

Contain Gentrification Business Plan

Alan Gutierrez, Solana Johnson, Ammir Thomas

*Bright Minds, Fresh Ideas Think Tank Summer Internship, Powered by FPP*

July 26, 2021

**Table of Contents**

<b>Executive Summary</b>	3
<b>Business Case</b>	3
Introduction	3
History to Gentrification	4
Causes of Gentrification	5
Effects of Gentrification	6
Conclusion	7
<b>Business Description</b>	8
<b>Market Analysis</b>	9
<b>Competitive Analysis</b>	10
<b>Sales and Marketing Plan</b>	10
<b>Ownership and Management Plan</b>	11
<b>Operating Plan</b>	12
<b>Financial Plan</b>	13
<b>References</b>	14

## **Contain Gentrification Business Plan**

### **Executive Summary**

Contain Gentrification, or “CG” for short, focuses on providing housing and a sense of community to a lower socioeconomic audience. To achieve this goal of benefiting Pine Hills, our company utilizes “Container Homes,” or homes cheaply constructed with shipping containers while maintaining the same quality and structural integrity of a conventional home. CG will need an initial investment of capital for the initial land. CG projects an expected profit of \$105,600 yearly. With an initial cost of. We will fund our ventures with our capital, alongside governmental grants or aid due to our construction of affordable homes.

### **Business Case**

#### *Introduction*

The idea of gentrification is a relatively familiar concept today, but there are many layers to uncover to understand it. Gentrification is known as the process where lower socioeconomic classes are moved out of the area they reside in by higher socioeconomic classes. Along with the people being forced out, the culture of a community and its respective traditions and customs are moved out as well. While it is optimistic that the value of the area increases and the infrastructure improves astronomically, the original residents of that community do not reap the benefits. Instead, they usually have to relocate due to the massive price increases and their inability to pay those prices. Relocation and displacement are prevalent in major metropolitan areas, and the urgent conflict is that when these people move out of their communities, they have nowhere else to go. Thus, it poses the question: is there a solution to gentrification?

### *History to Gentrification*

Before a solution is proposed to the problem, history about the topic must first be taught. Gentrification is a problem today mainly due to racism. From the 1930s to 60s, both societal norms and the government imposed laws and regulations that prohibited black and brown people from living in the same communities as white people. One of the conditions imposed on minority groups was redlining. Banks, influenced by the government, would label areas where black and brown communities are “unfit for investment” (Urban Displacement Project, 2021). Consequently, these areas were rarely being developed, if at all. Areas of color were in complete contrast to white communities, where they were given access to loans and built equity in their neighborhoods.

Influenced by racism, another concept that prohibited integration and development in minorities was white flight. When black people reside in predominantly white areas, it created a stigma that a neighborhood would become “tainted” and immediately lose value. Many white families fled to the suburbs leading to the massive suburbanization movement (Marr 2020). Similar to redlining, this caused communities that were once considered “inviting” to have negative connotations. With a lack of assistance naturally came a decline in the quality of living, and therefore a significant difference in suburban housing and downtown housing. While other essential factors contributed to discrimination against communities, factors (and other similar ones) mentioned previously caused the regions we know now. Pine Hills and Parramore in Central Florida have a main demographic consisting of black people in lower socioeconomic statuses.

In modern times, these areas are still struggling heavily with densely impoverished regions, with a staggering 27% of the population in Pine Hills. They are labeled “below the

poverty line” alone (datausa). Through our business case, we will go in-depth on analyzing the problem.

Gentrification and its effect on shifting communities have a multitude of both historical and cultural causes. In its most basic form, gentrification is when the original, usually lower-income residents of a community are harassed or outright forced out of their homes due to rising property costs and changes in cultural values. These changes are initially caused by development in the area, promoting higher-class residents to move in and replace the native stagnant community (University of Texas, 2021). Gentrification itself shouldn't be considered a horrible notion to avoid. However, usually, no thought is given to the native residents, in turn causing “unnecessary cultural displacement” (NCRC, 2020)

### *Causes of Gentrification*

The modern-day causes of gentrification are lofty. For example, the “Whole Foods Effect” is a form of gentrification where the average rent and property values immediately rise after a single Whole Foods is constructed within the area (Berg, 2020). Another example, the lack of legal protection against the native residents in the face of rising rent and taxes. Some states lack the necessary protections, which “leads to increased susceptibility to sudden rent increases, harassment, or eviction” (NALCAB, 2020).

One micro cause of this societal issue is the significant difference in price between the real estate within impoverished areas in the city and suburban areas. A significant price difference is an incentive to move into a gentrified area rather than a suburban area.

Another micro cause is a more open-minded approach from Millennials than previous generations. Many Millennials now embrace a more inclusive community and realize the benefits of living close to Central Business Districts (CBDs) and its location to other

conveniences around downtown areas, such as coffee shops, retail shops, and more. (Hyra 2016). To them, these benefits outweigh the current status of the community around them.

A macro-cause is tax incentives. For example, some incentives offer tax breaks for historic preservation sites or first-time homebuyers (Berg 2020). Tax incentives are an apparent cause for families to move into these impoverished areas solely because the price and tax rate are significantly lower than that of the suburbs.

Another significant issue is a land shortage. Since the population continues to increase and the demand for land keeps expanding along with it, the availability of land remains the same. Land shortage is a significant issue, and this causes many families and corporations to move into cheaper, impoverished areas. It is detrimental for the families that already reside there because it causes prices to rise for them, and in most cases, many of those families cannot afford those upcharges. Gentrification's impacts reach far and wide. The initial causes of gentrification hurt native residents implicitly by its nature, thus exemplifying the consequences into an even worse state of affairs. Gentrification impacts homeowners by displacing them into neighborhoods of lower average income than initially. The families are mistreated by being "pushed away before they could benefit from increased property values and opportunities in revitalized neighborhoods." (NCRC, 2020) These consequences lead families into more underprivileged economic situations, more destitute housing situations, and more impoverished lifestyles.

### *Effects of Gentrification*

Gentrification forces groups like lower-income and crime-ridden urban areas to be overtaken by groups with higher incomes. In other cases, more affluent regions control what will happen to neighborhoods and families around their communities. Prosperous communities trying to mitigate the division are not doing so well. Additionally, some are trying to flip and make

money off gentrification to build wealth. The ones who are displacing these community members inhibit “economic mobility” (Urban Displacement Project). "To eliminate some of the problems, it is recommended to go in the area to educate the people and also allow them to upgrade their homes. Most of the minority areas with high minority populations should be informed that there are always grants available. Still, some of us are not educated enough to take advantage of the low-interest rate to bring our homes up to standard" (G.Washington, 2021). In the meantime, struggling families are being replaced by the upper class, and the real estate market influences them to take a risk.

Nevertheless, less prosperous cities are being targeted, and it allows residents to inhibit other ethnicities from improving circumstances. Gentrification hasn't had a strong influence on being stopped because America's government would like to have higher property sales taxes and whether communities are willing to spend more on sales taxes. The more upscale regions get, the more risk lower-income families are being pushed out (Levy et al., 2006). On the contrary, it leads to wealthy owners not allowing low-income citizens to grow and improve the community themselves. The government hesitates to step in because they want the improvement but won't get it from the native communities living there.

### *Conclusion*

Although gentrification allows for the remodeling of the community, there is a distinct cost. While new infrastructure and higher-value homes are being built, the community's original families are at risk of moving out. Not only does gentrification pose a risk to the people residing in the community, but also the community as a whole. When residents move out, the cultural identity of the community decays because there are fewer native residents there to preserve it. As a result, wealthy districts have the upper hand in improving the cities. Real estate is encouraging

wealthy people to come in and increase property values. Minorities or less-affluent individuals have to either adjust to the new norm or be forced out. While real estate markets and wealthy communities come together to attract and improve areas, it forces the native majority to leave. The government does not want to stop displacement because they love the idea that the upper classes can bring in higher property taxes and spend more in the community. Gentrification must be treated as a serious issue; through our upcoming ideas, gentrification can be mitigated.

### **Business Description**

Since 17.4% of the population within Pine Hills are below the poverty line, many families are at risk of relocating if the price of homes becomes too high. A high level of impoverished families poses a risk to the community because as the original people move out of the community, the district also is at risk of losing its identity. The culture that has been developed in that area could potentially be lost if there is no assistance given to these families. After all, the median income for the Pine Hills area is roughly \$46,000, which is about \$20,000 less than the median income for the Orlando metro area. Despite the significantly lowered annual income price, many houses within Pine Hills are over \$200,000. House prices like this pose a problem to those who can't afford it.

While the land value does increase when families of a higher socioeconomic status move in, the experiences and memories created in that community from people before them are endangered. Consequently, more homes have a significant need since more and more people require a more affordable community for their budgets. That is where our business comes in. The business we are creating is to advocate for families in need of housing within Pine Hills. What will make us different from the competition is that our company will establish a sense of “community” in the process. But affordable housing is not the end goal. The ultimate goal is to

establish a neighborhood that people are proud to live in. Affordable homes allow for people to stay in these communities and give back, promoting more progression and development in these areas. Our affordable home project is different from other public housing projects because they solely focus on providing lackluster forms of housing with a low quality of living.

The current piece of land that CG will buy is 6205 West Colonial Drive, 32808. The price is \$849,000 with an area of 3.32 acres. While the area is labeled as commercial real estate, we can request Orange County officials to change it to residential since the area has never been sold to a business. It is also given that land improvements will need to be made. There will need to be dirt added to level the land. We will also implement a zero-lot-line approach to fit in each row of houses. A zero-lot line approach will lead to eleven homes initially being built on the property.

### **Market Analysis**

Our main target demographic will be residents near or below the poverty line living in the Pine Hills area. The effects of gentrification cause many black families with lower incomes to be at risk of not being able to afford certain homes and apartments in that area. Because of gentrification, families resort to moving into cheaper neighborhoods and worse lifestyles. Gentrification is extremely applicable in Pine Hills since the median income is roughly \$40,000, with 25.1% of the population being in poverty, a statistical outlier (Census Bureau, 2019). There is substantial demand for CG, especially for the lower socioeconomic families who are being forced out of their homes due to gentrification. Even outside of Pine Hills, gentrification is still in effect, so CG's community can be a "landing spot" for displaced people due to gentrification.

Above all, our target audience is all about serving black single families homes of four. The goal is to reform residents who already live in the domain trying to stay within the community. We want families in the area to experience the value of a real community to come

together to create better ways. Indeed, our target audience has a percentage of 33% of a high school diploma or equivalent. (niche) CG offers education programs to citizens in or outside the community to learn about income ratios, property taxes, and more. On the contrary, the age demographics are around 25-year-olds and 34-year-olds. These age groups give CG an excellent opportunity to expand their knowledge of gentrification and the real estate industry.

### **Competitive Analysis**

Our business will have to compete against other affordable housing non-profits and commercial companies. Throughout central Florida, there are many urban development projects serving residents that are on Section 8 Housing. Section 8 Housing is part of the Housing Act of 1937, and it allows the payment of rental housing assistance to private landlords on behalf of low-income households in the United States. Among the providers of affordable housing, “Containers in Motion,” “The Container House,” “I Container Home,” and construction companies are the main competitors. Some general competitors in the Pine Hills construction market are Royal Oaks Apartments, Emerald Villas Apartment, and Silver Hills Apartments. However, none target areas under the poverty line, thus opening a gap that we can fill in the market. Our company will stand out against the competitors through emphasizing community and rehabilitation.

### **Sales and Marketing Plan**

Essentially, our company is providing real estate for rent to low-income families so our marketing approach will be similar to that of a real estate business. One way we can market our homes is by creating a virtual tour through YouTube. A virtual tour can give potential customers a visual representation of the home layout.

A rapidly growing advertising platform is social media. Platforms like Instagram, Facebook, and TikTok allow for more online traffic for your business and build a more custom audience for our business. A majority of people rely on social media to get their information to promote our business by paying to sponsor our posts. These social advertisements will allow a significant number of people to see our content.

Another method that we will use is to create a website. That way, we can show our homes online and provide all the information in one place. On the website, our contact information and links to specific non-profits that we will partner with, like WorkForce Central Florida, Servant's Heart Food Bank, and Educate the World, Inc. So, if a potential customer wants to reach out to us or a partnering organization, they would be able to do so. We will align ourselves with these non-profits because it allows for more resources for people living within our community. Ultimately, it causes people to want to stay in their community.

We will be using flyers as another advertising method. Areas like Pine Hills are experiencing higher gentrification levels than other areas in Orlando. Putting these flyers around Pine Hills, especially around where the community will be built, will notify residents about the new homes.

### **Ownership and Management Plan**

As of right now, only the three of us will run CG. Solana Johnson will run the educational programs, the financial aspect of the company, and the marketing sector of the company. Alan Gutierrez will run the front office and manage relations with other companies. Ammir Thomas will oversee the construction management to construct the container houses and act as a tenant for the families living in the homes. As of right now, Solana, Ammir, and Alan will each own one-third of the company.

## Operating Plan

The location of our office will also be within the community, which will also be constructed with a container. There, CG will control all of their rental rates. Also, bimonthly classes will assist the families with financial capability, credit repair, and the importance of homeownership.

Potential Non-Profit Organization Groups to Partner with:

- WorkForce Central Florida: WORKFORCE CENTRAL FLORIDA is the Orlando region's workforce expert, an authority for workforce planning, programs and the labor market. WCF connects employers to the largest pool of talent in the area and provides worker resources and training. WCF prepares our community's residents for careers that meet local businesses' demands for today and into the future. For WCF services including our online job bank visit [www.WorkforceCentralFlorida.com](http://www.WorkforceCentralFlorida.com).
- Servant's Heart Center Food Bank: Servants Heart Center Food Bank has been feeding the needy in our community for over 16 years. We deliver to over 1,600 families per month. We need donations to keep up the need. Turkey's cost about \$10. each. We deliver to needy families every week. We screen everyone to separate the needy from the greedy. Please stop by and drop off or send a donation and if you can..... please .....volunteer your time. Thank you, thank you, thank you. 6448 Pinecastle Blvd. Orlando, FL 32809-6682 407-447-9022 Deuteronomy: 15-11 11- You shall open wide your hand to your brother, to the needy and to the poor, in your land.
- Educate the World, Inc.: Changing Our World Positively, through education and promoting tolerance, provides Laptops, School Books, Mentoring, Funds

## Financial Plan

Here is a portrayal of our projected financial expenses and assets for our start-up. Yearly totals:

LLC License	(\$125)
Pine Hills Lot	(\$849,000)
Homeowner's Insurance	(\$828)
Property Taxes	(\$167)
Containers for construction (\$6000 each)	(\$198,000)
Community Block Development Grant	\$16,000
Utilities (Electricity, Water/Plumbing, Wifi)	Optional, N/A
Furniture (Fridge, Couch, Bed, etc.)	Optional, N/A
Low-Income Tax Credit	N/A
Construction for Playground	(\$16,000)
HOME Investment Partnerships Program Loan	\$750,000
Crowdfund Event Expense	(\$3,240) (270 monthly)
Crowdfund Event Profit	\$13,000 (1,150 monthly)
Rent from Families (\$800 per family)	\$105,600
Implementation of Utilities	(10,000)
Total	\$ (218,760) 1st year \$ (113,160) 2nd year \$ (7560) 3rd year \$ 98,040 4th year

[Orange County Quick Reference Guide](#)

## References

- Agadoni, L., & Agadoni, L. (n.d.). *What is Gentrification?* | *REtipster.com*. REtipster.  
<https://retipster.com/terms/gentrification>
- University of Texas. (2021). *Understanding Gentrification and Displacement*. Understanding Gentrification and Displacement.  
<https://sites.utexas.edu/gentrificationproject/understanding-gentrification-and-displacement/>
- Berg, N. (2020, September 24). *How the 'Whole Foods effect' jacks up apartment rent*. Fast Company. <https://www.fastcompany.com/90554682/how-the-whole-foods-effect-jacks-up-apartment-rent>
- Everything that causes gentrification, from A to Z*. City Observatory. (2019, April 15).  
<https://cityobservatory.org/everything-that-causes-gentrification-from-a-to-z/>.
- Hyra, D. (2016). *Commentary: Causes and Consequences of Gentrification and the Future of Equitable Development Policy*.
- Marr, T. (2020, October 7). *Millions of Renters Face Eviction—Why Today's Housing Market is Partially to Blame*. Redfin Real Estate News. <https://www.redfin.com/news/millions-of-renters-face-eviction-why-todays-housing-market-is-partially-to-blame/>
- NALCAB. (2020). *Understanding the Impacts of Neighborhood Change on Small Business*.  
<https://nalcab.org/wp-content/uploads/2019/07/Citi-Small-Business-and-Neighborhood-Change-Working-Paper-Final.pdf>
- NCRC. (2020, November 12). *Shifting Neighborhoods: Gentrification and Cultural Displacement in American Cities* ». <https://ncrc.org/gentrification/>

*Pushed Out: Displacement Today and Lasting Impacts* / *Urban Displacement Project*. (n.d.).

Urban Displacement Project. <https://www.urbandisplacement.org/pushedout>

Urban Displacement Project. (2021). *Gentrification Explained* / *Urban Displacement Project*.

Urban Displacement. <https://www.urbandisplacement.org/gentrification-explained>

Bureau, U. S. C. (n.d.). Census.gov. <https://www.census.gov/>.

Ward, S. (n.d.). *How to Write a Business Plan Outline*. The Balance Small Business.

<https://www.thebalancesmb.com/business-plan-outline-2947032>.