

# Research Symposium on Gentrification and Neighborhood Change

## Summary Report

July 2016



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**Research Symposium on Gentrification  
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First termed by sociologist Ruth Glass in response to the significant change that London was experiencing in the 1960s, gentrification is a form of neighborhood change that occurs when higher income groups move into previously low-income areas, potentially altering the cultural and financial landscape of the original neighborhood. Greater demand for housing in gentrifying neighborhoods has exacerbated the affordability crisis in many American metropolitan areas, increasing the potential for displacement of long-term low-income residents and creating greater barriers to entry for new low-income residents looking to move to places of opportunity. On May 25, 2016, the Federal Reserve Bank of Philadelphia, in partnership with HUD's Office of Policy Development and Research (PD&R), the NYU Furman Center and the Federal Reserve Bank of Minneapolis, hosted the [Research Symposium on Gentrification and Neighborhood Change](#). Panelists discussed their research findings on the patterns and consequences of gentrification, and policy responses to equitable development in neighborhoods undergoing rapid change.

Katherine O'Regan, HUD Assistant Secretary for PD&R, was the keynote speaker and highlighted HUD's efforts at preserving affordable housing. O'Regan noted that unlike gentrification in previous periods, since 2000, a greater concentration of higher-income and white households in low-income neighborhoods has also been associated with a large increase in rents, relative to the larger metropolitan area. The rental affordability crisis that has been building since the late 1970s may have been a primary driver of gentrification; as affordability declines, higher income households looked to a broader set of neighborhoods than they once considered. Policy responses then, O'Regan said, need to include increasing the overall supply of housing, both market-rate and subsidized units, because housing is "upward filtered." If all income levels are not supplied, neighborhoods risk losing naturally forming affordable housing, currently the largest component of the affordable housing stock.

O'Regan highlighted one of HUD's recent initiatives at increasing the stock of affordable housing: first, the Federal Housing Administration's (FHA) reduction in multifamily insurance premiums for energy-efficient, mixed-income and low-income housing developments. HUD estimates that the insurance premium cuts could spur the rehabilitation of an additional 12,000 housing units each year. The second policy response O'Regan emphasized is preserving the subsidized stock by highlighting the Rental Assistance Demonstration (RAD) program, which taps private capital to keep some of the 10,000 public housing units that are lost every year to disinvestment and disrepair. Currently, under RAD, \$2 billion in private funding have been invested and 30,000 units have been moved from public housing financing to long-term project-based Section 8 contract financing. Renewals for project-based Section 8 units are required by law, thereby ensuring that units are permanently affordable to low-income households. Finally, O'Regan suggested the Affirmatively Furthering Fair Housing (AFFH) rule, which requires meaningful community engagement through an Assessment of Fair Housing for any jurisdiction receiving HUD funding may be a mechanism to incentivize and support local action for securing affordable housing in gentrifying areas. Grantees set priority goals for addressing fair housing issues after assessing patterns of segregation and access to neighborhood opportunity. HUD encourages regional and joint submissions, furthering community participation.

O'Regan's address tied in the first two panel discussions, composed of researchers who discussed the causes and consequences of gentrification with the second two panel discussions, composed of researchers and practitioners who discussed policy responses and best practices to promote inclusive neighborhood change.

## Understanding the patterns and causes of gentrification

Gentrification can be spurred by both private investments of new market-rate developments and services moving into low-income areas, as well as by public investments of parks and other public goods. When public investments contribute to gentrification, the question for policymakers is who should benefit from these new investments, posed Eric Belsky, Director of the Division of Consumer and Community Affairs for the Federal Reserve System Board of Governors. However, responding to the consequences of gentrification also requires a deeper look into the causes of gentrification to ensure that policy solutions are appropriate. According to Nathaniel Baum-Snow, Associate Professor of Business Economics at the University of Toronto, gentrification during the past decade has resulted in a greater

concentration of white, college educated residents in the downtown, urban core areas of metropolitan areas. Whereas the mobility of lower-income minorities out of downtown areas has remained relatively steady since the 1970s, the migration of higher-income, college educated whites into downtowns has increased dramatically. Jessie Handbury, Assistant Professor at The Wharton School, University of Pennsylvania confirmed these trends, noting that the re-urbanization of the college educated is a new phenomenon, occurring in the last 10 to 15 years. While population growth in the suburban areas is growing faster than in the urban areas nationally, the demographic composition of who is living in the urban core has changed. Particularly in the largest metropolitan areas, the growth in downtown areas in the 2000s has been driven by higher-income, white, college educated and aged 25 to 44, most of which are millennials.

What explains the recent re-urbanization of this particular demographic group, which Ingrid Gould Ellen, Director of The Furman Center for Real Estate and Urban Policy at New York University, labels ‘gentrifiers’? According to Ellen’s research, gentrifier households: those that are white, college educated and aged 25 to 44 years old, are two to three times more sensitive to reductions in violent crime when deciding to move into a central city and that declining violent crime rates across major metropolitan areas has been a motivator of migration back to downtowns. In particular, Ellen finds that high-income households and college-educated households are more likely to move into both low-income and high-income central city neighborhoods when city-wide crime falls. The choices of high-income and college-educated households are significantly more sensitive to crime than white households, overall, confirming Baum-Snow’s observation that the increased concentration of white households in downtown areas was due to increased migration of high-income, college educated whites into downtowns, and negligible movement of low-income whites.

In addition to falling crime, Handbury posits that greater amenity preferences for services located downtown has also had a significant influence on gentrifying households moving into central downtown areas. Handbury finds that workplaces are moving further into suburban areas while high-income workers are increasingly making a reverse commute: living in the downtown areas while working outside of the central business district. Since gentrifier households are willing to make a reverse commute, Handbury hypothesizes that a greater preference for downtown living is the impetus for the recent urbanization. Interestingly, Lena Edlund’s research, Associate Professor and Columbia University, found evidence of an increasing concentration of highly skilled jobs in the central business district and hypothesized that gentrification in downtowns is the result of a smaller tolerance for commuting, since long working hours have reduced leisure time.

## Research on the consequences of gentrification

Of the top concerns for policymakers in thinking about gentrification’s impact to a community is the displacement of long-term low-income residents. However, much of the research has demonstrated little evidence of large-scale displacement particularly because low-income households have higher mobility rates in both gentrifying and non-gentrifying neighborhoods so that the link between gentrification and mobility is not particularly strong, explains Lance Freeman, Professor at Columbia University. Even in the U.K., where mobility is more limited, Freeman found little evidence of displacement in gentrifying neighborhoods. Given that gentrification can occur without direct displacement, Freeman noted that policymakers should focus on limiting its disruptions and amplifying any benefits to long term residents. In addition to resident displacement, critics of gentrification are also concerned with its ability to change a neighborhood’s culture through displacement of local, small businesses.

Similar to Freeman’s results on resident displacement, Rachel Meltzer, Assistant Professor at The New School, finds that overall, the retention rates of small businesses are much higher than displacement rates in gentrifying neighborhoods. Jeffrey Parker, Urban Doctoral Fellow at the University of Chicago, notes that in his in-depth interviews, small business owners and managers generally support gentrification when they see its potential for financial stability, and oppose it when they view it primarily as disrupting the aesthetic quality of the neighborhood.

While widespread resident and small business displacement does not always occur as a neighborhood gentrifies, the benefits of new investment into a neighborhood are not always equally distributed. Lei Ding, Community Development Economic Advisor at the Federal Reserve Bank of Philadelphia, found that in the aggregate, when residents of gentrifying neighborhoods moved, they generally ended up in neighborhoods with significantly higher household incomes, lower unemployment rates and higher home values. However, when examining the experience of vulnerable residents or those with low credit scores separately, Ding found that the risk of vulnerable residents ending up in even lower-income neighborhoods increases. Using credit scores as a proxy for the financial health of residents, Ding's research also concluded that while credit scores for all residents of gentrifying neighborhoods improved, the improvement was smaller for less-advantaged residents. Additionally, the financial benefits were only available for those less-advantaged residents that could remain in place. For those vulnerable residents that were displaced, their credit scores declined significantly.

Similarly, Meltzer's study found that when small businesses in gentrifying neighborhoods are displaced, they typically are not replaced with new businesses. In a case study of East Harlem, small business retention rates declined and those that were displaced were not replaced, while growth in the number of chain stores increased. Zaire Dinzey-Flores, Associate Professor at Rutgers University, summarized these research findings by noting that the qualifiers in the discussion of gentrification's benefits are important. Not all sub-populations benefit equally, and in fact, those that are displaced face worse outcomes. Strategies that keep low-income residents in these neighborhoods without an increased rent burden are paramount.

## Research on Policy Approaches to Gentrification

HUD's public housing developments and Housing Choice Voucher (HCV) are among the most salient methods of keeping low-income households in place. With a subsidized public housing unit or an HCV, in which the resident pays a fixed rate of 30 percent of their income, qualifying households are protected from rapid rent increases that could have a displacement effect. But are these tools really effective in gentrifying neighborhoods? According to research by Gerard Torrats-Espinosa, Doctoral Student at New York University, which examined the ability of HCVs to protect residents from displacement, as rents increased, voucher holders had a higher probability of moving, facing higher rent burdens and living in a smaller set of neighborhoods. On the other hand, rent increases have also been associated with a decline in voucher holders living in high poverty neighborhoods, which Torrats-Espinosa described as the 'gentrification effect.' Voucher holders may be able to remain in gentrifying areas as rents increased (and poverty rates declined) by shouldering a higher rent burden.

For residents of public housing developments, living in subsidized units protected from rent increases, there are some clear benefits to gentrification. Research by Samuel Dastrup, Associate at Abt Associates, demonstrates that public housing residents in higher-income neighborhoods were associated with improved indicators such as higher incomes, higher educational attainment, and greater employment rates than public housing residents in lower-income neighborhoods. Additionally, violent crime rates were lower and a greater number of public elementary schools with higher standardized tests scores were zoned for the public housing developments in high-income neighborhoods. Although the outcomes for public housing residents in gentrifying neighborhoods were generally better than their counterparts in lower-income neighborhoods, Dastrup noted that it is important to keep in mind that the outcomes of public housing residents were still significantly below those of the overall neighborhood.

While federally subsidized housing may be the ultimate protection against displacement, as Paul Jargowsky, Director of the Center for Urban Research and Urban Education at Rutgers University stated, a broader set of policy changes need to be set in place for all neighborhoods, even those that are not currently experiencing gentrification. Jeffrey Lubell, Director of Housing and Community Initiatives at Abt Associates described six areas that housing policies should touch upon in order to effectively serve low-income families; preservation, protection, inclusion, revenue generation, incentives and property acquisition. According to Lubell, this multi-pronged response should be targeted to specific neighborhoods and properly incentivize parties to preserve and expand affordable housing without the need for greater appropriations, which may be politically difficult.

Such a strategy will require advanced planning by policymakers, which Karen Chapple, Professor of City and Regional Planning at the University of California, Berkeley, said can be done using policymaking tools such as Geographical Information System (GIS) to serve as early warning predictors or as a wakeup call to spur policymakers into action. The National Neighborhood Indicators Partnership is one of those tools that is working in partnership with cities across the nation to develop measures for neighborhoods at risk of becoming unaffordable, said Kathryn L.S. Pettit, Senior Research Association for the Urban Institute. Pettit highlighted several studies in cities such as Boston, Cleveland and D.C. that have helped inform conversations and policy actions about gentrification and neighborhood change.

## Perspectives from the Practitioners: Best Practices and Case Studies on Equitable Development in Neighborhoods

Given the research on the effectiveness of policy practices to gentrification, the final panel discussion focused on current efforts underway in three gentrifying cities: Philadelphia, Washington, D.C., and St. Paul. In Philadelphia, the development boom in center city has resulted in rapid price appreciation for housing. While gentrification is not the primary issue in a lot of neighborhoods, equitable development is, said Beth McConnell, Policy Director of the Philadelphia Association of Community Development Corporations (PACDC). Among a multitude of policy recommendations, McConnell highlighted some of PACDC's equitable development platform including strengthening inclusive communities with resident engagement and education; preserving quality affordable housing through the repair of existing mixed-income properties; expanding economic opportunities on neighborhood corridors with programs like storefront improvements for small business and attacking blight through consolidated public ownership of land and acquiring delinquent properties.

Meanwhile, in D.C., the Local Initiatives Support Corporation, DC (LISC DC) has contributed \$50 million to the Elevating Equity Initiative to ensure equality in development around the 11th Street Bridge Park, said Ornamenta Newsome, Vice President of LISC DC. Recognizing the potential for displacement once the park is completed, LISC DC's initiative is aiming at early action in five different areas within a 1-mile radius of the future park: expanding affordable housing, supporting healthy environments, increasing family income and wealth, improving access to quality education and stimulating economic development. The initiative will provide loans, grants and technical assistance to local nonprofits in order to achieve their goals of equitable development within the impact zone.

Similarly, the city of Saint Paul, Minnesota has been actively trying to mitigate displacement along the Metro Green line, which connects the central business districts of Minneapolis and Saint Paul, as it continues to expand. According to Jonathan Sage-Martinson, Director of Planning and Economic Development for the City of Saint Paul, the city has partnered with organizations that provide support, forgivable loans, and frontage improvement grants to at least 500 small businesses along the Metro Green line. In addition, the city has developed a 10-year strategic plan with two dozen organizations to invest in the production and preservation of affordable housing. Four years into the program, the city has already reached its baseline goal of preserving or adding 2,540 affordable units and is more than halfway towards reaching its 'stretch' goal of 4,500 units.

Gentrification and neighborhood change is, and remains, a sensitive topic for residents, policymakers and researchers. However, using the research to explore the impetus behind the mobility decisions of gentrifying households and the resulting outcomes for long term residents is important in understanding how, where and when to target policy actions appropriately. Best practices on the ground have been varied but all focus on the preservation and production of affordable housing and are strengthened by their collaboration and partnership with other local agencies. As O'Regan mentioned, gentrification is a pertinent topic because the potential for displacement and increased rent burdens are affecting cities and neighborhoods around the country, reaching beyond our coastal and 'hot markets'. The goal, she summarized, remains making diverse communities across the nation work, and work for all.

### Research Symposium on Gentrification and Neighborhood Change

Elaine Ng, Author, Regional Economist, U.S. Department of Housing and Urban Development