A SHARED FUTURE
Fostering Communities of Inclusion in an Era of Inequality

Can Gentrification Be Inclusive?

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This paper was originally presented at *A Shared Future: Fostering Communities of Inclusion in an Era of Inequality*, a national symposium hosted by the Harvard Joint Center for Housing Studies in April 2017. The symposium examined how patterns of residential segregation by income and race in the United States are changing and the consequences of residential segregation for individuals and society, and sought to identify the most promising strategies for fostering more inclusive communities in the years to come.

This paper was presented as part of Panel 6 at the symposium, entitled **"What would it take... For cities experiencing gentrification pressures to foster inclusion rather than replacement?"**

Gentrification is not a popular word in US cities these days, especially in coastal cities experiencing rapidly rising rents. As more high-income, college-educated, and white households move to downtown areas, existing residents feel increasingly anxious that they will be pushed out of their homes and communities. Yet there is some hope in gentrification too; affluent white households are opting for diverse, city neighborhoods over high-income, racially homogenous suburbs in far greater numbers than they did in earlier decades. These higher-income households can help to shore up city tax bases and possibly spur economic and racial integration. But absent policy intervention, that integration may be only fleeting.

It is worth starting with a definition of gentrification, as the term means different things to different people. I will use the term here simply to describe relative increases in household income, education levels, and/or percentage of residents who are white in initially low-income, central city neighborhoods. In other words, a gentrifying neighborhood is an initially low-income city neighborhood that moves up the socioeconomic ladder within its metropolitan area. Using variants of this basic definition, it is clear that gentrification is becoming more common in US cities. For example, the share of initially low-income, central city census tracts that saw large gains relative to the rest of the metropolitan area in their share of residents with college degrees rose from 25 percent during the 1990s to 35 percent during the 2000s. (A large gain is an increase in the ratio of the census tract value to that of the metropolitan area of more than 0.1. For example, a tract that sees the ratio of its college educated share to that of the metropolitan area rise from 0.6 to 0.8 would experience a large relative gain.) The share of low-income city tracts seeing a large gain in percentage of residents who are white relative to the rest of the metropolitan area rose from 7 percent in the 1990s to 18 percent during the 2000s.[1] Other recent studies also highlight the rising incomes and education levels of downtown neighborhoods during the 2000s.[2]

These gains in neighborhood socioeconomic status have been driven largely by the in-movement of higher-income college graduates. To be sure, most college-educated and higher-income households are continuing to choose to move to the suburbs. In 2010, 61 percent of

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[1] Ellen and Ding (2016).

[2] Hwang and Lin (2016); Baum-Snow and Hartley (2015); Couture and Handbury (2016); Edlund, Machado, and Sviatschi (2015).

college graduates and 68 percent of higher-income households (those with incomes above the median in their metro area) who had moved in the past year chose homes in the suburbs.[3]

But as compared to recent decades, a larger proportion of higher-status households are now opting for cities, and for low-income and majority-minority neighborhoods within those cities. While their choices enhance integration in the short-term, the concern is that higher-income and college-educated households are bidding up housing prices and rents and displacing existing residents. There is clear evidence that prices and rents are rising in the low-income neighborhoods that are attracting higher-income in-movers. Consider that between 2000 and 2014, initially low-income central city census tracts that experienced large relative gains in income experienced a 42 percent increase in rents on average. By contrast, the initially low-income, central city tracts that did not see large gains in income between 2000 and 2014 saw more modest rent increases of 17 percent.

There is less consensus among researchers that higher-income entry is pushing out existing households. In fact, most of the papers on the topic have found scant evidence that gentrification fuels displacement.[4] These null findings are something of a puzzle as well as a frustration to many practitioners who are certain that they are witnessing low- and moderate-income households being displaced in their communities.

So why the disconnect between research and practice? To some degree, it's explained by the fact that low-income households tend to live in unstable housing conditions, regardless of the neighborhood where they live. In 2014, over 70 percent of renters with incomes under $15,000 paid more than half of their income in rent,[5] and as Matthew Desmond's *Evicted* so powerfully shows, they experience enormous instability in the private market, even when there is no sign of gentrification.

It's also possible that the studies have simply failed to capture the phenomenon because of poor measures and/or inappropriate timing. One shortcoming of existing analyses is that they have typically used residential mobility rates to capture displacement. But mobility does not necessarily equal displacement; many residential moves are voluntary and take people

[3] Ellen, Horn, and Reed (2016).
[4] Ellen and O'Regan (2011); Freeman (2005); McKinnish, Walsh, and White (2010); Vigdor (2002).
[5] JCHS (2015).

to better neighborhoods and homes. Displacement connotes involuntary moves that may force households to settle for inferior homes and communities. A recent study, which was able to identify the destinations of movers in Philadelphia, finds that disadvantaged residents who live in neighborhoods that gentrify are no more likely to leave their homes than other disadvantaged residents, but when they leave, they are more likely to move to a lower-income neighborhood, suggesting that these moves are less likely to be affirmative choices.[6]

Another issue is that most of the existing papers on displacement focus not on the present but on the 1980s and 1990s. During these earlier decades, the gentrification that took place involved higher-income households moving into neighborhoods that had been decimated by population losses during the 1970s. Consider that the neighborhoods that gentrified between 1990 and 2010 in New York City had lost 26 percent of their population during the 1970s (while the population citywide shrunk by 10 percent). Thus, as higher-income and college-educated households moved into these neighborhoods in the 1990s, high vacancy rates meant that the neighborhoods could accommodate additional residents without directly displacing existing residents or even putting much upward pressure on prices and rents. As the population in central neighborhoods has continued to grow, housing markets have been growing tighter and thus the risk of displacement has likely become higher.

Finally, even if residents are not directly displaced, the rising rents mean that lower-income households, absent subsidies, will likely find it increasingly difficult to move in and remain in gentrifying neighborhoods over time. Research has yet to answer the question of whether gentrifying neighborhoods are able to remain stably integrated over time. In the long-run, do cities experiencing greater gentrification pressures end up with more economically or racially integrated neighborhoods?

While the answer to this question is unclear, it seems likely that policy interventions will be needed to cement integration, at least in some neighborhoods where gentrification pressures are particularly strong. Most policy discussions surrounding gentrification center on efforts to protect individual residents at risk of displacement through legal representation or tenant-based vouchers. Yet while these efforts can be critical in helping individual tenants, they

[6] Ding, Hwang, and Divringi (2016).

will do little over the longer run to preserve economic diversity, which is shaped much more by the composition of people moving into a neighborhood than by the pattern of exits.

So, what can policymakers and community organizations do to secure long-run economic diversity and help make gentrifying neighborhoods more inclusive, or more welcoming to households earning a range of incomes? There are no easy answers, but one relatively simple, if potentially expensive, response is to preserve the substantial stock of affordable housing that already exists in gentrifying areas. Consider the case of New York City, where 12 percent of housing units in gentrifying areas of the city are public housing units and roughly another quarter are privately-owned subsidized housing. If preserved over time, these units can assure some level of economic mixing, and potentially racial mixing too. Preserving public housing is the most straightforward measure, though many public housing units need substantial infusions of capital.

Extending the subsidy agreements of privately owned subsidized housing is more challenging, especially in hot markets where owners demand substantial subsidies. Policymakers will need to decide how much they value integration as they confront trade-offs between preserving fewer units in gentrifying areas and more units in persistently poor areas. In some cities, this trade-off is large, while in others it is fairly modest. Ideally, local officials should negotiate extensions before markets heat up, but getting ahead of the market isn't easy.

Local policymakers can also try to entice owners of market-rate rental housing in gentrifying areas to keep rents affordable for some share of their units through offering property tax breaks or other incentives like low-interest renovation loans. But again, such carrots can be costly. As for sticks, local governments may be able to use their powers of code enforcement to gain leverage over landlords whose buildings need repairs and demand that they keep rents affordable.

In addition to preserving existing affordable units, cities might try to acquire and build new subsidized housing in gentrifying areas. This can be expensive given higher land costs, but where possible, policy makers can take advantage of city-owned land and lock in affordability over the longer run through deed restrictions, land leases, or community land trusts. Finally, another possibility is to harness the market through either mandating or incentivizing owners to include low-rent units in their buildings. In hot markets, developers will often willingly trade affordability restrictions in some set of units in exchange for additional density.

Finally, building truly inclusive and integrated communities may require more than just housing investments. It may take special efforts to knit a community together and ensure that all residents are able to enjoy a neighborhood's amenities and resources. Local community organizations are perhaps best equipped to break down the social, and sometimes physical, barriers that sometimes separate public and other subsidized housing residents from their neighbors and ensure that all residents in a community have a voice and gain from any new opportunities.[7]

In sum, gentrification offers the promise of inclusivity. But left to its own devices, the market is unlikely to deliver on that promise. To ensure longer-run integration, local leaders in partnership with community-based organizations can work hard to preserve existing affordable housing (through investing in public housing, extending affordability restrictions on privately owned units, and seeking opportunities to incentivize private owners to keep units affordable over time). Second, they can take advantage of publicly owned land and other opportunities to acquire and create new subsidized housing in neighborhoods experiencing market pressures. Third, they can harness the market to deliver affordable units through tools like inclusionary zoning. Finally, they can work with local community groups to help low- and moderate- income residents make the most of any growing opportunities arising in gentrifying neighborhoods. Of course none of this is easy, and none of this is cheap. Some deals will simply be too expensive, but city and community leaders who wish to make gentrification more inclusive should be vigilant in searching for opportunities. And meanwhile, researchers should be on the lookout for opportunities to build our understanding of the costs and benefits of different strategies.

[7] Dastrup and Ellen (2016).

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