

The Neighborhood Wave: Development or Displacement?

Ayanna Gay and Talia Hughes

NAF Future Ready Lab Interns

Abstract

“One by one, many of the working-class quarters have been invaded by the middle class - upper and lower . . . Once this process of 'gentrification' starts in a district it goes on rapidly until all or most of the working-class occupiers are displaced and the whole social character of the district is changed” – Glass, 1964. The word “gentrification” was coined by Ruth Glass as a description of her observation of the social structure and housing market of the inner areas of London.

Three things to consider when thinking of gentrification: historic conditions, investment and policy decisions, and community impacts. All will be touched on within this paper and will show the relationship between them, such as how history impacts the community, which influences the type of investments made, and then leading to significant impacts on the community.

Gentrification leads to changing demographics of a neighborhood due to the influx of new businesses and residents attempting to generate more wealth in an underdeveloped area that typically surrounds a low-income neighborhood. As a result of these changes, many parts of the community are affected, including the history, culture, and people. Changes as such can often times lead to displacement of long-time residents or shutting down of local businesses. This paper aims to provide both the negative and positive attributes of gentrification, financially and historically, while seeking a way to benefit or aid those long-term residents having trouble adjusting or maintaining their lifestyle in a changing environment.

Introduction/Methodology

Gentrification is the change from manufacturing-based industries to service-based industries, resulting in a shift from manufacturing working-class individuals to white-collar professionals. It mainly consists of developers purchasing low priced properties and remodeling them before reselling at a higher price. The main purpose of the process is essentially to promote neighborhood prosperity and development by increasing property values, real estate development, and business opportunities. The major downfall to this is that these changes are only beneficial to the people moving into the area. They gain access to the new businesses, safer neighborhoods, and luxurious apartments. All of this to the cost of what? The locally owned businesses are often times closed down and replaced with high-end stores and shops. The price of rented homes increases, and families that previously resided in the area are left with two choices—pay the difference in the rent they are presented with or move out. If they do decide to stay and pay the extra in rent, they are unable to afford the new amenities added to the neighborhood. The term of gentrification is often associated with negative outcomes, such as forced displacement and the shutting down of local shops and businesses, but there are other, more positive results as well.

A pair of interns decided to research gentrification and its positive and negative impacts on a community. The team did extensive internet research and interviewed business professionals working in areas dealing with gentrification. The goal of this paper is to express the negative and positive impacts of gentrification on communities and what can be done as aid to the residents.

Background

Gentrification originates from Britain and refers to the process of upper- and middle-class families buying properties and houses in East London and replacing the low-income residents (Roos, How Gentrification Works, 2019). The term was originally used to describe the restoration of existing properties and buildings, but has evolved to include buying land plots and creating new buildings and businesses to accommodate to middle-class culture and bring wealth to a deteriorating neighborhood. Gentrification has become associated with negative emotions and thoughts because of the negative effects (displacement, breakup of neighborhoods, etc.) The term is often replaced with the phrase 'urban development,' but as similar as the two are, they are not the same. Gentrification is the renovation process to conform a neighborhood to middle-class lifestyle. This is a highly important topic to be discussed, researched and improved because it happens in many places around the country and is becoming more frequent. Gentrification tends to have a detrimental effect on some of the families or longtime residents in deteriorating communities. People should be concerned because the people being displaced have families just like anyone else and only want the best for them. Some never get to enjoy simple pleasures and luxuries, including the new shops and businesses in the growing neighborhood, because they are constantly worrying about their increasing rent cost of living in their area.

The Process

Before an area is gentrified, it goes through a phase of disinvestment, in which the buildings are left to decay while businesses move out and median income levels begin to decline. Before an area is gentrified it must meet the eligibility requirements, meaning that the area's median household income and home value must be in the bottom 40th percentile within a metro area, and must consist of 500 residents at the start of a decade. Urban developers or 'urban pioneers' then move into the area and transform the empty lots and vacant buildings into luxury condos and affluent businesses. When the new venues and living spaces are built, it leads to an increase of middle-class people moving into the neighborhood, then influencing other affluent businesses to follow. The problem with this process is that it breaks apart and removes the preexisting communities, making way for new, wealthier residents. As the neighborhood grows and new investments are made, the real estate value of the surrounding area begins to rise, and because of this, rent and property taxes rise in parallel. The majority of families in underdeveloped, centralized areas are low- to moderate-income (LMI) and don't have the funds or income to afford a rising living cost and end up getting pushed out of their homes. They either become homeless or have to find more affordable housing, which could cause other problems due to qualification and availability. The neighborhood those families once lived in then continues to go through the gentrification process until it is considered a prospering and sufficient neighborhood.

Land Use and Real Estate

The most immediate impact of gentrification can be seen in the usage of the newly purchased land. The new owners of the land will typically use it to build luxury office buildings or apartments, as well as popular stores and restaurants. Neighborhood parks and community buildings are renovated and sometimes remodeled as well. All of these new amenities added are used as an appeal to the middle-class citizens, causing an influx of new residents to the area. The newcomers arrive and spend their money at the new shops, encouraging other businesses to develop in the area. It's not always new businesses that are built, but sometimes an addition to an institution. For example, in the Parramore district, a suburb of downtown Orlando, Florida, there was a charter elementary school, Nap Ford Community School, that was bought and torn down in order to build a parking lot for the new UCF campus. This shows that gentrification doesn't always mean just new stores and condos, it can mean stadiums, new schools, more parking lots, and any other additions to a neighborhood that make it appear to be "new and improved." As a result of the changes, the land value begins to increase because the businesses are bringing in more money, new residents and more visitors.

As the land value increases, the realtors and land owners are benefitting because they are making more money, but some of the renting residents receive the adverse effect. As a result of the increasing rent, some residents will be compelled to leave because they would no longer afford their rent, while others may be able to pay the rent but be left with no leftover money. While the lower-income families are being displaced because of their rising rent prices, the new middle-class citizens are able to

rent those homes that are being left behind. The higher-income residents just moving into the area are now living in houses that are, more often than not, considerably low priced in comparison to their previous neighborhoods. While this benefits the more affluent newcomers, people from other neighborhoods are unable to move into the neighborhood if they are forced to leave because there are less affordable houses. Low-income families would be forced out of their homes by the buyers of the property because they intend to tear down the homes to build something new in the neighborhood. Neighborhoods with a greater number of homeowners will result in less displacement because, although they may have to pay higher property taxes, they will not be vulnerable to overcharged rents.

New Reputation

When the new establishments have been built and the newcomers have moved in, the neighborhood gains a new image. It goes from being a run down, underdeveloped place, to an increasingly popular and changing neighborhood that other middle-class citizens will feel compelled to go shop and visit to see what has changed. The area's old image will be replaced in the minds of many people with the view of its new condition and aesthetic.

Demographic Shift

Starting from the development of the first few businesses and structures, people will begin to refer to the community as "developing" instead of underdeveloped or

neglected. The fact that the community is being developed and starting to prosper will draw more affluent workers to the area to visit as well as live. This will lead to a more diverse community population with both white- and blue-collar workers with varying salaries and wages. The demographic will shift culturally also because more people of different races and ethnicities will be in the area.

Affordable Housing

In Florida, specifically, there are over 900,000 Very Low-Income (VLI) individuals who have to spend 50% or more of their paychecks on housing. These individuals are the ones who will be evicted from their homes first when the value of the land increases because they can't afford to pay more for housing and still have money for food, clothes and anything else they may need. Gentrification magnifies this issue because it causes VLIs to have to leave, increasing the homeless population of the state. Florida is ranked 3rd nationally for homeless population. There is less and less affordable housing due to the new residents coming and living in places below their median income, making it very cheap for themselves but not considering other families that may need it more. It is also becoming scarce because some of the investors are buying the land from the landlords and making other plans that require those housing units to be torn down, again, leaving families homeless.

Community Fights Back

Communities undergoing the process of gentrification sometimes attempt to fight against the developers. They hold protests, create news articles and get media coverage (such as news segments) to help them fight back against developers and save their homes as well as local businesses. The residents also form organizations and trust funds in order to help each other find somewhere to go, pay for expenses and keep local businesses alive and competing. The problem with some efforts in the past fighting against gentrification is that the trust fund formed by the Sadowski Coalition for affordable housing was misused. Over 15 years, \$2 billion was saved toward affordable housing but the legislature has used \$125 million of those dollars toward balancing their budget for the year. Another problem with the people fighting back against the developers is that there are no laws set in place to protect the residents from the steadily rising property taxes and rents.

Historical Impact

Investors usually attempt to sustain and maintain historic homes and buildings because they tend to have a more stable property value and more predictable appreciation trends. They don't have the same train of thought when it comes to the history of the community. Throughout an underdeveloped neighborhood, there are many locally and family owned businesses. During the gentrification process, those businesses are usually bought and torn down or forced out of business by developers so they can use the land and/or building. This can be seen on many occasions, such as in Washington

D.C. in 2015, a local restaurant, Sweet Mango Café, was bought out. Not only did this take a beloved place of the community, but also ended the communities annual Caribbean parade. When the locally owned restaurant was shut down it took a part of that city's history and sense of community. Gentrifiers may attempt to preserve historical buildings, but they couldn't care less about the history of the community and its residents. When the appearance and dynamics of the community are changed, so is the environment socially. The people become alienated from the newcomers and each other because they cannot afford to partake in the same activities, and their old neighborhood friends and often times displaced. The community is important and historic, and it must be preserved rather than replaced.

Solutions

Instead of finding ways to help the people being displaced, the research team decided to propose a solution that would help prevent the displacement from the beginning. The solution is focused on opportunity zones. An opportunity zone is an area within the United States that was created through the Tax Cuts and Jobs Act in 2017 that allows developers to invest in a low-income community for tax breaks, benefits and deferrals. There are approximately 8,700 opportunity zones in the country, and 426 in Florida. The problem with these zones is that the developers are building luxury condos, hotels, and corporate office buildings and other facilities of that nature that do not benefit the low-income individuals of the community. Another problem is that the developers promise

the residents construction jobs to help build the structure, but once the building is complete, so is their job.

The solution the team proposes to fix the act and also the major problem with gentrification, is to add requirements to the companies investing in the neighborhoods. The federal act should require the investors to build something beneficial to the community, such as a recreational center or a library. It should also require that the company offer an agreed-upon percentage of jobs to the individuals living in the community before they offer them to middle-class workers. The company would still be making a profit off of the business created and getting their tax benefits, while also benefitting the community and allowing the opportunity for those individuals to remain in their homes and continue to save and provide for their family. Also, if the company plans on building a housing unit, it should be a requirement that the housing is affordable to those low-income individuals of the community.

Another possible solution to aid the community residents is a maximum on property taxes for homeowners. While the value of the area is going up, the property tax for homeowners levels. In order to help these low-income homeowners, there should be a property tax cutoff for individuals living in the community for extended periods of time. Once the resident has owned their home for 15 years, their property tax should remain at the point to allow them to keep their home and still be able to afford the house they are living in.

Conclusion

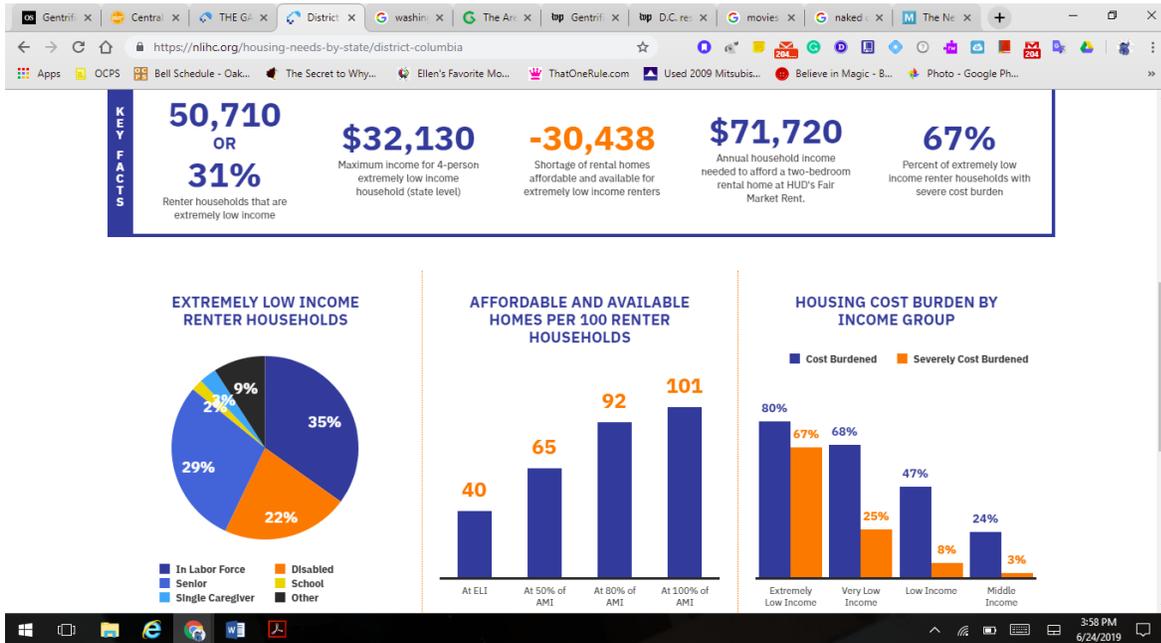
In conclusion, the team's statement that gentrification has a negative impact on communities financially and historically was proven to be true throughout their research. It was also disproved in a way, because there are positive outcomes of the process as well. It all depends on perspective and what each person values more. The solution to gentrification's negative impact of displacement is not to give the people somewhere else to go, but give the people a way to stay in their homes.

About the Researcher/Research Team

The research team providing the information is composed of two individuals, Ayanna Gay and Talia Hughes. They were both NAF Future Ready Lab Interns who chose to research the topic with the help of mentors within similar fields. They conducted this research over the course of 4 weeks.

Ayanna Gay is an upcoming senior at Olympia High School. Her career goal is to become a Forensic Medical Examiner or business owner. She learned a lot through this Future Ready Lab internship about savings and taxes, and she is glad she learned about them now rather than later so she can be well prepared.

Appendix



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