Hottest Topic in Housing: Gentrification

Presented by
Heidi Aggeler, Managing Director
Mollie Fitzpatrick, Managing Director
Agenda

● “You know it when you see it”—defining gentrification
● Who is harmed by gentrification and why—what survey and eviction data tell us
● What causes gentrification—public v. private sector role
● Public sector solutions to displacement—what works, what doesn’t, and what is being explored
OUR ESTEEMED PANEL
Root Policy Research:
Heidi Aggeler and Mollie Fitzpatrick
Root Policy was founded to advance economic consulting and policy analysis in many areas critical to the development of thriving communities.

**WHAT WE DO**
- Housing Market Studies
- Neighborhood Equity Models
- Strategic Plans for Housing and Community Development
- Fair Housing Studies
- HUD Consolidated Plans

**EXPERIENCE**
- Years of Housing Market research = 19
- Years of Social and Economic Equity Research = 11
- Years of Fair Housing planning = 17
- Years of Consolidated Plan experience = 28
GEOGRAPHIC REACH
Colorado Center on Law and Policy: Charlie Brennan
Colorado Center on Law and Policy advances the health, economic security and well-being of low-income Coloradans through research, education, advocacy and litigation.
**Our Tools**

**RESEARCH & POLICY ANALYSIS**  
We inform the policy dialogue by understanding Coloradans’ challenges and identifying solutions.

**LEGAL ADVOCACY**  
We pursue legal action when the system fails those who lack resources.

**LEGISLATIVE ADVOCACY**  
We build support for policies that make a difference for low-income families.

**COALITION BUILDING**  
We nourish and cultivate strong and effective partnerships throughout Colorado.

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**Our Focus Areas**

- **FOOD**
- **HEALTH**
- **HOUSING**
- **INCOME**
Recent Legislative Wins

Housing
- HB 1309: Mobile Home Park Oversight Act
- HB 1118: Extend Notice Prior to Eviction (Right to Cure)
- HB 1322: Expand Supply of Affordable Housing
- SB 180: Eviction Legal Defense Fund

Health
- HB 1004: Health Care Public Option Study
- HB 1320: Hospital Community Benefit Accountability
- HB 1223 SSI/SSDI Application Assistance

Criminal Justice Reform
- HB 1275: Expanded Eligibility for Criminal Record Sealing
- HB 1035: Ban the Box

Workforce & Economic Security
- HB 1107: Emergency Employment Support Services
- HB 1189: Wage Garnishment Reform
- HB 1013: Child Care Tax Credit for Low-Income Families
Denver Community Planning and Development: Analiese Hock
DEFINING GENTRIFICATION

"I know it when I see it"
What is gentrification?

1) What the dictionary says: “the process of renovating and improving a house or district so that it conforms to middle-class taste”

2) Gentrification is often defined based on socioeconomic variables, most commonly:
   - # of renter households
   - # of low income households
   - # of households without a college degree
   - # of people of color

3) Eviction is a form of displacement that is often, but not always, found in gentrifying areas
CAUSES OF GENTRIFICATION
What causes gentrification?

CHANGING MARKETS: CONDO CONVERSIONS

NBER: Does condominium development change the socioeconomic makeup of neighborhoods in central cities?

– Research examined city-level ordinances meant to regulate conversion of rental buildings into condos

– Compared cities that passed ordinances with those that did not

– Found find no causal impact of condo development on the income, education level or racial composition of city residents when using city regulations to instrument for condo density
What causes gentrification?

**SHORTAGE OF RENTAL HOUSING**

NYC and NBER Medicaid data study

- Tracked movements of low income children living in NYC between 2009 and 2015
- Found children born into gentrifying neighborhoods are *not* more likely to move than those who are not born into such neighborhoods...
- ...low income children move regardless of gentrification pressure: “Poor kids are not very residentially stable.”
- Those who do move find safer neighborhoods but worse housing condition. Those who stay are in lower performing schools
- Publicly supported housing stabilizes families—move rates were much lower than those living in marketplace housing
What causes gentrification?

PUBLIC INVESTMENT...
MARKET RESPONSE

market response to catalytic investment

Direct & Indirect $$$$$
Direct $$$
$$
Public Investment: Broad range of rent/value increases and impact areas

<table>
<thead>
<tr>
<th>Type of Public Investment</th>
<th>Premium on Rent/Value</th>
<th>Impact Radius</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail - Park and Ride station</td>
<td>33.00%</td>
<td>1 mile</td>
</tr>
<tr>
<td>Rail - Walk and ride station</td>
<td>0.00%</td>
<td>1 mile</td>
</tr>
<tr>
<td>Bus Rapid Transit Station</td>
<td>12.45%</td>
<td>100 Feet</td>
</tr>
<tr>
<td>Highway</td>
<td>4.75%</td>
<td>0.8 miles</td>
</tr>
<tr>
<td>Roadway Reconstruction/ Improvements</td>
<td>23.00%</td>
<td>0.25 miles</td>
</tr>
<tr>
<td>Streetscape Improvements</td>
<td>28.00%</td>
<td>100 feet</td>
</tr>
<tr>
<td>Park</td>
<td>2.02%</td>
<td>1500 feet</td>
</tr>
<tr>
<td>Greenways and trail systems</td>
<td>22.00%</td>
<td>0.25 miles</td>
</tr>
<tr>
<td>Regional bike/multi-use path</td>
<td>1.60%</td>
<td>1 mile</td>
</tr>
<tr>
<td>Recreation Center</td>
<td>2.0%</td>
<td>1500 feet</td>
</tr>
<tr>
<td>Cultural public facility</td>
<td>20.0%</td>
<td>adjacent</td>
</tr>
<tr>
<td>Walkability improvements</td>
<td>1.6%</td>
<td>nbdd</td>
</tr>
</tbody>
</table>
Catalytic indicators

**Stage 1:** Neighborhood has to meet the following criteria for catalytic effects:

- Neighborhood categorized as "Vulnerable" by City: ✓
- Median rent in neighborhood below the top quartile: ✗
- Median home value in neighborhood below the top quartile: ✔

**Stage 2:** Additional indicators for discussion about likelihood of catalytic effects:

- Distance from downtown (miles): 12.15
- Desirable historic housing stock (% built before 1960): 1%
- Percent people of color: 77%
- Historical disinvestment: committee discuss
- Neighborhood perceptions and city staff expertise: committee discuss

Catalytic depends more on neighborhood characteristics than the type of investment.
WHO
GENETRICIFICATION
HURTS
### Who gets displaced and why: 2016 resident survey

<table>
<thead>
<tr>
<th>Place of Current Residence</th>
<th>Percent Displaced</th>
<th>Reason for Displacement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rent Increased More Than I Could Pay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40%</td>
</tr>
<tr>
<td>Aurora</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Renters</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Denver</td>
<td>19%</td>
<td>43%</td>
</tr>
<tr>
<td>Renters</td>
<td>30%</td>
<td>44%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>49%</td>
<td>43%</td>
</tr>
<tr>
<td>Boulder</td>
<td>18%</td>
<td>31%</td>
</tr>
<tr>
<td>Renters</td>
<td>24%</td>
<td>33%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>49%</td>
<td>26%</td>
</tr>
<tr>
<td>Boulder County</td>
<td>20%</td>
<td>45%</td>
</tr>
<tr>
<td>Renters</td>
<td>21%</td>
<td>51%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>Broomfield</td>
<td>21%</td>
<td>50%</td>
</tr>
<tr>
<td>Renters</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Longmont</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Renters</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Region</td>
<td>19%</td>
<td>41%</td>
</tr>
<tr>
<td>Renters</td>
<td>30%</td>
<td>41%</td>
</tr>
<tr>
<td>Precariously housed/homeless</td>
<td>43%</td>
<td>42%</td>
</tr>
</tbody>
</table>
Who gets displaced and why

SEATTLE EXPERIENCE

“Losing Home” study found:

– Female households with multiple children
– Black and Latinx households (often female headed)

COLORADO EXPERIENCE...
What Do We Know About Evictions in Colorado?

There were 45,270 evictions filed in Colorado in FY 2017.

Roughly one-third of cases filed resulted in an actual eviction.

Evictions filed in Arapahoe County accounted for 22% of all evictions filed in Colorado in FY 2017.

Adams County had the highest evictions filing rate at 11.42 evictions for every 100 renter households.

Adams, Arapahoe, El Paso, Broomfield, Jefferson, and Douglas Counties all had eviction filing rates higher than the rate for Colorado (6.16 evictions per 100 renter households).

Eviction records (whether or not the eviction is enforced) limits a tenant’s future housing prospects.

Loss of shelter, even temporarily, often leads to unemployment, educational disruptions, and food insecurity.
Evictions Filed in Colorado FY 2017

Source: Colorado Judicial Branch, Denver County Court
Eviction Filing Rate in Colorado FY 2017

Source: Colorado Judicial Branch, Denver County Court; 2017 5-Year ACS
What Do We Know About Evictions in Denver?

According to a 2017 Study by CCLP looking at evictions in Denver County between 2001 and 2017:

Just 813 out of 92,969 tenants subject to an eviction filing were represented by legal counsel (less than 1%)

Among landlords, this figure was 89%

The overall dispossession rate in these cases was 79%; 73,875 tenants lost their homes over this period

In cases from 2014 – 2016, 85% of tenants with legal counsel kept their homes

Property managers file evictions for relatively small amounts of unpaid rent; median of $226 for DHA and $1,155 for private landlords

Eviction cases disproportionally affected neighborhoods with higher concentrations of people of color and areas experiencing rapid development
Denver Evictions 2014 - 2016

Denver Housing Authority Eviction Filings in Communities of Color 2014-16

DHA Evictions Filed (2014-2016)
- Denver Neighborhoods
- 2014 DHA Evictions
- 2015 DHA Evictions
- 2016 DHA Evictions

Concentration of Persons of Color
- 0% - 23%
- 24% - 46%
- 47% - 69%
- 70% - 92%
Denver Evictions 2014 - 2016
SOLUTIONS!

...beginning with why you should care
Public Sector Solutions

SOURCE OF INCOME PROTECTIONS

Requiring that landlords accept tenants regardless of Source of Income (code for accepting Section 8)—early returns are positive in many markets

PREFERENCE POLICIES

Requiring that new developments give a preference for residents at-risk of or who have been displaced and/or living in at-risk neighborhoods

- Some programs have faced fair housing challenges
- Impact depends on compliance
EXPANDING RENTERS’ RIGHTS AND PREVENTING EVICTIONS

- Recent Legislation
  - Eviction legal defense fund
  - Extending the right to cure
  - Mobile home owner protections

- Current Legislation
  - Suppressing court records of evictions filed but not ordered
  - Right of first refusal for MH park tenants
  - Updates to the Mobile Home Park Act
EXPANDING RENTERS’ RIGHTS AND PREVENTING EVICTIONS

● Future Efforts
  – Expand Funding for Eviction Legal Defense Fund
  – Extend Time to Cure
  – Higher Penalties for Illegal Lock-outs
  – Late Fees Charged by Landlords
GETTING THE FOUNDATION RIGHT

PROMOTE LAND AVAILABILITY

– Are land use plans developed to promote a variety of housing types and needs across the city and especially near transit, downtowns, and areas of opportunity?

– Do land use policies and zoning maps align with adopted plans?

REMOVE LAND USE BARRIERS

– Maximum Density Standards

– Large Minimum Lot Size

– High Vehicle Parking Requirements

– Cumbersome Development Standards

– Unpredictable and Lengthy Approval Processes
Land Use and Zoning Solutions

LAND USE TOOLS TO PROMOTE HOUSING

– Value Capture/Incentives
– Flexible Development Standards
– Clear and Streamlined Approval Processes
WHAT IS VALUE CAPTURE

- A tool that allows communities to share a portion of increased land values resulting from public investment or other government actions

- Example: Community asks for a share of land value increase resulting from an ‘up zoning’

- Core premise: Public actions should generate public benefits

Addtl. Value
Achieved when community benefit is provided

BY-RIGHT
TYPES OF VALUE CAPTURE

VOLUNTARY

– Community Benefits Agreements
– Development Agreements
– Incentive Zoning/Density Bonuses
– Tax Increment Financing

MANDATORY

– Impact fees/linkage fees
– Special assessments
– Inclusionary Housing/Zoning
– Transfer of development rights
– Property Tax
38TH AND BLAKE STATION AREA

Incentive Zoning Purpose:

Direct growth into areas of the city that are best equipped to handle change

Promote high quality design

Capture a portion of the increased property values that result from significant public investments, such as the train station and use them to ensure that new development benefits the community
**Land Use and Zoning Solutions**

**38TH AND BLAKE STATION AREA OVERLAY**

- Establishes maximum base heights (2-8 stories)
- Establishes maximum incentive heights (3-16 stories)
- Affordability Requirements
  - Affordable at 80% AMI or lower
  - Comparable in mix and size to market rate units that generated the requirement
- Enables incentive for commercial and residential projects
38TH AND BLAKE STATION AREA OVERLAY

EXAMPLE PROJECT

Majority Residential = Required to build units

- Step 1: Calculate Build Requirement for Entire Project
  - Multi-Family Residential SF: \( \frac{280,000}{1,000} \times 0.0168 = 4.7 \)
  - Commercial SF: \( \frac{10,000}{1,000} \times 0.0228 = 0.22 \)

- Step 2: Calculate Build Requirement on Incentive Height
  - Multi-Family Residential SF: \( \frac{180,000}{1,000} \times (0.0168 \times 4) = 12.1 \)

- Step 3: Add up all required units
  - \( 4.7 + 0.22 + 12.1 = 17 \) units
38TH AND BLAKE STATION AREA OVERLAY

OUTCOMES

– 27 projects occurred prior to the implementation of the overlay
– 10 Projects have used or plan to use the overlay (36+ units provided to date)
– 8 projects have developed under base height
38TH AND BLAKE STATION AREA OVERLAY

BENEFITS

– Creates a predictable and administrative process

– Captures the impacts of both commercial and residential projects

– Supports appropriate and desired growth patterns within the station area

– Creates a system for monitoring and tracking
38TH AND BLAKE STATION AREA OVERLAY

DRAWBACKS

– Aspirational Entitlement
  • Previous plans and zoning entitlements supported taller/higher intensity without the provision of community benefits
  • Market does not always support current/aspirational entitlement
  • Limited ability to introduce incentives without “downzoning”
  • Height is not always the most meaningful incentive
– System does not provide anticipated yield/percentage of affordable units
  • Systems based on varied base/incentive heights and requirements on SF places a greater burden on assumptions and expectations
– The system does not incentivize larger units or deeper affordability
CITYWIDE INCENTIVES

- Purpose: A systematic citywide system to encourage the creation of affordable and mixed-income housing, especially in transit rich areas
GUIDING PRINCIPLES

– Equity
  • Responsive to the different needs of Denver’s neighborhoods and communities

– Market Reality
  • Appropriate calibration for different market contexts and economies

– Clear Expectations
  • Predictable requirements of developers
  • Predictable benefits to the community/elected officials

– Accountability
  • Ability to create a clear tracking system and ability for modifications
CONSIDERATIONS FOR OTHER COMMUNITIES

– Start with removing existing land use barriers
– Be proactive
  • Get ahead of development pressures
– Create easy to administer and predictable systems
  • Stay away from guessing games
  • Avoid a wholesale list of community benefits
– Commit to ongoing evaluation and modifications as needed
  • Housing needs, markets, and laws are constantly changing
– Partner with Housing/Economic Development/Planning