



A TOOLKIT FOR EQUITABLE DEVELOPMENT

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What Causes Gentrification?

Changing Preferences	Lack of Supply	Unequal Investment
One driver of gentrification is changing preferences among white, college-educated households. Greater demand to live in the city and later household formation both drive up the demand for new units in cities.	Cities have proven unable to produce enough units to meet demand. In a seller's market, most developers choose to add luxury units - even though affordable units are needed, too. Thus, even when units are built, prices still rise.	Unequal investment leaves some neighborhoods isolated and underserved. Adding new amenities in this uneven landscape can suddenly increase the competition to live in a neighborhood, pushing vulnerable residents out.

Why do higher-income households move into lower-income neighborhoods? The United States' transition to a knowledge economy has led more young, single, white, and high-earning individuals to seek work in cities. These households' preference to live near transit, educational, natural, and cultural amenities also drives them towards downtown neighborhoods. Growth in demand for housing, particularly from households with higher incomes than current residents, drives up prices and quickens neighborhood change.

A return to urban living could bring greater environmental sustainability and other benefits. However, many cities experiencing growth have not added enough units to meet new demand. For instance, San Francisco is permitting about 27,000 units per year, but would need 40,000 to match population growth.

The arrival of wealthier households in a tight market sets up a struggle for housing in which not all players are equal. Prolonged disinvestment in inner-city neighborhoods has handicapped residents' ability to build wealth. This means that they now have less power to choose where to live than newcomers do. At the same time, they are often politically disenfranchised, meaning that they have limited ability to capture the benefits of reinvestment for themselves.

Government policy helped create this power imbalance through redlining and urban renewal. Current policy can exacerbate the imbalance by prioritizing property ownership over renters' rights, or subsidizing benefits for high-income earners that low-income residents are unable to access. Public investment in new transit stations can increase home values up to 45%. If these investments occur in low-income neighborhoods, and do not directly benefit existing residents, governments are effectively tipping the balance toward newcomers.



How Did We Get Here?



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