



Social Impact of  
the Arts Project

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<http://www.ssw.upenn.edu/SIAP>

**Working Paper #15**

**Housing Markets and Social Capital:**

**The Role of Participation, Institutions, and Diversity  
in Neighborhood Transformation**

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The release of the Street administration's Neighborhood Transformation Initiative (NTI) in April 2001 marked a bold step in the efforts of city government and the private sector to address the long-term problems of economic and social decline in the city of Philadelphia. The plan called for a differentiated strategy of public-private partnership with the goal of reinvigorating housing markets throughout the city. The plan gives particular attention to what it termed "reclamation" neighborhoods in which demolition of dangerous buildings, land assembly, and relocation would be used to provide opportunities for redevelopment.

The basis of the analysis underlying the NTI is the categorization of the city into six housing market types. This analysis, carried out by The Reinvestment Fund, was based on a variety of economic, housing, and credit criteria, including:

- Housing sale prices
- Demolition activity, dangerous properties and vacancy rates
- Property ownership rates
- Age of housing
- Presence of subsidized rental housing
- Consumer credit profiles

The rank order of the six housing market clusters is:

- *Regional choice*: high property values, mixed-use, older housing in excellent condition
- *High Value*: high value, stable population, high rates of owner-occupancy
- *Steady Markets*: similar to suburban, high owner occupancy, good physical condition
- *Transitional*: steady housing prices, shifting population, some dangerous and vacant properties
- *Distressed*: low housing values, signs of decay, elevated vacancy rates
- *Reclamation*: large population loss, low property values, very high rates of vacant and dangerous properties

The resulting social geography of the city is truly startling (Figure 1). More than four out of five Philadelphians live in the lower three market clusters (transitional, distressed, and reclamation) characterized by high levels of housing and social decline. Indeed, the magnitude of the problems identified in the analysis seemingly dwarfs the resources that the public sector is prepared to commit to remedying them. As the plan notes, even if it meets its targets for demolition and encapsulation of vacant properties, there would still be ten thousand vacant properties left in the city.

The NTI makes a persuasive case that market revival is a critical element of neighborhood revitalization. Without housing markets that will attract new investment and construction activity, it is difficult to explain how so large a proportion of Philadelphia's landscape is likely to make progress.

In addition to identifying Philadelphia's deficits, the plan identifies a set of economic assets that can be used to foster growth. The city's strategic location, its transportation system, its educational, civic, and cultural institutions, as well as its strong neighborhoods are all held out as foundations for growth. These elements of the initiative, however, do not receive nearly the close attention given to the precise numbers of abandoned buildings, deteriorating neighborhoods, and population loss.

Indeed, the lack of hard data on the social and human assets of the city makes it very difficult for the NTI or other efforts to address urban revitalization to apply the same analytical skills to the evaluation of urban assets that they do to urban deficits. This is particularly unfortunate because there is an increasing body of literature that has documented the importance of these assets to processes of urban growth. Recent research on "social capital"—the aggregation of institutional and personal connections that facilitate cooperation and the building of trust—has argued that these social networks are a critical, but often overlooked, foundation for a wide variety of "social goods." At a different level, the "assets-based community development" model (associated with John McKnight and Jodie Kreitzmann) argues that those who seek community development have too often overlooked neighborhood institutions, associations, and "individual gifts". Yet, in spite of these cases, few attempts have been made to measure these assets at the neighborhood level across an entire city.

This paper uses data collected by the University of Pennsylvania Social Impact of the Arts Project to provide this missing perspective. Specifically, the paper uses SIAP data on three categories of assets to examine their potential implications for the NTI. The three categories are:

- Institutional assets
- Individual participation
- Economic and ethnic diversity

### *Institutional assets*

One key indicator of social capital is the level of voluntary activity within a given community. The willingness of individuals to come together to pursue collective, civic goals has been used as a measure of civic investment since Alexis deTocqueville identified in *Democracy in America* more than a century and a half ago. Robert Putnam, the scholar most identified with the revival of social capital as a policy concept, used the number of voluntary associations as his primary measure of social capital in *Making Democracy Work*. In recent years, scholars have come to appreciate that the institutional spectrum runs the gamut from large formal associations to more informal, tiny groups that may operate out of an individual's home.

### *Individual participation*

Although formal and informal associations are an important indicator of community social investment, individuals' willingness to become involved in activities is also critical to the process. Indeed, Putnam has raised questions about whether the link between

institutions and individual participation has been broken by the emergence of large, direct mail organizations like AARP that have huge memberships, but relatively low participation in activities. In any event, institutional presence and actual participation represent distinct elements of social capital.

### *Economic and ethnic diversity*

Scholars have long identified diversity as a quintessential aspect of urbanism. Yet, many of the forces that shaped American cities during the 20th century—including urban sprawl and racial prejudice—have pushed cities toward homogeneity. Our dominant representation of contemporary American cities is as aggregations of homogeneous neighborhoods. As Douglass Massey and Nancy Denton have documented, throughout this century, major American cities—including Philadelphia—have remained “hyper-segregated.”

In this context, neighborhoods that achieve a level of economic and ethnic diversity are a civic resource. The ability of families and individuals from different backgrounds to live together represents a kind of “civility” that should not be overlooked. In particular, as the NTI moves forward, it would make sense to monitor its potential impact on economic and ethnic diversity.

### **Data used in this paper**

SIAP has spent the past seven years developing a geographical database of measures of neighborhood strengths related to cultural participation. Because we have defined our scope broadly, a number of our indexes lie outside a narrow focus on arts and culture. Specifically, in this paper, we shall use the following indicators:

#### Institutional presence

In 1997, SIAP developed two broad inventories of institutional presence. One collected detailed information on cultural providers in the Philadelphia metropolitan area. The other identified other social organizations across the region. The two indexes used different data strategies.

The *cultural provider* inventory was a product of detailed information collected by SIAP from a variety of sources, including funders’ grant applications, Internal Revenue Service’s databases of exempt organizations, and weekly newspaper listings. This inventory includes more than 1,000 entries.

The *social organization* inventory was primarily a name and address listing of organizations. A majority of the data came from three sources: IRS database of exempt organization, telephone directories, and public and foundation funding lists. (The structure of these databases is discussed in more detail in SIAP working paper #3 ([www.ssw.upenn.edu/SIAP](http://www.ssw.upenn.edu/SIAP)). This inventory includes more than 15,000 entries.

For this paper, we have used a number of indicators of cultural provider presence. These include the total number of cultural providers within one-half mile of a block group, cultural providers per capita, and cultural providers as a percent of all institutions near a particular block group.

Other social organizations have been broken down into the following categories:

<b>Type of organization</b>	<b>Number of organizations</b>	<b>Percentage</b>
<b>Arts and cultural organizations</b>	<b>1,264</b>	<b>8 %</b>
<b>Culturally-related groups</b>	<b>195</b>	<b>1 %</b>
<b>Neighborhood improvement associations</b>	<b>1,373</b>	<b>9 %</b>
<b>Houses of worship</b>	<b>3,124</b>	<b>21%</b>
<b>Youth and social service organizations</b>	<b>3,394</b>	<b>22 %</b>
Social service organizations	2,668	
Youth organizations	490	
Volunteer fire and ambulance	236	
<b>Social and fraternal organizations</b>	<b>2,452</b>	<b>16 %</b>
Social clubs	884	
Fraternal organizations	993	
Religious clubs and orders	112	
Veterans organizations	463	
<b>Special interest, professional, business, and labor organizations</b>	<b>3,462</b>	<b>23 %</b>
Business and professional associations	685	
Labor unions and organizations	908	
Special interest organizations and groups	1,869	
<b>Total Organizations</b>	<b>15,264</b>	<b>100 %</b>

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For each of these organization types, we calculated a per capita rate (organizations per 1,000 residents) and an estimate of the type organization as a percent of all social organizations.

### **Participation data**

The only citywide participation data we have in our database is based on the participant lists of a sample of more than 20 regional cultural organizations. These databases were geocoded and aggregated for block groups. See SIAP working paper #6 for a description of this database. In addition to an overall estimate of cultural participation (total number of participants per 1,000 residents), SIAP created two indexes of specialized participation: a measure of “mainstream” participation that was most identified with a set of larger, more established cultural institutions and a measure of “alternative” participation which focused on smaller, more innovative cultural institutions.

### **Diversity**

Based on our analysis of U.S. census data for the 1980, 1990, and 2000 censuses, SIAP has developed indicators of two dimensions of diversity:

- *Economic diversity* is present in sections of the metropolitan area in which both the poverty rate (1990) and the professionals and managers as a percent of the total labor force (1990) are above the citywide average. In 1990, any block group that had a poverty rate over 17 percent and a professional/manager percent above 21 percent was classified as economically diverse. (Figure 2)
- *Ethnic diversity* is present in sections of the metropolitan area in which no major ethnic group (Black, White, Latino, Asian) makes up more than 80 percent of the population. We have classified block groups as homogeneous black, white, and Latino, black/Latino, black/white, other diverse in which Asian Americans make up more than 10 percent of the population, and other diverse neighborhoods. Between 1980 and 2000, the proportion of Philadelphians living in ethnically diverse block groups increased from 17 to 38 percent. (Figure 3)

### **Other measures of urban vitality**

One of SIAP's major research concerns has been the relationship of cultural institutions and participation to measures of urban vitality. As a result, we have used two measures of revitalization in our work. We estimated revitalization for the 1980s by identifying block groups that had a larger than average decline in their poverty rate between 1980 and 1990 and did not lose population during that period. Based on the first data from the 2000 census, we have estimated those sections of the city that gained population during the 1990s. (Figure 4)

## **FINDINGS**

This memo combines our social indicators with the housing markets on which the NTI is based. It seeks to answer two questions:

1. To what extent are the divisions identified in the NTI similar to or different from the views of the city contained in SIAP's indicators?
2. Do SIAP's indicators identify certain neighborhoods *within* the more vulnerable housing markets of the city that are notable for their high level of social resources?

The first question seeks to answer if there is a correlation between housing markets and social capital. The second question seeks to identify those parts of vulnerable housing markets that have human resources that may partially compensate for the poor state of their housing markets.

Institutional presence

There is a clear correlation between housing markets and the presence of social organizations, although the relationship is not linear. Regional choice neighborhoods are those parts of the city most likely to have many social organizations. Indeed, on a per capita basis, they have more than twice as many organizations as any other housing market type. Yet, the decline in the number of social organizations is not steady. In fact, the more middling housing markets—steady and transitional—appear to have the fewest organizations per capita. The most dire housing markets—the reclamation areas of the city—have approximately 40 organizations per capita, well below the level of high value housing markets, but considerably higher than several of the markets. (Figure 5)

If we look at selected types of organizations, much the same pattern is present. Regional choice neighborhoods have more social service agencies, cultural providers, and neighborhood improvement groups than other types of neighborhoods. Generally, reclamation neighborhoods have a greater number of these organizations per capita than steady and transitional neighborhoods. (Figure 6)

Within these generalizations, there are some variations. Reclamation neighborhoods actually have more churches and other houses of worship per capita than other neighborhoods. In addition, neighborhood improvement associations—which include town watches, community development corporations, and civic associations—are nearly as prominent in reclamation neighborhoods as in regional choice sections.

Cultural providers are the organizations that most closely mirror the hierarchy of housing markets. Regional choice neighborhoods have nearly three times more cultural organizations per capita than other neighborhoods. Furthermore, although reclamation neighborhoods have slightly more cultural providers than distressed neighborhoods, as a generalization, it is fair to say that the worse off a housing market, the fewer cultural institutions are present.

The answer to our first question, then, is that the hierarchy of housing markets is quite different from the map of social organizations. Some of the worst off neighborhoods in the city have large numbers of neighborhood associations and houses of worship. Although regional choice neighborhoods are well represented on this indicator of social capital, there is not a strong tie between market capital and social organizations.

In addition, a number of neighborhoods with less than robust housing markets are among the sections of the city with the highest number of social organizations per capita. Lower North Philadelphia, although dominated by distressed and reclamation neighborhoods, has many social organizations of all type. Similarly West Powelton and Mantua, although they suffer from serious housing issues, demonstrate evidence of higher levels of social engagement. Point Breeze and Germantown, too, are neighborhoods in which the fit between housing market and institutional presence. (Figure 7)

## **Participation**

Cultural participation, more than the presence of social institutions, is strongly correlated with housing markets. One hundred percent of regional choice block groups are in the top quartile city wide in regional cultural participation. Overall, more than sixty percent of regional choice and high value markets are in the top quartile on both regional participation and alternative participation. At the other extreme, less than twenty percent of block groups in the distressed and reclamation housing markets had high cultural participation. To the extent cultural participation is an indicator of broader civic engagement, these data suggest that the worst off housing markets also face low in social capital. (Figure 8)

Although cultural participation is highly correlated with housing markets, there are still several neighborhoods whose visible housing problems might be compensated for by their level of cultural participation. Germantown, a section of the city in which distressed housing markets are the mode is a center for high cultural participation. Virtually the entire neighborhood had high rates on this variable. Sections of South Philadelphia east of Broad Street, too, appear to have significant levels of participation. Finally, West Powelton Village and Mantua have displayed significant evidence of high cultural participation even though their housing markets are poor in these neighborhoods. (Figure 9)

Several of the same neighborhoods also were strong in alternative cultural participation. Again, among neighborhoods with poor housing markets, Germantown, west Powelton, and Hawthorne in South Philadelphia stand out as sections of the city that are strong in cultural participation. In addition, significant sections of North Philadelphia with reclamation housing markets, especially the Latino 5th Street corridor are notable for their high cultural participation. (Figure 10)

## **Diversity**

There is a strong, but complex relationship between ethnic and economic diversity in Philadelphia and the housing markets described by the NTI. On the one hand, there is a set of economically diverse sections of the city, particularly in Center City, that are part of the regional choice housing market. A second set of economically and ethnically diverse neighborhoods are clustered in transitional and distressed neighborhoods. Finally, there is a very large set of economically diverse block groups clustered in reclamation neighborhoods.

If diversity is an urban asset, then patterns of diversity pose a number of challenges to the NTI. First, economic diversity is more broadly present across the worst –off neighborhoods in the city than is generally appreciated. There are sections of the reclamation neighborhoods of South, North, and West Philadelphia that include large numbers of poor people *and* professionals. As the city makes decisions about where to concentrate its efforts at relocation, it would make sense to be mindful of these areas so that implementing the NTI does not reduce diversity in these neighborhoods.

The greatest challenge that diversity poses for the NTI, however, has to do with distressed and transitional housing markets. As a map of diversity and housing makes clear, there is a large band of these neighborhoods that stretch from Germantown, east and south across Logan, Olney, and Juniata Park into Frankford that are now the most diverse section of the city. In addition, there are smaller sections of West and South Philadelphia where new pockets of diversity have sprung up in less than robust housing markets. Take the example of Olney. In 1990, it was already a diverse neighborhood. Although nearly 60 percent of the population was identified as white, this included most of the 17 percent of its residents who were Latino. In addition, 16 percent of the neighborhood's population was Asian and another 15 percent were African American. In 2000, Olney's population had grown by over two thousand persons. Although the proportions that were white had fallen to 21 percent, there had been sizable increases in its Latino, Asian, and African American population. Indeed, black Philadelphians had now become its largest ethnic group, making up 45 percent of the population. (Figure 11)

### **Other measures of economic vitality**

In our past work, SIAP has used two indicators of revitalization. Using the 1990 census, we estimated a set of block groups that had above average reductions of poverty during the 1990s and held their population. Based on the first results of the 2000 census, we have estimated sections of the city whose growth puts them in the top quarter of the city's block groups.

Certainly those block groups that we identified as revitalized during the 1980s were more likely to lie within choice and high value housing markets. However, a significant minority of them was also present in markets that were distressed or reclamation. In fact, there is not significant relationship between this measure of revitalization and housing markets. (Figure 12)

The fit between population growth between 1990 and 2000 and housing market was better. Regional choice and high value housing markets had nearly a forty percent chance of growing during the 1990s while reclamation neighborhoods chances were less than half of this. What stands out, however, is the large number of transitional and distressed neighborhoods that fell into the high growth category. (Figure 13)

Once again, the band of neighborhoods separating North Philadelphia from the Northwest and Northeast are centers of interest. In spite of their low ratings as housing markets, they more than most neighborhoods in the city attracted new residents during the 1990s. (Figure 14)

### **Summary**

The purpose of this memo has been to examine the housing markets described in the Neighborhood Transformation Initiative through the lens of social capital indicators.

We have argued that there are a multiplicity of these indicators, each of which picks up a different dimension of social capital's formation and impact. Based on our previous work, it is fair to think of the three dimensions we have examined in this memo—institutions, participation, and diversity—as measuring different temporal aspects of social capital. Specifically, using economic parlance, we can think of them as *lagging, concurrent, and leading* indicators of social capital.

It is easiest to think of *social institutions* as a lagging indicator of social capital formation. The development of social organizations takes place at the end of a process of civic engagement, after less formal social networks and associations have sown the seeds of civic participation. Thus, although institutions are generally correlated with the other measures of civic engagement overall, they are more likely to be present in neighborhoods that had gone through this cycle of engagement in the past. The process of migration, engagement, and mobilization that characterized North and West Philadelphia during the early postwar years left a residue of institutions that have continued to represent and serve these neighborhoods into the 21st century.

Although there is clearly a positive interaction between institutional presence and participation, this feedback is not perfect. As levels of engagement in a neighborhood begin to decline, the number of institutions is unlikely to follow. Even as the real social capital in a neighborhood falls, the number of social organizations is likely to reflect past levels of participation rather than current realities. This explains why in the most vital parts of the city—using the NTI categories—there is a clear and strong relationship of institutions and participation. In more distressed housing markets, however, this relationship is either attenuated, or in the case of reclamation neighborhoods, largely absent. (Figure 15)

Participation, according to this line of argument, because it actually measures people's behavior at the individual level provides the best available measure of social capital. Granted, cultural participation is just one slice on actual levels of neighborhood participation. In fact, a comprehensive study would need to estimate a whole range of social networks in which individuals are embedded ranging from formal cultural participation through different types of formal associations to informal affiliations.

Still, the fit between our measures of cultural participation and housing markets is quite close. If conclusions come from this aspect of the analysis, it is that the “transitional” and “distressed” neighborhoods have significant non-economic resources that need to be tapped by a comprehensive approach to community revitalization. For these neighborhoods, this concrete evidence of civic engagement should provide one source of strength on which revitalization could be based. (Figure 16)

Our final indicator of social capital—diversity—can be considered a leading indicator of social capital. One of our most consistent findings has been the link between diversity and other indicators of social capital. However, as our analysis suggests, many of the new diverse neighborhoods do not have a history of high levels of institution building or cultural participation. However, based on past experience, it is likely that these

neighborhoods will provide the most fertile group for the development of social capital in the future. In addition, the large population increases in these neighborhoods—even though their housing markets are not robust—suggests that there are assets in these neighborhoods that conventional measures do not detect.

We are yet to fully understand the link between diversity and social capital. At a most basic level, for example, we don't know whether competition between different groups promotes social capital formation *within* groups or whether concern about inter-group conflict promotes social capital formation *between* different social groups. Still, the data are strong enough to suggest that these neighborhoods are the “best bets” among transitional and distressed neighborhoods to rally their residents to address the challenges they face.

This memo was undertaken to evaluate whether the SIAP database on social capital has anything to add to the assessment of neighborhoods provided by the Neighborhood Transformation Initiative. Specifically, it sought to assess whether differences in social capital reinforce or cut across housing markets and whether social capital could provide any help in identifying neighborhoods with a better than average chance of succeeding in transforming themselves.

In answering the first question, we found:

1. There is a general correlation between institutional and participation patterns and housing markets. Better off housing markets have a greater number of institutions and higher levels of participation than other neighborhoods?
2. Despite these general connections, there are significant differences in the contours of civic engagement and housing markets, with many poor housing markets exhibiting strong social capital indicators.
3. Diversity's relationship to housing markets is quite complicated with both high value and problem housing markets having concentrations of diverse neighborhoods.

In answer to the second question, the presence of increased diversity and population growth in sections of South and West Philadelphia, and particularly in the boundaries between North Philadelphia and Northeast and Northwest Philadelphia offer the most promising opportunities for using public action to reinforce processes of community building that are already underway.

Obviously, social capital is not the only criterion that should influence public policy on neighborhood revitalization. Yet in an era in which market forces have largely abandoned many sections of the city and public resources for revitalization are limited, it would make sense to see these non-market, civic indicators as the best opportunity for maximizing the chances of success for markets and public policy.