# URBAN TRANSFORMATIONS AND GENTRIFICATION

### OVERALL AIM:
### Gaining knowledge of the main determinants that generate gentrification phenomenon after regeneration processes

# Renovation and social inclusion

The driving forces that characterised the industrial era have lost their propulsive role in comparison with the new factors behind the development of post-industrial societies it is thus possible to single out some basic stylised facts concerning urban transformation.

- First, the declining industrial/ manufacturing sectors located within the inner and sub-central city, have been replaced by tertiary and knowledge-based activities, a process which has redefined economic development drivers

- Secondly, cities need to reinvent their spaces and their overall identity. Town councils— more or less overtly supported by the real estate sector—are increasingly interested in the post-industrial refurbishing of sub-central and inner-city areas, consisting of both the physical upgrading of the historical parts and the creation of new 'iconic' complexes, buildings and infrastructures.

# Renovation and social inclusion

- Thirdly, massive socio-economic changes have affected the demography of inner and sub-central cities. Reinventing urban areas has the effect of substantially enhancing the real estate value of the renovated areas and causing the inward and outward relocation of large numbers of activities and inhabitants. The

- increasing post-renovation incidence of creative professionals and service industry workers has been parallelled by the often brutal expulsion of old communities to peripheral areas, leading to 'splintering urbanism' and <u>gentrification</u>

- All these phenomena call for new policies of social cohesion, aimed at the building of, and the bridging among, communities in the new urban scenarios

# Renovation and gentrification

- A countercurrent in the tide of suburbanization was first detected in the late 1960s: some inner-city neighborhoods were unexpectedly being resettled by middle- and upper-income "pioneers," who were typically young, childless, and well educated.

- Gentrification attracted academic attention, and raised the hopes of city governments. Though gentrification did not herald the end of suburbanization, neither was it a transitory trend.

- It has steadily persisted, if not gathered momentum, over the past three decades, especially in the US

# Renovation and gentrification

- During this time, gentrification has revealed itself to be less often a one-way migration back to the city than a continual circulation through the city

- The term `gentrification' was first applied to the changing urban landscape to describe the colonization of working-class London neighborhoods by members of the middle class, or a ``new `urban gentry'

- gentrifiers include the so-called "empty-nesters," who return to the city and stay throughout the second childless phase of their lives

- Housing rehabilitation, which is certainly the most visible evidence of gentrification, improves the city's physical health by forestalling further decay of the housing stock and improves its fiscal health by boosting the property tax base

# Renovation and gentrification

- The sheer volume of expenditures on residential improvements is notable: in the year 2000, when US households spent $160 billion on construction of new single-family homes, owner-occupiers of existing singlefamily homes spent more than half that amount ($81 billion) on home improvements, not including routine maintenance and repair

- In cities, the ratio is even more striking: in Chicago between 1995 and 2000, investment in new construction and investment in the improvement of existing housing were nearly equal

# Renovation and gentrification

- Of course, not all inner-city renovation activity is gentrification-based; much of it is performed by existing city residents. This "incumbent upgrading" is a relatively predictable and continual occurrence in historically stable areas.

- By definition, incumbent upgrading does not significantly alter the demographic or socioeconomic composition of a neighborhood.

- Consequently, it does not dramatically change neighborhoods, let alone catalyze city-wide revitalization

- Though gentrification is also unlikely to singlehandedly revitalize inner cities, it does markedly transform neighborhoods, both physically and demographically

# Renovation and gentrification

- the housing renovation that accompanies gentrification is a process that is important to understand.

- However, there exist only a few empirical studies of residential renovation, and none of them provides a rigorous and conclusive answer to the central questions:

  - What exactly are the determinants of urban housing renovation?

  - Which local amenities and structural characteristics attract renovators to certain neighborhoods?

- Some sociologists have hypothesized answers to these questions in their case studies of gentrified neighborhoods

# Renovation and gentrification

- From this literature, the mainstream press, and even casual observation, the common characteristics of gentrified areas are easily identifiable

- Most of the neighborhoods consist of historic, low-density, architecturally distinctive houses, and they frequently feature parks and pleasant views.

- They are usually quite proximate to the central business district (CBD) and convenient to mass transit, and they are almost always far away from highways, public housing projects, and other disamenities.

- The houses in neighborhoods like these can intuitively be expected to experience a high level of renovation activity.

# Renovation and gentrification

- A neighborhood's demographic characteristics (such as racial composition, average income, age distribution, and ethnicity) are also likely to affect gentrification and renovation activity, but the exact nature and extent of their influence are difficult to conclusively determine from anecdotal analyses

- Most existing empirical studies of renovation either fail to adequately account for the attributes of individual buildings and neighborhoods, or find that these attributes are statistically insignificant predictors

- the expected effects of buildings' characteristics: older, smaller, owner-occupied units that were structurally sound (but not necessarily good-looking) and had not been recently renovated were the most likely to be rehabilitated

# gentrification

- However, the effects of many of the neighborhood characteristics—including noise and traffic levels, non-residential land uses, population density, and distance from the university campus—are statistically insignificant

- only one result consistently emerges: the likelihood of renovation increases with a building's age.

- Gentrification encompasses the two distinct processes of upper-income resettlement and housing renovation, which are usually modeled separately as independent phenomena

- Early models of a monocentric city by Alonso, Mills , and Muth predict a spatial equilibrium in which income increases with distance from the center.

# gentrification

- This outcome relies on the assumption that housing demand is more income-elastic than commuting costs

- Wheaton empirically tests this assumption and finds that the two income elasticities are very similar.

- Consequently, the bid-price functions are almost identical across income groups, making the model's income segregation predictions "statistically unreliable"

- This conclusion lends credence to the suspicion that urban spatial income patterns, including the upper-income resettlement component of gentrification, are strongly influenced by factors that are omitted from the simple urban model.

# gentrification

- By focusing on changes in transport mode choice, there were attempts to explain the spatial income patterns of three distinct phases in the life cycle of a city:

- "paradise," when the rich live downtown;

- "paradise lost," when the rich flee to the suburbs;

- and "paradise regained," when they resettle downtown.

- To capture the effects of transportation innovations, the Alonso–Muth model was extended to include a bimodal choice of transit. As income growth occurs and commuting costs vary, mode-switching may occur differentially across income groups (e.g., the rich adopting streetcars while the poor continue to walk to work).

# gentrification

- This switching can lead to location reversals and generate spatial equilibria that mirror all three phases above

- These results suggest that gentrification, unlike earlier shifts in residential location patterns, is not a simple consequence of transportation innovation.

- The equilibrium location pattern is determined not only by the relative income elasticities of housing demand and commuting costs, as in the standard model, but also by the slope of the amenity gradient and the rate at which consumers' marginal valuation of amenities rises with income.

# gentrification

- If the central city has a strong and growing amenity advantage over the suburbs and amenity valuation is highly income-elastic, then the rich will (re)locate downtown

- some goods and services are obtainable only at the city center, in contrast to the standard composite consumption good that can be purchased anywhere in the city.

- To consume these goods, which represent urban amenities such as cultural, social, and entertainment activities, residents must make extra trips downtown in addition to their regular commutes.

# Renovation model

- Most of the empirical work on housing renovation (reviewed earlier) is based on simple optimization models in which a homeowner or landlord chooses the level of capital investment to maximize some objective function

- Mayer: capitalstock adjustment model to study rental housing rehabilitation.

- Other authors extend this theoretical framework to examine specific elements of the renovation decision. Mendelsohn and Bogdon: focus on the decision to hire outside help; Shear and Montgomery: consider move decisions; and Chinloy: analyzes measurement issues regarding depreciation.

# Renovation model

- Sweeney Dildine and Massey and Arnott et al. apply optimal control methods to analyze the time path of maintenance and renovation.

- These theoretical models, while complex, are more realistic than a static optimization model, since housing maintenance and renovation are inherently dynamic processes.

- Though real-world owner-occupants invariably also take into account the asset value of their property when they make renovation decisions, this model makes the simplifying assumption that households' returns to their housing capital consist only of the utility they derive from consuming the housing services that their investment provides.

# Renovation model

- First, let k0 denote a building's initial (pre-renovation) level of housing capital, and let r denote the level of housing investment made during renovations.

- The post-investment capital level is therefore k0 + r. Although negative values of r are not observable, the consumer choice problem is formulated to allow a negative r to be chosen. If such a choice is optimal, then the actual level of r will be zero.

- This approach is useful in establishing the empirical framework, as seen below.

# Renovation model

- Assume that a building's condition (after any renovations have been made) is given by the function $c(b, k_0 + r)$, where $b$ is a vector of its structural characteristics.

- These characteristics are the building's inherent attributes, such as its age and number of stories, which cannot be affected by any renovation work.

-  The inclusion of these characteristics in the condition function $c$ reflects the fact that the marginal return to housing investment can differ dramatically by building type.

- For any building, it is reasonable to assume that renovations always improve its condition, so that $c_r > 0$ (subscripts denote partial derivatives).

# What is the problem? People or place?

- Property values are dictated by neighbours and neighbourhoods – in other words the character of an area influences our choice, as much as who we are influences where we can choose to live.

- Some places are inherently difficult and unattractive to live in; this impacts strongly on people, determining who moves in, who stays and who moves out, creating people-based characteristics, alongside physical conditions.

- people and place are equally important in the creation of and struggle against social exclusion.

- Areas often have a mix of these characteristics, occasionally all the characteristics are clustered together.

# What is the problem? People or place?

**Chart 1: Intrinsic and acquired characteristics of poor areas**

| Intrinsic Area Characteristics | Condition | Outcomes |
| --- | --- | --- |
| Location and transport links | Poor access | Low status |
| Physical style and ownership | Segregated community | Low value |
| Environment | Unattractive, poor quality | Low desirability |
| Economy | Low investment | Low mix |

| Acquired Area Characteristics | Condition | Outcomes |
| --- | --- | --- |
| Population mix | Low status deters more ambitious | Concentrated poverty |
| Reputation and history | Image activates fear | Rejection and isolation |
| Standards and services | Performance is poor | Deteriorating conditions |
| Poor supervision | Low morale reduces incentives | Negative behaviour |
| Weak informal controls | Intimidation prevents action | Withdrawal |

# What is the problem? People or place?

- Areas that were once valuable – our industrial inner cities – can become redundant, semi-abandoned, ransacked, a true nightmare for the people stranded within seriously depleted communities.

- But these same areas can also regain value, without losing their "character", if we can change some of the intrinsic or acquired features.

- For we do build and sustain, or run down and destroy, our urban neighbourhoods ourselves – we are responsible for social exclusion and its reversal.
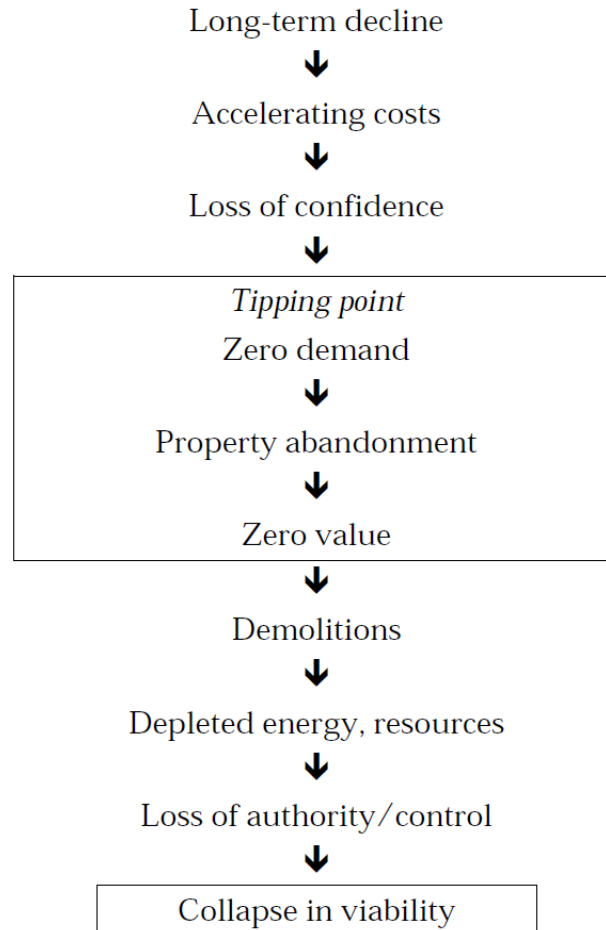
# Poverty concentration

- We have argued that areas are intrinsically unequal and therefore attract very different people. This inequality of areas shows up in distance from work, contrasting tenures, unequal schools and environment. It is inevitable that more vulnerable people with less economic clout will be concentrated in areas of greater difficulty, with lower opportunities. In other words poor conditions and poor people group together. Far more seriously poorer neighbourhoods also tend to group together, forming large poverty clusters within cities..

- Thus we have, not just isolated poor neighbourhoods, but whole swathes of cities dominated by exclusionary problems.

# Poverty concentration

- Clusters of poverty matter because all the disadvantages associated with poverty are more concentrated and more extensive, therefore escape becomes more difficult. Large poverty clusters within cities often have a long history and attract powerful stigma, making them hard to change.

- The larger and longer running the area problems, the stronger the cumulative impact becomes, leading to the flight of those more able to go and gradual loss of control resulting from chronic instability. Tipping into chaotic decline becomes more likely as the backbone of a neighbourhood weakens. This makes some areas subject to eventual abandonment

# Tipping point in neighbourhood decline

Long-term decline
↓
Accelerating costs
↓
Loss of confidence
↓

*Tipping point*
Zero demand
↓
Property abandonment
↓
Zero value

↓
Demolitions
↓
Depleted energy, resources
↓
Loss of authority/control
↓
Collapse in viability

# Counterurbanization

- Counterurbanization, or de-urbanization, is a demographic and social process whereby people move from urban areas to rural areas. It is, like suburbanization, inversely related to urbanization. It first occurred as a reaction to inner-city deprivation

- it is only recently that US counterurbanization has been recognized as analogous to urban gentrification. The similarities between the two processes, however, were recognized in the UK where more than a decade ago scholars began to apply the analysis of gentrification to counterurbanization.

- attempt to apply the analytical perspectives developed in the analysis of urban gentrification to the rural context was led.

# Rural gentrification

- Rural gentrification can be defined as ``the replacement of a working-class population by a middle-class one''

- This definition has important implications because it foregrounds the effects of rural gentrification as a discussion of class-based issues;

- in so doing, it highlights that the effects are also the causes, or that the class-based contests of differentiation are both the ends and means of the practice

# Further readings

- A. C. Helms, 2009. Understanding gentrification: an empirical analysis of the determinants of urban housing renovation, Journal of Urban Economics 54 (2003) 474–498

**Project "SURE - Sustainable Urban Rehabilitation in Europe"**
**implemented in frames of Erasmus+ Programme**
**Key Action 2: Strategic Partnership Projects**
**Agreement n° 2016-1-PL01-KA203-026232**

**Project "SURE - Sustainable Urban Rehabilitation in Europe"
implemented in frames of Erasmus+ Programme
Key Action 2: Strategic Partnership Projects
Agreement n° 2016-1-PL01-KA203-026232**

Co-funded by the
Erasmus+ Programme
of the European Union