I Love (Hate) New York (City)

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Introduction

New York is one of the world’s quintessential “cool” cities. Its arts and culture, neighbourhoods, and diversity are all world class. Living in New York City is a dream for many ambitious people, who are willing to make large sacrifices to pursue their dream of making it big in finance, the arts, media, or any of the other industries that are centered in New York City. However, despite the obvious attractions New York offers, the city is losing domestic migrants to other states and cities. Is it possible that New York’s “coolness” is not as important as advocates of high-density culture have led us to imply? It is hard to tell exactly why people come and go, though data suggests New York maintains its appeal to many people, especially the young. The data also implies that New York’s high property prices are reluctantly forcing many people out of the city.

This conclusion contrasts with explanations pointing exclusively at basic economic factors, such as tax rates and jobs, as the main causes of New York’s out-migration. While it is likely many people are leaving the city for economic reasons, such explanations ignore the appeal New York still has and incorrectly suggest amenities play only a small role in migration decisions. Research on real estate in major American cities suggests many would prefer to stay in New York, but are forced out mainly because of high property prices — especially when they want to start families and need more space. The cities these migrants go to often have the same “cool” appeal as New York, except they are more affordable.

This paper will begin with an overview of New York City and State’s in- and out-migration trends, focusing on the data collected by several think tanks and the U.S. government. It will then continue with a review of the debate between commentators over the causes of U.S. migration in general, and then proceeds to examine North American academic literature that attempts to explain the causes of migration. Finally, the paper will conclude with the policy implications of migration trends for New York City, and will then briefly outline some possible options for dealing with out-migration.
The Numbers

According to the Empire Center’s analysis (McMahon & Scardamalia, 2011, August 2), New York State lost 1.6 million residents to domestic migration between 2000 and 2010. And since 1960, the state has lost 7.3 million people. In both the 1990s and 2000s, New York State’s proportion of net migration losses was the highest of any U.S. state. Currently, migration losses are at their highest levels since the 1970s. In the last decade, the majority moved to southern states, with the largest proportion going to Florida (McMahon & Scardamalia, 2011, September 26). Other large magnets for New Yorkers were New Jersey, Pennsylvania and Connecticut.

Since the recession, patterns have shifted and fewer have moved to Florida. The average incomes of those moving out of New York State were 22 per cent higher — which means a significant drain on the state’s tax revenues. According to the most recent data from 2009 to 2010 (IRS, State-to-State Migration Database Files), New York State lost 30,022 tax filers to other states in the same years. The greatest share of the state’s out-migrants went to New Jersey (14 per cent), followed by Florida (13 per cent), California (7 per cent), and Pennsylvania (7 per cent).

Surprisingly, on average, the incomes of those entering New York City were approximately 15 per cent lower than those leaving. While this suggests that housing affordability is not the cause of out-migration, most likely, the income discrepancy is explained by the in-migration of young people at the beginning of their careers. Such migrants would have lower average incomes and are more likely to share cramped apartments with several roommates.

Between the years 2009 to 2010, New York City suffered a net domestic migration loss of 14,698 tax filers (IRS, County-to-County Migration Data Files). The income difference was the most pronounced between those entering and leaving New York County (Manhattan). Those leaving had incomes approximately 22 per cent higher. The Empire Centre believes this is explained by the inflow of younger, less established workers, and the concurrent outflow of older New Yorkers who are looking to start families in larger homes. The Empire Center points out that New York City attracted 300,000 young people between the ages of 24 to 34 between 2000 and 2010. However, many of those that came during the 1990s left during the 2000s, suggesting that New York City remains a magnet for young people but has trouble retaining them as they get older and start families.

On the Metropolitan Statistical Level, the top five MSA destinations for out-migrants from the New York-Northern New Jersey-Long Island MSA were Philadelphia-Camden-Wilmington, Miami-Fort Lauderdale-Miami Beach, Washington-Arlington-Alexandria, Los Angeles-Long Beach-Santa Ana, and Boston-Cambridge-Quincy. Cities in four of these MSAs make the Forbes list of the top 20 “coolest” U.S. cities, which was compiled in 2012 and was based on seven metrics: entertainment options per capita, recreational opportunities,
Debate

Over the last several decades, research has linked amenities to the migration decisions of people and businesses. More recently, Richard Florida’s concept of the 3Ts has helped explain why people choose to live where they do. Talented and creative people will gravitate to places that excel in technological development, offer environments that promote and cultivate learning and skills building, and finally, have a high level of tolerance for alternative lifestyles, which many creative people embrace. New York City has many of these qualities. Its highly educated workforce, cultural attractions, and tolerance for bohemian lifestyles should be, according to the reasoning above, a strong magnet for both international and domestic migrants. The numbers, on the other hand, tell a different story. So what is going on?

Numerous articles have opined that a city’s “coolness” matters much less than basic economics. Joel Kotkin (2009), writing in New Geography, says New York’s net migration loss stems from lackluster job growth. Kotkin points to New York’s relatively small share of middle class workers, which he claims is partly the result of high taxes and burdensome regulations. Kotkin writes that taxes are too high and are being misspent. State spending in New York State is the second highest in the United States per capita, he writes. And instead of investing in infrastructure, such as roads, bridges, and ports, the State of New York has expanded pensions and the salaries of public sector workers. Seemingly in support of Kotkin’s point, Chief Executive Group ranked New York State second last out of 50 U.S. states for doing business, which they believe explains the state’s migration losses.

Kotkin is right that New York State’s income taxes are higher than average. The lowest state income tax rate in New York stands at four per cent, with only eight U.S. states having higher bottom rates—though this includes states with flat income taxes (Federation of Tax Administrators, 2012). New York’s upper rate
stands at 8.82 per cent, which only seven states exceed. New York’s corporate tax rate is flat at 7.1 per cent, which is lower than several other states, such as California, Delaware, Idaho, Illinois, Indiana, Maryland, New Hampshire, New Jersey, Pennsylvania, Rhode Island, West Virginia, Wisconsin, and the District of Columbia. Overall, New York State took 7.2 per cent of New Yorker’s personal income in taxes, which is slightly higher than the median rate of 6.3 per cent for all U.S. states. While it is clear that New York State’s tax rates are above average, they are not the highest. Tax rates are clearly not the only reason why so many New York State residents migrated to New Jersey and California, which both rank at the bottom of the Chief Executive Group’s list of best states to do business in.

Joseph Gyourko, Christopher Mayer, and Todd Sinai (2006) put a better explanation forward in their recent paper, titled “Superstar Cities.” They argue that home prices in major and trendy cities, such as New York, grow at a faster rate than the national average due to these cities’ cultural and economic cachet and limited supply of land. Together with an ever-growing number of wealthy families, housing prices are constantly bid up, driving middle-income earners out of superstar cities. The assumption of the superstar cities model is that most of the out-migration from New York City is the result of high housing prices, and migrants are seeking lower cost jurisdictions. But this is not the whole story, because though they are motivated mostly by high prices to leave New York they still look for the 3Ts and the basic amenities that have been established as important magnets for migrants. Research published by the U.S. Census Bureau in 2011 supports these findings. It found that between 2009 and 2010 43.7 percent of migrants moved for housing related reasons (U.S. Census Bureau, 2011).

The “Superstar Cities” theory may, in this case, seem to support views focused mostly on traditional economic variables as explanations of migration. However, while Gyourko, et al.’s paper demonstrates how quality of life — in the economic sense — can push certain people out of cities, it also explains how high property prices of a major city can be a function of cultural and economic cachet. In addition, when considering the destinations of New York out-migrants, it is clear that economic variables are not the sole factors determining their moves. It is possible that many of them are moving to cities that can offer the same cultural amenities New York does, and they may in fact be sorry to leave, which is something advocates of the tax and economic explanation of New York’s out-migration do not consider. Research in migration studies confirms that people move for more complex reasons than just economics.

Traditionally, migration patterns have been explained by basic economic variables. J. R. Hicks concluded that economic gains, mostly in the form of wages, were the main driving force of migration (Greenwood, 1975). Others, such as Perloff (1960) Muth (1971), and Greenwood (1975), confirmed the importance of income and job opportunities in the motivations of migrants. Cebula (2006) examined migration data from 2000 to 2004 to find that in-migration was strongly influenced by
employment growth rates and the cost of living. Ashby (2007) found that people migrate to states that have low tax burdens and high degrees of freedom in their labour markets. Chen and Rosenthal (2008) used data from 1970 to 2000 and found that young highly educated households move to locations with “higher quality business environments” while older migrants tend to move away from commercial areas towards places with high quality consumer amenities. Most recently, Cebula (2011) has found that economic and personal freedom play major roles in determining migration, giving weight to those that point to New York’s high tax burden as a reason for the state and city’s high out-migration rate.

Despite the attention economic factors have received, amenities have been recognized as migration motivations since at least the 1950s. E. L. Ullman was one of the first to recognize their significance (Gunderson & Sorenson, 2010). In his 1954 paper, titled “Amenities as a Factor in Regional Growth,” Ullman observed that isolated and remote places such as California, Arizona, and Florida were the fastest growing states. Ullman identified climate as a major pull factor, which he saw as a core amenity that was the source of others that require warm weather. Later, other researchers began to add to these conclusions. Cushing (1986), for example, expanded the discussion of amenities beyond simple climate variables to include other natural environmental features, such as mountains and coastlines. He found that such factors too have a considerable influence. Cebula (2006) also found that migrants tended to avoid places that were near hazardous waste sites or that emitted above average pollution. Evidence was also found for the attractiveness of high spending on primary and secondary education. This research proves that migration decisions are based on comforts and pleasures that are not purely economic. In addition, more recent research has pointed towards the importance of cultural and less tangible amenities, such as an ability to interact with and meet others, as important reasons people choose to live where they do (Florida, Mellander & Stolarick, 2010).

In the future more research will need to be done to determine the relative strength of specific cultural amenities in migration decisions. However, the migration patterns of the young and strong anecdotal evidence points to New York City’s cultural cachet as being an important magnet for migrants (Cortright, 2005).
Policy Implications

While more research is needed to pinpoint the reasons people leave New York City, several factors suggest high living costs are an important cause. As already mentioned, research has pointed to housing related reasons to be the most important factor influencing migration decisions in general. In addition, New York City’s high real estate prices naturally put pressure on middle income New Yorkers. Together, these factors give weight to the assumption that property prices are pushing migrants out of New York City.

The first policy priority these trends suggest is increasing the availability of affordable housing. However, affordable housing is not only a normative issue, but it also requires further study to determine its effectiveness in addressing out-migration. New York already has a large affordable housing initiative — which has done little to make housing affordable. Already over 400,000 New Yorkers live in the New York Housing Authority’s 334 public housing developments. Another 235,000 receive rental subsidies to live in private residences (New York City Housing Authority, 2012). In addition, New York has 933,800 rent regulated apartment units in the city (New York State Homes & Community Renewal Office of Rent Administration, 2012). By expanding such initiatives, New York City risks simply increasing demand among low-income New Yorkers, while doing little to keep other migrants from leaving. While more research in this area may be helpful, it is likely that New York City’s limited land supply means that very few feasible options exist to lower property prices in a constructive way.

A better approach may be to diversify New York’s labour market. Edward L. Glaeser (2012), a Harvard economist, says New York City’s economy is too dependent on finance. Writing in City Journal, Glaeser points out that 44 per cent of Manhattan wages were made from the finance or insurance industry in 2008. After the financial crisis the proportion only declined a small amount, to 37 per cent. Glaeser writes that the city will need to encourage companies from other industries, such as technology, business services, and other information intensive industries, if it is to maintain its strong economy. Crucially, he adds, while overall employment in finance stands at 16 per cent, the size of financial workers’ salaries means that the success of many other businesses is closely tied to the fortunes of the city’s major financial companies. In response to such worries, Mayor Bloomberg has been helping develop an applied science campus on Roosevelt Island. Additional projects of this kind may improve New Yorkers’ labour market options. With a more diverse labour market and different opportunities, potential migrants may have a better chance to “make it big” in the New York without relying on a top-level finance job.
While addressing affordable housing and labour market diversity are big challenges, other tactics that address net migration losses offer more clear-cut solutions. Rather than focusing on retaining potential out-migrants, New York may choose instead to focusing on attracting the in-migrants most likely to benefit its economy. This may be done by a highly targeted marketing campaign to the most desirable class of migrants: young college educated people who are willing to invest their lives and careers in the city. Though it is true that many of these types of migrants already come to New York City, attracting more will likely retain more as well. Clearly, the effectiveness of such a strategy may be limited, since marketing initiatives would at best play only a partial role in a mover’s migration decision. Public opinion research has been conducted that would help make such a campaign as successful as possible.

The Segmentation Company (2006) conducted a survey for CEOs for Cities in 2006 to find out what attracts college educated young people, aged 25 to 34-years, to cities. Most importantly, they found that most young people choose (64 per cent) a place to live first before they consider what work they will do. As well, the survey found that young people generally do not have strong opinions about cities, which are limited to impressions of weather, safety, crowds, and congestion. CEOs for Cities conclude that this creates opportunities for cities to define themselves positively among potential migrants. The survey found that visiting a city for a weekend is the most important way young people decide whether or not they want to live there, which means encouraging young people simply to visit the city may be helpful. Also important was the use of local websites as a way to learn about a city before moving there, implying a sizable web campaign may work to attract migrants. To do this successfully, such programs must know exactly what young people look for.

The survey found that basic quality of life issues were found to be most important, but these are considered minimum features that on their own would not be enough to attract young people. Young people also expressed a desire for a city that allowed them to develop professionally and personally. Once these two basic needs are met, young people expressed a need to live in a city that would help them maintain the lifestyle they wanted, which meant cultural attractions, interesting people and amenities, and a city conducive to social interaction. Since young people rely heavily on the web, websites can help break stereotypes and promote the positive aspects of the city that people might not have known about otherwise. A city must address the three levels of considerations that young people have: basic quality of life, professional and personal development, and finally lifestyle. Admittedly, addressing the final consideration will pose a challenge to cities, as lifestyle preferences can be highly subjective (Hracs & Stolarick, 2011).
Conclusion

Despite New York City’s migration losses, the city maintains its cultural and economic cachet. It continues to be a magnet for young people, who are willing to sacrifice space and a large portion of their income to rent in order to have the opportunity to succeed in one of the world’s most important cities. Unfortunately for many people, high property prices are forcing middle-income workers out of the city. They are not leaving, as some suggest, only in search of better economic opportunities, but are reluctantly being pushed out and gravitate towards cities that, like New York, have reputations as “cool” cities.

Reversing these migration trends will be a tricky task for New York City. It is uncertain whether anything significant can be done to reduce the city’s property prices, and efforts to diversify its labour market are difficult policy problems without clear solutions. In addition, campaigns to attract more migrants may have only a limited impact. More research is needed on this topic, especially about the impacts that the out-migration of middle-income workers can have on the city, as well as the possible policy tools that can be used to keep them. However, New York City can be reassured that many skilled young people are still willing to share cramped apartments for a chance to contribute to New York’s future.
References


