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# **Neighborhood Change and Gentrification**

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- ✓ **What is Gentrification?**
- ✓ **Causes and Effects**
- ✓ **Displacement**
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# Gentrification

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- Gentrification is a catchword for neighborhood change
  - Implied change: Mostly economic, racial, and the fear of displacement
- What is gentrification?
  - *The process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents*
- In a community undergoing gentrification, the average income generally increases and average family size generally decreases
- Why does gentrification matter? Is gentrification good or bad?
- Sometimes, public policies aimed at development encourage gentrification

# Causes

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- There are multiple causes of gentrification including:
  - ✓ Increased housing demand
  - ✓ Lack of housing supply
  - ✓ Changing attitudes, lifestyles, and demographic trends
  - ✓ Potential residents seek out the new “Hot” areas
  - ✓ Job growth and the search for economic opportunities
  - ✓ Spillover effects from wealthy neighborhoods, etc...
- A combination of these factors cause neighborhoods to become more attractive to new population groups with higher incomes

# Effects of Gentrification

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- Why does gentrification elicit such visceral responses?
  - Anger from people who have had to accept poor services, weak schools, high crime, government inattention, sub-par retail amenities, and may not receive the benefits of gentrification
  - Spike Lee, famous movie director, writer and actor complained about the influx of white families into Fort Greene in Brooklyn:
    - "Why does it take an influx of white New Yorkers in the South Bronx, in Harlem, in Bed Stuy, in Crown Heights, for the facilities to get better?"
- Potential Benefits: Renewed housing investment, blight elimination, decreased crime, improved retail services, revived tax base, a community with the power to demand better public services, etc...

# Displacement

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- Is all new development good?
- Public policies aimed at new development may trigger rising market rents in a neighborhood, causing existing, lower-income families to relocate because they can no longer afford to pay market rents or increased property taxes.
- “The term "displacement" has been used to cover a variety of neighborhood phenomena. Unfortunately, the indistinct meanings attached to it muddle policy discussions and may even contribute to stoking community fears of gentrification.” (Freeman and Braconi, 2002)
- How to measure displacement? *Hint: It is extremely difficult!*
- How do we keep neighborhoods affordable and prevent displacement?

# Policy Tools

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- Most mainstream observers agree that community improvement is a good thing, but that municipal policies should seek to mitigate secondary displacement. (Freeman and Braconi, 2002)
- How can government invest in neighborhoods without creating displacement?

## Demand-Side

- ✓ Help low- or moderate-income households pay for units that they select in their local housing market
- ✓ Primary federal tools → Section 8 vouchers (tenant-based) & Section 8 contracts (project-based, subsidy to landlord)

## Supply-Side

- ✓ Lower the cost of creating and maintaining new housing units so that they are affordable to low- or moderate-income households; rent regulation
- ✓ Primary federal tools → Public Housing Authorities (“PHA’s”), Low-Income Housing Tax Credit program (“LIHTC”), & Tax-Exempt Bonds

# Case Studies: 3 Places Along the Spectrum

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- Households seeking affordable housing make trade-offs among housing cost, housing quality, and neighborhood location. This is true in both the private market and in affordable housing
- Different types of households seek housing in certain areas, suggesting that we need to produce a wide range of sites in different neighborhoods to accommodate differential demand
- ✓ **Chelsea** → Gentrified. Once a mostly low income neighborhood that saw large-scale urban renewal in the 60s but is now a mostly affluent neighborhood
- ✓ **Harlem** → Gentrifying. Badly decaying during the 60s and 70s but has revitalized with major influx of government spending. But long-term residents fear displacement as new residents follow improvements and prices continue to rise
- ✓ **South Bronx** → Rebuilding/Stabilizing. The most decimated region in the City during the 70s has now been mostly re-built but as the home of the largest portion of low income residents in NYC greater affordability is needed



# Chelsea → Gentrified

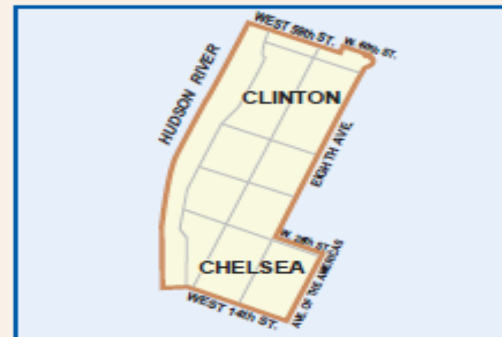
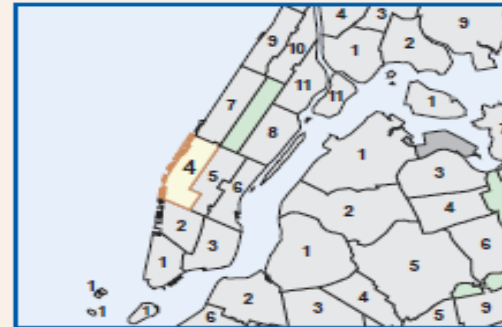
## MANHATTAN COMMUNITY DISTRICT 4

TOTAL POPULATION	1990	2000	2010
Number	84,431	87,479	103,245
% Change	—	3.6	18.0

VITAL STATISTICS	2005	2010
Births: Number	891	921
Rate per 1000	10.2	8.9
Deaths: Number	610	565
Rate per 1000	7.0	5.5
Infant Mortality: Number	1	—
Rate per 1000	1.1	3.2

INCOME SUPPORT	2005	2012
Cash Assistance (TANF)	3,636	2,098
Supplemental Security Income	4,399	4,090
Medicaid Only	11,276	11,704
<b>Total Persons Assisted</b>	<b>19,311</b>	<b>17,892</b>
<b>Percent of Population</b>	<b>22.1</b>	<b>17.3</b>

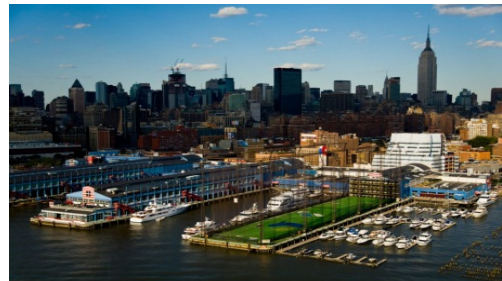
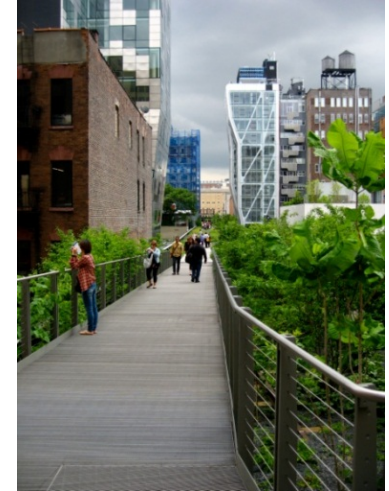
TOTAL LAND AREA	
Acres:	1,131.8
Square Miles:	1.8



	Lots	Lot Area	
		Sq. Ft. (000)	%
1- 2 Family Residential	136	229.8	0.6
Multi-Family Residential	1,341	7,279.6	18.7
Mixed Resid. / Commercial	812	4,797.7	12.3
Commercial / Office	481	5,273.5	13.6
Industrial	212	1,989.3	5.1
Transportation / Utility	132	11,120.9	28.6
Institutions	177	3,830.0	9.9
Open Space / Recreation	18	756.3	2.0
Parking Facilities	138	1,762.9	4.5
Vacant Land	77	1,718.3	4.4
Miscellaneous	11	114.0	0.3
<b>Total</b>	<b>3,535</b>	<b>38,872.3</b>	<b>100.0</b>

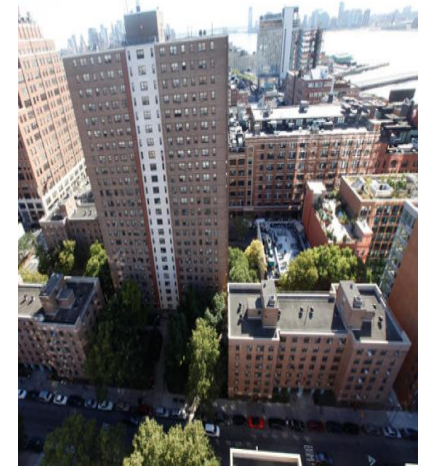
# Chelsea → Gentrified

- Chelsea has become one of the priciest neighborhoods in NYC.
- New flats are sold for \$2M to \$15M (median sales price is \$1.3M)
- Rents in doorman buildings range from \$3,000 for studios to \$7,000 for 2 br apartments but the median rent is \$2,500 per month
- New attractions like the High Line Park, Chelsea Piers, Chelsea Market, numerous art galleries, hip restaurants and the Hudson River Park all draw tourists and affluent to the area



# Chelsea → Gentrified

- Gentrified does not mean that there is no affordable housing
- Public housing and existing affordable housing have been preserved.
- In addition, new market rate housing has been built with 20% set asides for people making 40-50% of area median income
- Rent restrictions cover over 40% of the units protect current tenants but those units could become market rate over time



# Harlem → Gentrifying

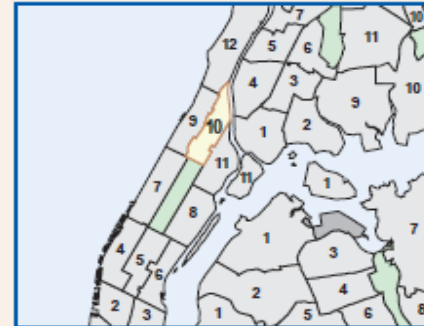
## MANHATTAN COMMUNITY DISTRICT 10

TOTAL POPULATION	1990	2000	2010
Number	99,519	107,109	115,723
% Change	—	7.6	8.0

VITAL STATISTICS	2005	2010
Births: Number	1,659	1,716
Rate per 1000	15.5	14.8
Deaths: Number	1,022	850
Rate per 1000	9.5	7.3
Infant Mortality: Number	13	—
Rate per 1000	7.8	7.5

INCOME SUPPORT	2005	2012
Cash Assistance (TANF)	11,139	8,472
Supplemental Security Income	8,827	9,016
Medicaid Only	28,503	31,911
<b>Total Persons Assisted</b>	<b>48,469</b>	<b>49,399</b>
<b>Percent of Population</b>	<b>45.3</b>	<b>42.7</b>

TOTAL LAND AREA		
	Acres:	897.0
	Square Miles:	1.4



## LAND USE, 2012

	Lots	Lot Area	
		Sq. Ft.(000)	%
1- 2 Family Residential	538	915.8	3.6
Multi-Family Residential	2,444	10,770.1	42.3
Mixed Resid. / Commercial	647	5,502.5	21.6
Commercial / Office	156	1,271.1	5.0
Industrial	17	151.5	0.6
Transportation / Utility	18	212.0	0.8
Institutions	290	3,758.6	14.8
Open Space / Recreation	40	1,416.3	5.6
Parking Facilities	44	223.7	0.9
Vacant Land	251	1,237.6	4.9
Miscellaneous	9	24.3	0.1
<b>Total</b>	<b>4,454</b>	<b>25,483.5</b>	<b>100.0</b>

# Harlem → Gentrifying

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- Significant government investment preceded the changes
- Empowerment Zone created under US special law in 1995
- Population increasing in step with City growth but is becoming more wealthy and less reliant on subsidies and assistance
- Commercial development led by public subsidies has catalyzed private investment along major residential corridors
  - Economic activity has led to job growth and more retail choice
- Highly impacted by credit crisis
  - Land values plummeted and several large developments were foreclosed as owners' rosy assumptions were dashed
  - Bubble may be re-inflating, home prices now at a record high but still a value in comparison to NYC median prices

# Harlem → Gentrifying

- Rents are increasing for market rate units to \$2,000 to \$4,500 but the median rent is approximately \$1,500
- Home ownership is rising over the last 10 years (from 6% to 15%) and is more expensive (up to \$600k from \$250k)
- But there are large amounts of affordable housing from prior initiatives that have been preserved
- NYCHA, ML, Federally subsidized housing stock are all very important sources and continue to provide long term affordability. Almost half of all rental units are in this category



# Harlem Results

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## 191 SAINT NICHOLAS AVENUE

BEFORE



AFTER



# Harlem Results

BROWNSTONE LANE 2- 310 WEST 120<sup>TH</sup> STREET

BEFORE



AFTER





# South Bronx → Stabilizing

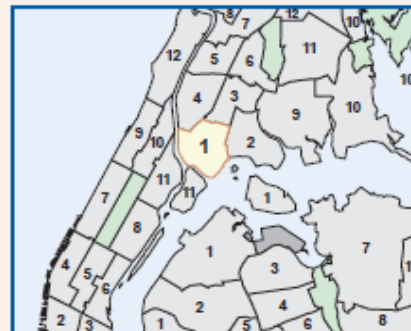
## BRONX COMMUNITY DISTRICT 1

TOTAL POPULATION	1990	2000	2010
Number	77,214	82,159	91,497
% Change	—	6.4	11.4

VITAL STATISTICS	2005	2010
Births: Number	1,636	1,716
Rate per 1000	19.9	18.8
Deaths: Number	573	516
Rate per 1000	7.0	5.6
Infant Mortality: Number	9	—
Rate per 1000	5.5	7.1

INCOME SUPPORT	2005	2012
Cash Assistance (TANF)	15,320	11,966
Supplemental Security Income	9,444	10,949
Medicaid Only	26,783	35,735
<b>Total Persons Assisted</b>	<b>51,547</b>	<b>58,650</b>
<b>Percent of Population</b>	<b>62.7</b>	<b>64.1</b>

TOTAL LAND AREA		
	Acres:	1,384.9
	Square Miles:	2.2



### LAND USE, 2012

	Lots	Lot Area	
		Sq. Ft.(000)	%
1- 2 Family Residential	1,193	2,455.2	6.0
Multi-Family Residential	921	8,921.8	21.8
Mixed Resid. / Commercial	428	2,283.2	5.6
Commercial / Office	320	2,290.7	5.6
Industrial	327	7,657.9	18.7
Transportation / Utility	127	5,308.5	13.0
Institutions	168	4,322.0	10.5
Open Space / Recreation	48	2,596.3	6.3
Parking Facilities	232	2,182.8	5.3
Vacant Land	237	1,455.2	3.6
Miscellaneous	62	1,521.4	3.7
<b>Total</b>	<b>4,063</b>	<b>40,995.0</b>	<b>100.0</b>

# South Bronx → Stabilizing

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- The Bronx is NYC's poorest borough
  - Median income is \$31,000/household (\$23,000 less than NYC average).
- The Bronx experienced the greatest drop in population in the City during the 1970s (over 20%) and has not fully recovered but has grown close to peak
- Bronx Community Boards 1 and 3 lost half of their population during the 70s
- The Bronx has the highest percentage of public housing, rent regulated and subsidized housing in NYC and the lowest percentage of home ownership.
- The poorest area in NYC is the congressional district of Jose Serrano (comprising most of Bronx CB1 and CB3) and it is the poorest district in the US with more than 38% of the population living below the poverty line in 2010.
- Even with the large government investment in the Bronx, the high poverty leads to the highest rent burdens in NYC coupled with the lowest average rents in NYC

# South Bronx → Stabilizing



- The South Bronx has the largest percentage of rent regulated units in the City but that does not mitigate the housing affordability pressure on low income residents.
- Rents are increasing for market rate units ranging to \$1,000 to \$2,500 but the median rent is approximately \$1,100
- Home ownership percentage has stayed steady as the supply of rental housing has risen from the City's affordable housing programs.
- A high concentration of affordable housing from prior initiatives that have been preserved

# South Bronx → Stabilizing

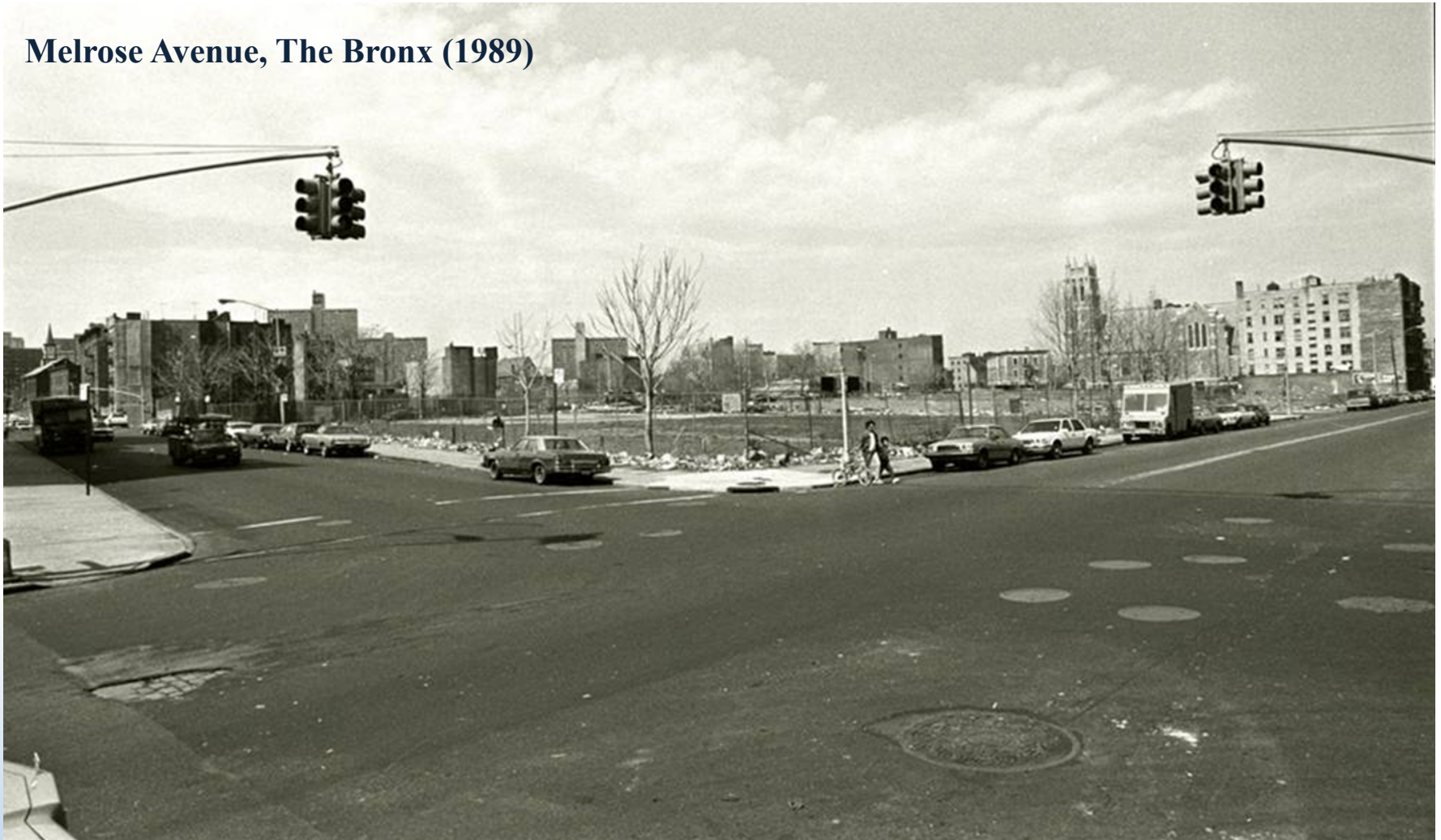
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- NYC invested more in South Bronx housing over the last 12 years than any other region of the City, building or preserving almost 55,000 units of affordable housing. Increased supply has coincided with increased demand
  - NYC owned more development sites in the South Bronx than in the rest of the City. Overall cheaper land prices makes it easier to fund affordable housing more inexpensively
  - Both the average rents and rent burden have increased over the last 10 years as income growth has lagged rent increases
- Housing investment has been mostly targeted to create and preserve units at 60% of the City's average median income (much higher than the Bronx median income) and could be seen as a gentrifying force
- Other efforts have been used to bring in more middle income workers into the Bronx by targeting affordability at 80% of AMI, creating greater income diversity and stronger retail markets.
  - Attempting to counter prior programs that concentrated poverty in the Bronx.

# South Bronx Results

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Melrose Avenue, The Bronx (1989)



# South Bronx Results

Melrose Avenue, The Bronx (2005)



Source: HPD Photo Archive

# South Bronx Results

2241 Webster Avenue, The Bronx (2004 to 2005)



Source: HPD Photo Archive

# South Bronx Results

East 148th Street, The Bronx (2006)





# South Bronx Results

East 148th Street, The Bronx (2010)

190-unit Formerly Homeless/Special Needs  
Total Development Costs: \$43,275,653

## Partners:

- NYCHPD (HOME and HOPWA)
- Bronx Borough President's Office
- NYS Housing Finance Agency
- Bank of America & JP Morgan
- NYS Homeless Housing Assistance
- FHLB Affordable Housing
- Common Ground



Source: HPD Photo Archive