15.50%	63.20%
Indianapolis	11.90%	21.40%	79.80%
<b>Percentage of housing units vacant</b>			
United States	9.0%	12.5%	38.3%
Indiana	7.7%	11.4%	47.5%
Indianapolis	9.2%	13.9%	52.0%

In 2000, the median household in Indianapolis earned 95% of the national median. By 2014,

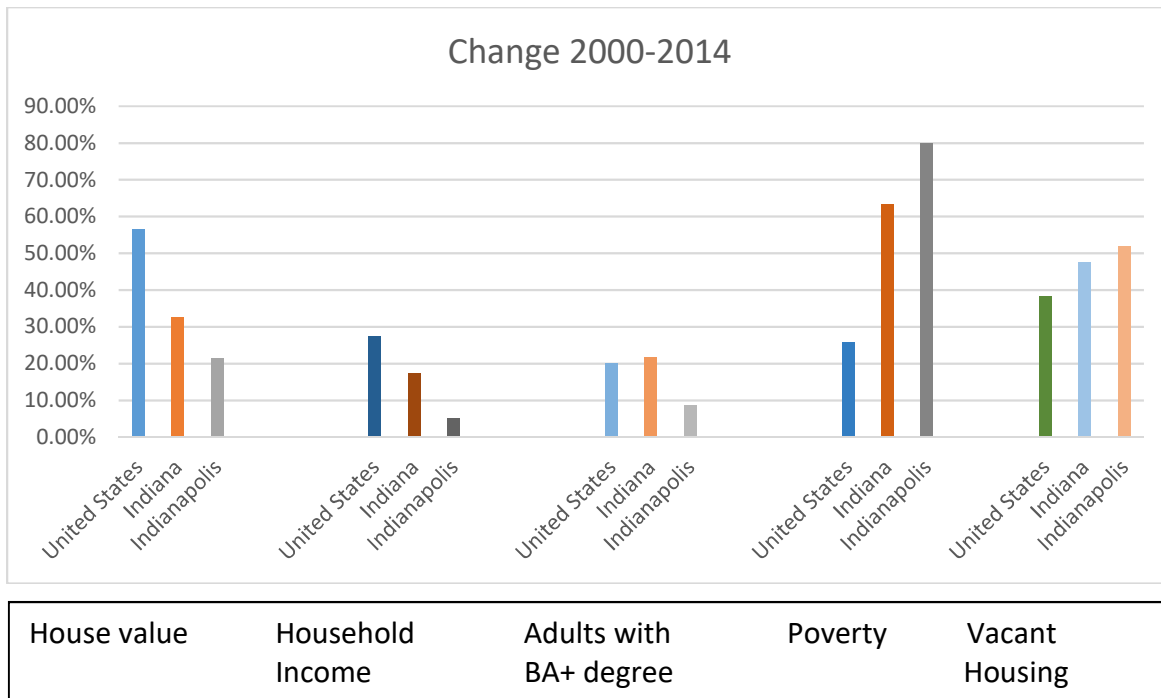
<sup>4</sup> In contrast to the other metrics, where the data is reasonably consistent, there are significant discrepancies between 2000 census data and ACS data with respect to vacancy rates, which means that the increase shown in the data is actually almost certainly greater than the actual increase. That said, our purpose here is not to comment on actual vacancy rates, but to compare *relative* rates between different locations, for which the data is reliable.

**TABLE 2: INDIANAPOLIS INDICATORS RELATIVE TO US BY INDICATOR (US = 100%)**

	2000	2014
Median house value	86%	67%
Median household income	95%	79%
Percentage of adults with BA+	104%	94%
Percentage of population below poverty level	96%	137%
Percentage of housing units vacant	102%	112%

that had dropped to 79%. In 2000, Indianapolis had a larger percentage of its adults holding BA or higher degrees, and a smaller percentage of its residents in poverty, than the United States as a whole. By 2014, Indianapolis’ position on both measures had flipped. While the decline in college graduates was modest, the increase in poverty was striking – in 2014, the percentage of Indianapolis residents in poverty was 37% greater than in the United States as a whole. These trends are illustrated graphically in Figure 1, which compares the trends on the five indicators between 2000 and 2014. What is notable is that *even though the state of Indiana lags national trends significantly in terms of house value, household income, poverty and vacancy, the city of Indianapolis consistently lags the statewide as well as the national trend.*

**FIGURE 1: CHANGE IN KEY INDICATORS 2000 TO 2014**



Two other important economic indicators measure growth in jobs as well as growth in the local workforce; that is, the number of city residents holding jobs, whether inside Indianapolis or elsewhere. In this case, data is available for the period from 2002 to 2014 from a different Bureau of the Census program, known as the Longitudinal Employer-Household Dynamics (LEHD) program. As we see from Table 3 (which includes, for comparison purposes, data on

population growth<sup>5</sup> during the same period), while job growth in Indianapolis has been moderately strong over that period, growth in the local workforce has been far less.

When we look at who holds the jobs in the city, we find a dramatic change between 2002 and 2014. While in 2012, a majority of the jobs in the city were held by Indianapolis residents, by 2014 their share of city jobs had dropped significantly. Far more city residents in 2014 were commuting to work outside the city, while far more commuters held city jobs (Table 4).

**TABLE 3: GROWTH IN POPULATION, JOBS AND WORKFORCE 2002 TO 2014**

	POPULATION	JOBS IN CITY	RESIDENT WORKFORCE
<b>2002</b>	783,612	498,738	346,997
<b>2014</b>	858,788	536,498	354,255
<b>Change 2002-2014</b>	+ 8.3%	+ 7.6%	+ 2.1%

**TABLE 4: WORKER FLOW PATTERNS 2002 AND 2014**

	COMMUTERS HOLDING JOBS IN INDIANAPOLIS	INDIANAPOLIS RESIDENTS HOLDING JOBS IN INDIANAPOLIS	INDIANAPOLIS RESIDENTS WORKING OUTSIDE INDIANAPOLIS
<b>2002</b>	245,066	253,672	93,325
<b>2014</b>	302,077	234,421	119,838
<b>Change 2002-2014</b>	+57,011	- 19,251	+26,513

Indianapolis is not unique in its challenges, which it shares with many other cities around the United States. A comparison of some of the trends described above between Indianapolis and a few of its Midwestern ‘peer cities,’ however, shows that Indianapolis is not performing as well as are they with respect to these key indicators (Table 5).

**TABLE 5: COMPARING INDIANAPOLIS AND OTHER CITIES ON KEY INDICATORS 2000 AND 2014**

	2000	RANK	2014	RANK	CHANGE 2000-2014
<b>Median House Value</b>					
<b>Indianapolis</b>	96600	2	117200	4	21.3%
<b>Columbus</b>	99100	1	128900	2	30.1%
<b>Kansas City</b>	83300	3	133600	1	60.4%
<b>Milwaukee</b>	79600	4	121600	3	52.8%
<b>Median household income</b>					
<b>Indianapolis</b>	40051	1	42076	3	5.1%
<b>Columbus</b>	37693	2	44774	2	18.8%
<b>Kansas City</b>	37008	3	45376	1	22.6%
<b>Milwaukee</b>	32021	4	35489	4	10.8%

<sup>5</sup> We used the intercensal population estimates by the Bureau of the Census for this measure.

Percentage of adults with BA+					
Indianapolis	25.4%	3	27.6%	3	8.7%
Columbus	29.0%	1	33.3%	1	14.8%
Kansas City	25.7%	2	31.6%	2	23.0%
Milwaukee	18.3%		22.8%		24.6%

## ***Census Tract Conditions***

This section will look at how the social and economic picture breaks down by census tract, with respect to both condition and trends. The first part of this section looks at the distribution of conditions and trends by tract; that is, how many tracts are showing different levels of income, house value, or other indicators, and how many are trending in different directions<sup>6</sup>.

The second part of this section looks at the pattern of neighborhood change in Indianapolis. We will try to show which tracts are showing change that can be considered, in some sense, to be ‘gentrification’<sup>7</sup> as well as which tracts are showing contrary patterns of change pointing to neighborhood decline.

### **1. Strength and weakness in Indianapolis census tracts**

A threshold question is the extent to which different parts of Indianapolis are showing either strength or weakness with respect to their social and economic conditions. Strength can mean either or both strong conditions, such as relatively high house values, high incomes or few housing vacancies; or it can mean strongly positive trends in those areas, recognizing that a positive trend overall does not mean that all the residents or properties in a particular area are benefiting from that trend.

To categorize census tracts<sup>8</sup> we must specify how to group the data. We have tried to group data into ranges that basically make sense in terms of their offering insight into the particular condition. In some cases, we show how areas rank relative to citywide averages, in other cases relative to national trends, and in still others, relative to generally accepted norms. For example, we show the trend in household income change relative to the change in the CPI during that period, so that a reader can tell whether incomes grew or declined in real dollar terms. With respect to housing vacancy, we break down areas by vacancy rate in ways that try to illustrate the extent and severity of the vacancy problem in the area.

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<sup>6</sup> It is important to look at both in combination; a tract with a 2000 income of \$12000 that grew to \$18000 in 2014 would show a significant upward trend, but would still be a very poor area.

<sup>7</sup> I put the term ‘gentrification’ in quotation marks since it has so many different meanings, not to mention being highly politically charged. I will address this issue further below.

<sup>8</sup> The number of census tracts varies slightly by indicator because information was not available for some tracts.

**a. Household incomes**

To get a clear sense of the income picture in Indianapolis, the first table shows how the city’s census tracts are distributed relative to the national median income – which was roughly 20% higher than the city median – in 2014. 58% of all census tracts, or nearly 3 out of 5 tracts, had a median income below 80% of the national median. There are few wealthy tracts in Indianapolis. Only 12 tracts, or 6% of the total, had median incomes more than 50% above the national median.

**TABLE 6(A): DISTRIBUTION OF CENSUS TRACTS RELATIVE TO NATIONAL MEDIAN INCOME 2014**

<b>% OF MEDIAN</b>	<b>DOLLAR RANGE</b>	<b>NUMBER OF TRACTS</b>	<b>PERCENTAGE OF ALL TRACTS</b>
<b>0-50%</b>	0-\$26241	44	21.4%
<b>50-80%</b>	\$26241-\$41985	76	36.9%
<b>80-120%</b>	\$41985-\$62978	59	28.6%
<b>120%-150%</b>	\$62978-\$78722	15	7.3%
<b>150%+</b>	\$78723+	12	5.8%

Although the consumer price index increased by 42.1% between 1999<sup>9</sup> and 2014, household incomes in Indianapolis grew at a rate of only 5.1%; as a result, the typical Indianapolis household saw a decline of roughly 25% in their real income over those years. In 36 tracts, the typical household saw their income decline by over 40% in real terms; and in only 12 tracts did the residents see a real dollar increase in incomes.

**TABLE 6(B): INCREASE OR DECLINE IN HOUSEHOLD INCOME IN REAL INFLATION-ADJUSTED DOLLARS 1999 TO 2014**

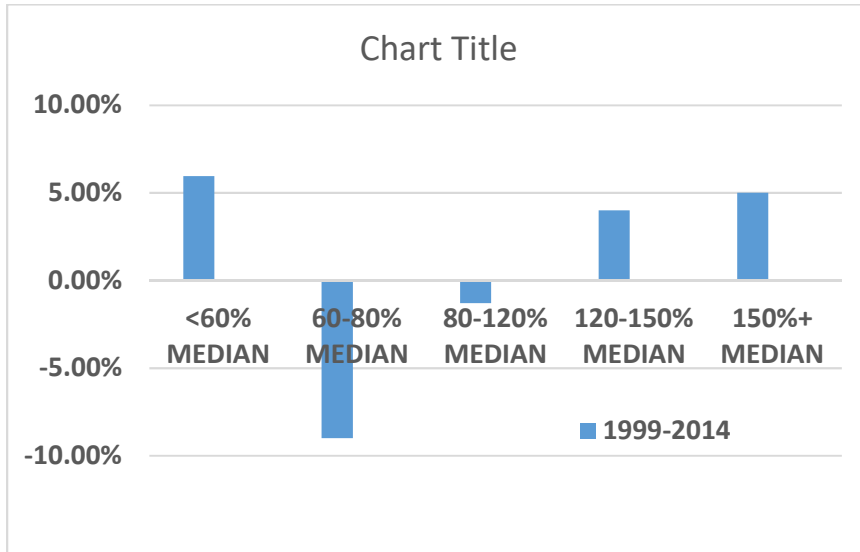
<b>CHANGE IN INFLATION-ADJUSTED DOLLARS</b>	<b>NUMBER OF TRACTS</b>	<b>PERCENTAGE OF TRACTS</b>
<b>Loss &gt;40%</b>	36	17.6%
<b>Loss 30-40%</b>	62	30.4%
<b>Loss 20-30%</b>	55	27.0%
<b>Loss 10-20%</b>	26	12.7%
<b>Loss 0-10%</b>	13	6.4%
<b>Gain</b>	12	5.9%

Two other points are worth making about income change by tract. When we look at change in income by tract, broken down ratio of tract income to citywide median in 1999, we find an interesting pattern, shown in Figure 2; specifically, the lowest income tracts and the two higher income tracts saw a net increase in income (in nominal, not real dollars), while tracts where the

<sup>9</sup> The data for our starting point is from the 2000 census, but actually refers to income for the 1999 calendar year, while the ACS data has been inflation-adjusted to 2014. Thus, the household income trend shown here is actually that from 1999 to 2014.

median was between 60% and 120% of citywide median saw a net decline in income. This is not really surprising. While, overall, the more affluent tracts saw more significant income growth, some growth took place in the lowest income tracts, since in many respects they had far less room for further decline.

**FIGURE 2: INCOME GROWTH 1999 TO 2014 BY 1999 INCOME RANGE BY CENSUS TRACT**



**b. House values and sales prices**

House values are generally low in Indianapolis, although the fact that the city is seeing population growth means that they are somewhat higher than in cities like Detroit and Cleveland which are still seeing population decline. Median house values followed a pattern similar to that of median incomes, in that the great majority of homeowners in Indianapolis saw their homes lose value in real dollar terms between 2000 and 2014<sup>10</sup>. Table 7 shows the current distribution of house values and the 2000 to 2014 trend in real dollar change.

The trend in house value change by value range is similar to that for household incomes. The lowest category saw more appreciation than the middle categories; the highest value category, houses worth \$150,000 or more in 2000, however, saw the greatest appreciation, with houses in those tracts gaining value at levels nearly double the overall citywide rate of appreciation.

The house value data presented below provides an overview for a period during which the market was on something of a roller-coaster, going up, then down, and then more slowly back up again. Thus, it tends to average out a more complicated picture. We can get a picture of the

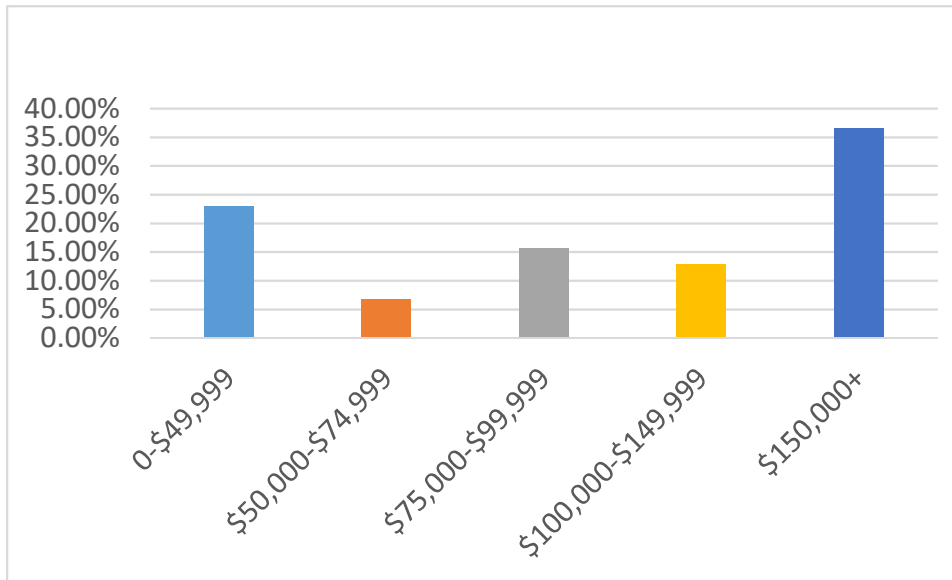
<sup>10</sup> Since Census data on house values is based on owner self-reporting, and owners tend to overvalue their properties to some extent, the data may actually overstate the appreciation in the local market. While the census data based on self-reporting shows an overall increase in median value of 21% between 2000 and 2014, data from the Federal Housing Finance Agency house price index, based on a repeat sales model of real estate transactions, shows an overall increase of only 11% during the same period although for the entire metropolitan area.



**TABLE 7: HOUSE VALUE CONDITIONS AND TRENDS**

CONDITIONS IN 2014			TRENDS 1999-2014		
MEDIAN VALUE RANGE	TRACTS	TRACT %	REAL DOLLAR CHANGE	TRACTS	TRACT %
0-\$49,999	12	5.9%	Loss >30%	13	6.3%
\$50,000-\$74,999	47	22.9%	Loss 20-30%	57	27.8%
\$75,000-\$99,999	34	16.6%	Loss 10-20%	73	35.6%
\$100,000-\$149,999	69	33.7%	Loss 0-10%	24	11.7%
\$150,000-\$249,999	34	16.6%	Gain 0-10%	20	9.8%
\$250,000+	9	4.4%	Gain over 10%	18	8.8%

**FIGURE 4: MEDIAN RATE OF APPRECIATION BY CENSUS TRACT VALUE RANGE IN 2000**



more recent trends, since the peak of the housing bubble, by looking at sales transaction data assembled by Boxwood Means and available on PolicyMap. This data shows a startling pattern: *even though sales prices rose by 15% citywide between 2006 and 2014, they declined, measured in constant dollars, in 86% of the city’s census tracts.* as shown in Table 8.<sup>11</sup>

The data also shows a striking finding about low-value census tracts. Based on self-reporting in the American Community Survey, there were only 12 census tracts in the city where the median house value in 2014 was under \$50,000. Based on actual sales data, however, there were 38 tracts where the *median sales price* that year was under \$50,000. Since the end of the housing bubble, a small number of census tracts have seen dramatic increases in house value, with 13

<sup>11</sup> This is based on adjusting for the change in CPI from 2006 to 2014 of 17.43%. It is worth noting that house prices in 7 out of 10 tracts declined during this period in current dollars, not adjusted for inflation.

tracts seeing sales prices go up by 50% or more. Houses in the great majority of census tracts in Indianapolis, however, have continued to lose value since 2006.

**TABLE 8: SALES PRICE CONDITIONS AND TRENDS**

CONDITIONS IN 2014			TRENDS 2000-2014		
MEDIAN SALES PRICE RANGE	TRACTS	TRACT %	CONSTANT DOLLAR CHANGE	TRACTS	TRACT %
0-\$49,999	38	18.9%	Loss >40%	33	16.5%
\$50,000-\$74,999	29	14.4%	Loss 30-40%	36	17.8%
\$75,000-\$99,999	31	15.4%	Loss 20-30%	52	25.7%
\$100,000-\$149,999	57	28.4%	Loss 10-20%	34	16.8%
\$150,000-\$249,999	37	18.4%	Loss 0-10%	19	9.4%
\$250,000+	9	4.5%	Gain 0-20%	15	7.0%
			Gain over 20%	13	6.5%

**d. Poverty**

Indianapolis saw a sharp increase in the extent of poverty between 1999 and 2014, and today contains many areas of concentrated poverty. Roughly 30% of the city's census tracts have poverty rates in excess of 30%, while in more than half of those tracts 40% or more of the population lives below the poverty level. One out of five census tracts in the city saw their poverty rate more than *triple* between 2000 and 2014, while only 12 out of over 200 tracts saw the poverty rate go down during the same period.

**TABLE 9: POVERTY CONDITIONS AND TRENDS**

CONDITIONS IN 2014			TRENDS 1999-2014		
% OF POPULATION IN POVERTY	TRACTS	TRACT %	INCREASE IN POVERTY RATE 1999 TO 2014	TRACTS	TRACT %
40% or more	33	16.1%	200% or more	41	20.0%
30-40%	28	13.7%	100-200%	58	28.3%
20-30%	48	23.4%	50-100%	32	15.6%
10-20%	48	23.4%	25-50%	26	12.7%
Under 10%	48	23.4%	0-25%	24	11.7%
			Decline in poverty rate	24	11.7%

**e. Housing vacancies**

Housing vacancies have increased sharply in Indianapolis since 2000. While some of this increase may be attributable to the difference in reporting under the ACS compared to the decennial Census, a comparison with the figures that were reported in the 2010 census suggests that the difference is likely to be insignificant.<sup>12</sup> Roughly one out of every four census tracts is suffering from what might be called hypervacancy, where the vacancy rate is in excess of 20%, while another one of four has a vacancy rate between 12% and 20%, a level likely to reflect at least moderately depressed housing market conditions. Over one-third of the census tracts in Indianapolis saw their housing vacancy rate more than double between 2000 and 2014, while only a quarter saw the vacancy rate go down.

**TABLE 10: VACANCY CONDITIONS AND TRENDS**

CONDITIONS 2014			TRENDS 2000-2014		
% OF ALL UNITS VACANT	TRACTS	TRACT %	INCREASE IN VACANCY RATE	TRACTS	TRACT %
<b>20% or more</b>	53	26.1%	100% or more	76	37.4%
<b>12-20%</b>	54	26.6%	50-100%	47	23.2%
<b>8-12%</b>	43	21.2%	25-50%	23	11.3%
<b>5-8%</b>	29	14.3%	0-25%	16	7.9%
<b>&lt;5%</b>	27	13.3%	Decline in vacancy rate	52	25.6%

While not all vacant properties are abandoned or problem properties, one can get a rough sense of the number of problem vacant properties from the census category ‘other vacant’, which is a residual category after properties being offered for sale or rent, sold or rented pending occupancy, or held for seasonal or occasional use, have been subtracted from the total. The number of ‘other vacant’ properties in Indianapolis soared from 6,752 in 2000 to 26,603 in 2014.

**f. Educational attainment**

The relationship between educational attainment and economic opportunity is becoming increasingly important in the United States, and the possession of a BA/BS or higher degree from a college or university is becoming increasingly the gateway to the middle class.<sup>13</sup> While overall educational attainment rates in Indianapolis are relatively high compared to many Midwestern industrial cities – and still higher than the statewide rate – they are slipping, while educational attainment rates in many parts of the city are far below the city or state level.

Table 11 compares the extent to which residents of different tracts hold a BA or higher degree,

<sup>12</sup> If one compares the increase in vacancy from the 2000 to the 2010 census, and extrapolates to 2015, one actually obtains a figure that is only 2% off (13.86% compared to 13.64%) from the 2014 ACS results.

<sup>13</sup> To illustrate this point, it is worth noting that 50 years ago, the income gap between someone who had graduated from college compared to a high school graduate was 24%. Today it is 62%.

and the rate of increase<sup>14</sup> since 2000, to national levels. In two out of five census tracts in Indianapolis, the percentage of adults with a BA or higher degree is less than 30% of the national rate, under 8.8%. Similarly, the percentage of adults with a BA or higher degree declined between 2000 and 2014 in over 1/3 of the city's census tracts.

**TABLE 11(A): EDUCATIONAL ATTAINMENT CONDITIONS IN 2014**

% OF NATIONAL ATTAINMENT RATE	VALUE RANGES	TRACTS	TRACT %
<b>Under 30%</b>	0-8.79%	83	40.3%
<b>30-50%</b>	8.8-14.1%	36	17.5%
<b>50-100%</b>	14.2-29.2%	47	22.8%
<b>Over 100%</b>	29.3% or higher	40	19.4%

**TABLE 11(B): EDUCATIONAL ATTAINMENT TRENDS 2000-2014**

% OF INCREASE IN NATIONAL ATTAINMENT RATE	VALUE RANGES	TRACTS	TRACT %
<b>Decline</b>	Decline	73	35.6%
<b>Under 50% rate of increase</b>	0-10.0%	25	12.2%
<b>50 to 100% rate of increase</b>	10.1-20.0%	25	12.2%
<b>100% to 200% rate of increase</b>	20.1-40.1%	29	14.1%
<b>200% or more rate of increase</b>	40.2% or more	53	25.9%

## 2. Spatial patterns of growth and decline

### a. Gentrification

The term gentrification is a highly contentious one, and is subject to many different definitions, some of which go well beyond the relatively narrow issues of economic change addressed in this brief. It is most generally seen as reflecting a process in which people of higher income – and often different race or ethnic background – move into a lower income neighborhood, leading to changes in the economic and demographic characteristics of the neighborhood. Gentrification is often associated with displacement, where lower-income households may be forced to move as a result of higher rents, taxes or other factors. Neil Smith, a pioneering student of gentrification, has defined it as:

1. Significant increases in house prices, reflecting the increase in demand for the area's housing stock, and
2. Significant increases in household income, reflecting the influx of a significantly more affluent population<sup>15</sup>

<sup>14</sup> The percentages shown in the table measure the proportionate, not the absolute change in the rate. A change in the educational attainment rate from 25% to 27.5% would appear as a change of 10% (27.5/25), not 2.5%.

<sup>15</sup> Smith, "Gentrification" in William van Vliet, ed. *The Encyclopedia of Housing* (1998)

While Smith did not explicitly include racial change in his definition, gentrification is often associated not only with economic change, but with change in the racial or ethnic composition of an area. Some advocates also point to what has been called ‘cultural gentrification’, when the character of an area changes in ways that make older residents feel uncomfortable or out of place in their neighborhood.

To look at this issue from a quantitative perspective, one must adopt a measurable definition that will enable us to determine where change is taking place that we can consider, *by that definition*, to be gentrification over the period from 2000 to 2014. For this purpose, we follow Smith’s usage and define gentrification as **significant increases in both household incomes and house prices in census tracts that were lower income tracts in 2000**. We measure those two variables as follows:

- Increase in household incomes of 42.1% or greater between 1999 and 2014; that is, an increase that represents at least no change, and possible growth in real dollar income.
- Increase in house values of 31.5% between 2000 and 2014; that is, an increase that is 50% greater than the citywide average (although still well below the national average)
- Census tracts where the baseline 2000 median income was \$32041 or less; that is, 80% or less of the citywide median.

Although there is no hard and fast rule governing where the cut-offs should be for these variables, this is a relatively low bar for defining gentrification: it represents areas that, while outperforming the rest of Indianapolis, would only be considered average performers nationally. Figure 5 shows the census tracts that meet the first two criteria, without regard to their baseline household income. It shows a large cluster of tracts surrounding the downtown, along with a second smaller group of tracts in the north-central part of the city. When we add the baseline income factor and take out those tracts that were *not* lower income tracts in 2000, we find that only the tracts around downtown remain in the mix, as shown in Figure 6(A). A larger key map showing streets and census tracts for this area appears on the following page.

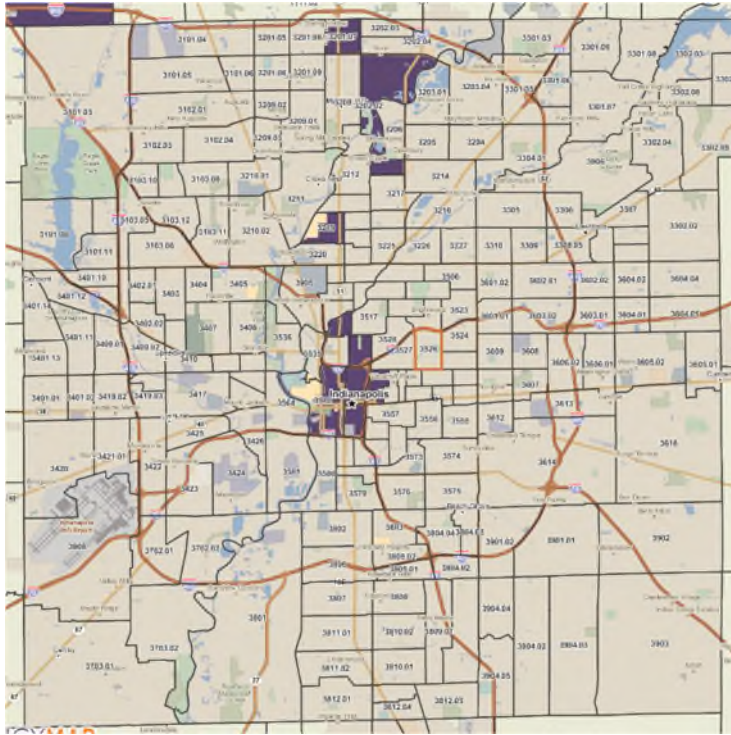
To the extent that gentrification, as defined above, may be taking place in Indianapolis, these five tracts appear to represent the greatest concentration, although it may not identify some smaller areas because the change taking place in those areas may not register at the census tract level. It is worth taking a closer look at what is taking place in these five tracts.

These five tracts are undergoing significant change. Most have seen increases in house value, median income or both, well above the cut-off points we established above. Four of five tracts saw increases in the share of their population with BA/BS or higher degrees that took them from well below the citywide average to well above it.

Tract 3516 was a majority African-American area in 2000, while the other tracts had African-American population shares between 12% and 39%. Tracts 3516 and 3544 saw sharp declines in their African-American population between 2000 and 2014, while tract 3542 saw its African-

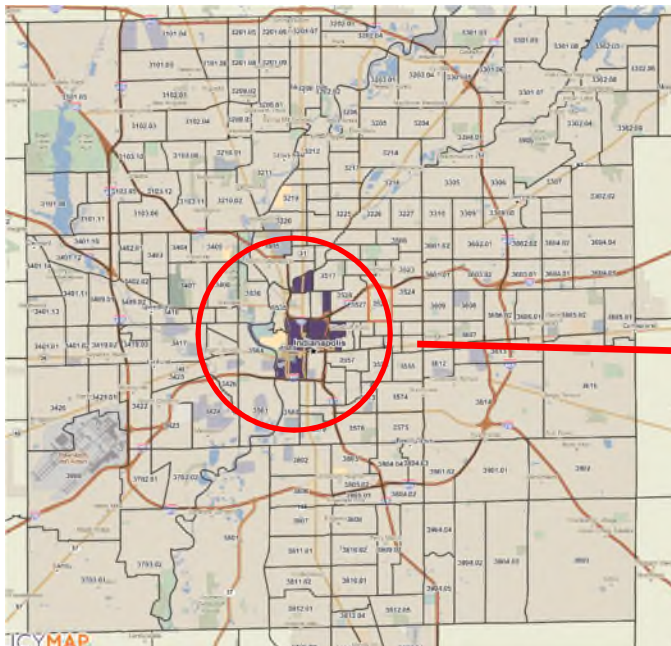
American population grow in absolute numbers, but not in percentage share, as that tract saw its total population increase by 68%. Overall, the African-American population in these five

**FIGURE 5: CENSUS TRACTS WITH STRONG INCOME AND HOUSE VALUE GROWTH 2000-2014**

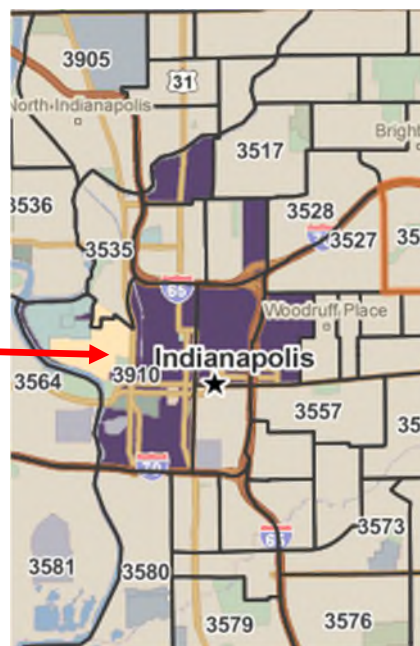


Map from PolicyMap

**FIGURE 6(A): LOWER INCOME CENSUS TRACTS IN 2000 WITH STRONG INCOME AND HOUSE VALUE GROWTH FROM 2000 TO 2014**



Map from Policy Map

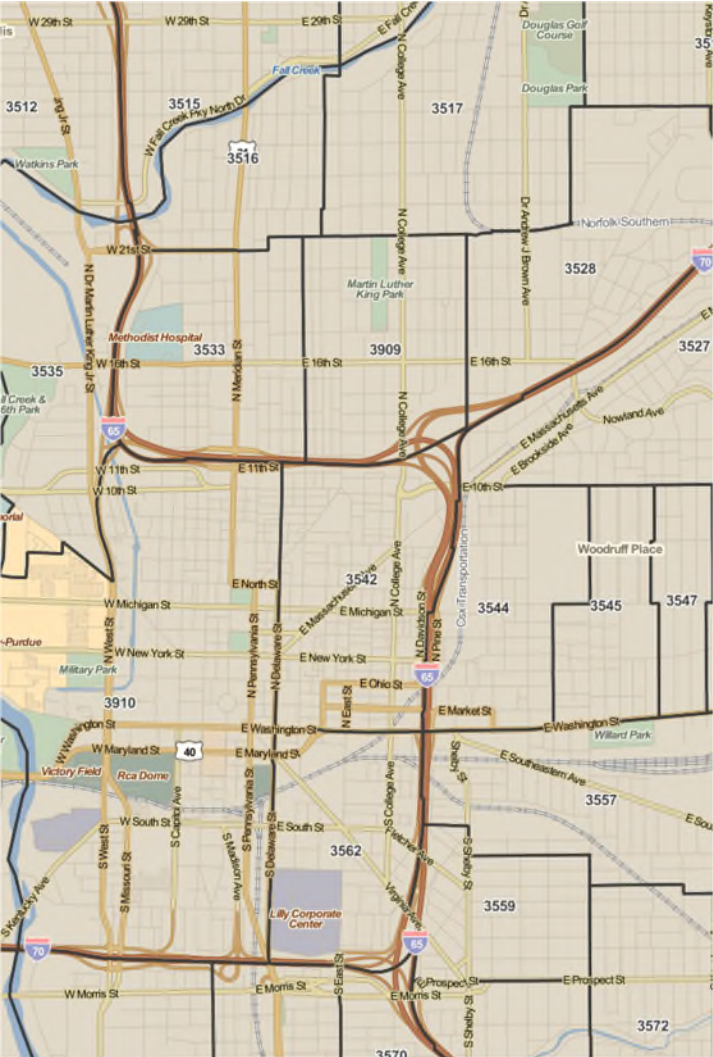


census tracts dropped by nearly 20% during a period when the city’s overall African-American population grew by nearly 34,000 or 17%. The African-American share of the area’s population declined from 32% to 23%.

**TABLE 12(A) CHARACTERISTICS OF TRACTS WITH STRONG INCOME AND HOUSE VALUE GROWTH - 1**

TRACT	MEDIAN HOUSEHOLD INCOME			MEDIAN HOUSE VALUE		
	2000	2014	% change	2000	2014	% change
<b>3516</b>	\$20000	\$45125	153.1%	\$72300	183000	125.6%
<b>3542</b>	26959	39851	45.7%	177200	258100	47.8%
<b>3544</b>	19122	50000	70.6%	85000	145000	161.5%
<b>3909</b>	29987	44196	135.8%	123911	292200	47.4%
<b>3910</b>	25056	44255	195.5%	115976	342700	76.6%

**FIGURE 6(B): MAP SHOWING LOCATION OF CENSUS TRACTS HIGHLIGHTED IN FIGURE 6(A)**



**TABLE 12(B) CHARACTERISTICS OF TRACTS WITH STRONG INCOME AND HOUSE VALUE GROWTH - 2**

TRACT	% AFRICAN-AMERICAN					% WITH BA+ DEGREE		
	2000		2014		% change	2000	2014	% change
	n	%	n	%				
<b>3516</b>	1399	84.1%	792	33.8%	-43.4%	<b>5.8%</b>	<b>31.1%</b>	650.5%
<b>3542</b>	1079	29.3%	1306	21.2%	21.0%	32.9%	37.9%	93.1%
<b>3544</b>	517	31.0%	225	17.9%	-56.5%	8.3%	34.2%	209.4%
<b>3909</b>	1054	39.1%	865	41.2%	-18.0%	17.7%	50.1%	119.8%
<b>3910</b>	599	12.2%	581	12.6%	-3.0%	8.4%	43.8%	387.8%
<b>TOTAL</b>	4648	31.8%	3769	23.0%	-18.9%			

There appears to be little question that these five census tracts are experiencing the sort of growth and change that can be considered gentrification. They represent, however, five out of over 200 census tracts in Indianapolis, and contain 16,750 people or 2% of the city's total population. It is important to examine the extent to which the converse of gentrification, or neighborhood decline, is simultaneously taking place.

**b. neighborhood decline**

In order to assess which census tracts were undergoing decline at a level equivalent to the growth experienced by the five gentrifying tracts, we reversed the measures of gentrification described earlier, and defined declining lower-income neighborhoods as follows:

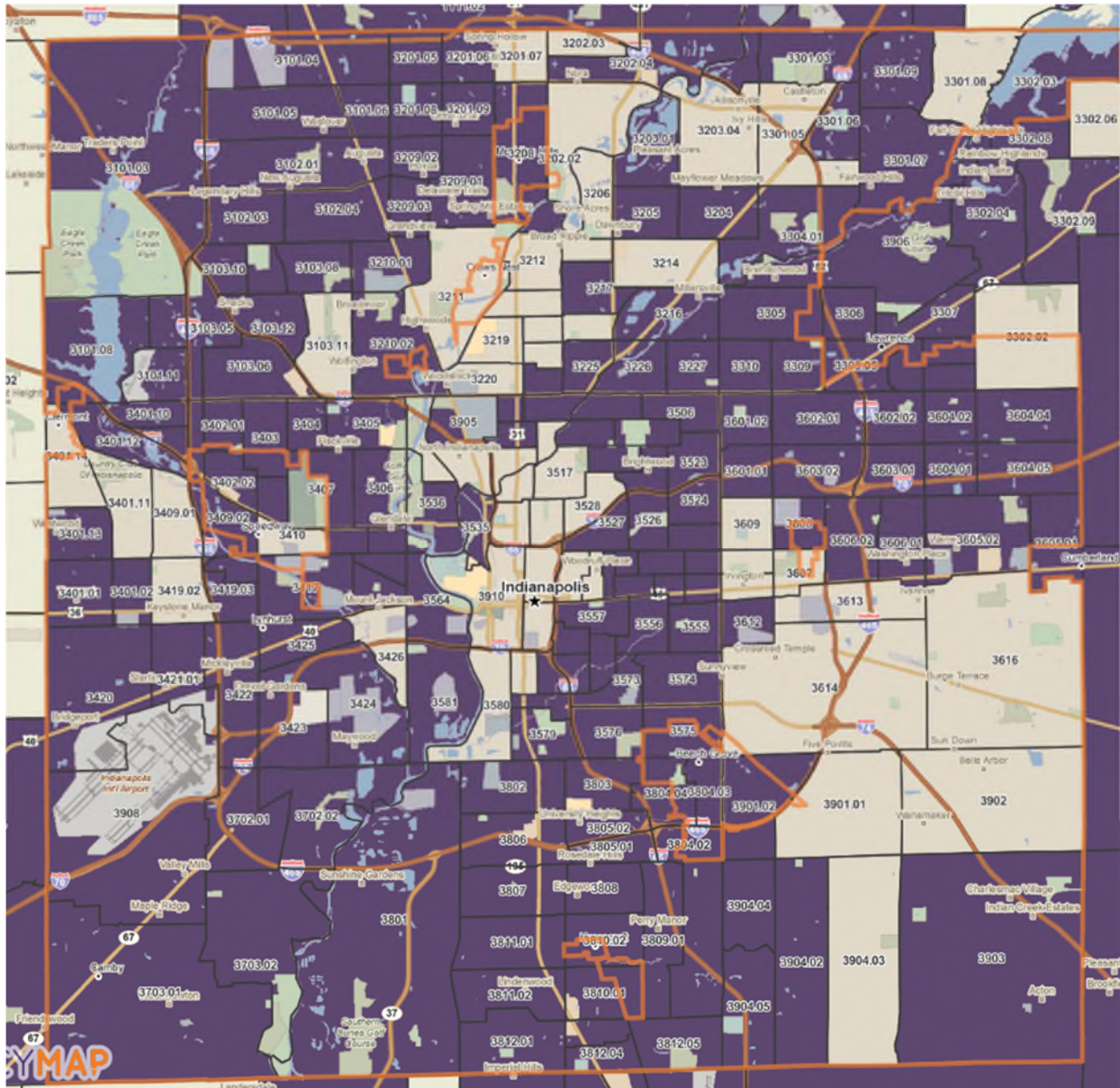
- Increase in household incomes of 13.68 or less between 1999 and 2014; that is, an increase that represents a net loss of 20% or more in real inflation-adjusted income.
- Increase in house values of 10.05% or less between 2000 and 2014; that is, an increase that is 50% less than the citywide average and equivalent to a net loss of 20% or more in real inflation-adjusted income.
- Census tracts where the 2014 median income was \$50491 or less; that is, 120% or less of the citywide median, or including middle-income as well as lower-income tracts.

Map 7(A) shows all the tracts in which the median household income declined by 20% or more in real terms between 1999 and 2014. As can be seen, these include the great majority of the city's area and population. Map 7(B) shows the tracts where both the median household income and median house value declined by 20% or more in real terms over the same period. While it contains far fewer of Indianapolis' census tracts than the first map, they still make up 40% to 50% of the city's census tracts.

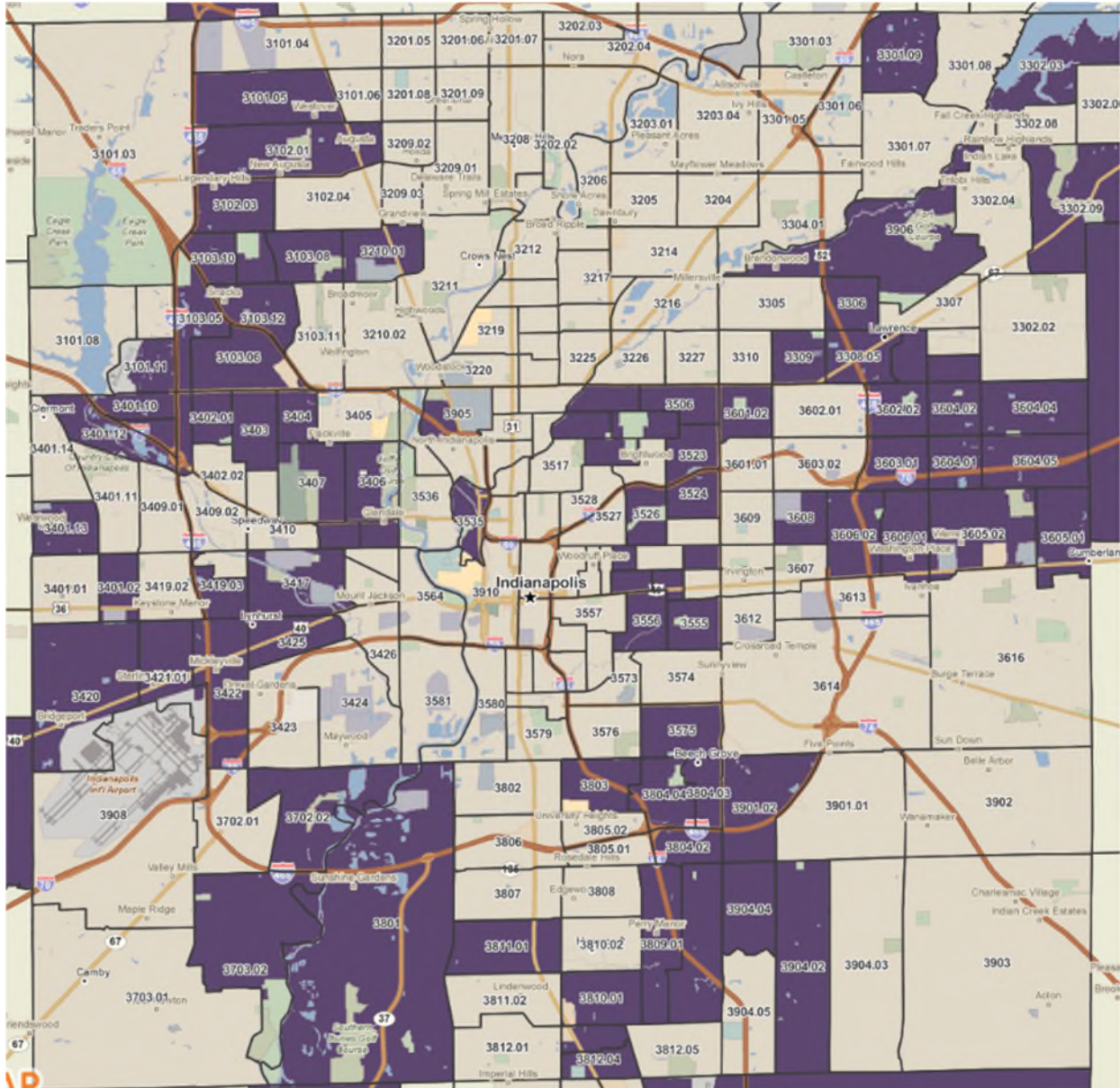
Finally, Map 7(C) shows those tracts where both the median household income and median house value declined by 20% or more in real terms over that period, and had a 2014 median income of 120% or less of the citywide median. The combined lower and middle income tracts experiencing significant decline account for one out of every three census tracts in Indianapolis.



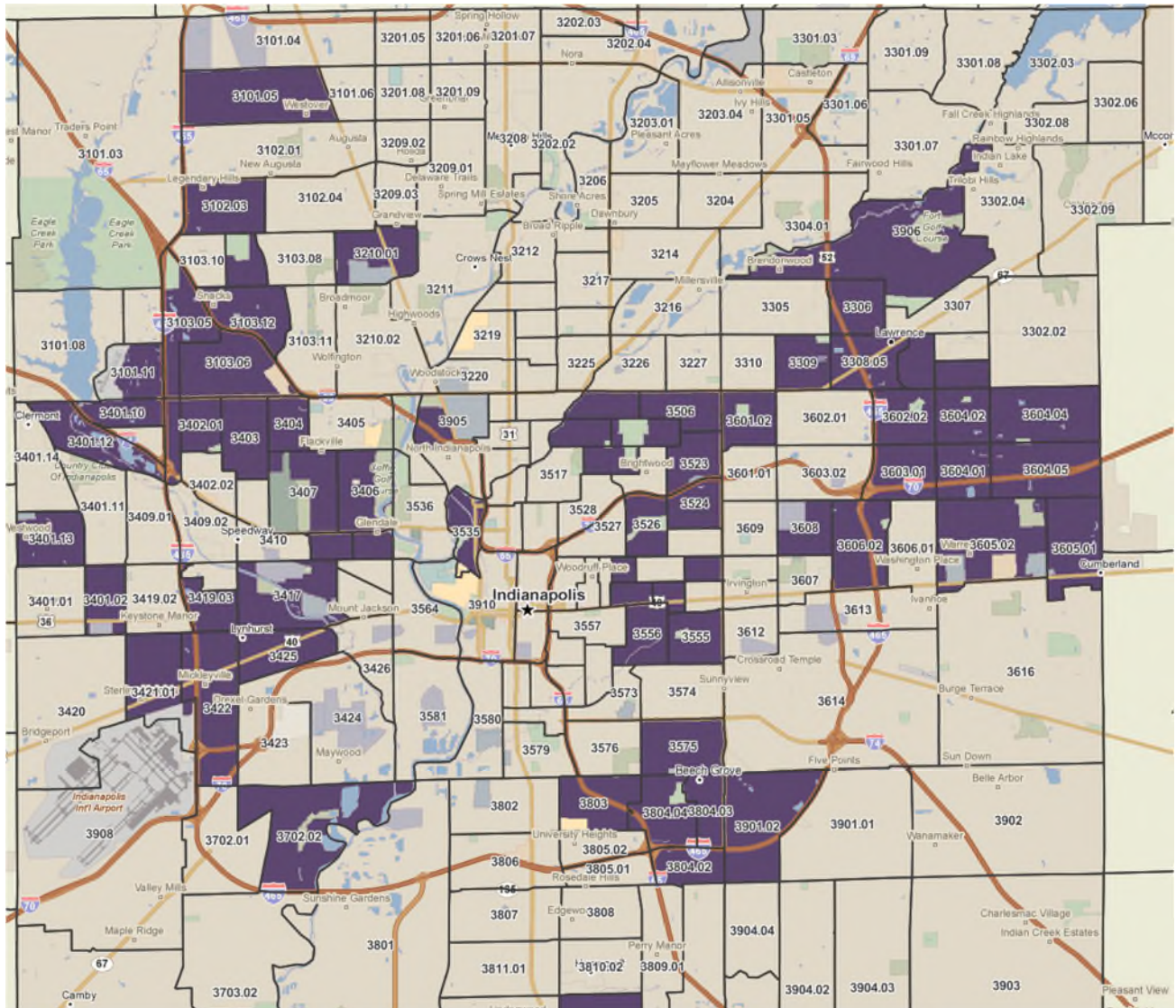
**FIGURE 7(A): CENSUS TRACTS WITH MEDIAN INCOME DECLINE >20% IN REAL DOLLARS 2000 TO 2014**



**FIGURE 7(B): CENSUS TRACTS WITH MEDIAN INCOME DECLINE AND HOUSE VALUE DECLINE >20% IN REAL DOLLARS 2000 TO 2014**



**FIGURE 7(C): LOWER AND MIDDLE INCOME 2014 CENSUS TRACTS WITH MEDIAN INCOME DECLINE AND HOUSE VALUE DECLINE >20% IN REAL DOLLARS 2000 TO 2014**



The relationship between decline and the racial composition of the census tract, while present, is not strong. While tracts with less than 20% African-American population tended to be found less often among the declining tracts, so were tracts with 60-80% African-American population. We found no consistent relationship between racial composition and trends in either income, house values or recent sales price trends<sup>16</sup>. That said, since African-American households tend to have lower incomes than the citywide average<sup>17</sup>, and are disproportionately concentrated in

<sup>16</sup> This is in sharp contrast to our recent analysis of similar questions in Milwaukee, where a powerful relationship between racial composition and sales price trends, and a moderately strong relationship between racial composition and household income trends.

<sup>17</sup> In 2014, the median household income for African-Americans in Indianapolis was \$30,466, or only 60% of the median income for white households

lower income census tracts, they are likely to bear far more of the brunt of neighborhood decline than more affluent white households. Here as well, however, the extent to which this is the case is somewhat less pronounced than in many other American cities.

**TABLE 13: RACIAL AND ECONOMIC COMPOSITION OF INDIANAPOLIS CENSUS TRACTS**

CATEGORY	African-American Population	Total Population	African-American %
Lower income tracts	100090	279178	35.9%
Middle income tracts	89057	314639	28.3%
Upper income tracts	35257	325519	10.8%
CITYWIDE	232585	835097	27.9%

### ***Closing note***

The foregoing analysis has shown that what might be termed gentrification; that is, significant increases in house values and household incomes in previously lower income neighborhoods, is far less common in Indianapolis than the converse; equally significant *declines* in house values and household incomes in *currently* lower and middle income neighborhoods. By our rough estimates, based solely on the statistical analysis, *the census tracts experiencing gentrification account for 2% of the city's population, while the lower and middle income census tracts experiencing decline contain 30% or more of the city's population.* This is not a precise measurement. The analysis may well have missed some pockets of gentrification, where the area is too small or the change too recent to appear in the data; and may have missed some areas where decline has been halted or reversed. Still, we think it presents an accurate overall picture.

To show how decline exceeds gentrification does not mean that the interests of people affected by gentrification do not matter. They do. It is important for the city to work to ensure that the legitimate concerns of lower income households affected by change, to be protected from displacement, to have decent, affordable housing, and for long-term residents to be able to remain in their communities, are addressed. At the same time, it is equally or even more important – given the far larger number of people affected – to take steps to tackle the reality of widespread neighborhood decline. Neighborhood decline is affecting the quality of life of hundreds of thousands of Indianapolis' less prosperous residents and destabilizing their living environments. the decline in property values taking place is eroding the wealth of thousands of Indianapolis lower and middle income homeowners. Moreover, while the increase in values in the gentrifying neighborhoods near downtown has certain positive implications, for homeowners of all income levels as well as for the city as a whole, neighborhood decline benefits no one. Ultimately, the combination of gentrification and decline, and growing wealth amid growing poverty, can lead to a city that is highly polarized, and potentially unstable as a civic entity.

Neighborhood decline is not unique to Indianapolis. It can be seen to varying degrees in any of

Indianapolis' counterparts across the Midwest. There are many different forces that can lead to neighborhood decline. Not only are there many direct triggers of decline, such as crime or abandoned properties, at work, but many urban neighborhoods in legacy cities suffer from a host of more systemic problems, including demographic change, declining home ownership, suburban out-migration of middle-class African-American families, and the fallout from the loss of historically well-paying industrial jobs.

We believe that this brief makes a strong case for action. The decline of so many of its lower and middle income neighborhood is an issue that affects the entire city of Indianapolis. We urge the city and its partners to pursue further efforts to identify the reasons for the decline that can be seen in so many neighborhoods, and to begin the process of building effective strategies first to slow, and then reverse the decline.