

PONTIAC



INDUSTRIAL CITIES INITIATIVE

Edited by Susan Longworth



Acknowledgements

The Industrial Cities Initiative (ICI) is a project of the Federal Reserve Bank of Chicago's Community Development and Policy Studies Division, led by Alicia Williams, vice president. Susan Longworth edited this document.

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Introduction

The Community Development and Policy Studies (CDPS) division of the Federal Reserve Bank of Chicago undertook the Industrial Cities Initiative (ICI) to gain a better understanding of the economic, demographic, and social trends shaping industrial cities in the Midwest. The ICI was motivated by questions about why some Midwest towns and cities outperform other similar cities with comparable histories and manufacturing legacies. And, can ‘successful’ economic development strategies implemented in ‘outperforming cities’ be replicated in ‘underperforming cities?’

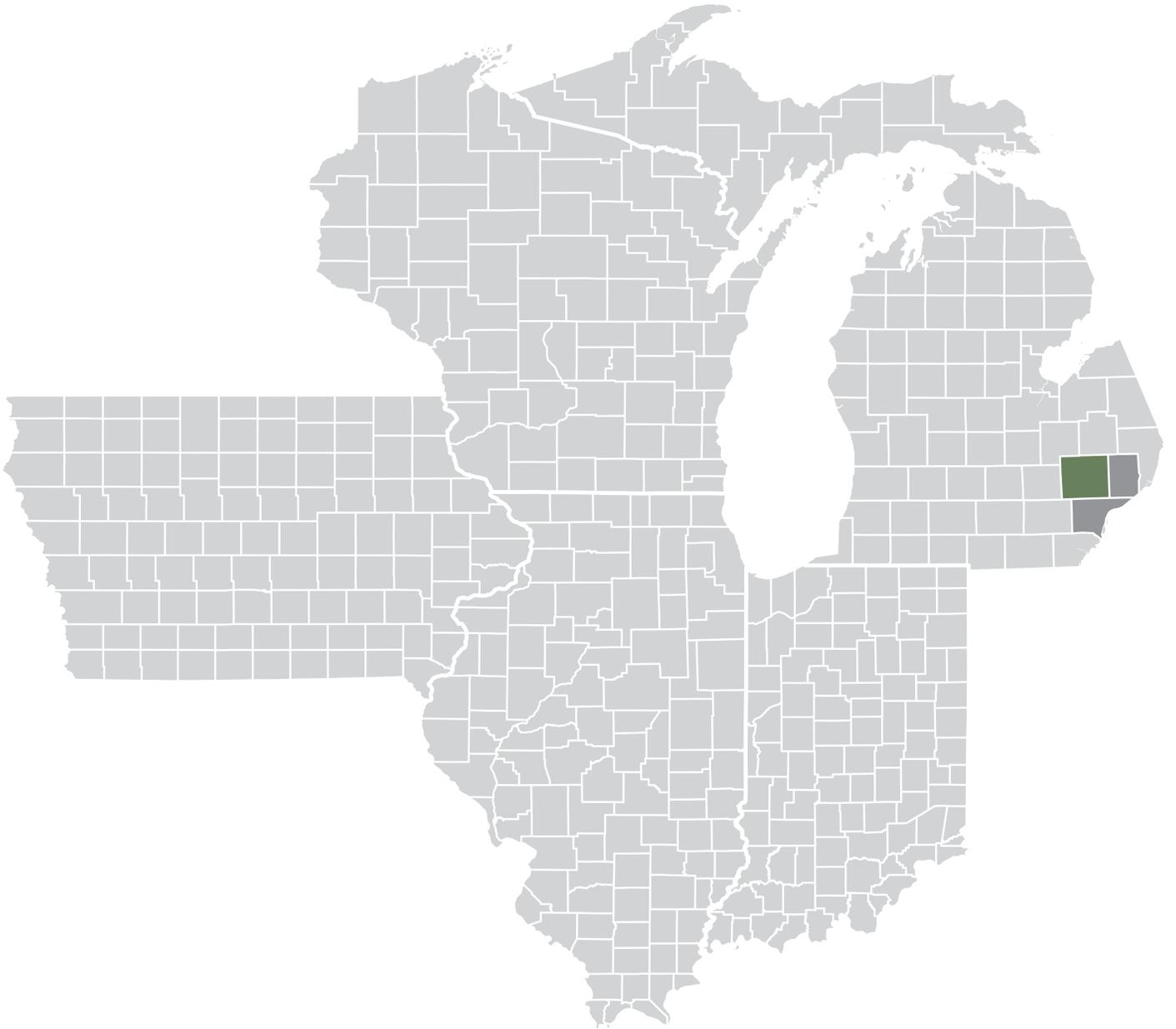
The effort to improve the economic and social well-being of these cities and their residents occurs in an environment shaped by:

- **Macroeconomic forces:** Globalization, immigration, demographic trends including an aging population, education and training needs, and the benefits and burdens of wealth, wages, and poverty impact these cities, regardless of size or location.
- **State and national policies:** Economic development leaders contend that state and national policies pit one city against another in a zero-sum competition for job- and wealth-generating firms.
- **The dynamic relationship of city and region:** Although cities remain the economic entities, regional strengths and weaknesses to a large extent determine the fate of their respective cities.

As a first phase, we profiled ten midwestern cities whose legacy as twentieth century manufacturing centers remains a powerful influence on the well-being of those cities, their residents and their regions. However, the objective of the ICI was not only to look at the individual conditions, trends and experience of these places, but to also explore these cities in comparison to peers, their home states and the nation.

Therefore in addition to reviewing an individual profile that may be of particular interest, we also advise reading the Summary of Findings (http://www.chicagofed.org/ICI_Summary.pdf) which explains further the motivation and context for the ICI and provides thematic observations that emerged from the interviews, as well as supporting data. Overarching trends, relating to human capital – its quantity and quality, industry concentrations, employment and productivity outlooks, educational attainment, diversity and inclusion, housing and poverty, and access to capital that are described in each of the profiles are coalesced in the Summary of Findings to arrive at conclusions and next steps. They constitute an essential component of the overall narrative.

In addition, attached to each profile is a series of appendices. These important documents provide insight into the data methodology and resources used, and a data summary for each city.



PONTIAC, MI

Overview

The story of Pontiac’s transition to a post-industrial economy is illustrative of a number of other cities in Michigan. As the auto industry evolved, Pontiac lost both jobs and companies (both assembly plants and suppliers). These economic trends led, in part, to demographic changes that resulted in a city in a fiscal crisis with a poorly-performing school system.

Located 25 miles northwest of Detroit, Pontiac is the county seat of Oakland County. While Oakland County is one of the wealthiest counties in Michigan, Pontiac is one of the state’s most impoverished cities. Until recently, General Motors (GM) “maintained ‘home’ plants for the exclusive assembly of Buick in Flint, Oldsmobile in Lansing, and Pontiac in Pontiac, a *relic* of the origins of these divisions as independent carmakers during the first decade of the twentieth century.”¹ [emphasis added]

During the time that the “relic” was a reality, Pontiac’s population and living standards grew, including high rates of home ownership and an excellent school system. By 2010, Pontiac was a shadow of its once prosperous past. In the city of Pontiac, the number of people without a job doubled between July 2008

and July 2009.² As manufacturing employment declined rapidly (chart 1), Pontiac’s unemployment rate rose faster than both the Michigan and the U.S. employment rates (chart 2). Between 1970 and 2010, Pontiac’s population declined by 30 percent, from 85,279 to 59,515 (chart 3).

And, the extent to which Pontiac’s population trends diverged from those of the state and nation is evident in chart 4.

In 2009, General Motors shut down its Pontiac East Assembly facility – at that time the last remaining assembly plant in the city. Approximately 1,100 employees at the plant lost their jobs, along with many people employed at businesses that supplied parts and provided services to the plant. The city of Pontiac lost \$5.3 million in property taxes and \$3.4 million in withholding taxes from the Pontiac East Assembly facility, the equivalent of approximately one-fifth of its \$50 million general fund budget.

In early 2009, the state government placed the city into receivership and appointed an emergency financial manager. In addition to revising the accounting system, the emergency manager also recommended that Pontiac be merged with Oakland County.⁵ However, the county executive indicated that although the county “would work to help Pontiac overcome its financial problems,” [it was] not in a position to merge with the city.⁶

Chart 1. Percent employed in manufacturing: Pontiac and comparison areas, 1970-2010

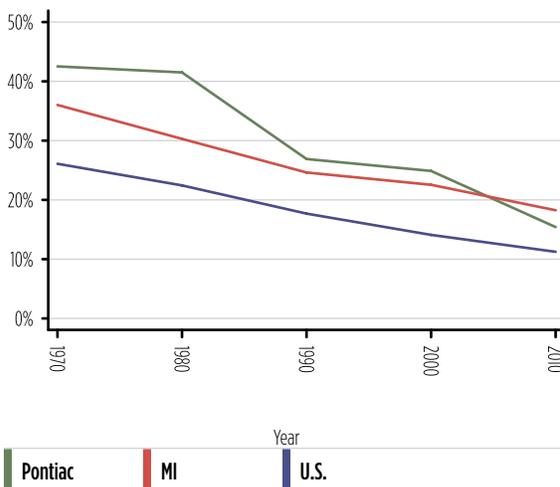
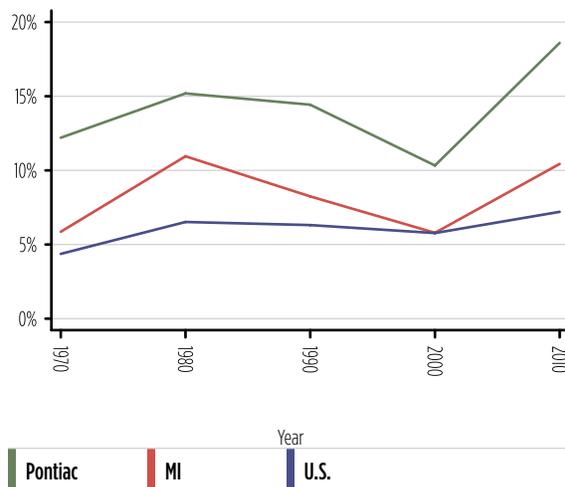
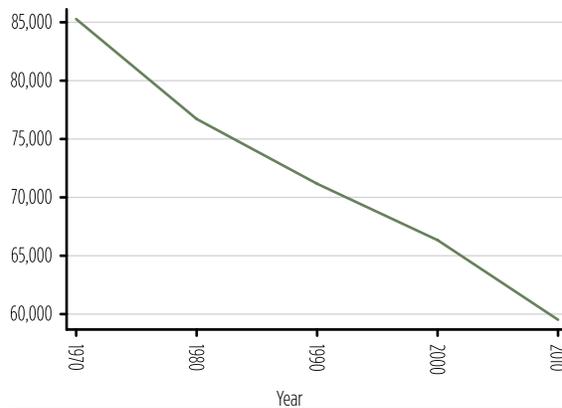


Chart 2. Percent civilian unemployment: Pontiac and comparison areas, 1970-2010



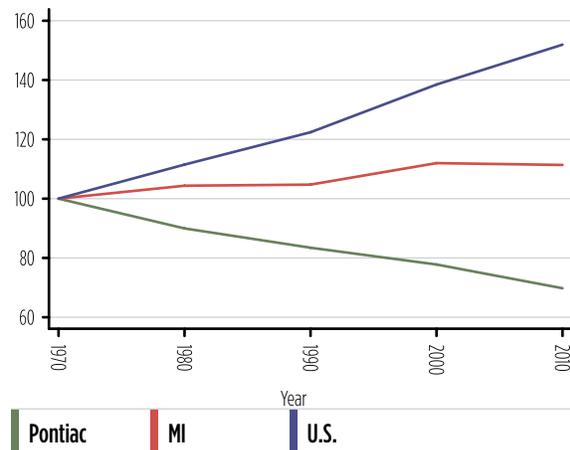
Source: U.S. Census Bureau (A-1).

Chart 3. Total population: Pontiac, 1970-2010



Source: U.S. Census Bureau (A-1).

Chart 4. Total population (indexed, 1970=100): Pontiac and comparison areas, 1970-2010



In January 2011, Pontiac officials contracted with the Oakland County sheriff to provide law enforcement services because they could no longer afford to pay local police.⁷ “As painful as it was,” said Oakland County Treasurer Andy Meisner, “those efforts have made Pontiac safer. Response times have dropped and more arrests have been made, leading to an improved business climate.”⁸ However, one interviewee felt that police protection has decreased due to the transition to the Sheriff’s Department.

Regional presence

Oakland County includes 61 cities, villages, and townships, and is home to 1.2 million residents.⁹

Many interviewees observed that Pontiac, which remains the county seat, does not have an interest in cooperating with its neighbors or Oakland County, preferring to “take care of its own house.”¹⁰

When interviewed, Pontiac Mayor Leon Jukowski was circumspect regarding the evolving nature of the city/county relationship. “I think we’ve gotten excellent attention from Oakland County. There was hostility that Pontiac perceived from the county and a real hostility towards the county. In recent years, Oakland County Executive Brooks Patterson has come to realize that if the county seat isn’t successful, he doesn’t look as successful. So, while I’ve been in office, every time I’ve gone

to the county and asked for help, they have gone overboard to try to help us.”¹¹

While the fiscal emergency has required that Pontiac focus its attention internally, Oakland County has developed an economic development agenda that places the county in a more regional and global context. That agenda will be discussed in greater detail in “Industry analysis.” Some leaders are hopeful that, as Pontiac emerges from the current challenges, the city will be able to leverage some of its own economic assets to benefit from the county’s economic development strategies.

Economic development

Many interviewees reported that the biggest challenge for Pontiac is the lack of a long-term community plan or vision. They stated that there was no one at the city whose job was to help local residents and leaders establish a community plan for economic development during the emergency manager’s tenure.

According to a local business person, Pontiac has extremely limited financial and staffing resources dedicated to community and economic development. In October 2011, at the urging of the U.S. Department of Housing and Urban Development (HUD), the city of Pontiac entered into an agreement with Oakland County, allowing the county to manage its federal funds such as Community Development Block Grants (CDBG).¹² Although under this agreement, Pontiac

will experience a reduction in federal HUD funding; the alternative was losing all funding.¹³

A few local economic development initiatives are progressing even as the city works through its fiscal issues, although capacity issues restrict innovation. For example, Pontiac had a \$1.3 million revolving loan fund intended to diversify the city's economic base and encourage entrepreneurial development. However, due to a lack of activity on the loan fund and a lack of institutional knowledge regarding the management of such a fund, the emergency manager requested that the loan fund be terminated and remaining funds returned to the Economic Development Administration, the original grantor.¹⁴

There was also a program intended to reduce the city's office vacancy rate, which had reportedly exceeded 43 percent. The "Rise of the Phoenix" initiative offered one year rent-free in exchange for a minimum two-year lease. "Rise of the Phoenix resulted in 52 new businesses moving into downtown [Pontiac] – a mix of office, retail, and service firms."¹⁵

Pontiac and Oakland County were also able to collaborate with the Michigan State Housing Development Authority and the Michigan Land Bank Fast Track Authority to leverage federal Neighborhood Stabilization Program 2 (NSP2) funding to redevelop the downtown site of a former Sears Department store. Lafayette Place includes 46 residential apartments and "the first fresh foods market to open within the city in four decades," among other amenities.¹⁶ It is hoped that Lafayette Place will be a catalyst for further commercial and residential redevelopment in downtown Pontiac, as well as some neighborhoods adjacent to downtown.

In January 2013, GM announced a \$200 million expansion of its Power Train Engineering Headquarters in Pontiac, heralding the return of some lost automotive industry jobs.¹⁷ The project, which is expected to be completed by the summer of 2014, will transfer 400 people from other facilities. In total, there will be about 4,000 employees at the Pontiac site when it is complete.¹⁸ GM's decision was based, at least in part, on a 50 percent tax abatement from Pontiac for ten years. Some see this good news as illustrative of the conundrum that local economic development officials too often face. Mayor Leon Jukowski welcomed the plant, but had concerns about whether the plant will stay for the long term. He noted, "As a business

man, I ordinarily wouldn't do that deal unless I had something in writing that said you're going to be here for 15 years and there should be some claw back [if not]. I don't have that kind of leverage with GM. The reality is, when they come in and say we've got a project for you, all I can do is ask, 'where do I sign?'"¹⁹

Finding new uses for manufacturing facilities such as former GM plants is difficult. In 2009, city, state, and federal government officials worked with private investors to build a movie studio in a former GM plant. Many layers of public incentives were involved in the deal including an \$18 million municipal bond guaranteed by the state's workers' pension funds. Lower than expected job creation and a dispute between the investors and state officials have resulted in a complete halt to film productions at the studio and threaten a complete shutdown of the studio.²⁰

Industry analysis

The following tables illustrate the changes in Oakland County's industry mix over ten years. Table 1 shows the top five industries in Oakland County by 2011 location quotient (LQ). While these industries represent one-fifth of Oakland County's total employment, employment has declined in all of them over the past ten years.

Table 2 shows the top five industries in Oakland County by total 2011 employment. These industries represent over 44 percent of the total employment in the county. Three of these industries gained employment over the past ten years.

In response to state-wide economic turmoil in the early 2000s, Oakland County economic development leaders created the "Emerging Sectors" strategy, which targets a list of industries believed likely to expand in the area and create jobs.²¹ The list consists of 11 industries, one of which is the county's "Medical Main Street" – a concentration of resources associated with the life sciences industry.²² According to Emerging Sectors' most recent quarterly report, since the program's inception, Oakland County has worked with 245 firms, resulting in \$2.5 billion invested, creating more than 29,000 new jobs and retaining more than 13,000 jobs.²³

Interviewees are skeptical about the extent to which these broader initiatives have and will benefit Pontiac.

Table 1. Top 5 industries in Oakland County, MI by 2011 location quotient

Industry	Oakland County, MI						U.S.			
	Location Quotient		Employment				Employment		Output	
	2001	2011	2001	2011	% Share	Annual Rate of Change, 2001-2011	Annual Rate of Change, 2000-2010	Annual Rate of Change, 2010-2020 (Projected)	Annual Rate of Change, 2000-2010	Annual Rate of Change, 2010-2020 (Projected)
Lessors of nonfinancial intangible assets	1.79	2.51	337	328	0.06%	-0.27%	-1.00%	2.90%	2.10%	5.10%
Transportation equipment manufacturing	3.60	2.25	44,363	16,965	2.88%	-9.16%	-4.30%	0.00%	-0.90%	3.20%
Professional and technical services	2.23	2.08	98,043	86,790	14.73%	-1.21%	1.00%	2.60%	2.50%	3.60%
Machinery manufacturing	1.80	1.63	15,676	9,365	1.59%	-5.02%	-3.80%	-0.20%	-1.10%	3.50%
Real estate	1.42	1.58	12,148	11,886	2.02%	-0.22%	0.60%	1.10%	1.90%	2.80%
Total, top 5 industries by location quotient			170,567	125,334	21.28%	-3.03%				
Total, all industries			699,778	589,051	100.00%	-1.71%				

Source: U.S. Bureau of Labor Statistics (A-2).

Table 2. Top 5 industries in Oakland County, MI by 2011 employment

Industry	Oakland County, MI						U.S.			
	Location Quotient		Employment				Employment		Output	
	2001	2011	2001	2011	% Share	Annual Rate of Change, 2001-2011	Annual Rate of Change, 2000-2010	Annual Rate of Change, 2010-2020 (Projected)	Annual Rate of Change, 2000-2010	Annual Rate of Change, 2010-2020 (Projected)
Professional and technical services	2.23	2.08	98,043	86,790	14.73%	-1.21%	1.00%	2.60%	2.50%	3.60%
Administrative and support services	1.52	1.46	72,428	58,217	9.88%	-2.16%	-1.10%	2.00%	0.90%	3.40%
Food services and drinking places	0.82	0.84	43,548	43,925	7.46%	0.09%	1.30%	0.90%	1.40%	2.50%
Ambulatory health care services	1.02	1.17	28,980	39,003	6.62%	3.01%	3.30%	3.70%	3.40%	3.30%
Hospitals	1.12	1.28	28,811	32,627	5.54%	1.25%	1.70%	1.70%	2.30%	2.30%
Total, top 5 industries by employment			271,810	260,562	44.23%	-0.42%				
Total, all industries			699,778	589,051	100.00%	-1.71%				

Source: U.S. Bureau of Labor Statistics (A-2).

Although the county is home to almost 600,000 jobs, Pontiac is home to barely 30,000 – less than 5 percent of the county total. The extent to which the 11 Emerging Sectors – that include the highly skilled advanced electronics, nanotechnology, aerospace, communications, and information technology industries – will benefit the residents of Pontiac remains to be seen.

Others note that, while those efforts – and others such as the larger eight-county “Automation Alley”²⁴

initiative – were not yet directly benefitting Pontiac, those initiatives do provide an environment that may benefit Pontiac as it re-emerges. Several leaders see opportunities for collaboration and pointed to a telecommunications hub in downtown Pontiac as an asset that could be leveraged with county and regional economic development strategies.

Human capital and education

One factor, repeated frequently by interviewees, affecting employment and development is a lack of critical skills and proficiencies on the part of Pontiac residents. According to one study, 34 percent of Pontiac residents are functionally illiterate.²⁵ In 2010, nearly a quarter of Pontiac residents over 25 had not completed high school. In contrast, 13 percent of adults in Michigan and 15 percent in the U.S. had not completed high school (chart 5).²⁶

While Pontiac has made some significant strides in moving its population towards higher educational attainment (chart 6), the proportion of residents that has at least some college education or a college degree continues to lag the state and nation (chart 7). The jobs in the county’s Emerging Sectors will require advanced training.

A respondent noted that when there were jobs in the auto industry, education was not a determining factor in the hiring process. According to interviewees, the

Chart 5. Percent less than high school diploma: Pontiac and comparison areas, 1970-2010

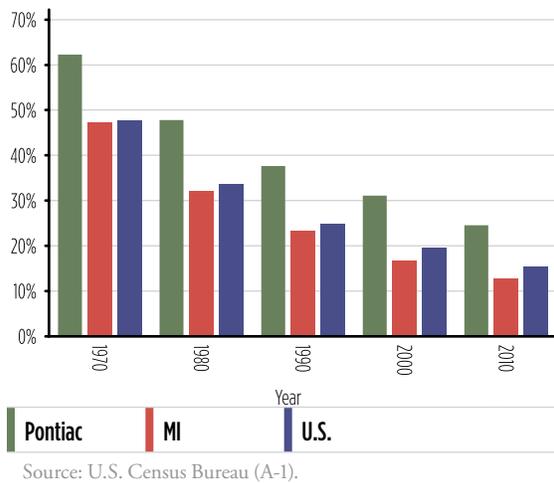


Chart 6. Percentage point changes in educational attainment: Pontiac, 1970-2010

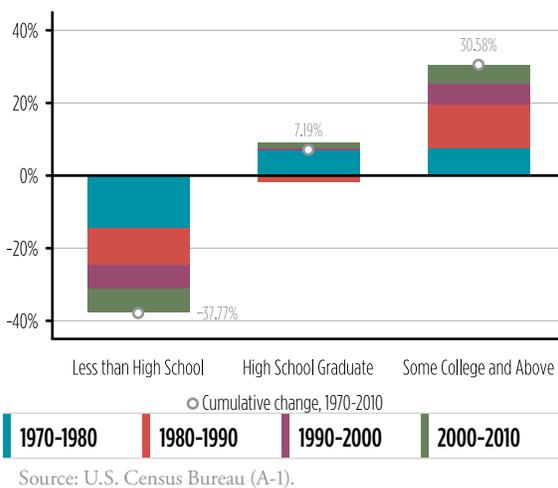
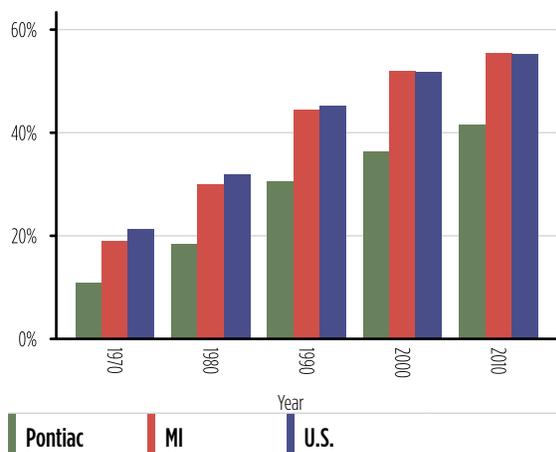


Chart 7. Percent some college and college grad: Pontiac and comparison areas, 1970-2010



connection between educational attainment and employment has yet to be made in Pontiac.

Much concern has been expressed about the quality of education in Pontiac's public schools. The depopulation of the city has placed a strain on available resources. For example, current enrollment within the Pontiac School District (PSD) is only about a third of the 20,000 students for which it was originally designed.²⁷

Pontiac High School was one of 98 schools identified in 2010 by the Michigan Department of Education as a persistently lowest achieving (PLA) school. The high school's redesign plan was conditionally approved by the state in December 2010.²⁸ Since then, the PLA designation has been replaced by a "priority" designation, a designation reserved for schools performing in the bottom 5 percent of the state. At the end of the 2012-2013 academic year, Pontiac High School and two other PSD schools remained on the priority list.²⁹

In 2009, as a part of the PSD's restructuring plan, all employees were forced to reapply for their jobs. Twenty percent of the district's teachers were permanently laid off as half of the district's 20 public schools were closed and the two high schools were consolidated into one.³⁰ Many believe that the problems with the school district stem from a lack of stable leadership, with the tenure of superintendents averaging only two to three years. As one respondent put it, "If there is no long term leadership, there will be no long term vision for improving the schools."

In order to address Pontiac's need for greater college attainment, city leaders have established, at the initiative of the school district, the Pontiac Promise Zone (PPZ), patterned after a successful program in Kalamazoo, Michigan. PPZ offers graduates of Pontiac high schools two free years of college education. Launched in December 2010, the major supporters of PPZ include large corporations, local colleges, financial institutions, a medical center, and a foundation. To date, the leaders of PPZ have raised a total of \$750,000 and hope eventually to be able to fund a four-year degree for each student.³¹ Although PPZ has been embraced by most community leaders, one respondent noted that the program should be, perhaps, more narrowly targeted to benefit those students who experience the greatest barriers to college.

Michigan Works! is a workforce development program offered through the Oakland County Michigan Works! office at the Pontiac JobLink Service Center. Staff from

Michigan Works! assess and train residents in high growth/high demand occupations such as health care, engineering, paralegal, and information technology. Job seekers who lack basic work place skills are placed in work experience assignments. Michigan Works! pays the participants the minimum wage; in return, the public or private work site provides supervision and rudimentary skill training. Michigan Works! also offers workshops and one-on-one guidance on resume writing, interviewing skills, and career development. For those job seekers who lack a high school diploma or literacy skills, Michigan Works! provides remedial instruction and refers other individuals to adult education at the Oakland County schools.³²

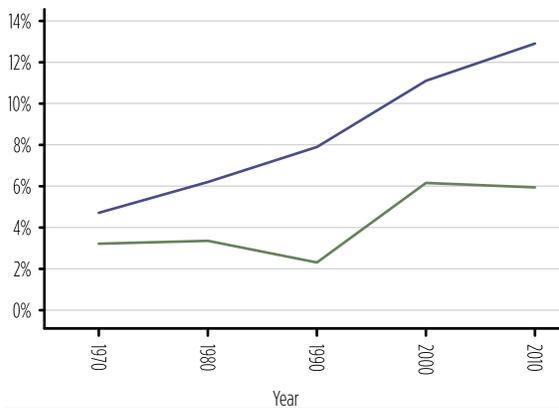
Transportation may be a further barrier to employment for many Pontiac residents. Commuter bus service in Pontiac is provided by the Suburban Mobility Authority for Regional Transportation (SMART), a Southeast Michigan public transit system. The system connects Pontiac residents with intracity bus lines, and one intercity line that connects riders to suburban areas and Detroit to the south. However, there have been service cut backs. In 2011, overall SMART services were reduced by 22 percent due to lower revenue.³³

Race and diversity

Pontiac is not a destination for immigrants. As White residents moved out of Pontiac and the total population of the city declined, the Black proportion of the population increased rapidly and in 2010, Pontiac became majority Black.³⁴ Although foreign-born immigration increased between 1990 and 2000, it did not keep pace with the nation and recently plateaued (chart 8).

Pontiac has a history of racial disharmony. Much of it was associated with school segregation and then busing, which was mandated as the result of a law suit filed by the Oakland County National Association for the Advancement of Colored People (NAACP) in 1969. At that time, schools in Pontiac were either majority White or majority Black. A federal judge found in 1970 that the school board had intentionally perpetuated segregation and ordered them to institute busing to integrate the schools. Residents opposed to busing engaged in both violent and nonviolent protests. Six hundred homes were put on the market a few months after the court decision and by that fall, when busing was

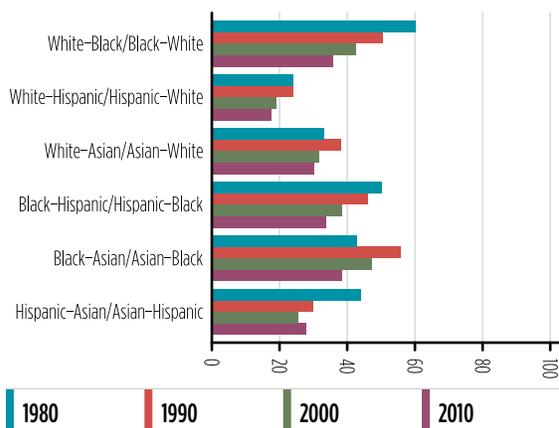
Chart 8. Percent foreign born: Pontiac and U.S., 1970-2010



Pontiac | **U.S.**

Source: U.S. Census (A-1).

Chart 9. Dissimilarity index: Pontiac, 1980-2010



1980 | **1990** | **2000** | **2010**

Source: Brown University (A-8).

instituted, the school district had lost 11 percent of its students.³⁵

Racial tensions continue to play out in Pontiac. Some residents of Pontiac, distrustful of an emergency financial manager imposed from the Michigan capital of Lansing view the state’s motivation in ideological and racial terms. In Pontiac, the debate about the state law that governs emergency financial managers “is bitter and discussed in overtly racial terms.”³⁶

An apparent improvement in the dissimilarity index for Pontiac since 1980 has been driven by the out-

migration of White residents. As a result, the White to Black index of dissimilarity fell from 60 (high) to 36 (moderate) between 1980 and 2010 (chart 9).³⁷

The estimated real median family incomes for Whites and Blacks were \$41,492 and \$36,151, respectively in 2010. However, the real median income for Hispanic families was lower at \$33,528. The percent of Black families with incomes below the poverty level is 25, compared to 21 percent for White families, and 33 percent for Hispanic families.³⁸

Banking

Banking data provide further evidence of Pontiac’s economic woes. The Pontiac banking market is served by only six institutions, none of them community banks. The residents of Pontiac are served by nine bank branches within city limits.

While the population decreased by roughly 10 percent over the past decade, total deposits – in real terms – fell by a third (chart 10).

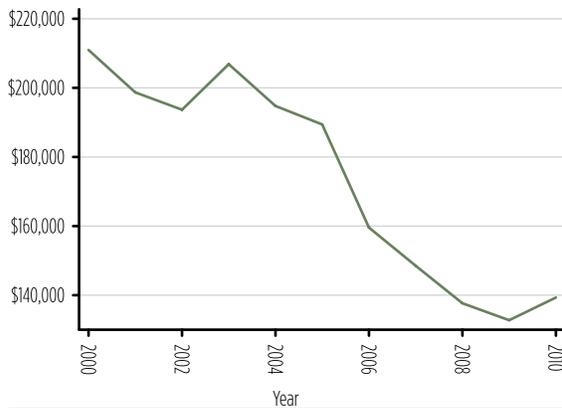
Home mortgage lending in Pontiac, as reflected in HMDA data, peaked in 2004, declined slightly in 2005, and then plummeted through the recession. Demand remains minimal as evidenced by the narrow segment of denials in chart 11.

Loans to businesses with less than \$1 million in revenues also peaked in Pontiac prior to the onset of the recession. The number of loans had increased by 2011, although the value of loans continues to fall. Further analysis would be required to determine whether this is evidence of tighter underwriting standards or further lack of demand (chart 12).

Chart 13 further underscores that a recovery in small business lending has been slow. When measured as a percentage of small business lending in 2006, lending in 2011 is below what it was in 2009 at the end of the recession.

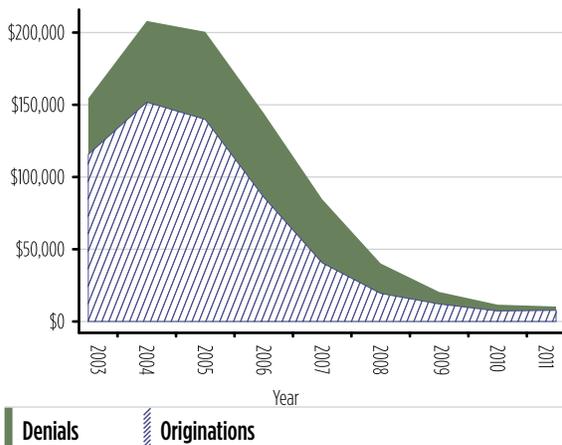
In 2012, a Lenders Forum of banks and credit unions was held at the Detroit Branch of the Federal Reserve Bank of Chicago. The participants were provided with background and data, including HMDA and small business loan trends of the city of Pontiac. Participants were asked to answer questions related to the challenges and opportunities to meeting the credit needs of residents and businesses in Pontiac.

Chart 10. Total deposits (thousands of real \$, 2010=100): Pontiac, 2000-2010



Source: FDIC Summary of Deposits (A-6).

Chart 11. Value of HMDA loan originations and denials (thousands of real \$, 2010=100): Pontiac, 2003-2011



Source: HMDA (A-4).

The following is a summary of the responses.

Regulatory issues. Although lenders in Oakland County were interested in increasing retail businesses, the customer base is not large enough to support it. The Community Reinvestment Act (CRA) has had an impact on bank lending. For CRA exam purposes lending in Pontiac was, until recently, considered a part of the Detroit MSA, resulting in reduced attention to meeting the credit needs of Pontiac. In 2003, the

Detroit MSA was divided into two metropolitan divisions: Detroit-Dearborn-Livonia and Warren-Troy-Farmington Hills, in which Pontiac is included. Pontiac now carries more weight in an area being evaluated separately from Detroit.

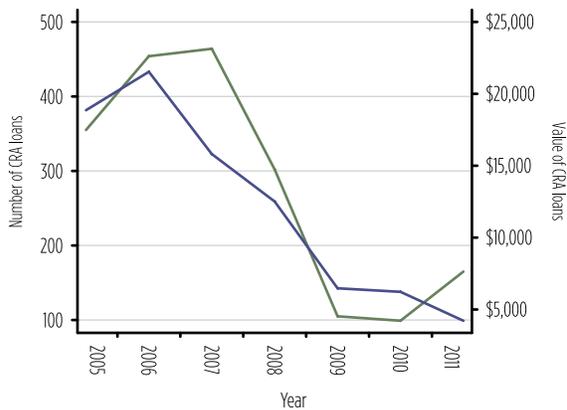
Decreased demand for credit. One credit union participant explained that home values are down 80 percent in Pontiac and demand for home improvement loans is down, as most consumers are not interested in investing in their homes. He also described unsuccessful efforts getting employees at a local manufacturer to join the credit union – they don't live in Pontiac and prefer to bank near home.

Participants indicated that Pontiac city taxes are so high that many low- and moderate-income families cannot afford to purchase homes in the area. Dilapidated homes need to be demolished to make neighborhoods more appealing to prospective buyers. The high rental rate also lessens the city's appeal. Lastly, because housing values have decreased throughout the region, people can afford to live in more prosperous areas in Oakland County.

Competition. Market competition from payday lenders, check-cashing establishments, convenience stores, and even liquor stores impacts the ability of banks and credit unions to provide loans and services. In addition, some consumers believe that they cannot afford bank accounts. Further, convenience stores offer informal loans, and consumers that use payday lenders often cannot afford to pay back the principal of the loan. Also, media coverage of the financial crisis over time has led some consumers to mistrust banks. Marketing efforts fail to recruit skeptical consumers.

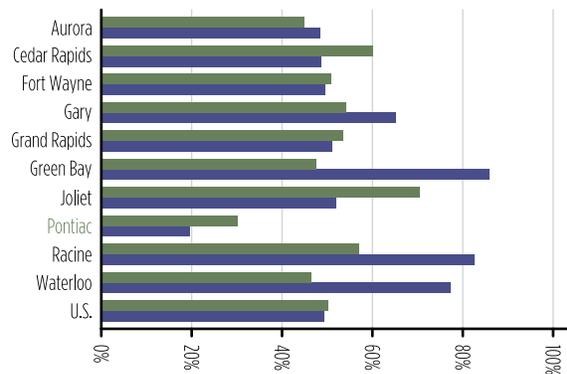
Opportunities. One participant indicated that his bank tried to close a branch in a lower-income community in Pontiac because it was not profitable. However, they were concerned about how this would affect the institution's reputation. Further, bank examiners made it clear that the decision to close the branch would have to be fully documented. As a result, the bank made an effort to make the branch successful. They looked at a one-mile radius around the branch and saw that there was a loss of 3,000 Whites and Blacks, and an increase of 3,000 Hispanics in the community. They decided to sign an agreement with the Mexican Consulate to accept the matricula consular identification card that enables Mexican-Americans to open accounts and hired Spanish

Chart 12. Number and value of CRA loans (thousands of real \$, 2010=100): Pontiac, 2005-2011



Number of CRA loans | Value of CRA loans

Chart 13. Value of CRA loans (thousands of real \$, 2010=100) in all case study cities as a percentage of 2006 levels



2009 | 2011

Limited to loans made to businesses with less than \$1M in annual revenues

Source: CRA (A-5).

speaking staff. This branch now has the highest rate of deposits. In contrast, the other Pontiac branch located in the city's only middle-income census tract is struggling.

Needed programs. Participants were asked what resources might assist them to better serve the banking needs of the residents of Pontiac. Suggestions included: financial education, more extensive job training and workforce development, funding for business development (including lending to minority-owned firms), and community development initiatives. One banker emphasized that bank examiners focus too much on the number of loans originated without recognizing innovations in small business lending.

Housing and poverty

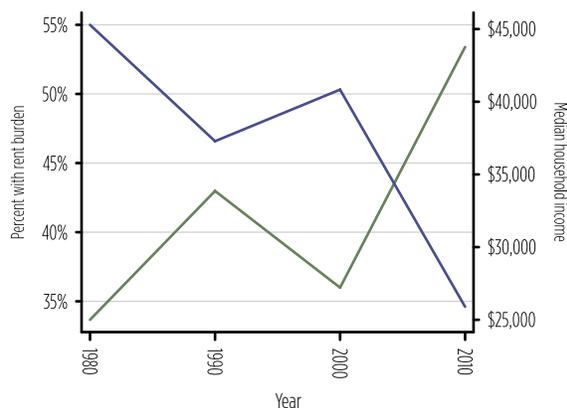
Residents of Pontiac are at the confluence of several negative trends. As the real median household income has declined, the percent of families with a high rent burden (i.e., rent is more than 35 percent of income) has increased (chart 14).

A strong need for affordable rental housing is only one facet of Pontiac's housing crisis. Fewer than half of occupied units are owner-occupied. As participants in the banker forum indicated, home buyers may be choosing not to invest in Pontiac due to concerns

about safety and the school system, especially as home prices in surrounding more stable communities have become more affordable.

Given Pontiac's aging housing stock, much of which was constructed between 1940 and 1959,³⁹ maintaining safe and affordable housing will be a major issue facing

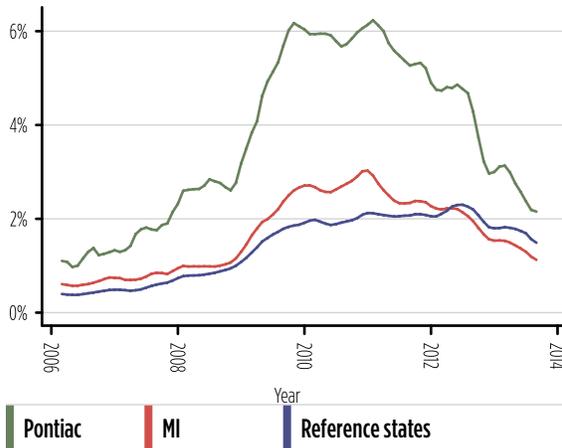
Chart 14. Rent burden and median household income (real \$, 2010=100): Pontiac, 1980-2010



Percent with rent burden | Median household income

Percent rent burden represents the proportion of renting households whose gross rent exceeds 35% of income. Source: U.S. Census Bureau (A-1).

Chart 15. Foreclosure inventory rate: Pontiac and comparison areas, Jan 2006–Sep 2013



For smoothing purposes, rates are expressed as 3-month moving averages. Reference group consists of states in which the typical foreclosure process period is under 63 days.

Source: LPS Applied Analytics (A-7).

the city in the coming years. Foreclosures have hit the city hard. As indicated by chart 15, the foreclosure inventory rate (FIR) in Pontiac significantly exceeds both that of the state of Michigan and that of other states with foreclosure processing periods of under 63 days.

The combination of these factors has affected Pontiac’s home values. The median home sale price in the city of Pontiac decreased from \$50,000 in May 2008 to \$15,000 as of November 2012.⁴⁰ One respondent expressed concern that Pontiac’s low home ownership rate has resulted in residents being “disengaged” and hesitant to volunteer for local organizations like the Parent Teachers Association (PTA).

As the foreclosure crisis progressed, vacancies began to blight the community. According to local leaders, these vacant homes are a liability for the entire community due to increased criminal behavior in vacant homes, reduced tax revenue, and the need to demolish abandoned homes. A few of the vacant homes have been sold for a fraction of their values, further driving down home values in the surrounding community.⁴¹

Conclusion

Pontiac’s state-appointed emergency financial manager resigned in September 2013, leaving a two-year balanced budget. Before leaving, he created and filled the new position of city administrator, with much of the same authority as the emergency manager. This position will work with the Receivership Transition Advisory Board, which “serves at the pleasure of the Governor.”⁴² This appointment is being contested by city council members as they and the mayor face the voters in an imminent election as this profile goes to print.

However, the city’s issues go beyond financial management. Significant concerns remain regarding leadership, collaborative efforts, and regional cooperation. These issues are common among struggling industrial cities. However, the economic development program and strategies being implemented in Oakland County, combined with successful downtown revitalization projects, may provide a framework within which leaders – both elected and appointed – can create a new vision for Pontiac.

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Appendix A: Overview of key data sources and compilation methods

[1] U.S. Census Bureau

The U.S. Census collects information on the American population and housing every ten years for use in policy-making and research. Until recently, it was distributed in two forms: a short form that counts all residents as mandated by the Constitution, and a long form that samples the population for characteristics such as income, housing, and education. After the 2000 Census, the long form was replaced by the American Community Survey (ACS). All three are discussed below.

With a few exceptions, the Census-derived time series presented in these profiles represent an amalgamation of data points from these three sources. While we made every effort to ensure comparability between figures over time, in some cases – detailed in table 2 – this was not possible and/or was difficult to assess. Furthermore, for the sake of narrative efficiency, we indicated all ACS data as corresponding to 2010 throughout the text and charts, even though the majority of it actually corresponds to the five-year timeframe between 2005 and 2009.

Please note that, for tabulation purposes, the Census treats cities as political units rather than spatially-fixed communities. As such, apparent changes over time may reflect changes caused by annexation, as well as changes within the original city boundaries. The table below indicates the extent of annexation for each of the ten case cities between 1970 and 2010.

Table 1. Change in land area by city, 1970-2010

City	Land Area in Square Miles		Percent Change
	1970	2010	
Fort Wayne	51.5	110.6	115%
Gary	42.0	49.9	19%
Grand Rapids	44.9	44.4	-1%
Pontiac	19.7	20.0	1%
Aurora	14.1	44.9	219%
Joliet	16.5	62.1	276%
Racine	13.1	15.5	18%
Green Bay	41.7	45.5	9%
Cedar Rapids	50.7	70.8	40%
Waterloo	59.2	61.4	4%

Notes: 1. Data for 1970 come from 1972 County and City Databook as accessed through ICPSR.
2. Data for 2010 come from the U.S. Census Bureau State and County Quickfacts.

Inset 1: Census data and the business cycle

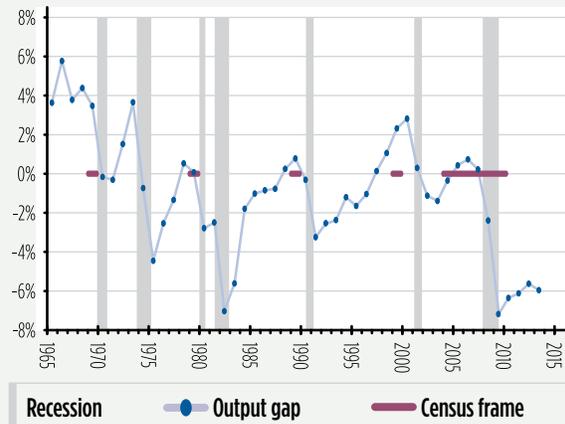
For most characteristics, observed changes over time neatly capture the long-term trends that interest us. For a handful of characteristics, however, historically meaningful structural changes may be somewhat obscured by short-term fluctuations in the business cycle. To illustrate, Census data indicate that real median family income in Green Bay increased by just over 12 percent between 1990 and 2000. This probably understates the true gain, however, insofar as the first measurement reflects income closer to the peak of a business cycle than the second one.¹

This concern mainly applies to income- and employment-related characteristics. Ideally, in the interest of holding cyclical change constant and thereby isolating structural change, comparisons between these types of characteristics should be made between measurements taken during the same stage of the business cycle (e.g., peak-to-peak or trough-to-trough). When not possible, however, such comparisons should at least take into account that differences in timing with respect to the business cycle may be relevant.

These differences are captured in chart 1, which displays the timeframe for income questions (Census frame) from the Census and ACS in relation to fluctuations in the business cycle. Note that both the formal definition of business cycles (in shading, and an informal measure depicted by the output gap (i.e., the difference between actual GDP and potential GDP), are depicted. The output gap rises during economic expansions and falls during contractions. We express it as a percent of real potential GDP to isolate this cyclical effect from long-term, structural increases in GDP. In the context of our example, the red line in 1989 highlights the period for which income was reported in the 1990 Census and the red line in 1999 highlights the same for the 2000 Census. Visually, we can see that the 1990 frame is closer to a recession and decline in the output gap; indicating it occurred closer to the peak of a business cycle.

Lastly, in addition to the official U.S. Census website for sharing recent data (American FactFinder), for historical data we relied on two intermediary venues that organize the myriad older Census products into a coherent framework. In particular, for the period 1970-1990, we relied heavily on the National Historical Geographic Information System (NHGIS) maintained by the University of Minnesota. As a supplement, we also used data provided by the Interuniversity Consortium for Political and Social Research (ICPSR) maintained by the University of Michigan. Accordingly, the full citation for any specific Census-derived figure should be considered as “[the source] as obtained through [the venue], [the year]”. Additional detail for each of these venues is provided below.

Chart 1. Real U.S. output gap as a percent of real potential GDP



Source: Congressional Budget Office/Haver Analytics.

Sources

[i] Short Form

Citation: *U.S. Census Bureau, Decennial Census, Short Form.*

In contrast to the long form or ACS, all persons complete the short form. All households and group quarters receive a questionnaire by mail every ten years. It asks for the age, sex, and race/ethnicity for each person living at the address, as well as whether the residence is owned or rented.² Addresses are primarily obtained from the Master Address File from previous Census years and the Delivery Sequence File from the U.S. Postal Service. Follow-ups are conducted by telephone and personal interviews for nonrespondents. Missing data are imputed. Since the published figures are enumerations and not estimates from a sample, there are no calculable margins of error associated with sampling bias. However, the decennial Census is accompanied by a post-enumeration survey to assess coverage error.⁴ The post-enumeration survey for the 2010 Census did not find a significant percent net undercount or overcount for the household population.⁵

[ii] Long Form

Citation: *U.S. Census Bureau, Decennial Census, Long Form.*

For Censuses 1970-2000, one in six residents received a long form questionnaire with detailed questions on population and housing. Though results from the long form are technically estimates (not enumerations), the Census Bureau considers the figures sufficiently precise that it does not publish margins of error.

[iii] American Community Survey

Citation: *U.S. Census Bureau, American Community Survey.*

The Census Bureau officially introduced the ACS in 2005 as a replacement for the Decennial Census long form. Instead of sampling the population at one point in time every ten years, the ACS draws monthly rolling samples from U.S. households and group quarters for release every year. Because these annual samples are smaller than the long form samples (about 1 in 40), geographies with smaller populations require greater than single-year periods to achieve appropriate margins of error. Thus the ACS also releases rolling three-year and five-year estimates, where the multi-year estimates are constructed by pooling data from all years. For our analysis of industrial cities, appropriate margins of error were typically only obtainable from 5-year data. In some cases, our assessment of the standard error relative to the estimate allowed us to use three-year data (this measure is known as the coefficient of variation (CV); see discussion below for additional detail). It should be noted that we only considered margins of error when selecting the timeframe for an estimate. We did not test whether differences in estimates are statistically significant. Comparisons of ACS data made in the profiles may not be statistically significant when the estimates are very close or from a small population.

[iv] County and City Data Book

Citation: *U.S. Census Bureau, County and City Data Book [United States] consolidated files, 1944-1977.*

The County and City Data Book is a compendium of local-area data compiled by the U.S. Census Bureau from a variety of sources. It was published as a supplement to the Statistical Abstract of the United States in 1952, 1956, 1962, 1972, 1977, 1983, 1988, 1994, 2000, and 2007. For budget reasons, the Bureau terminated the program in 2011.

Venues

[i] American Factfinder

Citation: *U.S. Census Bureau, American FactFinder, <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.*

American FactFinder provides access to data about the United States, Puerto Rico, and the Island Areas. The data in American FactFinder come from several censuses and surveys.

For more information see “Using FactFinder” and “What We Provide.”^{9,1}

[ii] NHGIS

Citation: *Minnesota Population Center. National Historical Geographic Information System: Version 2.0. Minneapolis, MN: University of Minnesota 2011, <http://www.nhgis.org>.*

The National Historical Geographic Information System (NHGIS) provides, free of charge, aggregate census data and GIS-compatible boundary files for the United States between 1790 and 2012.

[iii] ICPSR

Citation: *The Interuniversity Consortium for Political and Social Research. Ann Arbor, MI: University of Michigan, <http://www.icpsr.umich.edu/>.*

The Interuniversity Consortium for Political and Social Research maintains an extensive archive of data sets in the social sciences. Data are available to researchers at no charge.

[iv] Miscellaneous

Percent manufacturing in 1960 and two other national figures for 1970 were not found in the above venues and thus obtained elsewhere, as indicated below.

- Percent Manufacturing from University of Virginia Library
Citation: *University of Virginia Library, County and City Data Books, <http://www2.lib.virginia.edu/ccdb>.*
- Median Family Income from Current Population Reports
Citation: *U.S. Census Bureau, U.S. Department of Commerce, Current Population Reports, Consumer Income, Series P-60, No. 78. May 20, 1971, <http://www2.census.gov/prod2/popscan/p60-078.pdf>.*
- Median Value of Owner Occupied Homes from Historical Census of Housing Tables
Citation: *U.S. Census Bureau, U.S. Department of Commerce, Historical Census of Housing Tables, Home Values, <http://www.census.gov/hhes/www/housing/census/historic/values.html>.*

Table 2. U.S. Census figures by Decennial Form

Order	Figure	Description	Census Form	Notes
1	Total population	Total number of persons	Short	--
2	% < 19	% of total population aged 19 and under	Short	--
3	% 20-24	% of total population aged 20-24	Short	--
4	% 25-44	% of total population aged 25-44	Short	--
5	% 45-64	% of total population aged 45-64	Short	--
6	% > 65	% of total population aged 65 and over	Short	--
7	% Black	% of population that identified themselves as Black	Short	To ensure comparability with earlier years, universe is constrained to persons who identified with only one race.
8	% White	% of population that identified themselves as White	Short	To ensure comparability with earlier years, universe is constrained to persons who identified with only one race.
9	% Hispanic or Latino (of any race)	% of total population that reported a Hispanic country of origin	Short	Not found for 1970 and 1980. Unlike race figures, universe includes the entire population.
10	% Less than HS	% of population aged 25 and over that did not graduate from high school	Long	See % HS Grad note.
11	% HS Grad	% of population over 25 who graduated from high school but never attended college	Long	In 1970, there is no explicit distinction between high school graduate and non-high school graduate. Individuals assumed to have graduated high school if and only if they completed 4 years of high school.
12	% Some College & College Grad	% of persons aged 25 and over that ever attended college	Long	--
13	% Manufacturing	% of employed population aged 16 and over that work in the manufacturing industry	Long	Figures for 1970 appear to omit approximately 3-8% of eligible universe. Figures for 1960 come from County and City Data Book.
14	Civilian Work Force	Full civilian work force, including the unemployed	Long	--
15	% Civilian Unemployed	% of individuals who are in the labor force but not employed	Long	--
16	Real Median Family Income	Real median family income, adjusted using CPI-U-RS (2010=100)	Long	See extended note to figure 16 below.
17	% Families Below Poverty Line	% families below poverty line	Long	--
18	Mean Commute Time	Mean travel time to work (minutes)	Long	Only found for 2000 and 2010.
19	% Married (individuals 15 years and over)	% of population aged 15 and over that are married	Long	In 1970, includes persons 14 years and over.
20	Average HH size	Average number of persons per household	Short	Only found for 2000 and 2010.
21	Average Family Size	Average family size	Short	Not found for 1970 and 1980.
22	Total Units	Total number of housing units	Short	--
23	% Owner Occupied	% of occupied housing units that are owner occupied	Short	--
24	Real Median Value of Owner Occupied Homes	Real median value of specified owner occupied homes	Long	See extended note to figure 24 below.
25	% homes w- 0 Vehicle	% of occupied units with no vehicles	Long	--
26	% homes w- 1 Vehicle	% of occupied units with exactly 1 vehicle	Long	--
27	% homes w- 2+ Vehicles	% of occupied units with 2 or more vehicles	Long	--

Table 2. U.S. Census Figures by Decennial Form

28	% Foreign Born	% of entire population that was born abroad to non-native parents	Long	See extended note to figure 28 below.
29	Real Median Household Income	Real median household income, adjusted using CPI-U-RS (2010=100)	Long	See extended note to figure 29 below.
30	% Rent Burden	% of renting HHs whose gross rent is greater than or equal to 35% of income	Long	See extended note to figure 30 below.

General notes

In all cases:

- All data from 2000 and after were obtained through American FactFinder.
- Non-ACS figures that take into account income (median family income, median household income, and rent burden) are based on income from the year immediately prior to the indicated year (e.g., 1970 income data corresponds to 1969); the timeframe for ACS income-related figures is also offset by one year (e.g., income data from the 2005-2009 timeframe corresponds to 2004-2008).
- Real dollar amounts were adjusted using the CPI-U Research Series (CPI-U-RS, 2010=100).

Unless otherwise indicated:

- Figures indicated as deriving from the “Short Form,” do in fact derive from the Decennial Census Short Form for all years.
- Figures indicated as deriving from the “Long Form” derive from the Decennial Census Long Form for all years except 2010; in that case, data were derived from the 2005-2009 American Community Survey.
- All figures from 1960-1990 were obtained through the NHGIS.

Extended notes to figures

- 16 In 1970, city- and state-level figures were taken from the County and City Data Book as obtained through the ICPSR, while the U.S. level figure was taken from a Current Population Reports publication (see <http://www2.census.gov/prod2/popscan/p60-078.pdf>). We were unable to find sufficient documentation to confirm comparability between 1970 and later years.
- 24 The following caveat applies to comparisons between 1970 and later years: For 1980-2010, the population of units includes only “specified” units, which represents a subset of single-family homes (see http://quickfacts.census.gov/qfd/meta/long_HSG495210.htm for the definition of “specified” as employed in the ACS). In 1970, however, city- and state-level figures were taken from the County and City Data Book as obtained through the ICPSR. The codebook entry for that year is indicated as “OOU.SINGLE FAMILY MEDIAN VAL. \$1970.” We were unable to determine if this contains all single family homes, or just a subset thereof. The U.S. level figure for 1970 was obtained from Historical Census of Housing Tables (see <http://www.census.gov/hhes/www/housing/census/historic/values.html>), and appears to subset the population of units in a manner consistent with the definition of “specified.” Any potential difference in the underlying universe should be mitigated by our using the median rather than the mean.
- 28 For 1970 and 2000: We assume, but cannot verify, that “foreign” excludes individuals born abroad to native parents. In Joliet in 1970, 2.3% of the eligible universe appears to be missing. For the last data point, we used a narrower three-year timeframe (2009-2011), as the coefficients of variation were generally acceptable. The CV for Gary, however, straddled the informal threshold between “Good” and “Fair”.
- 29 We assume, but cannot verify, that the population includes all households, as opposed to a subset of households that meet a certain criteria. For 2010, we used ACS data from the 2009-2011, as all coefficients met the informal criteria for “good” reliability.
- 30 2010 figures correspond to ACS five-year estimates from the 2007-2011 timeframe. Due to changes in the universe, comparability might be problematic for 1970, and is definitely problematic for 2007-2011. Figures relating to 1980-2000 all take into account “specified renter occupied housing units,” while 1970 takes into account “renter-occupied units for which rent tabulated,” and 2010 takes into account “renter-occupied housing units.” The Census Bureau makes the disclaimer that the ACS data is not suitable for comparison with earlier long form data due to this change in the universe. By this logic, 1970 may be problematic as well. Renters who did not pay rent or who had a non-positive income are omitted from all calculations. Although we cannot verify the definition of gross rent for all years, in recent years “Gross rent is the contract rent plus the estimated average monthly cost of utilities...and fuels...if these are paid for by the renter.” (For example, see [http://www.socialexplorer.com/data/ACS2012/metadata/?ds=Social+Explorer+Tables%3A++ACS+2012+\(1-Year+Estimates\)&table=T102B.](http://www.socialexplorer.com/data/ACS2012/metadata/?ds=Social+Explorer+Tables%3A++ACS+2012+(1-Year+Estimates)&table=T102B.))

Inset 2: Detailed discussion of ACS reliability and the coefficient of variation

Inherent in the design of the ACS is a tradeoff between timeliness, accuracy, and geographic specificity; given limited resources and therefore a limited sample size, it's impossible to have all three of these desirable properties simultaneously.

To give researchers better control over how exactly these tradeoffs are calibrated, the ACS provides estimates of demographic characteristics in terms of 5-year, 3-year, and 1-year timeframes. The 5-year estimates are the most reliable because they have the largest sample size. Furthermore, 5-year estimates are available for all geographies for which the ACS tabulates data. The obvious downside of the 5-year data is that it applies to a long period, and may therefore be unsuitable for understanding short-term trends and/or the current picture. The 1-year data, on the other hand, is suitable for analyzing short-term dynamics. The downside is that it is only available for larger geographies, and that estimates may have a high margin of error. The properties of the 3-year data are somewhere in between those of the 1-year and 5-year data.

Given that we are dealing with midsize cities, the choice was really between the 3-year and 5-year estimates. (1-year estimates are available for most cities, but omit Pontiac as well as several cities used for comparison. Further, as will be explained below, cities that barely met the population thresholds for inclusion in the 1-year data may suffer from high margins of error that would make their use questionable.)¹¹

To make the decision between the 3-year and 5-year data, we follow the Census Bureau's advice and look at a metric known as the Coefficient of Variation (CV). The Bureau emphasizes that an acceptable CV should ultimately be a function of the estimate's intended use, and declines to provide specific interpretive thresholds. However, an informative user guide compiled by the Washington State Office of Financial Management suggests that, as a general rule, estimates with CVs less than 15% may be considered "good," estimates with CVs between 15% and 30% may be considered "fair," and estimates with CVs in excess of 30% should be used "with caution."¹²

Throughout, we only used 3-year data when the CVs were acceptable for all case study cities.

[2] U.S. Bureau of Labor Statistics

[i] Quarterly Census of Employment and Wages

Citation: Bureau of Labor Statistics, U.S. Department of Labor, Quarterly Census of Employment and Wages [www.bls.gov/cew/].

Employment and location quotient data by industry are from the Quarterly Census of Employment and Wages as obtained through the Location Quotient Calculator. Employment is calculated from quarterly reports filed by nearly every employer in the U.S.

When used in the profiles, these data reflect annual averages for the county corresponding to the case-study cities. Please see below for the definition of "location quotient." Information on living wage calculations, which generally accompany these data in the profiles, is provided in A-9.

[ii] Occupational Employment Statistics

Citation: Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Employment Statistics*, (www.bls.gov/oes/).

Employment, location quotient, and wage data by occupation are from the May 2012 release of the Occupational Employment Statistics for Metropolitan and Nonmetropolitan Areas. These estimates were calculated based on a rolling sample of establishments from May 2012, November 2011, May 2011, November 2010, May 2010, and November 2009.¹ The Employer Cost Index is used to express wage data across the timeframe in terms of May 2012 constant dollars.

When used in the profiles, these data reflect figures for the CBSA or Metropolitan Division corresponding to the case study cities. Please see below for the definition of “location quotient.” Information on living wage calculations, which generally accompany these data in the profiles, is provided in A-9.

[iii] Employment Projections

Citation: Bureau of Labor Statistics, U.S. Department of Labor, *Employment Projections* (www.bls.gov/emp/).

All employment and output projections by industry are at the national level, and were taken from table 2.7 of the 2010-2020 Employment Projections Program.¹⁶

Inset 3: Location Quotient Definition

A location quotient (LQ) measures the concentration of a characteristic in one level of geography relative to that same concentration in a reference geography. In the profiles, we employ location quotient to examine employment by industry between county and U.S., and employment by occupation between MSA and U.S.

LQs greater than one indicate that the characteristic is more concentrated in the local geography than the nation, while LQs less than one indicate it is less concentrated. For example, the 2011 LQ of paper manufacturing in Kane County, IL, is 2.43. This means that the share of paper manufacturing employment in Kane County is 2.43 times greater than the national share.

Mathematically, a LQ is a representation ratio defined by:

$$LQ = \frac{e_i/e}{E_i/E}$$

Where:

e_i = Local employment in industry i

e = Total local employment

E_i = Base area employment in industry i

E = Total base area employment

[3] CPI-U-RS

Citation

- For 1978 and onward: U.S. Bureau of Labor Statistics, Consumer Price Index Research Series Using Current Methods (CPI-U-RS), U.S. city average, all items, December 1977=100 (see http://www.bls.gov/cpi/cpiursai1978_2012.pdf).
- For years prior to 1978: extrapolations as calculated by the U.S. Census Bureau (see <http://www.census.gov/hhes/www/income/data/incpovhlth/2012/CPI-U-RS-Index-2012.pdf>).

All values presented in real dollars were adjusted for inflation using the Consumer Price Index research series (CPI-U-RS) as employed by the U.S. Census Bureau. The CPI-U-RS is officially published by the Bureau of Labor Statistics (BLS) for a period beginning in 1978.¹ The Census Bureau derives values for prior years by applying the ratio of the CPI-U-RS and CPI-U in 1977 to the 1947-1976 CPI-U. Though the index is published such that December 1977=100, we transformed the series to present values in terms of 2010 dollars.

The CPI-U-RS tracks historical changes in the cost of living more consistently and accurately than the commonly reported Consumer Price Index for All Urban Consumers (CPI-U). It is more consistent because it applies current methodology to all years in the series, while the CPI-U – despite improving over the years – is not adjusted retroactively. Incorporating these improvements, in turn, improves accuracy. Current methods have reduced upward bias, which the Boskin commission reported to be 1.1 percent per year. For example, the CPI now accounts for lower-level substitution bias (i.e., substitutions made among purchases within the same class of good.) Accordingly, the research series exhibits lower rates of inflation than the CPI-U. These improvements are especially significant for longitudinal analysis where rates compound over time. The CPI-U estimates that the price level rose by 462 percent between 1970 and 2010, whereas the CPI-U-RS estimates the increase at 401 percent.²⁰

It should be noted that the CPI-U-RS, while an improvement over the CPI-U, still does not represent the BLS' best measure of a cost-of-living index because it does not accommodate for substitutions made between classes of goods (aka, upper-level substitutions).²¹ To appreciate the significance of this type of substitution, it's helpful to note that a cost-of-living index should estimate the increase in income necessary to make a consumer just as happy after an increase in the price level as before. As an example, if the price of pork increases relative to beef, a consumer may be just as happy purchasing more beef and less pork. Thus an index which presumes the consumer purchases the same amount of pork at a higher price is upwardly biased. The BLS produces a series that accounts for this effect, the Chained CPI-U, but it only extends back to year 2000. Examining the change in price level between 2000 and 2010 (years for which all three indices are available), the Chained CPI estimates an increase of 23 percent, while the CPI-U and CPI-U-RS both estimate an increase of 27 percent.²³

It should also be noted that the CPI-U-RS is a national index and may not reflect regional differences in the cost of living across the 10 cities. Thus readers are cautioned against interpreting cities with comparatively lower median incomes or median incomes that fail to keep pace with the CPI-U-RS as strictly worse off.

[4] HMDA

Main Citation: *Federal Financial Institutions Examination Council (FFIEC), Home Mortgage Disclosure Act (HMDA) loan application register flat files (<http://www.ffiec.gov/bmda/bmdaflat.htm>).*

Tract-to-City Crosswalk: *2000 U.S. Census Bureau boundary data, as obtained through Maptitude Version 5.*

The Home Mortgage Disclosure Act (HMDA) requires that certain lending institutions publically report information pertaining to loan applications for home purchases, improvements, and refinancing. Policymakers and regulators use the resulting report – which includes borrower characteristics such as race and income – to assess whether institutions are meeting the credit needs of the community, as well as to deter discriminatory practices. In addition to these regulatory purposes, the data are well suited to place-based analysis in general because they include the Census tract of the property.

In the profiles, we limited our data to home purchase loans that were either originated or denied by the lending institution after a full review of the application. Preapprovals and withdrawn applications were not considered. Data were aggregated by Census tract and then converted to city-level data using 2000 Census boundary data as obtained through Maptitude. All dollar values were adjusted for inflation using the CPI-U-RS.

[5] CRA

Main Citation: *Federal Financial Institutions Examination Council (FFIEC), Community Reinvestment Act (CRA) aggregate flat files (<http://www.ffiec.gov/cra/craflatfiles.htm>).*

Tract-to-City Crosswalk: *2000 U.S. Census Bureau boundary data, as obtained through Maptitude Version 5.*

The Community Reinvestment Act (CRA) requires certain depository institutions to report data on business lending for the public.²⁵

Data include loans made in amounts of less than \$1 million; to better focus on lending to small businesses we further limit the data to loans made to businesses with less than \$1 million in revenues. Tract-level data was converted to city-level data using 2000 Census boundary data as obtained through Maptitude. All dollar values were adjusted for inflation using the CPI-U-RS. Note that, unlike HMDA, CRA does not provide data regarding applications.

[6] FDIC Summary of Deposits

Main Citation: *FDIC Summary of Deposits (<http://www2.fdic.gov/sod/>).*

Geocoding-related Citations:

- Maptitude Version 5.
- 2000 U.S. Census Bureau boundary data, as obtained through Maptitude Version 5.
- The Google Geocoding API, Version 2 (<https://developers.google.com/maps/documentation/geocoding/>).
- Federal Reserve Bank of Chicago calculations.

The Federal Deposit Insurance Corporation (FDIC) Summary of Deposits is an annual report that reflects, among other things, the geographic distribution of deposits held by all FDIC-insured institutions. Information in the report is obtained from two sources: 1) a mandatory survey required of all FDIC-insured institutions that operate two or more branch locations, including foreign institutions that operate in the U.S. and 2) the Call Report, which may be used in place of the survey in cases where an institution operates in only one location. These data comprise the vast majority of deposits and deposit-like instruments held in the U.S.; credit unions – whose deposits collectively summed to about 12 percent of that of commercial banks in 2004 account for the remainder.²⁷

In the survey, institutional respondents are asked to allocate total deposits to physical bank locations in a manner consistent with their respective internal practices. For example, the allocation of a certain account to a certain branch office for SOD purposes might derive from matching the account holder’s address to the nearest branch, where the account is most active, or where the account was opened.

Furthermore, respondents are instructed to consolidate the deposits of limited-service outlets (such as ATMs) into more substantial branches located nearby (preferably in the same county). The sum of deposits distributed over the various locations should match the analogous figure in the Call Report or Report of Assets and Liabilities.²⁹

The subsequent availability of detailed address fields in the report can be used to pinpoint the exact latitude and longitude of bank locations (and their corresponding deposits), thereby making this source particularly useful for the sort of place-based analysis employed throughout the profiles. This process of converting addresses to coordinates is known as “geocoding”, and is implemented by a piece of software called a “geocoder.”

We used two geocoders to match deposits with the profiled cities: Maptitude (v5) and the Google Geocoding API (v2). After determining the coordinates of bank locations, we then used Maptitude again to determine the corresponding city with respect to boundaries from the 2000 Census.

It is important to note that all geocoders rely on matching techniques with degrees of uncertainty in order to reconcile text-based address fields between multiple data sources. Consequently, any geocoding procedure is subject to multiple types of error including: 1) failure to match at all, 2) matching to the wrong location, and 3) matching to a correct but imprecisely defined location (e.g., a zipcode as opposed to a building).

Regarding the first type of error, our geocoding success rate generally fell between about 90 percent and 95 percent, depending on the year. The second type of error, while important, is difficult to quantify. Since our goal was to link banking data with a relatively large target (cities), we imagine that the third type of error is insignificant.

A few general caveats are worth mentioning given how deposits are reported and geocoded:

- First, note that deposits figures reported throughout the profiles relate to deposits corresponding to bank locations in the cities, not residents of the cities. Throughout the profiles, however, we implicitly presume that these two measures are highly correlated, and use them interchangeably.
- Second, between the survey instructions and Banks’ internal practices, an area’s figures may be skewed upward if it contains a central location within which large amounts of deposits from nearby limited-service locations are consolidated. (This effect was particularly noticeable in the case of Green Bay, WI, where one location with consolidated deposits drove per-capita deposits to a level nearly three times higher than that of the next highest case study city.)
- Lastly, given that geocoding outcomes tend to be more successful for recent periods than for earlier periods, estimated growth in deposits may be subject to upward bias. Using two geocoders mitigates but does not eliminate this bias.

Miscellaneous notes:

- While all discussions pertaining to deposits amounts draw from geocoded data, discussions relating to institutional characteristics and market structure (e.g., number of branches, market share, community versus non-community bank) draw from Summary of Deposits data as assigned to cities based on their zipcodes. This assignment, in turn, was based on 2000 city and 2007 zipcode boundaries from the Census, as obtained through Maptitude.
- The FDIC began including the results of its internal geocoding procedure starting with the 6-2012 release. All deposits figures in our analysis, however, are entirely based on geocodes obtained through Maptitude and Google as described above.
- Data were aggregated by Census tract and then converted to city-level data using 2000 Census boundary data as obtained through Maptitude. All dollar values were adjusted for inflation using the CPI-U-RS.

[7] LPS Applied Analytics

Main Citation: *Lender Processing Services (LPS) Applied Analytics.*

Zipcode-to-City Crosswalk: *2000 U.S. Census Bureau boundary data, as obtained through Maptitude Version 5.*

Proprietary loan-level microdata furnished by LPS Applied Analytics details the monthly performance of mortgage loans in the residential housing market. LPS collects this data from large mortgage servicers, who collectively represent about two-thirds of this market.

The underlying raw data include numerous mortgage types including first mortgages, second mortgages, and various grades of home equity lines of credit. In an effort to better align our measures with properties as opposed to loans, however, we take into account only first-lien mortgages. Furthermore, we used Census data (as obtained through Maptitude V5) to assign loans to case study cities using the zipcode of the underlying property.

A variety of possible metrics may be derived from mortgage performance data to help gain insight into the health of a given housing market, including but not limited to: the foreclosure start, transition, and inventory rates. Throughout the profiles, we focus exclusively on the foreclosure inventory rate, a static measure that represents the number of mortgages in foreclosure as a proportion of all mortgages. The start and transition rates, on the other hand, are dynamic measures that provide insight into the flow of loans into and out of foreclosure status.³⁰

It's important to note that foreclosure inventory rates are highly sensitive to state laws that govern how foreclosures are processed. A foreclosure in Illinois, for example, takes about 300 days and often longer because every foreclosure must be processed through the courts. However, some states, like Michigan, do not require foreclosures to go through the courts. Still, depending on the situation, certain states like Iowa and Wisconsin employ both methods. All things being equal, foreclosure rates tend to be lower in states that rely primarily on non-judicial procedures, as any potential buildup resulting from new foreclosures in these states is tempered by the speed with which they can be resolved.³¹

Given this sensitivity to various legal procedures, foreclosure inventory rates should only be compared among states with similar process periods. In the profiles, we compare the foreclosure inventory rate in a given city with its home state and the average of a group of reference states. The four reference groups were constructed based on the quartiles of the process period, as shown in table 3.

Table 3. Typical foreclosure process period for reference states

Group	Process Period (days)	States
1	< 63	AL CT DC GA MD MI MO NH RI TN TX VA WY
2	63-136	AK AR AZ CA FL KS MA MN MS NC NV VT WA WV
3	136-180	CO IA ID KY LA MT ND NE NM OR SC SD UT
4	>180	DE HI IL IN ME NJ NY OH OK PA WI

Source: RealtyTrac (see <http://www.realtytrac.com/real-estate-guides/foreclosure-laws/>).

[8] Brown University

Citation: *Spatial Structures in the Social Sciences, Brown University, US2010 Project*, (<http://www.s4.brown.edu/us2010/Data/data.htm>).

Measures of residential segregation and racial/ethnic composition are from US2010, a project of Spatial Structures in the Social Sciences at Brown University, and based on data from the Decennial Census and the 2005-09 American Community Survey.

The dissimilarity index measures the extent to which one group is distributed proportionally across census tracts in a city relative to another group.³² The index ranges from 0 to 100 and equals zero if every tract exhibits the same ratio between groups as the city as a whole. The index equals 100 if the two groups are entirely segregated by census tract. Values of 60 or above are considered fairly high. It means that 60 percent of one group must move to a different tract to achieve a proportional distribution. Values between 40 and 60 are considered moderate, while values less than 40 are fairly low.

More generally, the index for two racial groups is defined as:³³

$$\frac{1}{2} \sum_{i=1}^N \left| \frac{x_i}{X} - \frac{y_i}{Y} \right|$$

Where:

x_i = the population of group X in census tract i

X = the total population of group X in the city

y_i = the population of group Y in census tract i

Y = the total population of group Y in the city

[9] Living Wage Project

Citation: *Poverty in America*, Massachusetts Institute of Technology, Living Wage Project, Living Wage Calculator (<http://livingwage.mit.edu/>).

Estimates of living wages are from the Living Wage Calculator, a tool provided by the Living Wage Project under the Poverty in America program at the Massachusetts Institute of Technology. A living wage represents a minimum cost of living for low wage families in a particular area based on cost estimates for food, child care, healthcare, housing, transportation, other necessities, and taxes. It is intended to highlight that working families may not earn enough to live locally, even if they earn more than the minimum wage and are not officially in poverty.

All estimates cited in the profiles are for one adult raising one child. The calculator uses data from a variety of federal sources to estimate costs, including the Bureau of Labor Statistics, the U.S. Department of Housing and Urban Development, and the U.S. Department of Agriculture. Estimates are made with respect to the latest source data that was available in June 2012.

Though the calculator allows users to select estimates for either place or county, it does not detail the various levels of geography represented by the source data. Therefore we cannot distinguish which cost estimates, if any, are particular to the place or county, and which represent some broader level of geography. Estimates cited in the profiles were selected by place, and these are likely more representative of the MSA or metropolitan division, where one exists.

Additionally, the calculator does not report whether values are given in constant dollars. Given the latest update in June 2012, we speculate that all values can be generally assumed to be in “recent” dollars.

Notes

1. As the table below indicates, please note that income reported in the 1980 and 1990 Census corresponds to income from 1979 and 1989, respectively.
2. U.S. Census Bureau, Explore the Form, available at <http://www.census.gov/2010census/about/interactive-form.php>.
3. U.S. Census Bureau, Summary Population and Housing Characteristics, Selected Appendixes, May 2012, available at <http://www.census.gov/prod/cen2010/cph-1-a.pdf>.
4. U.S. Census Bureau, Coverage Measurement, available at https://www.census.gov/coverage_measurement/.
5. U.S. Census Bureau, Census Coverage Estimation Report, May 2012, available at http://www.census.gov/coverage_measurement/pdfs/g01.pdf.
6. U.S. Census Bureau, American Community Survey, Design and Methodology, available at http://www.census.gov/acs/www/methodology/methodology_main/.
7. Basic information on sample size and data quality by state can be found at http://www.census.gov/acs/www/methodology/sample_size_and_data_quality/.
8. U.S. Census Bureau, County and City Data Book: 2007, available at <http://www.census.gov/prod/2008pubs/07cldb/ccdb-07.pdf>.
9. U.S. Census Bureau, Using FactFinder, available at http://factfinder2.census.gov/faces/nav/jsf/pages/using_factfinder.xhtml.
10. U.S. Census Bureau, What We Provide, available at http://factfinder2.census.gov/faces/nav/jsf/pages/what_we_provide.xhtml.
11. U.S. Census Bureau, American Community Survey, Guidance for Data Users, available at http://www.census.gov/acs/www/guidance_for_data_users/estimates/.
12. Washington State Office of Financial Management, American Community Survey User Guide, May 2012, available at http://www.ofm.wa.gov/pop/acs/userguide/ofm_acs_user_guide.pdf.
13. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Location Quotient Calculator, available at http://data.bls.gov/location_quotient/ControllerServlet.
14. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Frequently Asked Questions, available at <http://www.bls.gov/cew/cewfaq.htm#Q14>.
15. Bureau of Labor Statistics, Occupational Employment Statistics, Overview, available at http://www.bls.gov/oes/oes_emp.htm.
16. Bureau of Labor Statistics, Employment Projections, available at http://bls.gov/emp/ep_table_207.htm.
17. Bureau of Labor Statistics, Help & Tutorials, available at http://www.bls.gov/help/def/lq.htm#location_quotient.
18. Bureau of Labor Statistics, CPI Research Series Using Current Methods, available at <http://www.bls.gov/cpi/cpirsdc.htm>.
19. Bureau of Labor Statistics, Price Measurement in the United States: a decade after the Boskin Report, Monthly Labor Review, May 2006, available at <http://www.bls.gov/opub/mlr/2006/05/art2full.pdf>.
20. Calculated from the annual averages of the national CPI-U, All items as obtained from <http://www.bls.gov/cpi/data.htm>.
21. Bureau of Labor Statistics, Frequently Asked Questions about the Chained Consumer Price Index for All Urban Consumers, available at <http://www.bls.gov/cpi/cpisupqa.htm>.
22. Bureau of Labor Statistics, Note on the Chained Consumer Price Index for All Urban Consumers, available at <http://www.bls.gov/cpi/superlink.htm>.
23. Calculated from the annual averages of the national Chained CPI-U, All items as obtained from <http://www.bls.gov/cpi/data.htm>.
24. Depository and non-depository institutions alike are covered by HMDA, subject to their asset size, presence in the MSA, and whether they are involved in the business of residential mortgage lending. See page 3 of the HMDA reporting guide (<http://www.ffiec.gov/hmda/pdf/2010guide.pdf>) for details.
25. Subject to asset thresholds updated annually (for example, see: <http://www.ffiec.gov/cra/pdf/Explanation%20of%20the%20Community%20Reinvestment%20Act%20Asset%20Threshold%20Change%20121712.pdf>), all state member banks, state nonmember banks, national banks, and savings associations are required to report. Institutions that do not meet these thresholds have the option of reporting voluntarily.
26. Federal Deposit Insurance Corporation, Summary of Deposits Reporting Instructions, available at http://www2.fdic.gov/sod/pdf/SOD_Instructions.pdf, page 1.
27. Federal Reserve Bank of San Francisco, Are credit unions regulated or supervised by the Federal Reserve System?, Dr. Econ blog, March 2005, available at <http://www.frbsf.org/education/publications/doctor-econ/2005/march/credit-unions-regulation-supervision>.
28. Federal Deposit Insurance Corporation, Summary of Deposits Reporting Instructions, available at http://www2.fdic.gov/sod/pdf/SOD_Instructions.pdf, page 1.
29. *Ibid*, page 3.
30. For a detailed discussion of how these rates interrelate, please see our guest blog at http://midwest.chicagofedblogs.org/archives/2011/10/emily_engel_for.html.
31. Lower inventories, however, do not necessarily translate into healthier housing markets. Properties that moved through foreclosure quickly in Michigan, for example, may show up subsequently as real estate owned (REO) by the mortgagee. We do not track post-foreclosure statuses like REO because we're unsure to what extent LPS tracks them.
32. Spatial Structures in the Social Sciences, Brown University US2010 Project, Interpreting a Data Set, available at <http://www.s4.brown.edu/us2010/Data/Explanation.htm>.
33. Population Studies Center, University of Michigan, Racial Residential Segregation Measurement Project, available at <http://enceladus.isr.umich.edu/race/calculate.html>.

United States

Michigan

Pontiac

	Pontiac					Michigan					United States							
	1970	1980	1990	2000	2010	% change, 1970-2010	1970	1980	1990	2000	2010	% change, 1970-2010	1970	1980	1990	2000	2010	% change, 1970-2010
Total Population	85,279	76,715	71,166	66,337	59,515	-30.2%	8,815,083	9,262,078	9,295,297	9,938,444	9,883,640	11.36%	203,271,926	226,545,805	248,709,873	281,421,906	308,345,538	51.9%
Age																		
% < 19	40.9%	37.4%	34.0%	33.2%	30.6%	-25.2%	40.4%	33.6%	29.6%	29.0%	26.8%	-33.7%	37.9%	31.9%	28.6%	28.0%	26.9%	-29.0%
% 20 - 24	9.7%	11.3%	9.2%	7.6%	7.8%	-16.6%	7.7%	9.6%	7.5%	6.4%	6.7%	-13.1%	7.9%	9.4%	7.6%	6.4%	6.9%	-17.8%
% 25 - 44	23.0%	26.7%	32.9%	32.6%	28.2%	27.6%	23.4%	27.4%	29.1%	24.7%	24.7%	5.2%	23.6%	27.6%	32.4%	30.2%	26.6%	12.6%
% 45 - 64	17.6%	15.4%	15.0%	18.3%	24.2%	36.1%	19.7%	19.3%	18.7%	22.4%	27.9%	41.4%	20.8%	19.4%	18.4%	22.0%	26.3%	28.2%
% > 65	8.6%	9.0%	8.7%	8.5%	9.3%	7.9%	8.5%	9.8%	11.9%	12.7%	13.7%	61.9%	9.8%	11.2%	12.5%	12.4%	13.4%	31.5%
Race																		
% White	72.5%	57.9%	51.2%	39.0%	34.4%	-52.5%	88.2%	85.2%	83.4%	80.1%	78.9%	-10.5%	87.2%	83.4%	80.2%	75.4%	72.4%	-17.8%
% Black	26.6%	37.0%	42.2%	47.9%	52.1%	95.1%	11.7%	12.9%	13.9%	14.2%	14.7%	26.8%	11.6%	11.6%	12.0%	12.2%	12.6%	13.0%
% Hispanic or Latino (of any race)	-	-	8.0%	12.6%	16.5%	-	-	-	2.1%	3.2%	4.4%	-	-	-	8.9%	12.5%	16.3%	-
Education																		
% Less than HS	62.2%	47.8%	37.6%	31.0%	24.5%	-60.6%	47.2%	32.0%	23.2%	16.3%	12.6%	-73.2%	47.6%	33.5%	24.6%	19.6%	15.2%	-67.6%
% HS Grad	26.4%	33.7%	31.8%	32.5%	33.9%	26.8%	33.6%	38.0%	33.3%	31.4%	31.8%	-5.2%	31.0%	34.5%	29.9%	28.5%	29.3%	-5.7%
% Some College & College Grad	10.9%	18.4%	30.5%	36.5%	41.5%	278.5%	19.1%	29.9%	44.4%	52.0%	55.4%	190.8%	21.2%	31.8%	45.2%	51.7%	55.2%	159.5%
Industry, Employment, & Income																		
% Manufacturing	42.5%	41.5%	26.9%	24.8%	15.4%	-63.7%	36.0%	30.2%	24.6%	22.5%	18.2%	-49.2%	26.1%	22.4%	17.6%	14.1%	11.2%	-56.9%
Civilian Work Force	32,161	31,167	30,801	29,709	31,051	-3.5%	3,455,346	4,211,997	4,540,537	4,922,453	5,001,503	44.7%	80,051,046	104,449,817	123,473,450	137,668,798	152,273,029	90.2%
% Civilian Unemployed	12.2%	15.1%	14.4%	10.3%	18.6%	52.4%	5.8%	10.9%	8.2%	5.1%	10.4%	78.0%	4.3%	6.2%	6.3%	5.1%	7.2%	64.8%
Real Median Family Income	\$50,848	\$52,144	\$43,860	\$47,619	\$37,928	-25.4%	\$57,988	\$61,876	\$62,227	\$69,951	\$61,636	6.2%	\$49,581	\$55,747	\$59,804	\$65,487	\$65,392	27.8%
% Families Below Poverty Line	10.4%	15.3%	24.1%	18.3%	24.3%	141.9%	7.3%	8.2%	10.2%	7.7%	10.3%	40.9%	10.6%	9.5%	9.9%	9.2%	9.0%	-7.6%
Mean Commute Time	-	-	-	21.70	25.80	-	-	-	-	24.10	23.70	-	-	-	-	25.50	25.20	-
Household Composition																		
% Married (individuals 15 years and over)	59.6%	45.3%	37.4%	37.6%	33.4%	-45.9%	62.2%	56.9%	54.0%	53.8%	50.3%	-19.1%	61.4%	57.3%	54.7%	54.3%	50.2%	-18.1%
Average HH size	-	-	2.68	2.56	2.56	-	-	-	2.56	2.49	2.49	-	-	-	2.59	2.58	2.58	-
Average Family Size	-	-	3.34	3.32	3.28	-	-	-	3.16	3.00	3.05	-	-	-	3.16	3.14	3.14	-
Housing																		
Total Units	26,810	27,745	26,593	26,336	27,084	1.0%	2,954,570	3,589,912	3,847,926	4,234,279	4,532,233	53.4%	68,679,080	88,411,263	102,263,678	115,904,641	131,704,730	91.7%
% Owner Occupied	64.0%	56.1%	49.7%	52.7%	47.6%	-25.7%	74.4%	72.6%	70.9%	73.8%	72.3%	-3.0%	62.8%	64.4%	64.2%	66.1%	65.0%	3.5%
Real Median Value of Owner Occupied Home	\$76,893	\$64,493	\$58,703	\$94,072	\$98,500	28.1%	\$88,143	\$98,252	\$98,001	\$146,363	\$149,935	70.0%	\$85,186	\$119,162	\$127,918	\$151,427	\$188,461	121.2%
% homes w- 0 Vehicle	16.7%	19.6%	19.2%	15.6%	13.9%	-16.5%	12.1%	11.8%	10.0%	7.6%	6.9%	-42.7%	17.4%	14.7%	11.5%	10.3%	8.8%	-49.6%
% homes w- 1 Vehicle	54.1%	51.3%	40.9%	42.6%	44.0%	-18.6%	48.8%	46.5%	33.5%	33.5%	33.6%	-31.4%	47.1%	46.5%	33.6%	34.2%	33.2%	-30.3%
% homes w- 2+ Vehicles	29.1%	29.1%	39.8%	41.7%	42.0%	44.1%	38.9%	41.8%	56.8%	58.8%	59.3%	52.5%	34.8%	38.8%	54.7%	55.4%	57.9%	66.5%



Cover art by

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