Money Migration

Incomes, Migration, and Gentrification in the Hudson Valley during the Covid-19 Pandemic

2024

HUDSON VALLEY PATTERN *for* PROGRESS

INTRODUCTION

The movement of households throughout the State of New York during the Covid-19 pandemic also shifted the geographic distribution of incomes in the Hudson Valley.

Relatively high-earning households from the New York City metropolitan area brought more than $1 billion in gross incomes as they moved into communities north of Interstate 84, accelerating gentrification in rural towns and small cities. At the same time, counties in the lower Hudson Valley lost more gross income to migration than they gained, as people sought less expensive places to live. Many also moved north to escape population density, which was associated with transmission of the novel coronavirus.

Some of these trends were well established for years, but the frenzy of movement during the pandemic changed the pace and scale of migration and its effects on the Hudson Valley. For several of our counties – Columbia, Dutchess, Greene, Sullivan and Ulster – the annual amount of income that moved into their communities increased by as much as tenfold compared to the pre-pandemic baseline.

Pattern's analysis in this report, *Money Migration*, is based on five years of data published by the U.S. Internal Revenue Service (IRS). The data utilize tax returns to measure the movement of people and their adjusted gross incomes (AGI) county to county, and state to state. Pattern used these data previously to report on the number of people who moved into and out of the Hudson Valley during the pandemic, including a net gain of approximately 60,000 people from New York City who moved north into our region. (See our latest Moving In, Moving Out" report for more details.)

In addition, Pattern interviewed several financial and business experts, civic leaders, state and region budget analysts, and others who helped us examine and interpret the data for this report.

The income data in *Money Migration* underscore several interesting trends and questions that are shaping the Hudson Valley.

- **Migration accelerated the forces of gentrification across large swaths of the Hudson Valley.** Columbia County and Ulster County are two good examples. Before the pandemic, households that moved into and out of these counties reported similar household incomes. That changed significantly in the years 2019-2021. For example, those who moved into Columbia County during the peak of the pandemic reported an average household AGI of $166,107, while those who moved out reported an average AGI of $68,812. That means the new residents of Columbia County made 240 percent more than the people who moved out. The story was similar in Ulster County, where the average inflow AGI was $126,104 and the average outflow AGI was $76,844.

- **A downward shift in Rockland and Westchester?** Our previous reports documented relatively large population losses due to outward migration from Rockland and Westchester, which lost a combined net of nearly 40,000 people to domestic migration from 2016-2020. The story is the same for income. During the brunt of the pandemic, the two counties lost a combined net of nearly $1.5 billion in adjusted gross incomes. The story of gentrification in the north was cast in the opposite direction for Rockland and Westchester. The average household that moved out of Rockland made $10,000 more than those who moved in, and households that left Westchester made approximately $25,000 more than those who moved into the county. Is this a big deal? Not yet. Especially for Westchester County, the scale of the numbers is different than other counties. When Westchester loses 25,000 people to migration, it is based on a population of approximately 1 million. When it loses $1.2 billion in aggregate AGI, that is based on a total AGI of $72.2 billion in Westchester. Still, the trend should be watched closely as it portends affordability concerns.

- **Remote work will likely cause these changes to persist.** The emergence of remote work might allow this trend to persist, experts said. While the pandemic sparked the migratory trends outlined in this report, the adoption of remote work by public and private employers is a factor that could allow more metro-area employees to become Hudson Valley residents. After all, our region is close enough to New York City for those who must report to the office two or three days a week, while still affording the benefits of living most of their time in the Hudson Valley. The potential for our region to host more remote-work employees comes with other ramifications, both good and bad. For example, metro-area employees who report the Hudson Valley as their full-time home could affect the federal government's calculation of Area Median Incomes, which are used to craft many local housing policies.

- **Losses and budget concerns in the State of New York.** The migratory and gentrification trends affecting the northern half of the Hudson Valley stand in contrast to broader losses of people and income throughout the State of New York. According to the IRS data, New York lost a net of 142,357 households, representing 262,216 people, during the heart of the pandemic. That loss represented a net of $24.5 billion in AGI that left our state. State Comptroller Tom DiNapoli recently issued his own report on migration that sounded the alarm on these trends. DiNapoli noted that more residential taxpayers were lost to migration in 2021 than in both of the previous recessions (2001 and 2008) combined. Migration affected households at every income level, the comptroller's report said. The net out-migration of taxpayers with incomes less than $50,000 grew by five times, while the outward migration of people with incomes over $500,000 had more than doubled. DiNapoli previously warned that these forces will affect the total quantity of payroll taxes collected by the state, which could make for difficult state-budget constraints in the years ahead.

Pattern also spoke with business, financial, and government experts who are watching the effects of these trends in neighborhoods across the Hudson Valley. They have seen the good, the bad, and the neutral consequences of higher incomes pushing into parts of the Hudson Valley while others get pushed out of the region and the state. Here are some examples.

The Good

- **New people, new businesses** – Many communities that have seen an influx of people from the metro area have also seen new businesses open, including shops that have helped to revitalize many of our struggling downtowns. In fact, new business starts climbed substantially in every county in the Hudson Valley during the pandemic, according to data from the U.S. Census Bureau, which tracks applications for new employer identification numbers. People moving into the region have likely started or invested in some of these businesses, helping to revitalize our downtowns and create new employment opportunities for our neighbors.

- **More expendable income** – Households with higher AGIs also have more expendable income to spend on goods and services. This tends to help the region in many ways.

    - Businesses of all kinds might benefit from a customer base that is more likely to buy goods and services.

    - Small contractors were busy during the pandemic as people refurbished homes, painted rooms, built new decks, and took on other renovation jobs. The pipeline for this work continues to be robust.

    - Many of our counties are continuing to report strong sales tax receipts. The lingering effects of the pandemic and inflation might hurt these numbers as certain markets – such as the lagging supply and high price of automobiles – threaten to poke a hole in sales tax collections. But the volume of higher incomes and higher spending, along with strong tourism into much of the region, might help to keep sales tax collections relatively high.

The Bad

- **Exacerbating the housing crisis** – The inflow of people from the metro area has exacerbated our housing crisis in the Hudson Valley. Counties who became home to new high-income households also saw the highest jump in median home prices, as new residents paid more than the asking price for homes and often paid all cash. These trends pushed the median home price far beyond what longtime Hudson Valley residents could afford. In fact, Pattern noted in its *2023 Out of Reach* report that the median-earning family in the Hudson Valley now falls $109,609 to $280,699 short of qualifying for enough mortgage to buy the median-priced home. With homeownership out of reach for so many, thousands of more households have persisted in rentals, putting upward pressure on the rental market. Wages have not kept pace with housing costs. In most Hudson Valley counties, the cost of rent outpaced wages by double from 2022-2023. The stress of housing affordability and availability, exacerbated by migration, has yielded painful effects on many families. Approximately 100 more families in Dutchess, Orange, Sullivan and Ulster are living in hotels now compared to before the pandemic, including many who are working in service jobs but cannot find an affordable home. The average length of stay for families living in hotels is as long as three years in some counties – a consequence of migration, wage stagnation, and scant housing development.

- **Stress in the regional workforce** – The regional workforce in the Hudson Valley is already under stress. Workers from the Baby Boomer generation are retiring in greater numbers. Lower birth rates and shrinking school enrollments point toward fewer workers in our future labor pool. And workforce metrics are also strained by the fact that the Hudson Valley has lost a net number of people to outward migration for 24 of the past 25 years, totaling about 135,000 more people who moved out than in. (Even though this report shows many of our counties gaining AGI, the region is still losing people to migration.) Although remote work might attract more people to the region, it is unlikely to bring people who are available to work in local jobs. Remote-work residents, second homes, and short-term rentals are also consuming a portion of the limited housing stock that is needed for our future workforce. These workforce stressors are the focus of significant attention by workforce investment boards throughout the region.

The Neutral

Credit rating agencies are watching – Municipal credit rating agencies, like Moody's, Fitch, and S&P – are watching this trend closely. These agencies look at populations, budgets, development pipelines, and other trends to determine the rate at which municipal governments and school districts can borrow money. This, in turn, has an impact on capital projects to build or upgrade a wide range of infrastructure across our communities. Ratings analysts interviewed by Pattern said the movement of incomes from the south to north has played a role in their discussions about maintaining, upgrading, or watching more carefully the creditworthiness of communities throughout the region.

A shift in education – The vast majority of public schools in the Hudson Valley have seen their enrollments decline by more than 10% since the Great Recession of 2008. There are approximately 45,000 fewer kids in our public schools now than the peak of enrollment in 2003. While pandemic-driven migration has not improved our public school populations, there are some data that suggest it has affected other modes of education. Private school enrollments are up by about 10,000 kids compared to a decade ago, and the number of kids being schooled from home in 2022-2023 was about double the pre-pandemic baseline in many districts north of Interstate 84, according to data from the state Department of Education. As the region becomes populated by more people who do not have a direct connection to public schools through a child or relative, school superintendents have voiced some concern about passing future budgets and facing more pressure to close additional school buildings.

What is adjusted gross income (AGI)?

The IRS data used for this report are based on adjusted gross income (AGI). AGI is a calculation that is known to most people who file their taxes each year.

It is calculated by adding all your income – wages, salaries, tips, etc. – and then subtracting certain adjustments such as contributions to certain retirement accounts, educator expenses, student loan interest, and health savings account deductions.

In its migration data, the IRS aggregates the total AGI for all households that moved into or out of every county in the United States. The IRS data in this report are from the year 2016-2021. The 2021 data reflect tax filings from the year 2020, with some filings from the year previous year that were granted an extension due to the pandemic.

READING THE REPORT

Each of the nine counties served by Pattern has its own page in this report, and each page has five elements.


PUTNAM

From	Inflow of Taxable Income
Westchester County	$117.9 million
New York County	$75.2 million
Bronx County	$32.5 million
Kings County	$25.0 million
Dutchess County	$17.2 million

To	Outflow of Taxable Income
Westchester County	$60.3 million
Dutchess County	$44.9 million
Fairfield County, CT	$36.3 million
New York County	$12.1 million
Orange County	$5.6 million

1%
Percentage of total AGI affected by migration in 2020-2021.

$4.8 billion
Total Taxable AGI Putnam County 2020-21

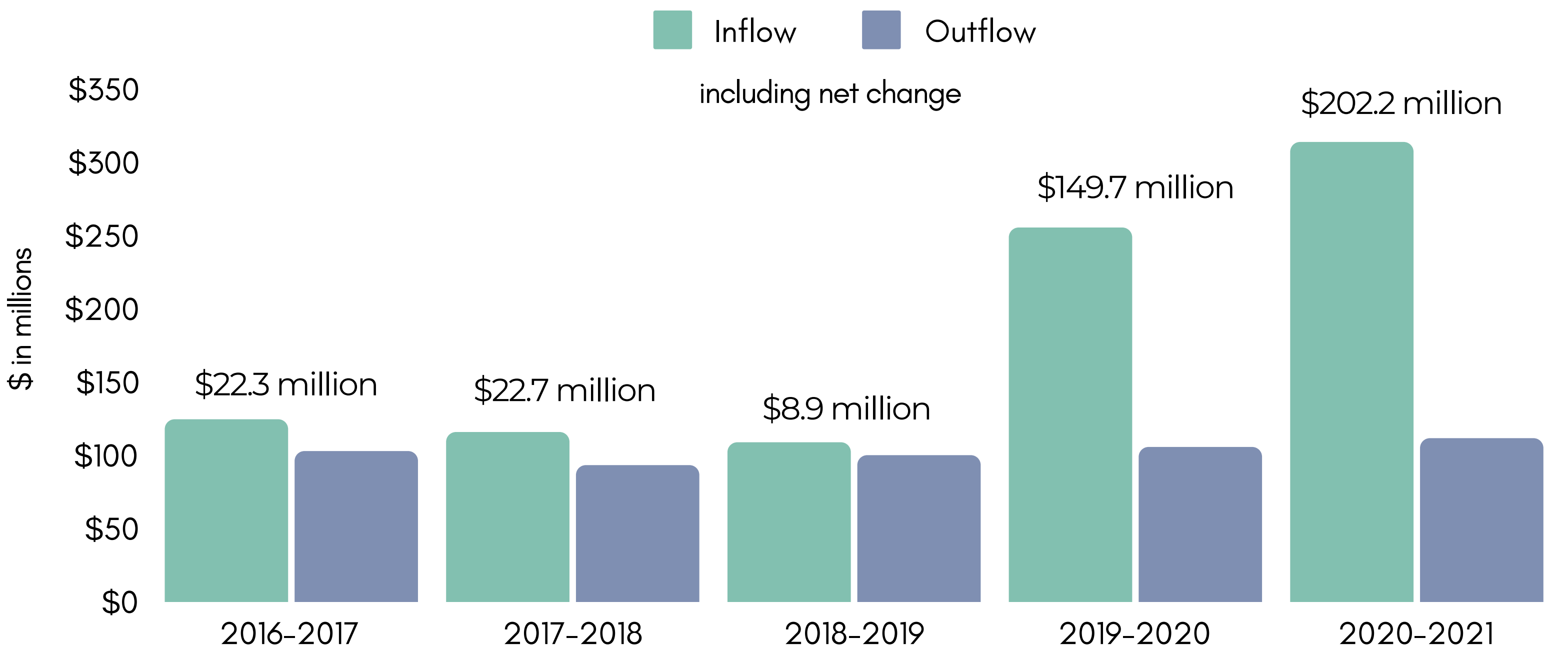
The bar chart at the top shows the total annual inflow and outflow of AGI, along with the net change written at the top. Please note that the y-axis key is in millions; therefore 100 = 100 million.

The two charts here show the top five counties from which inflow incomes moved into the county, and the top five counties where outflow incomes landed.

The number highlighted on the bottom right shows the total AGI reported by the IRS in 2020-2021 for all residents of the county, including those who migrated into the county and those who lived there all along. The number at the bottom left represents the effect that net migration of AGI had on total AGI in 2020-2021. For example, the net increase in AGI due to migration in Putnam County that year represented 1% of all AGI in the county.

The final page in the report shows the average AGI for households that moved into and out of each county, each year. These data help us to understand how the income gap widened between households entering and exiting many of our counties during the pandemic.

COLUMBIA



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$152.1 million
Kings County	$53 million
Dutchess County	$15.5 million
Queens County	$8.6 million
Westchester County	$6.7 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
New York County	$17.8 million
Rensselaer County	$12.6 million
Albany County	$7.5 million
Dutchess County	$7.1 million
Kings County	$6.0 million

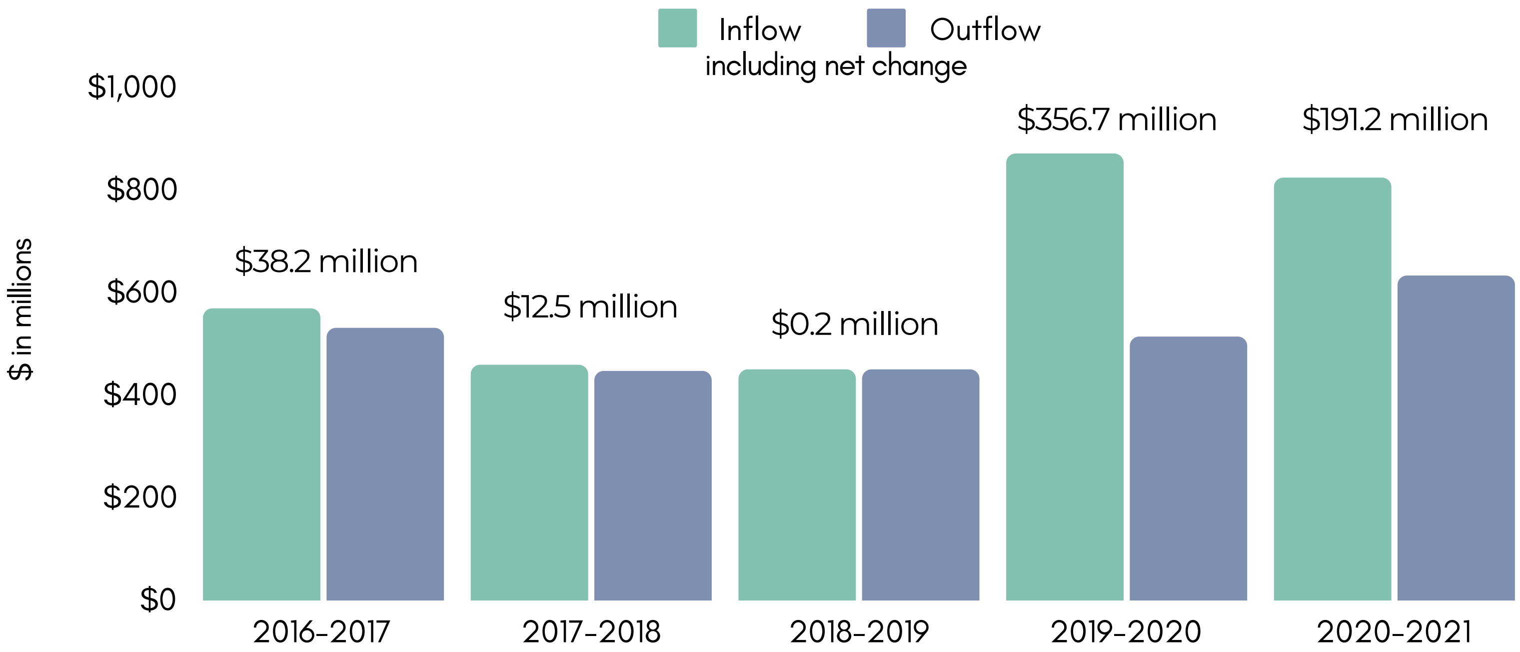
9%

Percentage of total AGI affected by migration in 2020-2021.

$2.3 billion

Total Taxable AGI Columbia County 2020-21

DUTCHESS



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$243.3 million
Westchester County	$90.8 million
Kings County	$87.1 million
Putnam County	$44.9 million
Bronx County	$38.0 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Westchester County	$37.7 million
New York County	$37.0 million
Orange County	$34.0 million
Ulster County	$34.0 million
Fairfield County, CT	$19.1 million

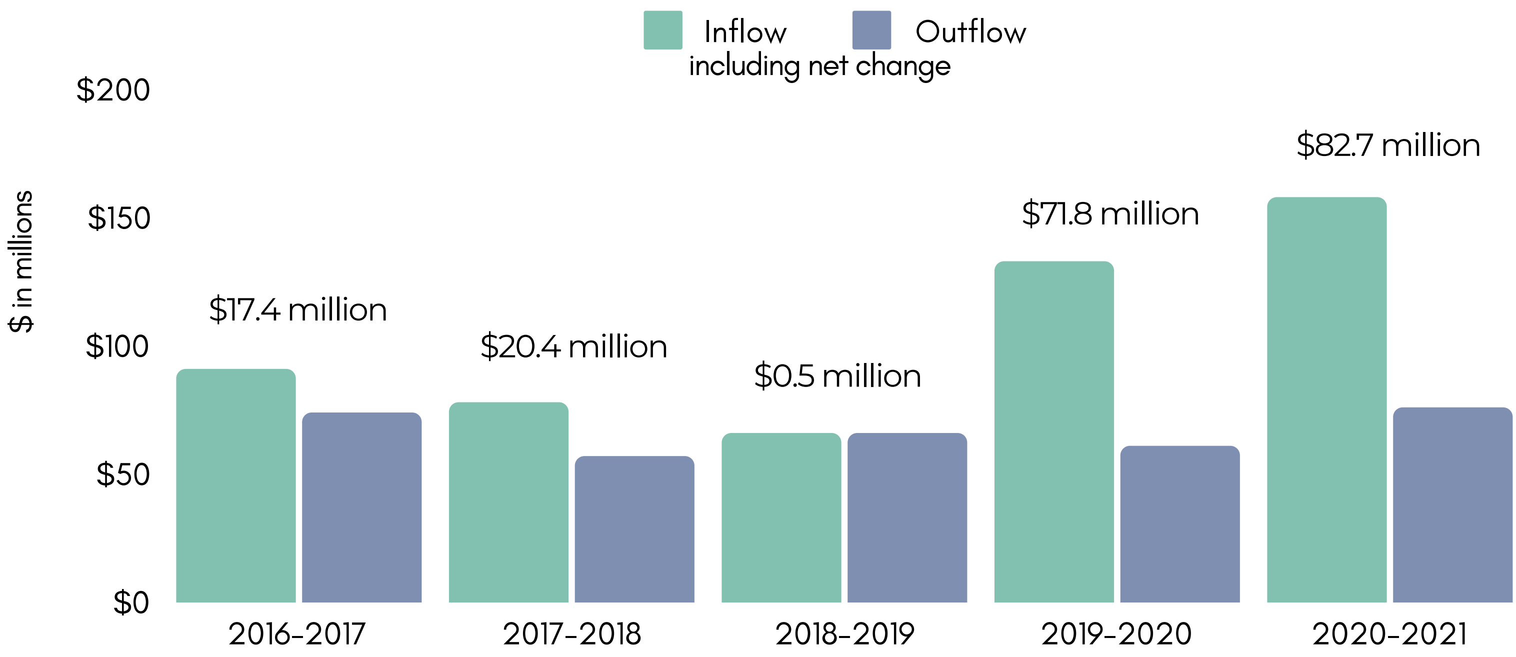
1%

Percentage of total AGI affected by migration in 2020-2021.

$14.2 billion

Total Taxable AGI Dutchess County 2020-21

GREENE



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$34.5 million
Kings County	$26.7 million
Ulster County	$9.1 million
Queens County	$9.0 million
Albany County	$8.0 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Albany County	$13.5 million
Ulster County	$5.0 million
Kings County	$3.8 million
Rensselaer County	$3.4 million
Columbia County	$3.3 million

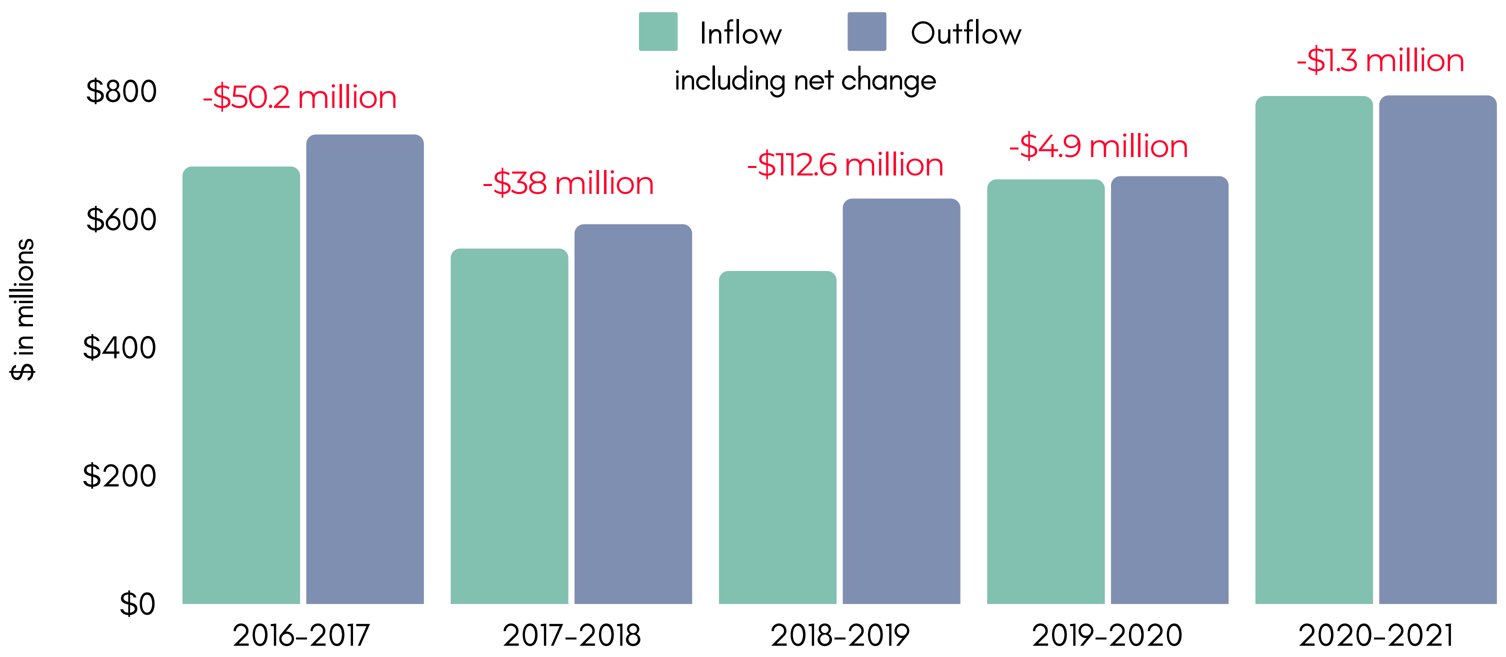
6%

Percentage of total AGI affected by migration in 2020-2021.

$1.4 billion

Total Taxable AGI Greene County 2020-21

ORANGE



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
Bronx County	$81.0 million
Kings County	$67.3 million
Rockland County	$55.0 million
New York County	$54.1 million
Queens County	$51.0 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Ulster County	$41.0 million
Dutchess County	$35.0 million
Rockland County	$29.8 million
Sullivan County	$25.3 million
Westchester County	$23.3 million

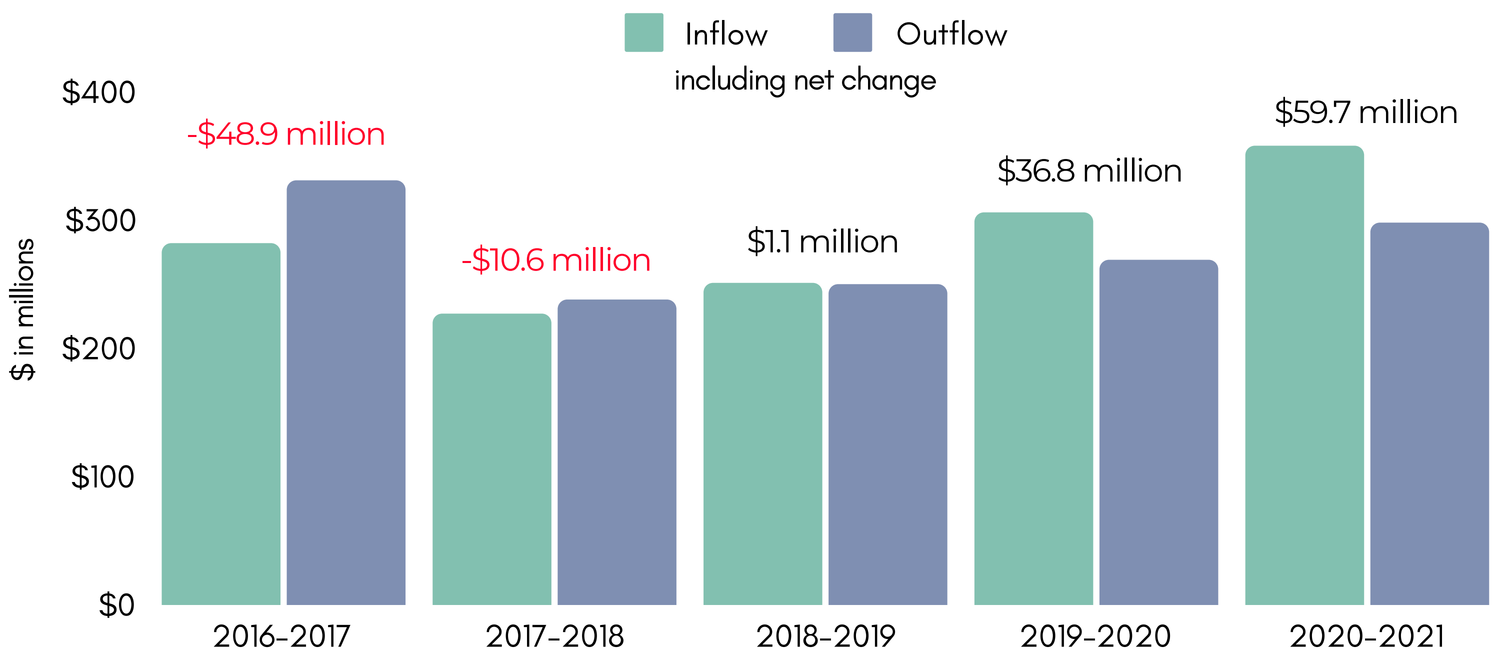
0%

Percentage of total AGI affected by migration in 2020-2021.

$12.8 billion

Total Taxable AGI Orange County 2020-21

PUTNAM



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
Westchester County	$117.9 million
New York County	$75.2 million
Bronx County	$32.5 million
Kings County	$25.0 million
Dutchess County	$17.2 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Westchester County	$60.3 million
Dutchess County	$44.9 million
Fairfield County, CT	$36.3 million
New York County	$12.1 million
Orange County	$5.6 million

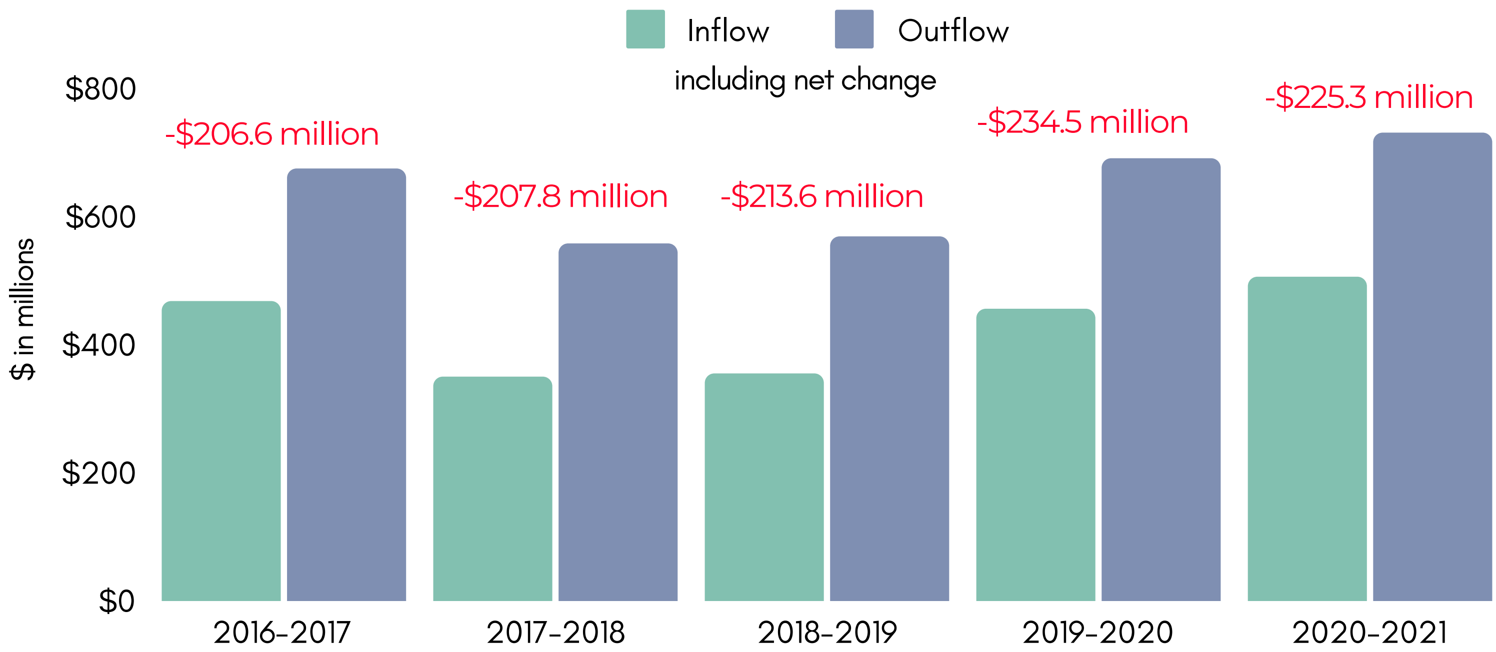
1%

Percentage of total AGI affected by migration in 2020-2021.

$4.8 billion

Total Taxable AGI Putnam County 2020-21

ROCKLAND



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$91.2 million
Bronx County	$63.9 million
Kings County	$64.3 million
Westchester County	$67.5 million
Bergen County, NJ	$41.3 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Bergen County, NJ	$97.8 million
Palm Beach County, FL	$56.1 million
Orange County	$55.0 million
Westchester County	$44.6 million
New York County	$28.9 million

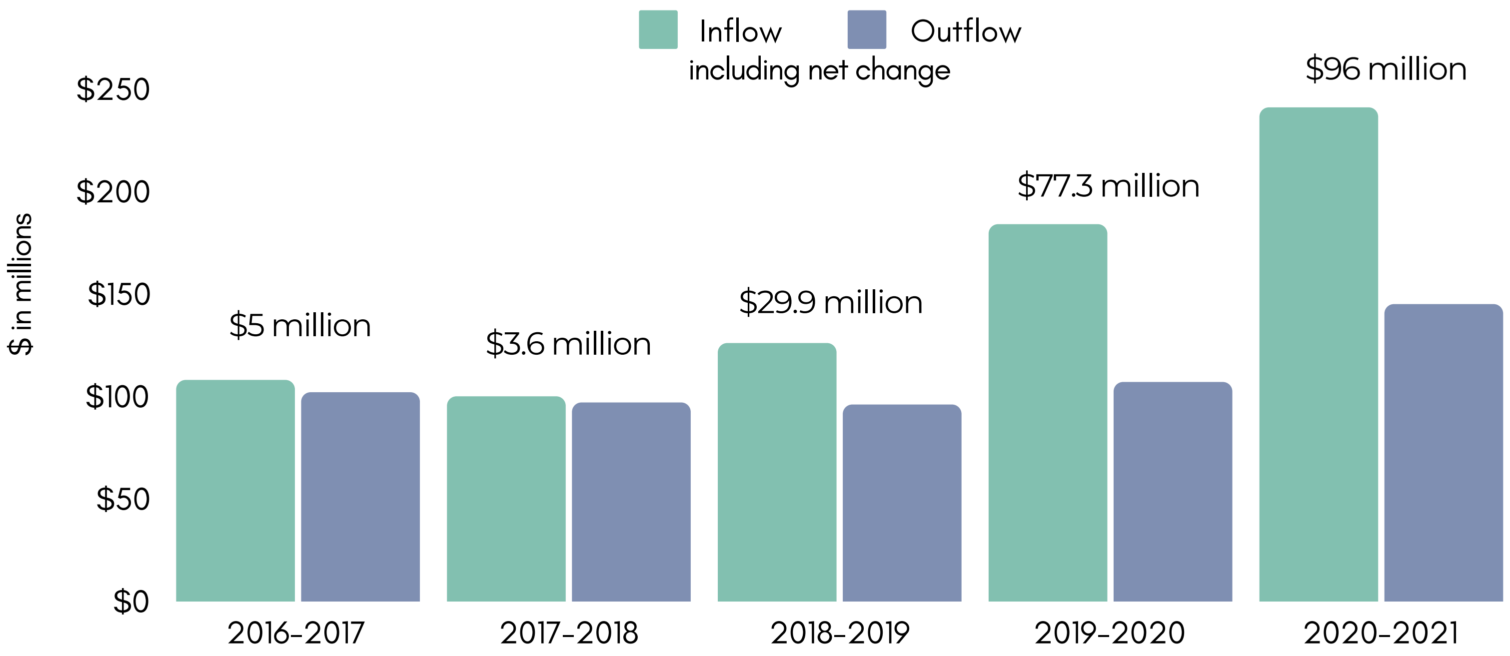
-2%

Percentage of total AGI affected by migration in 2020-2021.

$12.8 billion

Total Taxable AGI Rockland County 2020-21

SULLIVAN



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$66.0 million
Kings County	$54.3 million
Orange County	$25.3 million
Queens County	$12.9 million
Ulster County	$6.4 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Orange County	$22.3 million
New York County	$15.4 million
Ulster County	$8.2 million
Kings County	$7.4 million
Palm Beach County, FL	$4.2 million

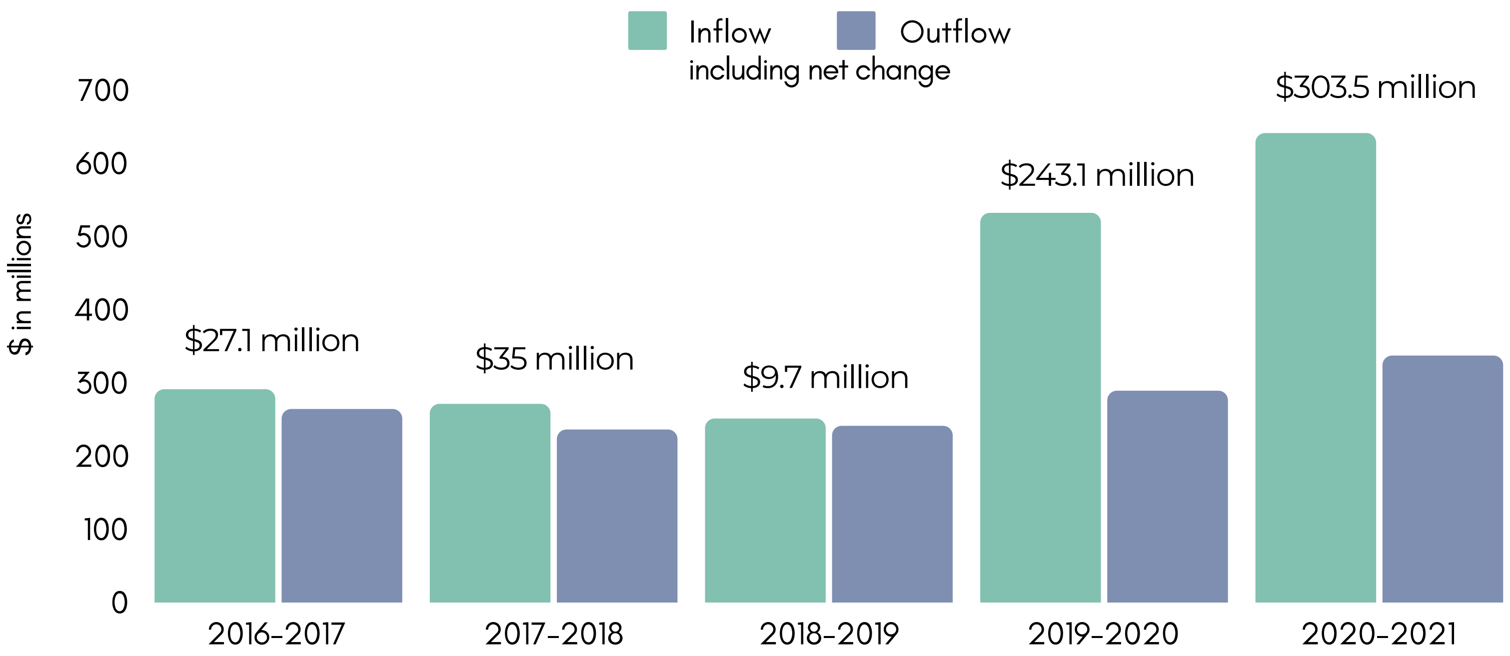
5%

Percentage of total AGI affected by migration in 2020-2021.

$2 billion

Total Taxable AGI Sullivan County 2020-21

ULSTER



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$189.0 million
Kings County	$138.0 million
Orange County	$40.6 million
Dutchess County	$34.1 million
Queens County	$22.8 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
Orange County	$31.8 million
Dutchess County	$30.3 million
New York County	$28.7 million
Kings County	$11.4 million
Greene County	$9.1 million

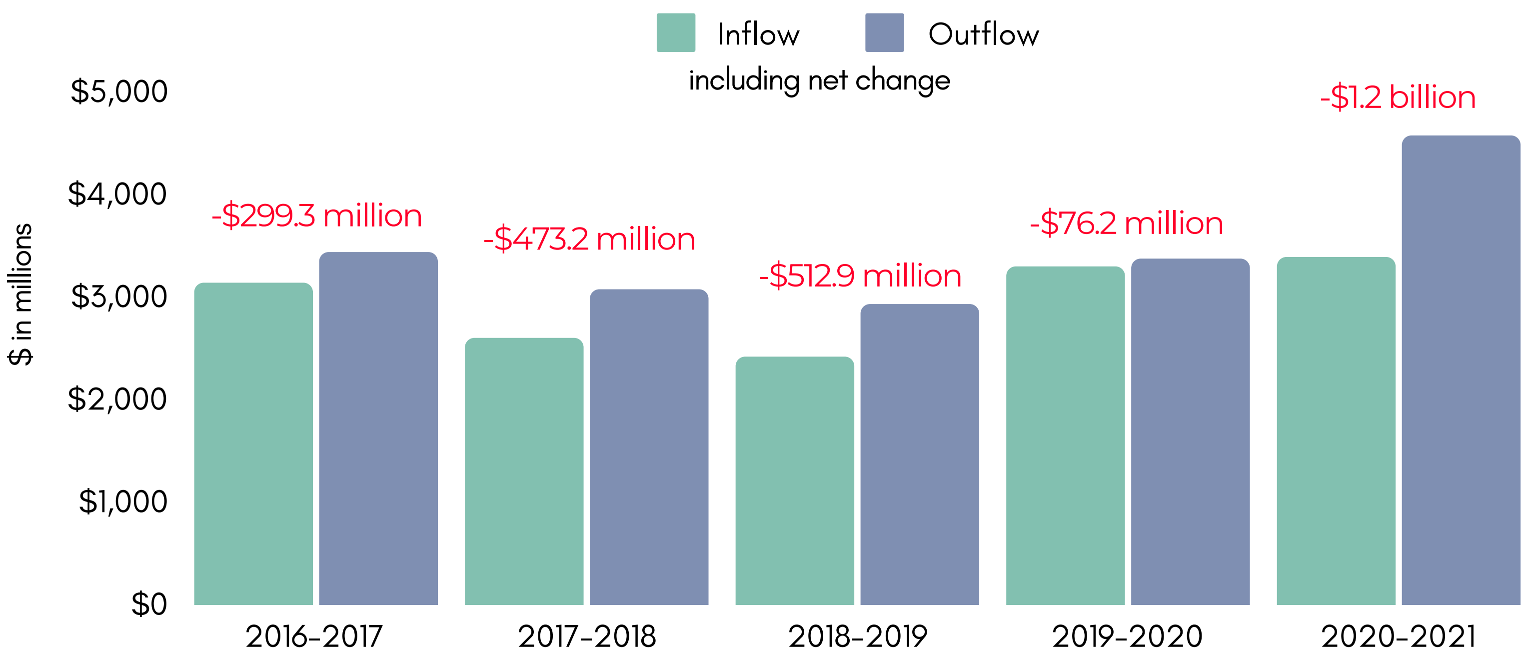
5%

Percentage of total AGI affected by migration in 2020-2021.

$6.1 billion

Total Taxable AGI Ulster County 2020-21

WESTCHESTER



Top Counties of Inflow 2020-21

From	Inflow of Taxable Income
New York County	$1.3 billion
Bronx County	$364.3 million
Kings County	$281.9 million
Queens County	$197.0 million
Fairfield County, CT	$169.2 million

Top Counties of Outflow 2020-21

To	Outflow of Taxable Income
New York County	$599.1 million
Fairfield County, CT	$560.0 million
Palm Beach County, FL	$470.1 million
Bronx County	$118.5 million
Putnam County	$117.9 million

-2%

Percentage of total AGI affected by migration in 2020-2021.

$72.2 billion

Total Taxable AGI Westchester County 2020-21

AVERAGE HOUSEHOLD INCOME FOR INFLOW AND OUTFLOW BY COUNTY AND YEAR

COUNTY	2016-17	2017-18	2018-19	2019-20	2020-21
COLUMBIA INFLOW	$66,995	$79,987	$73,579	$137,699	$166,107
COLUMBIA OUTFLOW	$57,400	$62,039	$71,741	$70,173	$68,812
DUTCHESS INFLOW	$70,809	$70,188	$72,341	$119,862	$107,993
DUTCHESS OUTFLOW	$67,432	$64,850	$71,178	$74,846	$90,369
GREENE INFLOW	$59,355	$62,201	$56,821	$89,949	$96,507
GREENE OUTFLOW	$53,221	$48,979	$58,386	$52,454	$57,141
ORANGE INFLOW	$64,788	$63,822	$61,978	$72,631	$81,230
ORANGE OUTFLOW	$61,712	$62,744	$70,419	$67,009	$77,643
PUTNAM INFLOW	$79,574	$81,500	$95,668	$97,751	$110,670
PUTNAM OUTFLOW	$92,615	$81,202	$86,355	$90,554	$93,777
ROCKLAND INFLOW	$80,158	$73,784	$81,559	$88,360	$91,240
ROCKLAND OUTFLOW	$87,776	$88,425	$92,675	$105,443	$101,569
SULLIVAN INFLOW	$48,718	$52,581	$69,879	$82,509	$98,195
SULLIVAN OUTFLOW	$48,964	$54,229	$53,377	$55,857	$71,066
ULSTER INFLOW	$58,870	$65,993	$65,819	$111,847	$126,104
ULSTER OUTFLOW	$53,033	$58,709	$61,297	$69,852	$76,844
WESTCHESTER INFLOW	$127,325	$125,494	$121,508	$146,361	$147,655
WESTCHESTER OUTFLOW	$125,244	$136,625	$133,389	$138,515	$172,691

HUDSON VALLEY
PATTERN *for* PROGRESS

Hudson Valley Pattern for Progress is a nonprofit organization that provides objective research, planning and educational training throughout the region. Its work identifies civic challenges and promotes regional, equitable, and sustainable solutions to constantly improve the quality of life in Hudson Valley communities. Pattern develops its work upon a considerable foundation of facts and experience, without political aims or affiliations.

Pattern was founded in 1965 by the region's academic, business, and nonprofit leaders. Our work focuses on housing, community and urban planning, downtown revitalization, infrastructure, transportation, demographic change, and more. We serve the counties of Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Sullivan, Ulster and Westchester.

Pattern’s independent research, including *Money Migration*, is supported by our members. Become a member today and support our mission to provide thorough, objective, accurate research on civic issues that affect our quality of life in the Hudson Valley!

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