Interest in gentrification is at an all-time high, but determining what differentiates 'gentrification' from reinvestment and revitalization isn’t always easy. A senior policy analyst in the Community Development Department at the Federal Reserve Bank of Cleveland notes that retaining affordable housing can help alleviate the negative effects associated with gentrification.
“Ah, gentrification. What’s not to hate? Except for sit-down restaurants, dog parks, charming pubs, bike lanes ... and there goes the neighborhood.”

— Megan McArdle, Bloomberg View

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A series on Netflix and a satirical skit on Saturday Night Live usually signal one’s arrival into popular consciousness. And just like some pop stars, gentrification can be complex, polarizing, even divisive and confusing.

In short, gentrification is a complex process with complex consequences.

**Why is it such a popular topic now?**
General interest in gentrification has increased because of a confluence of regional housing dynamics and particular urban policy efforts. A simple model for housing includes a primary tradeoff of access to the central business district (CBD) or cheaper, more abundant land on the periphery. In this simplified model, one chooses where to live based on transportation costs to the CBD and how much greenspace is desired around one’s home. Now complicate that model by adding a series of trends that, at least anecdotally, seem to shift that tradeoff in favor of access to the CBD. Those trends tipping the balance in favor of central-city living include empty-nesting baby boomers with disposable income, young adults’ choosing to marry and have kids later in life, increased transportation costs, and lack of other buildable or livable space elsewhere within a metro area.

As for particular urban policy efforts, policies designed to target revitalization efforts in central-city neighborhoods combined with policies designed to alleviate the concentration of poverty in urban neighborhoods can provide the impetus for a group’s entry into an area. Together, regional housing dynamics and urban policy efforts can set the stage for gentrification to take place.

**But what is gentrification?**
In everyday parlance, the term “gentrification” is often used interchangeably with “reinvestment” and “revitalization” without any distinctions among the three.

The Brookings Institution in 2001 defined gentrification as “the process by which higher income households displace lower income residents of a neighborhood, changing the essential character and flavor of that neighborhood.” By this definition, gentrification of a neighborhood happens only when three essential components come together: 1) original residents are displaced, 2) the physical condition (housing stock, greenspace, and street-scaping) of the neighborhood is improved, and 3) a large enough number of new residents enter such that the character of the neighborhood changes.

Now consider Brookings’ definitions of reinvestment and revitalization. Reinvestment is “the flow of capital into a neighborhood, primarily to upgrade the physical components of the neighborhood,” while revitalization is “the process of enhancing the physical, commercial (business and services) and social components of neighborhoods and the future prospects of its residents through private and/or public sector efforts.” By these definitions, reinvestment and revitalization are necessary conditions for gentrification to take place.
But gentrification is not always the outcome of reinvestment and revitalization.

Displacement and changing character are necessary conditions for identifying whether or not a neighborhood has gentrified. However, accurately capturing data on these two conditions is challenging, a fact which, in turn, makes identifying gentrification problematic.

First, accurate gathering of information on displacement requires knowledge of the following:

■ The reason for former-resident movement: The movement of higher-income entrants into a neighborhood is but one of many reasons—including job loss, health concerns, and lifecycle stage—for a former resident’s leaving a neighborhood. Thus, displacement is not always the obvious or accurate cause for such movement.

■ The scale and pace of new entrants into a neighborhood: If either of these is larger or faster than what is typically experienced when reinvestment and revitalization occur, displacement may result. An uptick in scale and pace of new entrants should be expected when a neighborhood improves, but too many new entrants over a short period of time may lead to displacement.

■ The role of vacant, buildable land: The more vacant, buildable land there is within a neighborhood, the less displacement should occur.

Second, the changing character of a neighborhood is, to some degree, a relatively subjective and expected result of reinvestment and revitalization. For example, how many is too many when it comes to sit-down restaurants, boutique stores, bike lanes, and beer gardens? The number of these amenities is largely a personal preference and often a function of the scale and pace of new entrants into a neighborhood.

Augmenting the difficulty in identifying gentrification using displacement and changing character metrics is that, according to the Brookings’ definition, gentrification can be known only after a neighborhood has already gentrified. Displacement and changing character metrics are most useful to researchers investigating after-the-fact questions, while an ability to identify areas that have the potential to gentrify is most useful to policymakers and business owners.

The outcomes of gentrification can be difficult to interpret. Moreover, the local narrative around gentrification and reinvestment and revitalization is dependent upon the degree to which local residents are positively or negatively impacted.

There are several straightforwardly positive outcomes related to gentrification, while other outcomes are less clear in terms of positive or negative quality. Increased tax revenue and deconcentration of poverty are clearly positive outcomes, whereas displacement, changing leadership and community power structure, and increases in land value are less clear. For example, displacement of existing residents and businesses is generally thought of as a negative outcome by the community, but there are positive possibilities, as well, for instance, when the person or business being displaced is viewed by the community as a negative presence. Displacement of a bar or nightclub with a troubled history or a drug-dealing neighbor may be positive outcomes. Complicating the matter is that the perceived benefit of the outcome may be influenced by what type of business does the displacing. A full-service grocery store is likely to benefit a community more than a niche handbag boutique. Similarly, increasing land values can also be perceived with mixed emotions: An increase in land values is a clear positive for property owners, but renters tend to view such increases negatively when they result in higher rent payments.
Gentrification, equitable development, and affordable housing

Given the difficulties discussed above in identifying whether or not a neighborhood has gentrified, it is useful to think of gentrification in terms of equitable development.

Equitable development, according to the Brookings Institution, is “the creation and maintenance of economically and socially diverse communities that are stable over the long term, through means that generate a minimum of transition costs that fall unfairly on lower income residents.” The equitable development context also provides a framework to clarify the costs and benefits of gentrification by asking whether or not the process of gentrification produces equitable development in terms of economic and social diversity and long-term stability. More simply, are the costs of new neighborhood development disproportionately placed on low-income or other groups of residents?

In theory, equitable development has merit. However, the idea of equitable development has little bite in practical application unless supported and enforced through legislation.

More often than not, the view—positive or negative—of gentrification usually boils down to issues around affordable housing. One way to think about gentrification is as neighborhood revitalization without the preservation of affordable housing. Little can be done in certain markets in terms of retaining affordable housing because of what Megan McArdle, writing for Bloomberg View, terms the “irresistible force of the market”; but for other markets, affordable housing can be retained.

Policy implications

Is it possible to identify in real time neighborhoods that may gentrify in the next 5 to 10 years?

Despite the problems with identifying gentrified neighborhoods using after-the-fact indicators, yes, it is possible to make real-time identifications.

Long periods of time with boots-on-the-ground observation approaches to identification are likely to be most accurate, but these are also the most costly and difficult to adapt to other metro areas. Other plausible ways to identify potentially gentrifying neighborhoods rely on local knowledge, as well, but are less costly, can be combined to improve accuracy, and are portable to other metro areas. One could identify neighborhoods based upon current neighborhood quality conditions, for instance. One would also expect gentrification to happen in areas contiguous to current high-quality neighborhoods. Another identification method would be to use as a clue recent public investments made in a neighborhood, especially if the private market has not already invested in the area. Anchor institutions such as colleges and universities, museums, and theaters might also be used to identify potentially gentrifying neighborhoods as the existence of anchor institutions in an area attracts investment and provides key stakeholders in the neighborhood.

Is it possible to time market interventions in order to preserve affordable housing?

It is possible to time market interventions, especially if one can use the methods described above to identify neighborhoods that may gentrify. However, a more productive focus may be on what might be done to ensure that affordable housing is in the best position to be preserved.

Measures can be enacted proactively to ensure that affordable housing is preserved. At the most basic level, affordable housing can be used to set a standard for quality in a neighborhood. Consider that the investment of affordable housing units is often part of the initial phase in urban-development projects. If the quality of those units is set at one similar to market-rate apartments, then that should attract other private investment more quickly while giving little incentive to tear down such units once

Increased tax revenue and deconcentration of poverty are clearly positive outcomes, whereas displacement, changing leadership and community power structure, and increases in land value are less clear.
Keeping an Eye on the Long Term


Neighborhood reinvestment and revitalization are on the minds of business and community development leaders in the Fourth District. Sustainable development plays a big part in their discussions.

"Balancing the rising markets with retaining affordable housing for long-term residents is a matter of stability of neighborhoods and social equity," notes Larry Swanson, executive director of Pittsburgh’s ACTION-Housing, Inc.

Fostering long-standing relationships among people in a neighborhood, he says, is healthy for both the individuals and the community on the whole. Essential to maintaining stability and avoiding resident displacement? Swanson says it’s allowing for a more gradual, longer-term change in housing markets.

In Pittsburgh, a city within the Cleveland Fed’s Fourth Federal Reserve District, which comprises Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia, most neighborhoods have long-term residents across an economic spectrum. This diversity has been important in terms of neighborhood and city-wide stability and, Swanson observes, “helps preserve Pittsburgh as an economically diverse community.”

These measures do require initial upfront costs and may end up being quite challenging to put into practice. The low-income housing tax credit, for example, is one tool that can be used to finance construction or rehabilitation of affordable housing units. However, in order to use this tool, time-consuming initial ground work must be done. Moreover, significant coordination among numerous stakeholders is also necessary for these types of deals to bear fruit.

Ultimately, success is less about timing market interventions and more about ensuring that affordable housing is in the best position for preservation within a neighborhood.

 позволило бы улучшить качество жилья и его доступность для всех. Это было особенно важно в отношении жилья для долгосрочных жителей. Такое устойчивое развитие делает людей и общество в целом здоровее.

Для сохранения стабильности и предотвращения выселения жителей важно, чтобы изменения происходили постепенно, на более длительный период. Свансон говорит, что это обеспечивает более гладкое и стабильное развитие.

В Питтсбурге, городе в четвертом банковском округе, который включает Огайо, западную Пенсильванию, восточную Кентукки и северо-восточный край Вест Вирджинии, большинство районов имеют долгосрочных жителей из разных экономических слоев. Это разнообразие важно с точки зрения стабильности и развития города в целом, отмечает Свансон.

Однако эти меры требуют значительных первоначальных затрат и могут быть довольно сложными для реализации. Низко доходный налоговый кредит, например, — это инструмент, который может быть использован для финансирования строительства или реконструкции недвижимости. Но чтобы использовать этот инструмент, необходимо провести значительную работу по приведению недвижимости в надлежащее состояние. Кроме того, необходимо обеспечить значительную координацию между различными заинтересованными сторонами.

В конечном итоге, успех заключается не в том, чтобы точно подстроить вмешательства на рынке, а в том, чтобы обеспечить, чтобы недвижимость была в лучшем положении для сохранения в районе.
Mileham remarks that one of the most significant changes to Over-the-Rhine since the 3CDC reinvestment and revitalization project began “has been a 50 percent reduction in crime once vacant buildings were purchased, cleaned, boarded up, and secured.”

Today, more than 55 percent of the employees 3CDC has hired to work in the district live within a 3-mile radius, potentially doubling such employees’ stakes in neighborhood success.

But successful and sustainable reinvestment and revitalization include more than affordable housing options and employment opportunities. Anchor institutions, arts, and culture also play their parts in neighborhood environments.

“Each neighborhood has a unique set of assets,” maintains Tom Schorgl, president and chief executive officer of the Community Partnership for Arts & Culture (CPAC) in Cleveland. That’s one reason for the diversity in terms of how Fourth District neighborhoods are carrying out redevelopment efforts, “particularly as local conditions or organizations serve as cultural anchors,” he says.

CPAC’s cross-sector work, in particular, demonstrates the intersections among arts and culture and local priorities—health, tourism, education, and inclusion of diverse community voices—that lead to strong neighborhoods. For Schorgl, one thing is certain across all areas served by the Cleveland Fed: “Arts and culture is a significant contributor to economic, education, and quality of life indicators.”

From affordable housing—“All cities should provide a bell-curve of housing options, from shelters to transitional housing to low-income and workforce housing to market-rate rental and for-sale product,” notes Mileham—to cultural cornerstones—“Arts and culture can be a catalyst for helping people see places in a new light or to look more deeply at community issues,” says Schorgl—successful reinvestment and revitalization projects put long-term, inclusive plans into practice.

—Tasia Hane-Devore