GENTRIFICATION: Practice and Politics

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Introduction

Throughout the country, the effects of a strong economy, increased and more strategic investments from the public sector, and increased capacity within the non-profit economic development sector have combined to generate a wave of revitalization in our inner cities and close-in suburbs. While the benefits of revitalization are many and profound, there is a flip side to this encouraging story.

Successful revitalization in cities sometimes provokes gentrification in long-distressed communities whose amenities, such as ease of commute and architectural interest, are now apparent and valued. Gentrification, in turn, produces both positive and negative consequences for residents. The challenge for local decision-makers, the business community and neighborhood residents is to help ensure that revitalization is equitable: that its benefits are shared among all community members. Moreover, the adverse consequences of gentrification—the rent increases and displacement of families and businesses least able to afford them—must be anticipated and effectively addressed or avoided.

Gentrification is an issue that can split a neighborhood open and ensure opposition to development efforts that many would consider essential to its improvement. In fact, this paper argues the very term “gentrification” is often politicized and counterproductive. In cities hit by gentrification pressures, residents, city officials and other interests all too frequently descend into spirited rhetorical attacks and factional fighting. This occurs because different parties define gentrification differently, and because too much attention is focused on the character and consequences of gentrification, and not enough energy is devoted productively to the “end game”—its causes and solutions.

The following sections first break down gentrification into its component parts, including the home improvements and the tax revenue increases; the changing face of the neighborhood; and the housing and business affordability challenges. The findings, analyses and frameworks developed during the gentrification wave of the 70s and 80s are reviewed. Next, the paper outlines the complex ways that current and “original” residents view gentrification and clarifies that long-time neighbors can take very different positions on the gentrification issue depending on whether they rent or own. By reframing the issue in a productive way, the paper offers ways for city officials, advocates, private sector developers, businesses and neighborhood residents to build vital communities that work for all stakeholders. To illustrate, the paper describes gentrification pressures in Atlanta, Cleveland, the San Francisco Bay Area and Washington. Finally, the paper uses these findings to suggest policies and strategies that can be pursued to optimize the benefits of neighborhood change while minimizing or eliminating the downsides of such change.
Defining Gentrification

Some frame gentrification within the decades-long process of disinvestment and re-investment in a particular neighborhood, where public policies and the owners of capital conspire to allow higher-income people to reap substantial profits from gentrification. Others use the term interchangeably with urban revitalization, to describe any commercial or residential improvements in urban neighborhoods. Others consider gentrification to more narrowly refer to the physical upgrading of low-income neighborhoods. Some have focused primarily on the economic actions of newcomers, namely the renovation and upgrading of the housing stock. Still others commonly refer to gentrification as the class and racial tensions—the socioeconomic effects—that frequently accompany the arrival of new residents into a neighborhood. Some consider gentrification positively—others negatively.

In this paper, gentrification is defined as the process by which higher-income households displace lower-income residents of a neighborhood, changing the essential character and flavor of that neighborhood. Often, though not always, gentrification has a very clear racial component, as higher-income white households replace lower-income minority households, sometimes in the very same neighborhoods that experienced “white flight” and traumatic urban renewal in the 50s and 60s.

Data

It is a significant challenge to determine which data are truly useful in predicting and acting on gentrification trends. For example, regional data on pressures that seem to spur gentrification, such as tightening and imbalanced labor and housing markets, may suggest the likelihood of gentrification in the future, but one runs the risk that no gentrification actually occurs despite the imbalance. Alternatively, local data that provides leading indicators of gentrification at the neighborhood level, such as ease of access to transit systems, relative housing prices, down payment levels, and housing tenure may be more useful in predicting gentrification, yet some neighborhoods that have exhibited these characteristics for years are only now experiencing gentrification. Further, descriptive data measuring gentrification after it occurs, such as increasing average incomes, rate of property turnovers, increasing housing values, declining minority populations and displacement of original residents could be useful in assessing gentrification. It does little, however, to aid policymakers and others as they attempt to address gentrification as it mounts. Even if good data at the census tract level were available, these data do not always reflect the impacts of gentrification. For example, increasing average incomes do not necessarily mean gentrification is occurring, since the growth of incomes could be attributable to the growth in incomes of original residents.

Scale

Whatever its scale, gentrification can have significant positive or negative effects for impacted neighborhoods and households. Consequently, city officials and supporters need to understand and act on it. From most accounts, however, gentrification seems to be occurring in a limited number of American cities and in a limited number of neighborhoods within those cities. Yet this conclusion is tempered by two caveats. First, good data are very hard to find. This paper relies more on anecdotal evidence and less on hard data than the authors would like. Second, gentrification in small city neighborhoods needs to be understood in the context of dramatically larger expansions of population and neighborhoods in the suburban rings. Even if the number of neighborhoods experiencing gentrification is limited, its impact may be substantial.
Causes

What causes gentrification to occur? Although data are notoriously difficult to collect and interpret, the literature reviewed and interviews suggest that among the factors contributing to gentrification are the following:

Rapid Job Growth. Rapid job growth continues to be a key factor, but no longer does it appear that such growth must be concentrated in the heart of downtown to trigger gentrification. More recent experience suggests that job growth along a city’s periphery can be a strong factor spurring gentrification in the city’s core.

Housing Market Dynamics. Housing market dynamics appear to play a critical role in producing gentrification, though these dynamics vary from location to location. In many regions with gentrifying neighborhoods, various pressures leave metropolitan housing prices high, real estate development lucrative, and housing in short supply compared to job growth. On a more conceptual level, gentrification may reflect that previously unrecognized value in a neighborhood—quality housing stock, accessibility and proximity to downtown and/or other attractive neighborhoods—is now being recognized.

Preference for City Amenities. Certain demographic groups, such as empty nesters and “cultural creatives,” prefer to live in urban neighborhoods with easy access to amenities, including vibrant culture and street life, ethnic and racial diversity, distinctive and often historic architectural styles, and close proximity to downtown entertainment and cultural venues.

Increased Traffic Congestion and Lengthening Commutes. As metropolitan populations rise and existing infrastructure ages, commutes (and therefore hours away from home) lengthen, congestion increases, and overall quality of life declines. Some moving into gentrifying communities clearly desire the opportunity to walk or take a short subway ride to work.

Targeted Public Sector Policies. Cities use a range of policy levers to revitalize neighborhoods, which in some instances yield gentrification over the short or long term. Many cities pursue revitalization policies with the expressed intention of providing incentives for middle- and high-income families to move into distressed communities, or inducements for original residents to upgrade their homes.

Consequences

Gentrification has many consequences for affected neighborhoods, cities and metro areas, although the consequences are hard to categorize, and data are hard to secure and difficult to interpret. In some cases, these consequences are clearly positive or negative. In other cases, the nature of the consequence can have both positive and negative impacts, depending on the perspective of the stakeholder. In some cases, a single constituency may be divided on a given issue. For example, some “original” residents, those living in the neighborhood before gentrification pressures unfold, may miss the long-time corner restaurant yet welcome the arrival of a major chain drug store to replace yet another liquor store. Or some original homeowners may fear rising home prices and their corresponding tax increases, while others may welcome price appreciation and increased financial equity, and may even choose to sell their homes and leave the neighborhood.

The consequences of gentrification may include:

• involuntary or voluntary displacement of renters, homeowners and local businesses;

• increased housing and neighborhood values, which leads to greater equity for owners and increasing rents for renters and business owners;

• increasing local and state tax revenue;

• greater income mix and deconcentration of poverty;

• changing street flavor and new commercial activity;
• changing community leadership, power structure and institutions; and

• conflicts between old and new residents.

The process of gentrification can be an integral part of a successful revitalization effort, or the clearest sign of a changing neighborhood that original residents can no longer call their own. Clearly, the pace of this change and the level of distress in the neighborhood have much to do with how gentrification is perceived by residents, business owners, city officials, developers and local leaders. So too, do the political dynamics of the gentrification process. One promising sign is the fact that the economic growth that frequently undergirds gentrification brings with it the financial wherewithal to strike deals, invest in new public resources and social services, and develop solutions to the strains brought on by gentrification.

The Political Dynamics of Gentrification

A political analysis of gentrification centers around four key points:

• Gentrification means different things to different people, encouraging misunderstandings.

• Stakeholders have varied, conflicting and often unexpected positions on the issue.

• The economic growth that frequently undergirds gentrification enables deals, new public and social investments and solutions that might otherwise not be possible.

• The quickly changing nature of forces driving gentrification conflicts with the methodical pace of bureaucracies and the long timeframes required by many of the financing-and construction-based strategies needed to address it.
Whether a region, city or community perceives likely gentrification in an overall positive or negative light, there are nine steps that can be taken to optimize the end result. These strategies are consistent with long-standing community-building and economic development strategies, and models have been tried and improved over the years. Rarely, however, do leaders pull these tools together in a timely and strategic fashion to positively affect the gentrification process.

These strategies are firmly based within the community, since the neighborhood is the level at which gentrification plays itself out most directly. Yet cities and regions have a large stake in ensuring a regional job/housing balance, in promoting sustainable economic growth and in reducing the adverse effects of gentrification for their constituents. Therefore, the strategies can and should be supported, implemented and funded by regional, city, private sector, non-profit sector and philanthropic interests, and they generally require the participation of public and private sector partners. They include:

1. Anticipating the pressure

Perhaps the most important task for neighborhood residents, local and regional government officials and other stakeholders is to identify gentrification pressures early and to understand how gentrification dynamics will likely unfold. If community groups, residents, foundations and city governments can anticipate gentrification early, they have a unique opportunity to capture benefits from the revitalization process for low-income neighborhoods and their residents, while working to avoid or minimize any adverse consequences of gentrification.

2. Getting Organized, Creating a Unified Vision, and Developing an Implementation Plan

All communities, whether in hot or simmering economies, can best guarantee equitable development and avoid the adverse effects of gentrification if they and their public and private sector partners are united in their vision of the area’s future. Among our case studies, the West Oakland and East Palo Alto of San Francisco had developed a recent community visioning process funded by local and national foundations. Gentrifying communities in Atlanta and Washington had undergone extensive community planning and visioning processes spearheaded by city agencies, prompted by the potential for city investments. The multi-partner community visioning and planning efforts described above have two benefits: The process generates a shared vision and plan, and at its best, creates working relationships and allegiances among participants.

3. Regulatory and Policy Fixes for Expanding Affordable Housing and Commercial Real Estate

Cities and states have dozens of tools available that serve to:

- ensure the continued production of affordable housing stock,
- protect current residential and commercial tenants,
- maintain important rental or single-room-occupancy (SRO) housing stock,
- retain owner-occupied housing, and
- build new market-rate housing in the neighborhood and in the region.
Tools, such as housing and land trust funds, tax abatements, linkage fees, “fair share” policies, and tax increment financing strategies that drive funds to affordable housing in the area are tried and true, although they take time and broad-based political support to pass and implement—time and support that a neighborhood facing gentrification may not have. Based on our case studies, cities may find they have tools already on the books that simply need publicity or enforcement, as in the case of Atlanta’s property tax deferral program and San Francisco’s live-work loft ordinance.

4. Controlling Public Assets

Public and private assets, such as apartment buildings, office space and public facilities, can become key ingredients for needed resources such as affordable housing and community facilities. With advance planning, these assets can also be secured, decoupled from market price pressures, and used to spur development consistent with the neighborhood’s vision.

For instance, Cleveland turns over city land to community development corporations and for-profit corporations for the development of affordable housing or community services, and the City earmarks city land for for-profit development projects consistent with the city’s overall downtown housing plan. In the Mission District of San Francisco, the historically significant Redstone Building may be bought with City and labor union support to house area non-profits hard pressed by rent hikes, and a city-owned garage is operated by the Mission Economic Development Association, generating an important revenue stream for the organization. Revenue streams such as this can be capitalized and securitized, making further financial resources available to the community.

5. Economic Development Strategies and Income-Raising Tools

Traditional economic development strategies, such as business assistance programs, loan funds and so on, can play an important part in helping a neighborhood’s businesses take advantage of new markets presented by gentrification rather than succumb to its pressures. At the city level, unions and city governments have in the past sought to link larger public facilities development (such as stadiums and transit facilities) to short- and long-term employment for local residents. Since original residents are often stymied by low incomes in their attempts to remain in place, these appear useful in cases of gentrifying communities as well.

More work should be done to link original residents and jobs in either the regional economic engines generating gentrification pressures or in new small businesses along a neighborhood commercial strip. In our case studies, we came across no case in which a link was formed between original residents and jobs in either the regional economic engines generating gentrification pressures, nor in new small businesses along a neighborhood commercial strip. There are very few examples of communities actively working to link regional job growth and opportunity to lower-income residents. Existing efforts include the five-city Neighborhood Jobs Initiative sponsored by the Rockefeller Foundation and the U.S. Department of Housing and Urban Development, and the California Endowment’s California Works for Better Health initiative, both foundation-sponsored efforts. Nevertheless, linking strategies of these kinds to gentrifying communities seems promising, particularly given opportunity for leveraging the great economic resources that generally accompany a gentrifying community.

6. Legal Rights and other Education Efforts

Landlord/tenant law requirements can be very useful in managing gentrification pressures, but they work only if tenants and landlords are aware of them. Likewise, home-buying and home-selling workshops can help ensure that lower-income residents can find ways to buy into the appreciating market or get full value for their homes.

Community leaders in Atlanta recognize that increasing property tax rates for elderly homeowners on fixed incomes can lead to their displacement, but they weren’t aware of the city’s tax-deferment regulation, and city staff acknowledge the program is rarely used.
Mission District leaders express concern that the neighborhood’s less-educated and sometimes undocumented Spanish-speaking tenants are less likely than most city residents to know their rights as tenants, and less likely to demand those rights even if they are aware of them. This lack of education about landlord/tenant law can significantly increase the chance that tenants will unduly bear transition costs due to gentrification, and it serves to hasten the gentrification process itself, since developers are drawn to this more vulnerable population.

Home buying workshops are a frequent component of homeownership strategies for redevelopment. Their counterpart, home selling workshops, are much less common, yet critical to ensuring that lower-income homeowners in gentrifying areas get full value for their homes. Cleveland offers a plethora of redevelopment incentives, but its brochures describing these programs tend to be of poor quality. To be more effective, staff need to think like marketers rather than regulation enforcers.

7. Public Education System Improvements

High quality schools in gentrifying neighborhoods can increase life chances for original city residents, improving their ability to stay in their communities and take advantage of improvements, or increasing their ability to go to other communities and succeed. On the other hand, citywide school improvements would draw middle- and higher-income residents to a wide range of city neighborhoods, reducing the gentrification pressures we now see in neighborhoods with charter schools and nearby private school options.

8. Negotiation

Our case studies confirmed that old-fashioned negotiation was a productive way to ensure that original residents of gentrifying neighborhoods received some of the benefits and were protected from some of the costs of gentrification. In one case, non-profit organizations evicted from office space were given very generous relocation packages by a timetable-sensitive developer. In another, local organizations secured a management contract for a city garage, and revenues from the operation flow through to support neighborhood services.

When a well-organized community has a clear plan in hand and buy-in from local public officials, its negotiating power is enhanced dramatically. The Tenderloin district of SRO housing in San Francisco has very strong non-profit leadership, which effectively forestalled redevelopment and gentrification of the area into an extension of the downtown hotel district. This feat was accomplished through intense negotiations with city leadership. In Cleveland, a for-profit developer was able to secure a large parcel of land from the city. The price was a commitment to build middle-class housing in an area that had seen no new development in generations, and to clean up a strategically placed woodland area with a polluted creek and set it aside for recreational use.

Mayor Jerry Brown of Oakland recently conceded that his effort to build housing downtown for 10,000 new residents should include a set-aside for affordable housing, after negotiations and give-and-take in the local press with anti-gentrification activists. In each of these cases, community residents and city officials were informed and powerful, both bottom line requirements for effective negotiation efforts. Much of the linkage fee and set-aside activity so prevalent in cities across the country is successful only when advocates are well placed to negotiate effectively.

9. Creating Forums to Unify the Gentrifying Community

Whether community members are affirmatively seeking new neighbors, or feeling overwhelmed by the recent influx of new neighbors, neighborhood change will occur. Neighborhoods should create forums where both old and new residents can meet on common ground and re-knit themselves into a unified whole.

When corporations undergo mergers and changes in corporate values, they invariably hire “change management” consultants to help workers cope with their sense of loss of the old, and develop a new set of corporate values and organizational
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identity. Despite the fact that so much conflict and political infighting occurs around the change embodied in gentrification, no city or community we examined had embarked on a similar effort to unify new and old residents around a single community vision. No neighborhood was creating forums where both old and new residents could meet on common ground and re-knit themselves to incorporate the new and the old into a unified whole. There are, however, conflict management efforts underway. For example, the arts community in the South of Market Area of San Francisco is working closely with the affordable housing community to find common ground as artists and high-tech firms convert housing and manufacturing buildings into studio space and offices in the area. It appears, however, that community-building should both honor the neighborhood’s past and create new institutions for the future, ones that draw from both old and new residents rather than expecting one or the other to subordinate their interests to those of the other.

These strategies do not provide a “silver bullet” to resolve the negative effects of gentrification. Gentrification is driven by an imbalance in housing supply and demand, which leads to both positive and negative effects. Positive effects include increased tax revenues for local governments and greater equity for existing property owners. Negative effects include affordability problems, displacement, and unanticipated changes in the character of a neighborhood. The research and case studies conclude that many of the most effective strategies for addressing the adverse effects of gentrification, such as the range of tools to create long-term affordable housing, are already in common use in some metropolitan areas.

The task is complicated by two factors, however. First, gentrification tends to emerge quickly while many of the policies and practices we suggest take some years to implement. Second, policies that might make good sense and receive strong public support when a distressed neighborhood is first turning around, such as a moratorium on assisted housing construction, may exacerbate gentrification problems when the turn-around community becomes the popular in-town neighborhood. The greatest challenge for policymakers and community groups alike is to anticipate gentrification pressures and build the political capital needed to implement or expand these efforts.
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