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How Real Is Gentrification?

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Zoning and Land Use Planning

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How Real is Gentrification?

Introduction

Some commentators argue that the gentrification of urban neighborhoods has turned cities into a playground for the rich, forcing the poor into suburbia. This article critiques the anti-gentrification backlash on two grounds: first, cities are in fact still far poorer than suburbs. Thus, the threat of gentrification is essentially imaginary in most urban neighborhoods. Second, public concern about gentrification may lead to policies that, by limiting housing construction, actually increase housing costs.

I. The Anti-Gentrification Narrative

In the late 20th century, middle-class Americans left cities in droves. Rising crime rates made urban neighborhoods unattractive places to live, and new suburban highways and schools made suburbs a much more attractive destination.¹ By contrast, in recent years there has been a partial reversal of this trend. Some urban neighborhoods are more prosperous than they were a few decades ago, and some cities that had lost population in the 1960s and 1970s have gained population.

This urban growth has been accompanied by gentrification, which one federal court has defined as “a trend whereby . . . persons of relative affluence invest in homes and begin to ‘upgrade’ the neighborhood economically.”² This court suggested that gentrification causes “the eviction of the less affluent residents who can no longer afford increasingly

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¹Cf. ELIZABETH KNEEBONE AND ALAN BERUBE, CONFRONTING SUBURBAN POVERTY IN AMERICA 6-8 (2013) (describing decline of cities and pro-suburban public policies).

²*Business Ass’n of University City v. Landrieu*, 660 F.2d 867, 874 n.8 (3d Cir. 1981).

expensive housing in the neighborhood.”³ According to this critique, as a neighborhood becomes more “gentrified,” rents rise, causing the displacement of low-income residents unable to afford those rents.⁴ As a result of displacement, the poor are forced not only out of individual neighborhoods, but even into suburbia.⁵ In sum, gentrification critics assert that gentrification causes skyrocketing property values, which in turn causes cities to become “homogenous [] by race and class.”⁶

II. The Story vs. The Facts

The anti-gentrification story is not completely false: obviously, some urban neighborhoods are richer now than they were a decade or two ago, and many are more expensive. But on balance, the narrative is more incorrect than not, for one simple reason: central cities are still far, far poorer than their suburbs, and would require far more gentrification to even catch up with their suburbs economically, let alone become “playgrounds for the rich.”⁷ Nationally, the poverty rate in cities is roughly twice that of suburbs.⁸ Although suburban poverty rose between 2000 and 2010, urban poverty rose as well.⁹

In fact, some cities are still becoming poorer. For example, in Detroit median household income decreased from \$28,069 in 1999 (roughly 56% of the regional median income of

³Business Ass’n of University City v. Landrieu, 660 F.2d 867, 874 n.8 (3d Cir. 1981).

⁴See John Powell, *Giving them the Old “One-Two”: Gentrification and the K.O. of Impoverished Urban Dwellers of Color*, 46 HOWARD L.J. 433, 445 (2003) (gentrification “results in the pricing out, or displacement of low-income residents from the central city”).

⁵*Id.* at 447 (claiming that even in less affluent cities such as Chicago, “those residents who are displaced will find it very difficult to find housing within the city.” *Id.* at 447).

⁶Department of Housing Preservation and Development of City of New York v. St. Thomas Equities Corp., 128 Misc. 2d 645, 646, 494 N.Y.S.2d 787, 788 n.1 (App. Term 1985).

⁷Aria Solar, *Exclusively Wealthy Cities Affect Your Relocations*, at <http://www.urbanbound.com/blog/is-your-city-becoming-exclusive-to-the-rich-#.U5h3H3Zt3DA> (using term).

⁸See KNEEBONE AND BERUBE, *supra* note 1, at 35 (“urban poverty rate remained almost twice as high as the suburban poverty rate”).

⁹*Id.* (poverty in both cities and suburbs rose by 3 percentage points).

\$50,787) to just over \$23,000 (roughly 46% of the regional median of \$50,310) in 2012.¹⁰

However, the anti-gentrification narrative is focused on a few relatively prosperous cities where housing costs are mushrooming out of control, allegedly creating displacement. For example, news media frequently discuss gentrification in New York, Washington and San Francisco.¹¹ But as Table 1 shows, even these cities have more poverty and lower median incomes than their suburbs.

TABLE 1

Cities vs. suburbs: poverty rates¹²

	Poverty rate	Median household income
New York city	19.9%	\$49,461
New York suburbs	8.3%	\$76,319
Washington city	18.5%	\$63,124
Washington suburbs	7.1%	\$89,063
San Francisco city	13.2%	\$69,894
San Francisco suburbs	10.1%	\$76,806

¹⁰See U.S. Census Bureau, *American Factfinder*, at <http://factfinder.2.census.gov>.

¹¹I ran a WESTLAW search in the ALLNEWS database for “New York /20 gentrification” and found 1900 relevant articles. Similar searches yielded 920 articles for San Francisco and 852 for Washington. See also Solar, *supra* note 7 (focusing on New York and San Francisco); Paul Boudreaux, *The Impact Xat: A New Approach to Charging for Growth*, 43 U. MEM. L. REV. 35, 93 n. 207 (2012) (the “concern over gentrification exists largely in popular central cities, such as New York, Chicago, San Francisco, and Washington”).

¹²City poverty data are from American Factfinder, *supra* note 10 (go to “Community Facts” and click links to left for income and poverty). Suburban poverty data are from Elizabeth Kneebone and June Williams, *New Census Data Underscore Metro Poverty’s Persistence in 2012*, at <http://www.brookings.edu/research/reports/2013/09/19-census-data-poverty-kneebone-williams> (Data Appendix). City income data is from City Data, www.city-data.com (“City Data”). Suburban income data are from Brookings Institution, *State of Metropolitan America Indicator Map*, at <http://www.brookings.edu/research/interactives/state-of-metropolitan-america-indicator-map/#?subject=7&ind=70&dist=0&data=Number&year=2009&geo=metro&zoom=0&x=0&y=0>.

None of these cities lag behind their suburbs to the same extent as a truly poor city such as Detroit- but all three have more than their “fair share” of regional poverty. Thus, the notion that gentrification is driving the regional poor en masse to suburbia is incorrect.

In fact, the overwhelming majority of once-poor neighborhoods are still poor today. In 1970, there were just over 1100 big-city census tracts where more than 30% of residents lived below the federal poverty line.¹³ Three-quarters of those neighborhoods had poverty rates over 30% in 2010; by contrast, poverty declined to the national average or lower in only 5% of these distressed areas.¹⁴ In fact, the number of neighborhoods where poverty **increased** is far greater than the number of gentrifying areas: only 105 poor census tracts experienced significant gentrification between 1970 and 2010 (that is, poverty rates declining from over 30% to under 15%), while 1231 census tracts that had lower-than-average poverty rates in 1970 had poverty rates over 30% by 2010.¹⁵ Because the authors surveyed 51 metropolitan areas,¹⁶ this means that the average region had only two gentrifying census tracts and about 25 that became significantly poorer.

It could be argued that a city’s racial composition is a better indication of gentrification than its poverty rates.¹⁷ But gentrification or no gentrification, cities are still far more racially diverse than their suburbs, as Table 2 shows.

¹³Joseph Cortright and Dillon Mahmoudi, *Neighborhood Change, 1970 to 2010*, at 1, at http://impresaconulting.com/sites/all/files/Cortright_Neighborhood_Change_2014.pdf. I note, however, that the article includes all neighborhoods within 10 miles of a central business district within the 51 largest metropolitan areas. *Id.* at 11; thus, their statistics include some places that are more suburban than urban.

¹⁴*Id.*

¹⁵*Id.* at 12.

¹⁶*Id.* at 11.

¹⁷For example, if a city’s white population includes a significant number of students or recent college graduates, these highly educated individuals might temporarily have low incomes because they are just starting out in the workforce, but may have high earnings potential due to their education.

TABLE 2: Race and suburbanization

Non-Hispanic whites as percentage of population¹⁸

New York city	33.1
New York metro area	59.1
Washington city	35.2
Washington metro area	54.6
San Francisco city	41.6
San Francisco metro area	51.6

Public concern over gentrification is, however, based on a real problem: rents in some big cities are exploding. In 2000, metropolitan New York City's median rent was 23.7% of gross income; today, the region's median rent is 39.5% of median gross income.¹⁹ And some other cities are even more expensive: in metro Los Angeles, median rent is 47% of gross income.²⁰

And at least in New York, the most rapidly gentrifying neighborhoods *have* experienced rapidly growing rents. According to a recent analysis by the city Comptroller's office, the number of persons earning over \$100,000 has increased by over 20% in 17 city neighborhoods; these neighborhoods experienced an average rent increase of roughly 41% in inflation-adjusted dollars, and all but four experienced rent increases over 30%.²¹

On the other hand, 21 neighborhoods essentially de-gentrified, *losing* people earning over \$100,000; even these neighborhoods experienced an average rent increase of 21%,

¹⁸Regional data comes from U.S. CENSUS BUREAU, STATISTICAL ABSTRACT OF THE UNITED STATES 2012 at 31; city data comes from City Data, *supra* note 12. All data refers to the "white alone" category, which excludes Americans of mixed race.

¹⁹See Shaila Dewan, In Many Cities, Rent is Rising Out of Reach of Middle Class, NEW YORK TIMES, APRIL 14, 2014, at http://www.nytimes.com/2014/04/15/business/more-renters-find-30-affordability-ratio-unattainable.html?ref=us&_r=1.

²⁰*Id.*

²¹Office of the New York City Comptroller, *The Growing Gap: New York City's Housing Affordability Challenge* 16, at http://comptroller.nyc.gov/wp-content/uploads/documents/Growing_Gap.pdf ("Growing Gap").

and rents rose in every single one of them.²² In 17 “in between” areas, the over-\$100,000 population rose between 0 and 20%; in these areas, the average rent increase was 19%.²³ Thus, it appears that in the overwhelming majority of New York City neighborhoods, the number of high-income residents either did not rise at all or did not rise in numbers sufficient to affect rents.

Even in gentrifying areas with exploding rents, there is little evidence of en masse displacement. The New York neighborhood with the highest rent increase is Williamsburg/Greenpoint, where the number of persons earning over \$100,000 more than doubled, and rents rose by 76.1%.²⁴ If gentrification led to displacement of the poor, this neighborhood’s poverty rate would have declined to suburban levels. But in 2012, 31.5% of Greenpoint/Williamsburg residents lived below the federal poverty line—only slightly below the neighborhood’s 33.8% poverty rate in 2000,²⁵ and far above not only the suburban average, but even above New York City’s average.²⁶ The neighborhood with the second highest rent increases, Bushwick (where rents rose by 50%, and the number of over \$100,000 households increased by 79.1%),²⁷ had a poverty rate of 33.4% in 2012, only slightly below the 38.2% poverty rate of 2000.²⁸

Even if some displacement exists, the link between displacement and gentrification is diluted by the fact that the absence of gentrification may also create displacement if a poor neighborhood’s residents flee to avoid its social ills. The claim that gentrification leads to displacement is based on the assumption that poor neighborhoods would be stable in the absence of gentrification. But in fact, poor urban neighborhoods tend to be anything but stable. As noted above, urban America had 1100 high-poverty census tracts in 1970; these neighborhoods had lost one-third of their

²²*Id.* In fact, rents rose by over 20% in 14 of these neighborhoods.

²³*Id.*

²⁴*Id.*

²⁵Furman Center, State of New York City’s Housing and Neighborhoods in 2013, at 76, at http://furmancenter.org/files/sotc/SOC2013_Brooklyn.pdf (“State”).

²⁶See Table 1 *supra*. (citywide and suburban poverty rates).

²⁷See Growing Gap, *supra* note 21, at 17.

²⁸State, *supra* note 25, at 79.

population by 2010.²⁹ Even poor people were able to leave these areas; the number of poor in these neighborhoods declined from 1.9 million to 1.1 million.³⁰

In sum, most urban neighborhoods have far more poverty than their suburbs- even gentrifying neighborhoods with skyrocketing rents. And the overwhelming majority of high-poverty neighborhoods have stayed poor. Thus, the notion that cities are becoming overwhelmed by wealth is highly exaggerated.

III. So What?

Why does it matter whether gentrification is as common as some believe, or whether it displaces the poor? Because overblown fears of gentrification may lead to remedies that actually make cities more expensive.

In particular, the spectre of gentrification has sometimes been used as a tool by those seeking to restrict urban housing supply. For example, in the case of *Chinese Staff and Workers Association v. City of New York*,³¹ activists sued to delay the construction a condominium on a vacant lot in New York's Chinatown.³² Obviously, no one is displaced when vacant lots are turned into housing. Nevertheless, the court delayed the project by requiring the city to draft an environmental impact statement (EIS). The court noted that New York law required such an EIS whenever there was a significant impact upon "population patterns or existing neighborhood character",³³ and that the risk of "long-term secondary displacement"³⁴ constituted such an impact.³⁵ Although the court did not explain this risk in detail, other commentators have used the term "secondary displacement" to mean that if

²⁹See Cortright and Mahmoudi, *supra* note 13, at 7, 8.

³⁰*Id.* at 8.

³¹*Chinese Staff and Workers Ass'n v. City of New York*, 68 N.Y.2d 359, 509 N.Y.S.2d 499, 502 N.E.2d 176 (1986).

³²*Id.* at 177.

³³*Id.* at 180.

³⁴*Id.* at 181.

³⁵I note, however, that the tower was eventually built. See JAN LIN, RECONSTRUCTING CHINATOWN: ETHNIC ENCLAVE: GLOBAL CHANGE 152, 155 (102 units proposed, 100 built). Since the neighborhood now has a poverty rate of almost 30%, it appears that the fears of project opponents were ungrounded. See City Data, *supra* note 12.

gentrification induces higher rents in a neighborhood, merchants and residents will be displaced.³⁶

The Chinatown story is not unique; throughout North America, neighborhood activists have sought to keep out new housing based on fears of gentrification. In Chinatown itself, activists have sought to decrease the neighborhood's density, asserting that "this would preserve affordable housing . . . while also warding off non-contextual luxury development."³⁷ In Vancouver, Canada, residents of one neighborhood resisted a new apartment building even though the developer reserved 20% of the units for low- and moderate-income housing, on the ground that the project was "aiding in the gentrification of [the neighborhood]."³⁸

The rise of anti-gentrification politics has created a no-win situation for landowners who seek to build new housing. If neighbors of a project perceive that a project will lower property values, they will oppose the project on that ground.³⁹ On the other hand, if they perceive that the project will increase property values, they will oppose the project because they fear that rising property values might lead to displacement.

Such anti-housing policies overlook the law of supply and demand: where supply declines, prices will, other things being equal, rise. So where the amount of new housing fails to keep up with population and income growth, housing costs normally rise. It logically follows that when a city attempts to restrict new housing by limiting density, the alleged harm caused by gentrification is actually *more* likely to happen: rents will rise. By contrast, in a city with ample housing supply, even if gentrification makes one neighborhood unusually popular, other neighborhoods will continue to be affordable.

³⁶See Diane K. Levy, Jennifer Comey and Sandra Padilla, *In The Face of Gentrification: Local Efforts to Mitigate Displacement*, 16 J. AFFORDABLE HOUSING AND COMMUNITY DEV. LAW 238, 240 (2007); James A. Kushner, *Affordable Housing as Infrastructure in the Era of Global Warming*, 42/43 URB. LAW. 179, 206 (2010/11).

³⁷ROLAND LI, BATTLE LINES DRAWN IN CAMPAIGN TO REZONE CHINATOWN, REAL ESTATE WEEKLY, JULY 21, 2010, at C6.

³⁸See DARAH HANSEN, HASTINGS MIXED-USE PROJECT GETS REZONING NOD, VANCOUVER SUN, OCT. 31, 2012, at A6.

³⁹See Susan Stabley, *Controversial South Charlotte affordable housing project faces rezoning vote tonight*, at http://www.bizjournals.com/charlotte/blog/going_green/2014/01/controversial-south-charlotte-affordable-housing.html?page=all (opponents of low-income housing "express worries that the affordable-housing project will lower property values").

Admittedly, community resistance to new housing often fails. But even unsuccessful attempts to reduce the housing supply often cost developers money, for two reasons. First, developers must invest resources fighting battles with neighborhood activists. Second, time is money. If a landowner takes out a loan on land it plans to develop, it will start paying off the loan long before government allows it to build on the land and start receiving rents.⁴⁰ Thus, delays caused by community resistance increase landlords' cost of doing business, which in turn might lead to higher rents if those costs are passed on to tenants.

It could be argued that in urban housing markets, supply creates its own demand: that is, adding housing to a neighborhood makes that neighborhood more desirable and thus causes rents to rise rather than fall. For example, New York City's Williamsburg neighborhood has been rezoned to allow thousands of new housing units,⁴¹ and the neighborhood has experienced both gentrification and rapidly rising rents.⁴²

But this "induced demand" theory overlooks the impact of restrictive zoning on the city as a whole. In the absence of restrictive zoning and/or unusually high demand, the most fashionable neighborhoods or those with the newest housing may experience rising rents- but there will, other things being equal, be less demand for other neighborhoods, because every dollar spent in neighborhood A is a dollar not spent in neighborhood B. So in a low-cost housing market, high housing costs in fashionable areas will not cause rents to rise everywhere.

But if gentrification need not increase rents citywide, why have rents risen in high-cost cities such as New York, Washington and San Francisco?⁴³ Despite the upzoning of a few neighborhoods, New York City law makes zoning changes quite difficult. In some cities, one can obtain a rezon-

⁴⁰See Chad Lamer, *Why Government Policies Encourage Urban Sprawl, and the Alternative Offered By New Urbanism*, 13 KAN. J. LAW & PUB. POLICY 391, 402 (2004).

⁴¹See Matthew Schuerman, *Upzoning in Williamsburg*, at <http://www.wnyc.org/story/73928-upzoning-in-williamsburg/> (ultimately, rezoning will allow for an additional 17,000 neighborhood residents).

⁴²See *supra* note 24 and accompanying text.

⁴³Cf. Jonah Owen Lamb, *New Numbers Show San Francisco has nation's highest rents*, at <http://www.sfexaminer.com/sanfrancisco/new-numbers-show-san-francisco-has-nations-highest-rents/Content?oid=2626465> (San Francisco first, Washington fourth, and New York fifth).

ing in a few weeks, after decisions by a planning commission and a city council.⁴⁴ By contrast, New York has additional layers of review: before even reaching a planning commission, an application for a rezoning must justify the project before a neighborhood commission known as a “community board” and then before a borough president.⁴⁵ Even a noncontroversial rezoning is likely to take six months.⁴⁶

New York’s level of new housing production has declined as zoning has become more restrictive. Between 1955 and 1964, the city permitted 11000 new units of housing per year; by contrast, between 1980 and 1999 the city permitted just over 3100 units per year.⁴⁷ The city’s restrictiveness ensures that housing prices stay high even in relatively low-demand neighborhoods. New York is not atypical: a 2004 study by several economists showed that regions with the highest home price growth tended to have lowest housing supply growth, while regions with high supply growth tended to have lower housing costs.⁴⁸

Washington’s zoning process is also a bit more cumbersome than that of other cities. In addition to a zoning commission and a board of appeals,⁴⁹ Washington also has neighborhood-level advisory neighborhood commissions, whose recommendations are given great weight by other zoning bodies.⁵⁰ Between 1990 and 2010, the city issued 1169

⁴⁴See, e.g., City of Dallas, Dallas Development Guide 20-21, at <http://dallascityhall.com/pdf/edd/DevelopmentGuide.pdf> (zoning changes typically takes 10-12 weeks; planning commission makes recommendations to city council, and city council makes ultimate decision).

⁴⁵See *Uniform Land Use Review Procedure*, at <http://www.nyc.gov/html/dcp/pdf/luproc/lur.pdf>.

⁴⁶*Id.* (150 days elapse even before city council review; city council review should take 50 days).

⁴⁷See Kim-Mai Cutler, *How Burrowing Owls Lead To Vomiting Anarchists (Or SF’s Housing Crisis Explained)*, at <http://techcrunch.com/2014/04/14/sf-housing>.

⁴⁸See Joseph Gyourko, Christopher J. Mayer, and Todd Sinai, *Superstar Cities* 65 at http://eml.berkeley.edu/webfac/auerbach/e231_f04/sinai.pdf; Cutler, *supra* note 47 (citing numerous other studies).

⁴⁹See OFFICE OF ZONING, GOVERNMENT OF THE DISTRICT OF COLUMBIA, *ZONING IN THE DISTRICT OF COLUMBIA* 4, at <http://dcoz.dc.gov/about/guidebook.shtm>.

⁵⁰*Id.* at 6.

housing permits per year, or roughly 12,000 per decade.⁵¹ But the city's population, after declining in the 1990s, increased by 30,000 between 2000 and 2010 alone.⁵² Thus, it appears that construction has lagged behind population.

Similarly, San Francisco aggressively limits new housing. The city's zoning code gives government the discretion to modify, delay or veto even projects that comply with the zoning code,⁵³ and state law requires government agencies to review new development for its environmental impact.⁵⁴ Not surprisingly, the city added only 1500 units per year (or about 30,000 units) over the last 20 years, while the city population grew by 32,000 between 2010 and 2013 alone.⁵⁵

In sum, expensive, gentrifying cities tend to have relatively high levels of government regulation of housing, which in turn may cause those cities' low levels of housing construction, which in turn may increase rather than decreasing prices.

IV. Conclusion

In sum, it seems clear that gentrification is in fact far less frequent than some commentators believe: most cities are still poorer than their suburbs, and declining neighborhoods outnumber gentrifying neighborhoods.

Admittedly, there are some urban neighborhoods where gentrification and exploding rents have occurred together. But the remedy for this problem is to increase, rather than decreasing, housing supply.

⁵¹See Aaron Wiener, *We Need More Housing. Lots More Housing*, at <http://www.washingtoncitypaper.com/blogs/housingcomplex/2013/12/19/we-need-more-housing-lots-more-housing>.

⁵²See 2012 ABSTRACT, *supra* note 18 at 35.

⁵³See City of San Francisco, *Permitting Glossary*, at <http://sf-planning.org/index.aspx?page=2754#drapp> (describing "Discretionary Review" process).

⁵⁴See Cutler, *supra* note 47.

⁵⁵*Id.*