Title: In the Face of Gentrification: Case Studies of Local Efforts to Mitigate Displacement

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Recommended Methods:

This report outlines anti-displacement mitigation strategies drawing upon case study examples from cities and neighborhoods undergoing neighborhood revitalization and gentrification that is in the early, middle, and late stages. The following communities' experiences are highlighted in the report: St. Petersburg, FL, Sacramento, CA, Atlanta, GA, Los Angeles, CA, Seattle, WA, and Chicago, IL. Recommended strategies are grouped into three areas: housing production, housing retention, and asset building.

The authors make an important point regarding terminology in their conclusion: "Focusing on whether neighborhood investment, increasing land and housing values, and an influx of higher-income residents should be labeled gentrification or revitalization shifts focus away from what many respondents see as the key issue of concern—balancing the positive and negative changes that accompany increased neighborhood investment."

Recommended Policies/Strategies and Reported Successes from Case Examples:

Production and Financing of Affordable Housing

- **Housing Trust Funds.** The Housing Trust Fund establishes a housing linkage fee per square foot of commercial development. The purpose of the funding is to support the development of housing for low-income workers that are employed in new retail or commercial developments. Sacramento was the first city in California to adopt a housing linkage fee for commercial development. The amount of the fee was based on a study that quantified the relationship between types of commercial development, low-wage jobs, low-income housing needs, and the subsidy cost of providing new affordable housing. Payment of the fee is required to receive a building permit. The fees are deposited into the citywide Housing Trust Fund and administered through the Sacramento Housing and Redevelopment Agency. The money can be used for gap financing for affordable housing development. Housing Trust Fund dollars are usually layered with other financial subsidies, such as state and federal tax credits, mortgage revenue bonds, state deferred loans, or rent subsidies.

- **Inclusionary Zoning Ordinances and Voluntary Inclusionary Zoning (Illinois).** The Chicago Partnership for Affordable Neighborhoods (CPAN), citywide in 2001, is a voluntary program where developers and aldermen from each ward determine the number of affordable units, if any, developers will set aside in their market-rate developments. Those affordable units are "written down" by the developer and the city provides purchase price assistance to homebuyers. While CPAN is a citywide program, it is at the discretion of each alderman whether developers must participate. The developer and alderman negotiate the percentage of affordable housing set asides, although the program recommends between 10 and 20 percent. For every affordable unit, the city waives the required building permit fees, which can cost up to $10,000 per unit. The city also assists with the developer's site improvement budget, such as perimeter site improvements and landscaping, on a case-by-case basis.
- **Housing Levy (Washington).** The housing levy is a property tax assessment that raises funds for affordable housing preservation, production, and assistance. Note: When the city was designing the levy, staff debated whether to structure the assessment as a percentage of property taxes or to specify an overall amount to be raised. Believing that there would be greater support if voters knew the exact amount they would be asked to approve, staff decided to specify a dollar figure. Most of Seattle's housing levy funds are intended for use in Special Objective Areas (SOA), areas that the city has designated as economically distressed. Seattle has passed four housing levies, which include:
    - The first levy raised funds to meet housing needs of senior citizens. The city's decision to target the levy this way was pragmatic—the elderly was an easy group to serve politically.
    - The second levy in 1986 was broadened to include special needs and family housing. This levy also focused on the downtown area of the city.
    - The third levy of 1995 was expanded again to include rental preservation and production, homeownership, and operations and maintenance of housing.
    - The fourth levy of 2002 created the Neighborhood Housing Opportunity program.

  Today, the levies are organized into five programs: the Rental Preservation & Production Program (65 percent), the Homeownership/Home Buyer Assistance Program (9 percent), the Neighborhood Housing Opportunity Program (8 percent), the Rental Assistance Program (3 percent), and the Operating and Maintenance Program (7.8 percent).
        - The **Rental Preservation and Production Program** offers funding for the acquisition and/or rehabilitation of vacant or occupied buildings, new construction, and for financing. Tenants of housing produced or preserved with levy funds must have

incomes at or below 30, 50, or 60 percent of AMI, depending on the type of project. However, nearly 60 percent of the funds from this program must go toward units affordable to households with income at or below 30 percent of AMI.

    - The **Homeownership/Home Buyer Assistance Program** seeks to help low-income, first-time homebuyers to purchase a house in Seattle. Beneficiaries of the assistance must have incomes at or below 80 percent of AMI, with at least half of the funds targeted to households earning at or below 60 percent of AMI.
    - The **Neighborhood Housing Opportunity Program** (NHOP) supports three objectives: projects located in the identified economically distressed areas, projects in historically distressed areas, and projects that can serve as a catalyst to revitalization. Geographic stipulations on these funds include the Central Area. The program criteria include mixed-use or mixed-income projects and projects that will help mitigate the impact of gentrification in an area by providing a range of housing types and prices. Housing funded by this program must be affordable to households at 80 percent of AMI, and at least a quarter of the funding must support housing for people at or below 30 percent of AMI.
    - The **Rental Assistance Program** pays a rent subsidy directly to a private landlord via a public agency or a nonprofit organization. The assistance is short-term, meant to help prevent homelessness due to economic hardship and to help households transition from homelessness into rental housing. Households receiving assistance under this program must have income at or less than 50 percent of AMI.
    - The **Operating and Maintenance Program** offers multiunit developments under the Rental Preservation and Production Program operating support so that units in the developments can be affordable to extremely low income households (income at or less than 30 percent of AMI). Private developers, nonprofit organizations, and public agencies except for the Housing Authority may participate in this program.

- **Using a combination of financing streams to buy, consolidate, and finance affordable housing (Georgia).** In Reynoldstown, Georgia, the Reynoldstown Revitalization Corporation (RRC) developed affordable homeownership and rental units using a variety of financing sources. They have using HOME financing to buy down the price of homes, consolidating rooming houses, and financing a multifamily building using LIHTC and Section 8 that targets residents at 60 percent of the area median income (AMI). RRC was also able to purchase vacant lots through a partnership with the Bank of America Community Development Corporation. The Bank of America CDC provided capital and startup financing enabling RRC to purchase vacant parcels before land prices became too high. RRC also spent two years assembling properties, and they worked with the state and county land bank to clear back taxes and liens on them.

- **CDC partnerships with for-profit housing developers (Georgia).** Due to a reduction in available land and increasing land prices, RRC has switched approaches—from building affordable housing on their own to building affordable housing with for-profit private developers. RRC's impetus for partnering is their need for capacity, and private developers (or lending institutions) benefit by fulfilling community investment and basic philanthropic interests. RRC believes that their work in Reynoldstown has contributed to stabilizing the neighborhood's rental and homeownership market—they have acted as the risk capital. Through partnership with RRC, developers learn the Reynoldstown housing market and can realize a profit.
    - *NOTE on CDC protection of subsidies*: RRC protects their subsidy through a "recapture clause," which places a third-position lien on the property for the amount of the subsidy for 10 years. RRC decided against capping the resale value because they want to contribute to the buyer's equity; however, the lien ensures that the CDC can recapture some of their investment should the buyers sell early. The recapture clause also acts as a disincentive for "flipping," or buyers selling the property for a higher price soon after purchasing it.

Retention of Affordable Housing

- **Code Enforcement (California).** In Los Angeles, the city council approved a Systematic Housing Code Enforcement Program (SCEP) in 1998. The program inspects all residential rental properties with two or more dwellings every three years to determine housing code compliance. Esperanza Community Housing Corporation, legal aid groups, ACORN, and tenant advocates played a key role in ensuring the development and passage of this program. If noncompliance citations are not resolved, the Los Angeles Housing Department has programs that address properties that are out of compliance (see below). SCEP also enables the housing department to identify areas of the city with older housing stock, and to direct developers to do rehabilitation in those neighborhoods.
    - The Rent Escrow Account Program (REAP) allows tenants to pay their rent into a city-administered escrow account until the citations are resolved.
    - The Rent Reduction Program (RRP) reduces tenants' rent based on the LAHD's evaluation of the value of the missing service.
- **Rent Control (California).** The Los Angeles Rent Stabilization Ordinance protects renters from sharp rent increases, while permitting landlords to receive a reasonable return on their investments. Most housing stock built before October 1978 is covered by RSO as long as a tenant has resided in it for 60 or more consecutive days. The annual permitted rent increase for units

under the RSO is tied to the Consumer Price Index and is calculated each year. The Housing Department administers the RSO.

- **Preservation of Federally Subsidized Housing (Illinois).** Nonprofits like Organization of the NorthEast have assisted in the purchase on 10 Section 8 privately held buildings that would opt out in 20 years. Jane Addams Senior Caucus also led a successful campaign to convince a landlord to renew his Section 8 contract.
- **Conversion of apartments to limited-equity co-ops (Illinois)**. Organization of the Northeast converted apartment buildings into limited-equity co-ops that created permanent affordable buildings and assisted other nonprofits with purchasing privately owned SROs and the rehabbing SROs with social services.
- **Land Trust (California).** While the city has established a Housing Trust Fund, CDCs and other advocacy organizations are organizing (as of 2006) to create a land trust that will help stabilize the community by bringing existing housing under community ownership, help improve the quality of life of neighborhood residents, and create a variety of ownership opportunities, ranging from single-family ownership, limited-equity cooperatives, and condominiums, by regulating land costs over time.
- **City, state, and federal programs to fund property and lot rehabilitation (Florida).** In St. Petersburg, Florida, funding for owner-occupied rehabilitation comes from city, state, federal, and private sources such as the city's Working to Improve our Neighborhoods (WIN) program, State Housing Initiatives Partnership Program (SHIP), the federal Community Development Block Grant program, and federal HOME funds. WIN funds are often used for roof repair, plumbing, and electrical work. The city increased the project-funding cap per project in order to complete significant rehabilitation on a unit in the face of cost increases. The cap has been raised from $40,000 to approximately $60,000. Rehabilitation funds are disbursed either as loans or as forgiven loans. The city ended the practice of offering rehab funds as deferred loans because of difficulties some owners faced when selling a house of relatively low property value with deferred debt.
    - **Vacant Property Redevelopment (California).** In Sacramento, California, The Oak Park neighborhood has promoted revitalization and maintained affordable housing including rehabilitation through the Boarded and Vacant Homes Program (BVHP) and infill development through the Vacant Lot Development program. According to respondents, vacancies in Sacramento have come about in part due to the city's stringent code enforcement. The city tried to purchase and rehabilitate the properties itself, but it proved too cumbersome. Instead, the Sacramento Housing Redevelopment Authority moved to an incentive-based system, the BVHP, to attract developers to rehabilitate and develop these properties, and then sell them to low-income households. Through BVHP, developers receive a $10,000 fee for properties in target areas, $15,000 in redevelopment areas, and

$20,000 in the Oak Park redevelopment area, for the acquisition and rehabilitation of a single-family boarded and vacant home.

  - **Vacant Lot Redevelopment (California).** In Sacramento, California, The Vacant Lot Development Program (VLDP) is intended to encourage the acquisition and development of unimproved single-family vacant lots in the North Sacramento, Oak Park, and Walnut Grove redevelopment areas. Developers participating in the VLDP receive a fee for the acquisition and development of a single-family residential vacant lot in the amount of $7,500 for a two-bedroom/two-bath house, $20,000 for a three-bedroom/two-bath house, and $25,000 for a four-bedroom/two-bath house. The new home must be sold to an income-qualified household at an affordable price due to the tax increment funding of the VLDP. The developer fee is allocated upon approved completion and sale of home to an owner-occupant. Residential subdivisions cannot be developed under the VLDP because the purpose is to target scattered sites within current residential neighborhoods. Special homebuyer financing is available for some buyers of these homes.

- **In-fill development (Florida, Washington).** In Florida, the city also offers properties for sale to nonprofits at a discounted price to encourage development. The WIN program acquires boarded-up properties through code enforcement and demolition. Nonprofit and private developers are making an impact and vacant and boarded properties in Midtown in St. Petersburg have decreased 50 percent between 1998 and 2001. In Seattle, Washington, the Central Area Development Association (CADA) was created several years after urban renewal policy restricted development of subsidized housing (in t he late 1980s, the Central Area was designated a Special Objective Area (SOA), which meant that without community approval, no additional subsidized housing could be built in the neighborhood with city funds.) Today, CADA is advancing mixed-use infill projects. Infill development allows developers to take advantage of the vacant or dilapidated properties that exist in the neighborhood. Since the community is not yet completely gentrified, CADA is able to push such projects forward. CADA recognizes that developing higher-density projects can have the most impact on the neighborhood by increasing employment opportunities and creating outlets for shopping and other business transactions for current community members, as well as drawing new residents and customers to the area. CADA raises both public and private funds to finance its housing and commercial projects. Of note, land purchased from Seattle's Office of Economic Development, for example, has a number of stipulations attached, including requirements for a certain number of affordable units at 60 to 80 percent of AMI, maintaining affordability of the units over time, and hiring construction staff from the local community. CADA has also partnered with private real estate development companies which will retain part ownership once the project is completed. Other recommendations regarding work on mixed-use infill developments:

  - If working in a union town, negotiate with the unions to secure a quality contractor.
  - Find a private partner for projects on which it is difficult to raise sufficient public money. As mentioned earlier, a "good" partner is one who understands the risks involved, is patient, and has pockets deep enough to weather the few years it might take to realize decent revenue streams.
  - CADA recommends mixed-use developments in part because of the revenue streams and developer fees that can be realized. However, it acknowledges that it usually takes time for the revenues to materialize

Asset Building of Existing Low and Moderate Income Residents

- **Individual Development Accounts (IDAs) (Georgia).** RRC's IDA program began in 1998 and is funded by the United Way. The program enables participants to build wealth and serves as a community building tool. Participants can use their savings toward homeownership in Reynoldstown or in any of the other 10 approved neighborhoods. Participants receive $4,800 to match their required $1,200 in savings after successfully completing RRC's education, homeownership, and budget counseling. The subsidy can be used for downpayment or closing costs. (The subsidy is slightly lower if participants use it outside of the approved neighborhoods but in the same county.)
- **Tax Relief Assistance (Illinois). The Cook County Assessor's Office offers three tax incentives.**
  - **Class 3.** The Class 3 tax classification reduces the assessment on all multi-unit residential properties with seven or more units from 33 percent to 26 percent.
  - **Class 9.** The Class 9 tax classification applies to buildings with seven or more rental units targeted to low- and moderate-income households (or households making less than 80 percent of the area median income) that have been rehabilitated or newly constructed. These buildings' assessments are reduced to 16 percent of market value for up to 10 years with the possibility of two 10-year extensions.
  - **Class S.** The Class S classification provides incentives to owners of expiring Section 8 buildings to renew their contracts using HUD's Mark Up to Market program. The purpose of the tax incentive is to slow affordable rentals converting to market-rate rentals and condominiums. Landlords that decide to renew their Section 8 contracts qualify to cut their tax assessments from a 33 percent to a 16 percent assessment rate, matching the assessments of homeowners. Previously, this tax reduction could be applied only in low- and moderate-income census tracts but now it applies countywide.

- **Homebuying Programs**
    - The Sacramento Housing and Redevelopment Agency's Target Area Homebuyer Program (TAHB) provides downpayment and closing cost assistance to low- and moderate-income homebuyers for home purchases within Oak Park and four other redevelopment areas. Eligible applicants must qualify for a loan to purchase the home, attend homebuyer-training classes, live in the home being purchased, and be low-to moderate-income. Eligible properties must be located with the program designation areas, meet minimum housing quality standards, and the sales price of the property cannot exceed the Affordable Housing Cost for the area.
    - The Sacramento Housing and Redevelopment Agency's First-Time Homebuyer Program (FTHP) offers downpayment and closing cost assistance to low-income homebuyers on home purchases within the city and county of Sacramento. Eligible applicants must be first-time homebuyers, qualify for a loan to purchase the home, attend homebuyer training classes, live in the home being purchased, and be low-income. Eligible properties are single-family Sacramento, CA homes located within the city or county of Sacramento and a few surrounding cities, and the appraised values cannot exceed the HUD 203b mortgage limit for the area.
- **Volunteer and municipal programs for home repair**. Seattle's CADA has carried out maintenance and repair work for neighborhood homeowners for the past seven years. Volunteers work on up to 10 houses each summer during weekends to paint exteriors, repair roofs, do yard work, and improve home security for elderly or disabled residents. The city of Seattle also offers a home repair program, called HomeWise. HomeWise offers loans at 3 percent interest to low- and moderate-income homeowners to cover the costs of health and safety-related repairs, accessibility modifications, or code violation upgrades. The program also offers free weatherization grants to low-income households.
- **Inner city housing and workforce development**. The Seattle Chamber of Commerce established the Urban Enterprise Center (UEC), a nonprofit affiliate with ties to the business community, which focuses on the Central Area. UEC held a retreat with Central Area leaders to discuss community needs. The primary issue identified was the lack of jobs. To work with the program, businesses have to offer a yearly salary of at least $20,000 along with benefits. UEC works with the Employment Security Office to identify potential employees and get them job-ready before matching them with employers. With financial support from the Ford Foundation and private businesses, UEC has funded community-based organizations to help develop businesses. New businesses are required to hire 50 percent of their workforce from the local community. Graduate students from the University of Washington provide businesses with marketing and accounting assistance so that they might remain competitive as larger chains locate nearby.

Other Strategies to Promote Affordable Housing and Revitalization

- **Zoning changes.** St. Petersburg is revising its Land Development Regulations to allow greater flexibility in development across the city, including mixed-use developments and increased density. Current zoning regulations were established in the 1970s and reflected suburban realities of larger lot sizes
- **Economic development.** By providing early support, other business and residential investors will follow. Economic development is necessary early in the revitalization process because it will allow incumbent residents to increase their earnings.
- **Community benefits agreements (California).** In May 2001, the Los Angeles Figueroa Corridor Coalition for Economic Justice (FCCEJ) negotiated an historic Community Benefits Agreement with the LA Arena Land Company, owned by billionaires Rupert Murdoch and Phillip Anschutz. According to the agreement, the Land Company must make significant improvements to the area surrounding the Staples Center in order for the expansion to move forward. The agreement requires the developers to include living wage and union jobs, affordable housing, local hiring, and parks to the Center's four million square foot addition (Esperanza 2003). The progressive Community Benefits Agreement provides a model for ensuring low-income residents are considered when major developments are built in their communities.

Cross-cutting lessons from case studies:

- **Land Availability is Essential.** The availability of developable land parcels is a factor for entities addressing affordable housing and displacement mitigation, regardless of the strength of the housing market.
    - Recommended strategy: Bank land early, before costs become prohibitive for affordable housing development. Purchasing parcels early at low cost can help control future development costs, ensuring affordable housing units for lower-income households. Effective land banking, however, requires foresight.
- **City Government Involvement is Crucial.** The case studies suggest that local government involvement and leadership is vital to addressing affordable housing needs regardless of the stage of gentrification.
    - Recommended strategy: Attentive management of regulations and city programs can help create opportunities to affect neighborhood revitalization/gentrification and displacement, or hinder them.
- **Community Involvement is Crucial.** Community involvement can help motivate city government and other organizations to support affordable housing initiatives. Seattle offers an example of courting community support for its housing levies. The city is dependent upon community support for the levies—the levies are put up for vote. The city has marketed the levies prior to the elections. It also designed the first levy to be politically expedient by

targeting funds to seniors. Based upon initial success, subsequent levies have expanded in scope to reach broader segments of the population in need of affordable housing.

  - Recommended strategy: The authors note that resident involvement in affordable housing activities was strong only in the three most gentrified communities. While they are cautious in interpreting this finding, it does suggest that residents are more likely to become involved once housing concerns are pressing. The challenge for community-based organizations is to promote resident participation earlier so that people are involved with defining and addressing housing needs before options are limited and they feel powerless in the face of market forces.

- **Displacement is a Housing and Economic Issue**. In order for low-income residents of gentrifying neighborhoods to remain in place and benefit from neighborhood improvements, communities need to develop a holistic approach to mitigating displacement.

Recommended Strategy: Support for the development of existing businesses, so that they can weather change, and incentives for successful businesses to locate in the neighborhoods can create job opportunities for incumbent residents. Depending upon the wages offered, new jobs might in turn increase residents' ability to remain in their community.