

PolicyLink

**Thinkers and Resources
For Promoting Equitable
Development**

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PREFACE¹

In its partnership with community-based practitioners around the country, PolicyLink found a new resurgence of discussion and debate about “gentrification.” For some, the term gentrification evoked a process of neighborhood change – new businesses, new street character, and new residents. In some areas, it included rising property values and, sometimes, improved community institutions (schools, park, police). At the same time, gentrification meant displacement of long-term low-income residents. This inequity raised concerns and questions about strategies that would allow low-income residents to remain in their neighborhoods while embracing the positive aspects of change.

PolicyLink compiled this “briefing manual” for the National Community Building Network Forum “Equitable Development – Reinvestment without Displacement,” convened on March 20, 2000 in Denver, Colorado. While this manual is not intended to be comprehensive, it does offer a sampling of thinking and action regarding gentrification, focusing primarily on present strategies and those used in the past two decades.

To prepare this manual, PolicyLink conducted a scan of gentrification-related writings and prepared a “short list” of authors whose works seemed to offer the most useful and thought-provoking perspectives on the issue. PolicyLink and the National Community Building Network then reviewed this “short list,” selected works for inclusion, and identified areas where further research is warranted. Through this process, several issues quickly emerged:

- Most discussions narrowly focus on the costs and benefits of gentrification, rather than the broader notion of equitable development. In planning this forum, the convenors purposefully attempt to move away from the term “gentrification” because the use of the term raises instant “good” and “bad” connotations². The convenors worked to see development as a broader issue that may bring about community benefits, so long as it is controlled, managed, and does not displace residents and community institutions.
- While there are some exceptions, few writings place responses to gentrification in the framework of a comprehensive community building strategy. The literature looks closely at housing affordability issues, but overlooks the need for support systems that also help keep people rooted in their communities.

¹ This document contains a set of brief synopses of books, articles and practitioner reports on gentrification and displacement. The synopses are not original pieces of research: the material has been extracted from its original work and depends heavily on direct quotations. The perspectives and arguments are those of the original authors. For a more in-depth understanding of the authors’ arguments and strategies, please consult the original works.

² Although we attempt to move away from “gentrification,” we have preserved the author’s original language in our summaries as an attempt to capture their thinking.

- The displacement of community institutions and small businesses as part of gentrification's costs is absent from most writings. Much of the literature focuses specifically on housing and does not look at the overall "residents" of a neighborhood.
- Despite the rapid rise in housing costs in many markets and the increasing threat of displacement, there are relatively few current writings on gentrification. Academic writings, in particular, seemed to peak in the 1970s and 1980s.
- The academic writings that do exist provide a detailed analysis of gentrification's causes and effects, but for the most part, do not move beyond that analysis to address the specific policy implications of their findings. While many of these writings flag displacement as the "downside" of gentrification, they frequently do not extend themselves to generating (or even reviewing) strategies to achieve development without displacement. Community-based policy endeavors in this area have not been given adequate attention.
- The reports authored by practitioners focus on the practical aspects of forging a response to gentrification and, in so doing, provide an important contribution to the field.

Gentrification and displacement are but one manifestation of racial and economic inequality in our society. Those concerned about gentrification's negative consequences face the challenge of forging solutions that revolve around both "place-based" development strategies as well as "people-based" asset accumulation and empowerment strategies. As urban reinvestment accelerates, it becomes imperative that low-income communities and their advocates develop and implement effective policies and programmatic interventions that encompass housing, community development, human services, transportation and economic and workforce development. All of these are necessary to promote equitable development and leverage strong economic growth for comprehensive community benefit.

Within this context, the writings included represent the partial building blocks for a broader perspective and approach to gentrification. Much more research is needed – ranging from academic research projects to practitioner and community-led initiatives – to develop options and alternatives to achieve equitable reinvestment without displacement.

ROBERT BEAUREGARD

“Trajectories of Neighborhood Change: the Case of Gentrification,” *Environment and Planning*, 1990, Vol. 22.

Robert Beauregard is a Professor at the New School of Social Research, Milano Graduate School of Management and Urban Policy. This article explores gentrification in four Philadelphia neighborhoods. The author’s stated goal is to show that what seems to be a single dynamic of neighborhood transformation – gentrification – instead comprises multiple processes.

Framing of the Issue

Beauregard argues that rather than unfolding as a uniform phenomenon, gentrification occurs through diverse forms and processes that “pivot around the structural forces of capitalism and the particularities of place.... The potential for gentrification is both a function of capital accumulation opportunities and of the nature and strength of the ‘community’ as historically produced...” Therefore, the burden for the negative impacts of gentrification must at least be partially assumed “by factions of capital (for example, developers) who often are responsible...”

Main Argument

The experience of Society Hill, Spring Garden, Northern Liberties and Fishtown demonstrates the contrasting dynamics of neighborhood change in four Philadelphia neighborhoods and highlights the variable potential for and pace of gentrification in different segments of one municipality. “In 1980 Society Hill was considered to be fully gentrified, Spring Garden was experiencing a few signs of gentrification, Northern Liberties was reaching the nadir of its decline and Fishtown was relatively stable...” Elements of each neighborhood’s process are outlined below.

In the case of Society Hill, the local government initiated gentrification. “First the neighborhood was declared blighted.... Second, as part of the renewal process, the wholesale food market was relocated out of the neighborhood.... This freed the upper part of the hill in 1959 for the third component of the strategy: the development of three high-rise luxury apartments towers adjacent to new low-rise town houses.... By making Society Hill an area of urban renewal, the city government was able to utilize its power of eminent domain to condemn all the buildings within the renewal boundaries and in 1959 the Redevelopment Authority began acquiring the housing stock for resale to prospective middle-class home owners (Smith, 1979a).... In the 1960s, private sector financing became readily available for the purchase and renovation of “blighted” row houses.... [In addition], by 1979 \$38.6 million of federal and city funds had been invested in the neighborhood and [it] was well on its way to complete gentrification.” It is now “renowned across the country as the epitome of gentrification and as an urban renewal success story.”

In Spring Garden, “a combination of a large and cohesive Hispanic community, a housing stock of apartment buildings...and a much deteriorated physical environment” initially deflected reinvestment efforts in that neighborhood. However, “with the help of federal historic tax credits, developers began in the late 1970s and the early 1980s to purchase numerous buildings

and to displace many existing residents, particularly Hispanics.... Once the developers began to have success, financial institutions and real-estate organizations...moved in and accelerated gentrification. Existing residents resisted and attempted to stabilize the Hispanic community by developing low-income and moderate-income rental housing. They barely slowed the process.” In this case, gentrification was developer-driven and the federal government indirectly facilitated the process with tax credits for historic preservation. The local government, on the other hand, was basically absent.

Beauregard argues that neither the local nor federal government were major actors in the transformation of Northern Liberties, characterized as a racially mixed, low-income neighborhood. “In the late 1970s and early 1980s, a small number of adventurous individuals moved into the area in search of housing close to Center City and of the opportunity to achieve home ownership relatively cheaply.... Individual renovators purchased single buildings which had either been abandoned or which were placed on the market by long-term residents.... At the same time, a good deal of speculation appears to have occurred... Nonetheless, the process involved little displacement; one did not need to purchase a house that had been subdivided into apartments because so many other, non-subdivided row houses could be had (RCPC, 1982). Because of its location, uneven physical characteristics, mixed land uses, and the “working-class quality” of its housing stock, the neighborhood did not attract large developers until 1986. “[T]hey found success elusive.” As long as individual households are spearheading the gentrification process, “Northern Liberties will likely remain only marginally gentrified.”

According to Beauregard, Fishtown, for its part, must be classified as insignificantly gentrified. “On the one hand, Fishtown’s location and housing stock do not place it prominently in the path of property reinvestment. On the other hand, Fishtown represents a situation of mostly passive (but sometimes very active) resistance to intrusion from ‘outsiders’. The neighborhood is very insular with a high degree of ethnic and neighborhood solidarity. As a result, ownership of property changes either without the assistance of real-estate agents at all, or through local real-estate agents. The neighborhood is virtually unpenetrated by external financial, real-estate development or real-estate sales firms. The neighborhood, moreover, has received little attention from government as a site for property development...” Despite the apparent lack of gentrification threats, “neighborhood associations and elderly organizations in Fishtown have joined the ‘Save Our Neighborhoods’ coalition, a group formed in the mid-1980s to support the passage of a property-tax relief bill for long-term homeowners in gentrifying neighborhoods, and have argued that gentrification is beginning in Fishtown.” Perhaps in part due to this resistance, Beauregard maintains, the potential for gentrification seems low for the immediate future.

Conclusions/Recommendations

Gentrification involves different actors and proceeds with varying consequences. According to Beauregard, the primary movers of gentrification are agents of property and finance capital, governments, and individual households. “Capital accumulation is central to the process but takes different forms depending on who is in command.” Despite the heterogeneity of gentrification processes as illustrated in the four Philadelphia case studies, there are three common elements:

- The restructuring of the Philadelphia economy both provided for the out-migration of working class and middle class households that “prepared” certain neighborhoods for gentrification, and generated the resurgence of office employment in the center city that provided one element of the rationale for middle class households to live in the city;
- The wide-ranging possibilities for capital accumulation through property development established an important base upon which gentrification was built;
- Federal government policy exhibits a bias towards middle class development in its history of tax credits and tax deductions for home ownership. The interplay of federal policy and strong ties between local governments and capital in the context of inner city reinvestment, serves to foster gentrification.

BRIAN J.L. BERRY

“Islands of Renewal in Seas of Decay,” in P. Paterson, editor, The New Urban Reality, Washington D.C: Brookings, 1985.

Brian J.L. Berry is Lloyd Viel Berkner Professor and Professor of Political Science at the University of Texas, Dallas. This article seeks to identify the causes of gentrification through an examination of the supply and demand side dynamics of urban housing markets.

Framing of the Issue

The appearance of young professionals and of refurbished homes in deteriorated neighborhoods provides sharp contrast to the overwhelming decline of central-city housing. According to Berry, conventional wisdom has it that young urban professionals are the driving force behind this private market revitalization or “gentrification.” However, other causal factors warrant a careful assessment, as do the contributing factors of timing and location.

Main Argument

Berry points out that gentrification has not occurred to the same degree in all central cities. Gentrification appears to require a concurrent set of conditions on both the supply side and demand side of local housing markets.

On the supply side, the conditions for gentrification are established when suburban “over-building” creates an excess housing supply. This excess supply shows up in the form of withdrawals of the oldest, least desirable units from the housing stock (located in the central city). Large numbers of units are withdrawn, often in the form of abandonment. “In extreme cases, abandonment can develop a dynamic of its own, becoming a contagious process – a spreading blight that leads to the removal of far more units from the housing stock” than would normally occur. Consequently, the pool of vacancies is sharply reduced and the housing market “tightens.” However, this supply side situation only sets the stage for gentrification. The gentrification process is actually activated by demand-side shifts rooted “in the emergence of a modern service economy... and the concentration of corporate activities and key producer services in selected cities.” Within the context of the tight housing market, young professionals employed in booming central business districts in these cities consider older central city housing as an attractive option. Gentrification is the result.

According to Berry, “once the [gentrification] process takes hold, it serves to heighten the contrast between renewal and decay. The cities that have shifted most sharply to a service employment base have at the same time experienced the most dramatic losses of their middle-income manufacturing jobs. As a result, their labor markets have become increasingly polarized between well-paying white-collar and professional employment and low-paying service jobs.... [W]hat appears to be emerging is a situation in which two labor markets and, by extension, two societies coexist, increasingly divorced from each other.”

Conclusions/Recommendations

Whether or not gentrification will become more widespread, Berry asserts, depends on a number of social and economic conditions, including whether or not today's service-related changes in job markets continue to reinforce polarization. "These must be the subject of continuing research and monitoring if society hopes to anticipate change, measure the course of its direction and attempt to reshape it for alternative ends."

CHICAGO REHAB NETWORK

Development without Displacement Task Force Background Paper, 1995.

*The Chicago Rehab Network is a coalition of over 40 community-based development organizations that work to develop affordable housing in the City of Chicago. In 1995 the Chicago Rehab Network organized a task force to develop policies for Chicago to guide community development without displacing existing residents and businesses. As part of this effort a research team, led by the Nathalie P. Voorhees Center for Neighborhood and Community Improvement, produced this background paper which outlines approaches, policies, strategies or programs addressing the issue of development without displacement. A central theme of the paper is whether it is possible to redevelop communities for their current low-income residents. Project authors are John J. Betancur, Michael Leachman, Anne Miller and Patricia A. Wright. **This report is available at <http://www.uic.edu:80/~pwright/dwd/htm>.***

Framing of the Issue

This report asserts that in many Chicago neighborhoods undergoing redevelopment, existing residents have been “out-priced.” They have fallen victim to a series of dynamics unleashed by redevelopment: tax or rent increases; speculation, higher property values, comparatively sizeable offers for their homes; historical designation; or inability to bring their properties up to code. The mainstream views the ensuing displacement as a necessary evil or a result of natural market dynamics. Low-income households are left with no alternative but to absorb the costs and hardships associated with displacement. This problem is exacerbated by the lack of a comprehensive policy framework that addresses the issue of development without displacement.

Main Argument

Research shows that a number of tools and strategies have been used in various contexts inside and outside Chicago to fight displacement. Many are piecemeal or limited. Some of these are federal government initiatives and include: one-for-one replacement, section 8 rental assistance, housing tax credits for the construction of low-income housing, the Low Income Housing Preservation Act of 1995 and Empowerment Zones.

Others tools that have been drawn on include initiatives from both local governments and community-based organizations. These include: community land trusts; eminent domain powers for non-profits; class action law suits; limited equity housing cooperatives; zoning and land use controls; limits on condominium conversions; property tax relief (usually for elderly homeowners); and planning processes which empower local residents to determine the course of development.

A number of Chicago neighborhoods are threatened with gentrification and have employed -- with varying degrees of success -- a combination of strategies to achieve development without displacement. Two examples are:

Pilsen:

Pilsen has been subjected to development pressures since the 1970s because of its proximity to the University and the fact that it is just one mile from the downtown. In addition, a local private developer in the area who owns large numbers of housing units has been refurbishing the units and marketing them to professionals and artists.

Initial strategies used in Pilsen to combat displacement have included community organizing and participatory community planning. One of the community planning exercises led to the formation of a community development corporation. There are now two CDCs in the area both of which are aggressively pursuing the strategy of affordable homeownership to avoid displacement of existing residents. The community's strong sense of cultural identity has also been an asset in the fight against displacement and among other things, has led to the establishment of the nationally renowned Mexican Fine Arts Museum in the neighborhood.

Current challenges include an older housing stock, which means substandard living conditions for many residents. "Unemployment and under-employment are pervasive." Additional anti-displacement strategies being considered include a low interest loan program for housing rehabilitation, homeownership through limited equity cooperatives and an increase in ownership in the area by the CDCs to secure long term affordable rental units.

Near West Side:

This area lies directly west of the downtown and includes a large, severely dilapidated public housing project, the Henry Horner Homes. When the owners of Chicago Stadium, located in the community, made plans to build a new stadium, the area's churches organized residents and secured an agreement with the owners to assist the community in its total renewal. This effort, the Interfaith Organizing Project (IOP), supported homeowners in their negotiations to have replacement homes rebuilt in the community, and worked to ensure that residents got jobs during stadium construction. IOP also formed a CDC to spearhead redevelopment. The CDC assisted in building replacement units, built sixteen additional affordable rental units, and also has plans for commercial development along a major neighborhood thoroughfare.

Henry Horner residents, for their part, have been active in negotiating with the Chicago Housing Authority about the improvement and redevelopment of Henry Horner. In 1991 residents filed a class action lawsuit bringing attention to the fact that the Chicago Housing Authority was playing the role of "slum lord." As a result, Horner residents secured leverage for determining the future of the Horner redevelopment effort. Other development without displacement strategies under consideration include eminent domain authority, and integrating economic development initiatives into the housing development and planning of the area.

Conclusions/Recommendations

The report argues that concerted public pressure is needed to develop a City of Chicago development without displacement policy. An assessment of existing city programs is needed to determine how these programs can better stabilize communities and minimize displacement. In addition, the City must adopt new strategies to implement development without displacement, particularly in low-income communities.

COALITION FOR A LIVABLE FUTURE**Displacement: the Dismantling of a Community, 1999**

The Coalition for Livable Future (CLF) is a network of non-governmental organizations in the Portland-Vancouver metropolitan region who share a commitment to just, affordable, and sustainable communities. Displacement: The Dismantling of a Community was commissioned by CLF and authored in collaboration with the Community Development Network, the Institute of Portland Metropolitan Studies and the Center for Community Research. The report focuses on the social effects of rising housing costs; interviews 17 people directly affected by displacement; and offers examples of effective tools that communities nationwide have developed to fight displacement. For a copy of the report, contact Coalition for a Livable Future at: 534 SW Third Avenue, Suite 300, Portland, Oregon 97204. Phone: (503) 294-2889; email: clf@friends.org.

Framing of the Issue

“Displacement is the forced movement of people out of their neighborhoods because of the rising costs of housing, both home ownership and rental.” Low-income renters, in general, are highly vulnerable to displacement in gentrifying neighborhoods. They face a lack of stability and predictability in their housing, high moving costs, increased stress, disconnection from their social supports and other serious challenges. Low-income homeowners are also at risk of displacement as property values rise; gentrification creates situations in which they have few other housing options in their community if they need to sell their houses due to too-high taxes, maintenance repair costs, or health issues. Among those particularly affected by displacement are:

- Children: displacement means they have to change schools;
- Wage-earners: displacement may mean they have to drive further to work and therefore have less time with their families. They may also be spending more money on transportation, allowing less for necessities;
- The elderly: displacement means having to leave a community where they are known and feel safe; they are often consigned to live out the rest of their days among strangers.

According to the report, “displacement is a threat to the stability of Portland neighborhoods, and a significant concern for both residents and community leaders.”

Main Argument

In the six year period from 1990 and 1996, according to CLF, housing prices increased extensively in the inner Northeast and Southeast Portland neighborhoods: increases ranged from 125 – 200%. In the six-year period from 1989 to 1995, most inner Northeast neighborhoods also experienced a dramatic increase in income. Certain other neighborhoods showed a simultaneous increase in poverty; most of these areas of increasing poverty are further east. According to the data, it seems that higher income people are displacing many long-term residents of inner northeast Portland.

Interviews with those directly affected reveal the high human cost of displacement. The elderly and the disabled on fixed incomes and low-income working families are especially affected.

- In the Woodlawn neighborhood, a disabled woman with a monthly income of \$581 plus \$122 in food stamps currently pays \$591 in rent. After back surgery, she was late in paying the rent and received a 48-hour eviction notice. Previously, she had owned her own home, but after being injured on her job in 1987, she was unable to keep up the mortgage payments and was forced to sell. She is now at risk of displacement once again. For the short-term, she is receiving assistance from her sons and Project Help.
- In the Concordia neighborhood, a retired nurse who is widowed receives retirement income of \$1,594 and pays a \$574 monthly mortgage plus utilities. Her monthly expenses for medicine average \$250, except in the summer when she uses less medicine. During the summer, she says, she tries to stock up on food. Because she is in ill health, and can't afford the upkeep of her house, she has put it on the market for \$124,000. She fears that she won't be able to afford the rent on an apartment in the area (\$900/month for two bedrooms) or to buy a small condominium (at least \$130,000).

Conclusions/Recommendations

CLF argues that “displacement is a tragedy that doesn't have to happen. A number of tools, used in Portland and in other communities, successfully prevent or counteract displacement.”

Portland should consider implementing some of these proven programs “while there are still viable communities left.” Such strategies include:

- *Housing Unit Replacement Programs* – Requires housing units that are demolished or converted be replaced on a unit-for-unit basis. The City of Portland passed a limited housing preservation ordinance in 1998; Hartford and San Francisco already have preservation ordinances in place.
- *Community Land Trusts* – Programs that separate the ownership of the land from the ownership of the housing, thus making the housing unit more affordable. In Portland, the Sabin Community Development Corporation is piloting such a program.
- *Employer Assisted Housing* – Identified broadly as any type of activity whereby an employer assists its employees in buying homes. Emanuel Hospital in Portland does this through the Neighborhood Home Ownership Program.
- *Housing Trust Funds* – Provide flexible funding resources to help in meeting low and moderate-income housing needs. The Santa Fe County, New Mexico, Affordable Housing Trust Fund, and the Vermont Housing and Conservation Trust Fund are two successful examples.
- *Jobs/Housing Linkage* – These programs require that developers of commercial properties construct or provide financial assistance for the production of affordable housing as a condition of building permit approval. Two California programs, one in Sacramento and one in San Francisco, are up and running.
- *Inclusionary Zoning* – Requires that developers provide a percentage of affordable housing units as part of a proposed residential development project. Successful inclusionary zoning programs have been in effect since the late seventies and early eighties in Irvine, California; Montgomery County, Maryland; and Burlington, Vermont.

PETER DREIER

The New Politics of Housing: How to Rebuild the Constituency for a Progressive Federal Housing Policy, *Journal of the American Planning Association*, Vol. 63, No. 1, 1997.

Peter Dreier is the E.P. Clapp Distinguished Professor of Politics and the director of the Public Policy Program at Occidental College in Los Angeles. From 1984 to 1992 he served as director of housing for the Boston Redevelopment Authority and as senior policy advisor to Mayor Raymond Flynn. This article provides a broad context for the issues of gentrification and housing opportunity. Dreier explores a number of shortcomings in federal housing policy and proposes alternative policy approaches.

Framing of the Issue

Dreier argues that “the nation’s housing crisis is still a marginal issue.... Housing policy is viewed as a narrow “special interest” rather than as part of the broad social contract.” Housing lacks a strong and effective political constituency and this detracts from the ability to implement effective solutions.

Main Argument

According to Dreier, housing’s political constituency is weak and fragmented. It is “composed primarily of those who have a direct stake in housing the poor: big-city mayors and local government housing bureaucrats; private housing developers, landlords and speculators; and poor people and their advocacy organizations.... The various segments of the housing constituency often work at cross purposes, each lobbying for its own specific piece of the HUD pie, weakening the overall impact of their efforts and undermining the likelihood of building broad support for federal housing programs.”

To make matters worse, “[d]uring the past decade, many politicians, journalists, and policy experts have pushed for reducing the role of the federal government.” Devolution has been the result. Boston’s experience with devolution during the 1980s yields some valuable lessons: “[E]ven under the most optimal conditions in terms of expertise and capacity, political will, and economic prosperity, housing needs cannot be addressed without adequate federal funding and standards. Boston, like other localities, developed innovative *models* for housing programs. But such models remain empty shells unless the federal government provides adequate resources to turn them into tangible *programs* that help real people improve their housing needs.”

Dreier argues that a progressive housing policy should accomplish three things:

- It should help house the poor and almost-poor, and provide them with housing choices besides living in high poverty areas.
- It should help rebuild the social and economic fabric of troubled neighborhoods overwhelmed by unemployment, concentrated poverty, crime, drugs, abandoned buildings and hopelessness.
- It should stimulate home building and home buying, particularly for the middle class.

Housing policy should combine “federal funds and standards tied to flexible rules carried out by local delivery systems.” Programmatic elements of a new policy would include:

- The scrapping of the homeowner mortgage deduction and replacing it with a refundable *progressive* homeowner tax credit;
- A universal housing voucher for eligible low-income households;
- Targeting federal funds for housing development and repair projects sponsored by non-profits, making the non-profit sector the major delivery system for the creation of affordable housing; and
- Federal support for resident-run organizations in rental housing developments and support for community revitalization efforts around housing code enforcement and economic reinvestment.

Conclusions/Recommendations

“The key to solving our nation’s housing crisis is to expand and strengthen the constituency for a progressive national housing policy that can link the needs of the poor and the concerns of the middle class. Doing so requires strengthening the organizations that can mobilize their constituencies and, equally important, coordinating these organizational efforts into a coherent strategy that can made an impact on public opinion and public policy.”

Today, finding the common interest between the poor and the middle-class revolves around “rebuilding communities, not just housing.... This will require changing the way we talk about housing, changing the narrow way we target federal housing subsidies, and changing the way we organize politically.”

In the past half century, “[u]rban programs have been swimming against the larger tide of federal policy that has promoted suburbanization and urban decline.... Today, the vitality of our nation depends on rebuilding our troubled cities and older suburbs. To do this, we must persuade the majority of Americans that they have a stake in this enterprise.”

HOUSING POLICY DEBATE ISSUE ON GENTRIFICATION, Vol. 10, Issue 4, 1999.**Article 1:****ELVIN K. WYLY AND DANIEL J. HAMMEL****“Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification.”**

Elvin K. Wyly is Assistant Professor in the Department of Geography and the Center for Urban Policy Research at Rutgers University. Daniel J. Hammel is Assistant Professor of Geography at Illinois State University. This article is the centerpiece contribution in the journal Housing Policy Debate's recent issue devoted to gentrification and is accompanied by a number of comments. (Peter Marcuse's comment is summarized below). Wyly and Hammel's article explores how shifts in housing finance and low-income housing assistance have reflected and reinforced a resurgence of private-market gentrification in American cities since the recession of the early 1990s. This article, along with commentary by other authors, can be accessed at http://www.fanniemaefoundation.org/research/policy/vol10_4.htm.

Framing of the Issue

For many observers, the recession of the early 1990s signaled the end of gentrification. However, Wyly and Hammel argue that this is not the case: rather, key changes in public policy related to housing have facilitated and “become closely intertwined with today's market-driven revival of certain inner-city neighborhoods.”

Main Argument

The analysis and interpretation of mortgage lending data concerning “core,” “fringe” and “inner city” areas of eight U.S. cities supports the view that gentrification is undergoing a resurgence. Key to this resurgence is shifts in the national system of housing finance and assisted housing policy.

Housing Finance Policy

The authors argue that for decades, the housing finance system “perpetuated the sociospatial processes of redlining, white flight and suburbanization.... Gentrification attracted attention for its potential to reverse this outcome of the housing finance system.” Today, however, “housing finance no longer stands in opposition to gentrification, and in some circumstances it is instrumental in lubricating the process.”

Changes in housing finance policy have come about because “an extremely vibrant economic expansion...combined with low inflation and low interest rates, has reduced borrowing costs and increased competition and consolidation in the financial services sector.... The dramatic expansion of the secondary mortgage market, driven as a matter of policy to direct more capital to housing generally and homeownership in particular (Stegman et al. 1991), has enabled and required broader standardization of underwriting. Given the extremely low risk of residential lending in boom times and the lure of mortgage-backed securities as a hedge against other financial instruments, standardization has effectively meant liberalization across the board.”

Meanwhile, homeownership is viewed as “as a solution to individual and neighborhood level poverty. Mortgage lending has increasingly been seen as a domain in which the goals of public policy are readily adapted to the imperatives of profitability in a competitive industry. A part of the savings and loan bailout, Congress required the two dominant secondary-market purchasers...to increase their acquisitions of primary-market loans to minority and low-income borrowers and neighborhoods... Parallel shifts have followed at the state and local levels and in the private sector, where the language of ‘fair lending’ has been replaced with widespread discussion of how to reach ‘untapped’ or ‘underserved’ markets. The result has been a proliferation of means tested mortgage products, some tied to borrower income and some tied to property location... Lending institutions now see significant profit potential in formerly redlined areas...[and] mortgage capital now facilitates gentrification in ways that depart radically from earlier decades.”

Low Income Housing Policy

The authors argue that low-income housing policy constitutes a second major shift relevant to today’s gentrification process. There has been “an accelerated movement away from the spatial isolation of publicly owned and operated housing development to semi-privatized and integrated redevelopment plans.... The federal HOPE VI program seeks to revitalize assisted housing by demolishing troubled projects, redeveloping sites where feasible and in ways that reduce concentration of low-income families, and offering tenant-based vouchers and certificates for use in the private market,” all of which leads to greater income mixing. “At the same time, the gentrification of the 1970s and 1980s laid the foundation for the spatial integration of subsidized and market-rate housing.... In the context of an altered low income housing policy, then, existing gentrification has provided a new context for efforts to transform public housing communities into a vital and integral part of larger neighborhoods, which in turn, encourages more private market revitalization.”

Conclusions/Recommendations

According to Wyly and Hammel, changes in housing finance and low-income housing policy intersect with the context of previous gentrification to lay the basis for further gentrification. Gentrification’s resurgence is proved by data from eight cities showing that gentrified neighborhoods attracted conventional home-purchase mortgage capital at a rate that grew at more than twice the suburban rate. “Even after data are controlled for applicant and loan characteristics, mortgage capital favors gentrified neighborhoods.”

HOUSING POLICY DEBATE ISSUE ON GENTRIFICATION**Article 2:****PETER MARCUSE****“Comment on Wyly and Hammel’s Article,” in *Housing Policy Debate*, Volume 10, Issue 4, 1999.**

Peter Marcuse is a Professor in the Department of Urban Planning at Columbia University. In his comment on Wyly and Hammel’s article, Marcuse argues that their discussion suffers from confusion over the definition of gentrification as physical versus socioeconomic neighborhood restructuring. Thus Marcuse contends that they fail to give adequate attention to the possible displacement of poor households and cautions that policies affecting gentrification must be enacted carefully to avoid displacement.

Framing of the Issue

According to Marcuse, “how gentrification is evaluated depends a great deal on how it is defined and measured.... If gentrification is considered in geographic/physical/financial terms as investment in the construction or improvement of buildings in an area previously run down, it is likely to be viewed as benign. If, [on the other hand], gentrification is defined as the displacement of lower-income households by upper-income ones, it will be measured more in terms of demographic change and will be viewed negatively.”

Wyly and Hammel confuse these two definitions. They define gentrification as displacement, but then treat it as if it were defined more benignly in physical/geographic/financial terms. Thus, their “potentially interesting empirical work is flawed in interpretation and ends up contributing less than it could to the policy discussion.”

Main Argument

Wyly and Hammel “provide some interesting data showing the extent to which investment in inner-city areas has accelerated in recent years, paralleling changes in financial arrangements... Their data, while short on demographic detail, also implicitly highlight the role of government in pushing the market to respond rationally to economic demand.” Marcuse argues, however, that Wyly and Hammel’s article suffers from a key conceptual confusion: “the dissonance between the definition of gentrification and the discussion of the empirical data.” Gentrification is defined as the “class transformation” of certain parts of the city, but then the issue of class transformation is left virtually unexamined. Instead the authors proceed to an empirical discussion of investment data regarding different categories of areas in eight cities. “The geography of gentrification is not illuminated by these findings” and in fact, is confused because of problems with the data and with the fact that the eight cities selected are not representative.

The second major conceptual confusion arises in Wyly and Hammel’s interpretation of information regarding the HOPE VI program. According to Marcuse, they seem to believe that “income change upwards in public housing [is] always equivalent to gentrification.” This confusion between income mixing in public housing and the investment in inner city areas which favors the “gentry” leads to basic problems in both analysis and in conclusions.

Conclusions/Recommendations

An important question is raised when Wyly and Hammel present a result from their modeling exercise regarding mortgage finance data: they find that there is little evidence of expanding homeownership opportunity for minorities in gentrified neighborhoods. In fact, “they find that African Americans applying in core neighborhoods are 1.44 times more likely to be rejected than African Americans who apply elsewhere. That result is not coincidence. Investment by the gentry may in fact be implicitly conditioned on avoiding the perceived threat of proximity of poor families, and, by stereotype, African-American families and the greater denial of loans to them may be part of that process.”

According to Marcuse, this situation has a key policy implication not pursued by Wyly and Hammel. If current public policy goals are to serve “under-served” housing markets, it is critical to define these as population groups. If under-served markets are instead defined geographically as census tracts with certain characteristics -- and investment is thus fostered geographically – “the results may indeed be the classic displacement aspect of gentrification and very undesirable by most standards.”

NEIL SMITH**The New Urban Frontier: Gentrification and the Revanchist City, London and New York: Routledge, 1996.**

Neil Smith is Professor of Geography and Senior Fellow at the Center for the Critical Analysis of Contemporary Culture at Rutgers University. Smith was among the first to put the word “gentrification” into print in the United States and is regarded by some as the father of gentrification research. The New Urban Frontier provides a wide-ranging summary of gentrification from various beginnings in mid-century to new manifestations today. One of the central themes of the book is the class conflict over urban space.

Framing of the Issue

When there is disinvestment, property values decline. In deteriorating urban neighborhoods, the *current* property value is far less than the *potential* value of the property. According to Smith, a “rent gap” is created when the market potential is not realized. Developers exploit the rent gap to purchase and redevelop property, to the detriment of poor residents living in the affected area. This process has an obvious class character: if it is not technically the “gentry” who displace the existing residents, it is usually middle class white professionals.

Main Argument

Smith argues that “gentrification is a structural product of the land and housing markets.... Capital flows where the rate of return is highest, and the movement of capital to the suburbs, along with the continual devaluing of inner city capital, eventually produces the rent gap. When the gap is big, rehabilitation and/or redevelopment can begin to challenge the rate of return available elsewhere, and capital flows back in.... Gentrification is a ‘back to the city’ movement of capital.”

The State initiated much of the early gentrification in the U.S. Today, gentrification is more private market-driven. “One or more financial institutions will reverse a long-standing redlining policy and actively target a neighborhood as a potential market for construction loans and mortgages.” Along with financial institutions, private developers have also acted as a collective force for gentrification. “Three types of developers typically operate in gentrifying neighborhoods: (a) professional developers who purchase property, redevelop it, and resell for profit, (b) occupier developers who buy and redevelop property and inhabit it after completion, and (c) landlord developers who rent to tenants after rehabilitation.”

Conclusions/Recommendations

Smith asserts that the resurgence of gentrification in the 1990s coincides with the emergence of the “revanchist” city. (“Revanche” is French for revenge.) 1990s public discourse embodied a politics and attitude of “revenge against minorities, the working class, women, environmental legislation, gays and lesbians, immigrants.... Attacks on affirmative action and immigration policy, street violence against gay people and the homeless, feminist bashing and public campaigns against political correctness and multi-culturalism were the most visible vehicles of this reaction.... Gentrification and the revanchist city find a common conjuncture” in the class conflict over urban space in today’s cities.

STRATEGIC ECONOMICS

Gentrification: Causes, Indicators, and Possible Policy Responses for the San Francisco Bay Area, 1999. Prepared for the Urban Habitat Program (unpublished paper).

Strategic Economics was commissioned by Urban Habitat in 1999 to examine the issues of gentrification and displacement, with a particular focus on the San Francisco Bay Area. The report's principle focus is on the causes, effects and possible community responses to gentrification.

Framing of the Issue

According to Strategic Economics, the Bay Area's tight housing market has resulted in rapidly rising housing costs, adversely affecting low-income communities and people of color. The housing market will accommodate those at the upper end of the income scale at the expense of the less-well-off.

Main Argument

In the 60s and 70s, there were two main schools of thought on the causes of gentrification, polarized in the "supply" side and "demand" side schools. The supply side emphasizes the economics of housing production and the interests of private capital as key causal factors of gentrification, while the demand side emphasizes trends and preferences of the "consumers" of housing. Today, the debate is somewhat less polarized. Bay Area gentrification in the 1990s occurs in the following context:

- Local government's role in gentrification is more subtle and ambiguous now;
- The federal government's retreat from the provision of affordable housing has reduced the supply of public housing, and has prevented funding for vouchers and non-profit affordable housing from keeping up with need;
- Increased income inequalities have widened the gap between what those on the low end can afford to pay for housing and what those on the high end are willing to pay;
- In California there are fiscal disincentives to housing production, due in large part to Proposition 13, which caps property taxes;
- Housing demand outstrips supply in the Bay Area;
- Displacement may be more indirect than direct: the model of young professionals buying and restoring dilapidated Victorians is not as relevant today, but the phenomenon of rising rents is certainly contributing to pricing low- and moderate-income renters out of the market.

Today, according to Strategic Economics, proactive campaigns to address gentrification center on the preservation and production of affordable housing. Such campaigns emphasize the importance of effective community mobilization and involvement. It is especially important to act early: "the most successful strategies begin before gentrification is even a concrete threat. [This involves] gett[ing] control of as much land as possible; identify[ing] target locations for low-income housing; and ensur[ing] the replacement of affordable housing lost to development or rehabilitation."

Another key element of a proactive approach includes ensuring, to the extent possible, “the *permanent* affordability of new and existing housing, even in a context of changing socioeconomic composition of the neighborhood.” Necessary policies to counteract gentrification include market-based policies such as rent control and conversion controls; land use and planning policies such as inclusionary zoning; permanent affordability policies such as community land trusts and deed restrictions; and leveraging capital for the construction of affordable housing.

Conclusions/Recommendations

Strategic Economics notes that past organizing campaigns have shown the importance of “proper information in efforts to make intelligent arguments and proposals for a specific neighborhood.” A research agenda is needed, therefore, “which systematically identifies neighborhoods at risk of gentrification, elucidating factors that drive it and formulating specific responses.” Then, economic development measures should be targeted to low income populations in neighborhoods at risk of gentrification: “only by enhancing their income will existing residents be able to compete in their own housing sub-market.”

Regional responses to gentrification are important, since housing represents regional access to opportunity (e.g. to good jobs and schools). A regional approach to gentrification goes hand in hand with “regional growth management [efforts] to curb suburban sprawl which is detrimental to low-income and minority populations.” Finally, to effectively address gentrification and housing opportunity, alliances “with diverse sets of interest groups – including housing advocates, environmental groups, developers and businesses” – are necessary.

URBAN HABITAT PROGRAM

There Goes The Neighborhood: A Regional Analysis of Gentrification and Community Stability In The San Francisco Bay Area, 1999.

*The Urban Habitat Program works to ensure that social justice and the concerns of low-income communities are at the forefront of the Smart Growth debate around land use and transportation policy in the San Francisco Bay Area. There Goes the Neighborhood seeks to understand where and how gentrification puts pressures on existing low-income communities, and is a call for action to stabilize these at-risk communities. **Copies of the report are available from Urban Habitat Program, P.O. Box 29908 Presidio Station, San Francisco, CA 94129. Phone: (415) 561-3333. Web site: <http://www.igc.apc.org/uhp>.***

Framing of the Issue

Urban Habitat argues that in the Bay Area, “the growing gap between low wage and high wage workers and the scarcity of housing, especially affordable housing, is resulting in the displacement of low income people by middle and high income households in historically urban communities of color.” This displacement not only causes stress and suffering for those who do the moving, but also destroys the equilibrium of the people and places left behind.

Main Argument

“The pattern of gentrification includes the phases of disinvestment in a neighborhood, publicly driven reinvestment, and finally, private investment and displacement.... Historically, public policy and land use decisions have caused gentrification. Currently, Silicon Valley’s need for corporate office space and high end housing is causing gentrification in various parts of the region. Analysis shows that seven of the ten cities with the widest gap between jobs and housing are in the Silicon Valley. Other causes of gentrification include local zoning policy and decision making that supports development as a means to increase property tax and sales revenue; regional policy that promotes highway oriented transportation; public subsidies for high-end development; and the push for redevelopment that does not address community needs.”

Additional causes of gentrification include recent “state legislation and federal policies that have weakened rent control laws, diminishing the ability of low income households to find and stay in housing. [Furthermore], state housing law requires cities and regions to plan for affordable housing, yet without clear enforcement mechanisms, many Bay Area cities are not building their fair share of affordable housing. [Finally], the [federal] Department of Housing and Urban Development (HUD) budget for housing assistance has been cut, greatly impacting low income households making less than \$10,000 and seeking housing in the Bay Area.”

In addition to low-income residents, “small businesses are also hurt by gentrification, as dramatically illustrated by the current situation in San Francisco’s Mission District. The Mission Economic Development Association presented five case studies of displaced businesses in the Mission in which these small businesses faced large rent increases, owner move-in evictions or changes in building ownership.” Gentrification also adversely affects community institutions. “As long-term residents leave, the schools, churches, and social networks that make up the social

fabric of communities are compromised.”

Conclusions/Recommendations

According to Urban Habitat, in the short-term it is necessary to “enforce state housing laws regionally, increase HUD’s budget for housing assistance programs, and increase affordable housing stock.” In the longer term, goals should be to “promote community controlled land uses and equity through land trusts and other strategies; build affordable housing near transit hubs; and create more opportunities for community-driven housing development and support for local small business.... [These] recommendations seek to begin a dialogue on community stability as part of a larger community based, social justice agenda.”

Regional Smart Growth efforts hold promise for helping to achieve some of these goals. However, smart growth must avoid falling into the trap of urban reinvestment dominated by production of high-end housing. Smart Growth must evolve as an “approach to development and urban reinvestment which honors low income communities of color” and promotes stabilization, not disruption.

ORGANIZATIONAL RESOURCES

Included is a sampling of organizations addressing diverse aspects of affordable housing and development without displacement. This list is not comprehensive.

The Chicago Rehab Network

53 West Jackson, Suite 740
Chicago, IL 60604
Ph: (312) 663-3936
F: (312) 663-3562

Working for community empowerment and development without displacement since 1977, CRN provides technical assistance, training, research, advocacy, and organizing to its membership and other allies in the community development movement.

Coalition for a Livable Future

534 SW Third Avenue, Suite 300
Portland, Oregon 97204
Ph: (503) 294-2889
Email: clf@friends.org

Coalition for a Livable Future is a network of non-governmental organizations in the Portland-Vancouver metropolitan region who share a commitment to just, affordable, and sustainable communities. In addition to conducting research and public education, the Coalition advocates for progressive regional policy regarding land use, transportation, housing, public investment, economic equity, and the environment.

Community Development Network

2627 NE MLK, Jr. Boulevard, Room 202
Portland, OR 97212
Ph: (503) 335-9884
Email: cdn@teleport.com

CDN is an association of nonprofit housing developers and others interested in community-based development and affordable housing issues. They have completed a review of “fair-share” housing policies across the country.

Dudley Street Neighborhood Initiative

504 Dudley Street
Roxbury, MA
Ph:(617) 442-9670
F: (617) 427-8047

The Dudley Street Neighborhood Initiative is a resident-led revitalization project. It was the first community-based nonprofit to be granted the power of eminent domain and is using a community land trust to hold the land acquired using this tool.

National Low-Income Housing Coalition

1012 Fourteenth Street NW, Suite 610

Washington, D.C. 20005

Ph: (202) 662-1530

F: (202) 393-1973

<http://www.nlic.org>

Established in 1974, NLIHC is committed to education, organizing, and advocating to ensure decent, affordable housing within healthy neighborhoods for everyone.

Northern California Community Land Trust

3126 Shattuck Avenue

Berkeley, CA 94705

Ph: (510) 548-7878

NCLT is a non-profit housing developer that partners with cities and community groups throughout the San Francisco Bay Area to create affordable homeownership opportunities within the community land trust model and to revitalize neighborhoods while preventing gentrification.

Urban Habitat Program

P.O. Box 29908 Presidio Station

San Francisco, CA 94129

T: (415) 561-3333

F: (415) 561-3334

<http://www.igc.apc.org/uhp>.

The Urban Habitat Program works to develop healthy communities and multi-cultural, urban environmental leadership in the San Francisco Bay region.

Vermont Housing and Conservation Board

149 State Street

Montpelier, VT 05602

Ph: (802) 828-3250

F: (802) 828-3203

The Vermont Housing and Conservation Board administers the Vermont Housing and Conservation Trust Fund, which provides funding resources to produce and rehabilitate affordable housing and to conserve natural areas.

ADDITIONAL READINGS

The following sampling of books and articles (not an exhaustive list) provide perspectives on gentrification, housing policy and broader urban issues.

- Bennet, Larry, and Adolph Reed Jr., 1999, “The New Face of Urban Renewal: The Near North Redevelopment Initiative and the Cabrini-Green Neighborhood,” in Without Justice for All: The New Liberalism and our Retreat from Racial Equity, ed. Adolph Reed Jr., 175-211, Boulder, CO, Westview Press.
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- Garbarine, Rachele, 1998, “Apartment Rents Going Up in Converted Downtown Buildings,” *New York Times*, October 30, p. B6.
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- Robinson, Tony, 1995, “Gentrification and Grassroots Resistance in San Francisco’s Tenderloin,” *Urban Affairs Review*, Vol. 30, No. 4.
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