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Comment on Elvin K. Wyly and Daniel J. Hammel's "Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification"

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Abstract

Gentrification ought to be examined, for policy purposes, as part of a general restructuring of the space of cities resulting from broader changes in the nature, location, control, and effects of economic processes. However, even if it is narrowly seen as simply residential change, as in the article by Wyly and Hammel, the displacement of poor households by an upper-income gentry ought not be confused with the effort to mix moderate with low incomes in public housing through the best of HOPE VI.

Despite this confusion, Wyly and Hammel provide some interesting data showing the extent to which investment in inner-city areas has accelerated in recent years, paralleling changes in financial arrangements and contradicting any notion that degentrification is a continuous, long-term process. Their data, although short on demographic detail, also implicitly highlight the role of government in pushing the market to respond rationally to economic demand and the continuing danger that gentrification will displace African-American families.

Keywords: Gentrification; Housing; Mortgages

Gentrification and degentrification are and ought to be controversial subjects. How they are evaluated depends a great deal on how they are defined and measured. The article by Wyly and Hammel provides some provocative data on the issues, but it unfortunately suffers from two major analytic confusions. The first uses a geographic/physical empirical measurement of gentrification that does not match the more demographically/class-oriented formal definition in their theoretical discussion. The second arises in the discussion of public housing. The authors mistakenly write as if all "upward" class changes are alike and all equal gentrification, whether they result from the introduction of moderate-income households into public housing projects or the replacement of poor households by an upper-income "gentry."

The definition of gentrification

On the one extreme, if gentrification is considered in geographic/ physical/financial terms as investment in the construction or improvement of buildings in an area previously run down, it can be measured in physical and financial terms and is likely to be viewed as benign. If, on the other extreme, gentrification is defined as the displacement of lower-income households by upper-income ones, by the gentry, it will be measured more in terms of demographic change and is much more likely to be viewed negatively. By the same token, some will view degentrification with dismay, while others will welcome it.[1] Because Wyly and Hammel define gentrification more akin to the second definition, but then often treat it as if it were defined as in the first, their potentially interesting empirical work is flawed in interpretation and ends up contributing less than it could to the policy discussion. And that is a shame, because in the glow of present prosperity most policy makers believe we can have all of the benefits of gentrification (defined the first way) without any of its disadvantages (defined the second way), and that belief warrants careful examination.

This first confusion comes up in the dissonance between definition and empirical discussion. Wyly and Hammel define gentrification as

> the class transformation of those parts of the city that suffered from systematic outmigration, disinvestment, or neglect in the midst of rapid economic growth and suburbanization. (716)

It is not a bad definition, but it suffers from the second confusion mentioned above, in that it does not distinguish what the class transformation is, in effect treating all alike; but we will come to that later.[2] A fuller definition might read

> the movement into a previously working-class area by upper-income households, generally professionals, managers, techni-

[1] In the interests of full disclosure, I should say that I have defined gentrification along the second line (Marcuse 1985) and welcomed degentrification (Marcuse 1991).

[2] Wyly and Hammel are also inconsistent in their application of the definition. For instance, they apparently consider the construction of Battery Park City in New York City on new landfill and Donald Trump's new tower near United Nations Plaza part of gentrification; they are perhaps a missed opportunity for integration, and there may be some secondary displacement, but they are not classic gentrification. Rather, they are part of central business district expansion that in turn is caused by the shift from manufacturing to services in central cities, the increasing importance of the finance, insurance, and real estate sector, the impact of globalization, and so forth, the real context in which gentrification ought to be considered. But Wyly and Hammel focus only on the housing aspects of the process, and therefore this comment will also.

> cians, the new gentry, resulting in the displacement of the former lower-income residents.[3]

But Wyly and Hammel do not go far in examining the class transformation issue. The empirical part of the article begins with a definition of three types of areas within the inner city: core or intensively gentrified areas, fringe gentrification areas, and "inner-city" (but presumptively not gentrified) areas. Inner city is defined as areas with median household income below the citywide median in 1960[4] (727–28). How are these three types of neighborhoods distinguished? By anecdotal evidence, fieldwork, and statistical analysis. While the authors speak of fieldwork, which looked both at "housing reinvestment and class turnover" (727), we are provided no further information on how they judged either one. They speak of investment by the "new middle classes" (727), but these are nowhere defined, nor is there any indication that information was available as to who made housing investments. The latter point becomes particularly strange when one of the data sources is the HOPE VI program, where the investment is largely public and the private beneficiaries are generally near the upper end of the public housing income eligibility scale and a "new middle class" is likely a small minority. Worse yet, the definition of fringe area, and apparently the one used in all of the quantitative analysis, is vaguely given as "areas where reinvestment is comparatively modest, spatially fragmented, or in its early stages" (728).[5]

So what are the empirical findings? That there is an increase in investment in gentrifying areas, including a large increase in fringe areas, whose definition to begin with was that investment in them was increasing. This is hardly a surprising finding, although it does usefully indicate that we are not now in a period of degentrification, also not a surprising finding. Actually, the major empirical findings, based on an analysis of Home Mortgage Disclosure Act data, cast doubt on the original division of inner-city areas into core gentry, fringe gentry, and rest of inner city.[6] For instance: "Conventional

[3] See Marcuse (1985) for a fuller discussion. This definition differs from Wyly and Hammel's not only in specifying the nature of the class transformation but also in considering as subject to gentrification stable lower-income neighborhoods, not only those subject to disinvestment.

[4] This is actually an odd definition: I have crudely mapped such census tracts for New York City, and they are hardly congruent with what most observers would consider the inner city. But then, that term itself is nowhere defined substantively by Wyly and Hammel.

[5] How one can empirically determine in advance of the fact that investment is in its "early stages" is not clear.

home purchase lending to core gentry neighborhoods grew . . . at 2.3 times the suburban rate . . ." (733). But growth rates in fringe gentry areas were 2.4 times the suburban rate, and 3.2 times the rate of the rest of the inner city. And other discordant trends appear as well: Multifamily investment went down more sharply in core and fringe areas than in the rest of the inner city, or in the rest of the city outside the inner city, and the time line of increased investment seems quite variable (see below).

The geography of gentrification is not illuminated by these findings, either in terms of parts of a city or among cities or in terms of timing. The data used for the investment analysis are based on figures from eight cities, which differ widely among themselves, as the authors acknowledge, but the differences are very wide indeed. In some, investment in the core increases faster than in the fringe; in others, it is the reverse; in four of the eight cities, investment in the inner city outside the gentrifying areas increases faster than it does within them. The authors make a valiant attempt to explain some of the variation: In "heavily gentrified cities," there is "outward expansion" of gentrification; in others (but not all others) a "narrow window of affordability" when interest rates dipped in 1993 (as they did in all cities) is related to the pattern of investment (735, 737). "Heavily gentrified" is not defined; the data might be illuminating and would be worth exploring further.

There is also evidence that patterns shifted between 1992 and 1997. For instance, the comment is made that in Detroit's core gentry neighborhood, investment increased by 133 percent between 1996 and 1997 (737). Yet in the eight cities as a whole, between 1992 and 1993, home purchase financing in core areas went up at almost twice the average rate of increase between 1993 and 1997. In Boston, where gentrification is heralded as having moved beyond the core to the fringe, investment in the fringe more than doubled between 1992 and 1993, but then it took four years to increase by the same percentage again (table 4). A more detailed look might illuminate and possibly change the general conclusions.

In any event, it is doubtful whether reliable conclusions can be drawn by looking at eight cities—very different ones at that, ranging from Detroit to Seattle to Washington, DC—with very dif-

[6] The presentation of the basis for the taxonomy is very sparse indeed. The source for the key table (table 2) giving the results of the stepwise discriminant analysis cites "Authors' fieldwork [no details given] and . . . data from Tobin (1993)," and data in the two tables dealing with the taxonomy (tables 3 and 4) never put the three categories next to each other, showing only two at a time.

ferent economies, very different histories, and very different spatial patterns—and then aggregating the data to conclude with general trends. In the brief asides on developments in Washington, DC (in footnote 12) and in Detroit (737–38), some of the flesh and blood of the processes of change comes out, with some geographic specificity. There is no indication as to why these cities were chosen or whether they are intended as a representative sample of U.S. cities. At the end of their article, Wyly and Hammel present a model of investment activities that might have some interesting implications for the class transformation portion of their earlier definition. However, the attention is on the relationship between investment streams and mortgage lending practices, not demographic change—again confusing investment increase with gentrification. Without the broader focus and the kind of information suggested, broad-scale statistical analysis can be provocative but hardly reliable as an overall indicator of change.

Improvements in public housing versus gentrification

The second major conceptual confusion arises in the authors' use of HOPE VI data as if income change upwards in public housing were always equivalent to gentrification. Their findings are potentially interesting, but as the authors present them, simply redundant. HOPE VI is a program that fosters some income mix in public housing; the data presented illustrate that there is income mix in HOPE VI areas. If one defines gentrification as including moderate-income mixing in public housing, then HOPE VI gentrifies. That represents a very different kind of class transformation than classic gentrification by the gentry; it simply means a public program is doing what it sets out to do. It provides no evidence of economic market processes of inner-city change that produce gentrification as almost any definition would have it, nor does it indicate whether gentrification is increasing or not.

In fact, ideally, HOPE VI might be considered in a sense the exact opposite of gentrification. To the extent that its purpose is to promote a mix of incomes and a range of choices in housing for low-income households, it should contribute to desegregation, to de-ghettoization. To the extent that gentrification displaces poor people from areas those better off want for themselves, it contributes to segregation. We are dealing with two related but quite different processes at different ends of the income and class ladder. To the extent that HOPE VI is driven by a desire to decrease ghettoization of the very poor and members of minority groups, it is for their benefit. On the other hand, the shifts in class and spatial structure that produce renewed investment in areas close to downtown

service-sector concentrations are driven by and benefit the gentry and generally displace the poor and minorities. In the definition of gentrification most germane to public policy, the focus is on the intersection of these two concerns: whether the expansion of the spaces of the gentry displaces the poor and how the expansion looked to by the gentry can be made consistent with the deconcentration of housing and opportunities for the poor.

The confusion between income mixing in public housing and the investment by the gentry in inner-city areas leads to basic problems both in analysis and in policy conclusions. Wyly and Hammel call both patterns gentrification, although the two have very different origins and effects. While as Humpty Dumpty said to Alice in *Through the Looking Glass*, a word can mean "just what I choose it to mean," it seems more useful to call only investment by the gentry gentrification. Where the two do come together in the cases where HOPE VI projects are in or near gentrifying inner-city areas, it is a highly controversial question whether it is really "the virtues of mixing poor and middle-income residents" (761–62) that drives support for HOPE VI, or whether it is the fact, similarly cited by Wyly and Hammel, that "[r]ich people are simply not going to live next to public housing" (Lueck, 1, cited on page 714) leading them to push programs that reduce the number of public housing units and replace very poor people with people of higher income. It is not ultimately high-rise buildings that rich people object to—as Robert Moses long ago pointed out, many of the rich live in high rises—but the people who live in high-rise public housing. Wyly and Hammel acknowledge that fact tacitly when they speak of gentrification near public housing as being both feasible and profitable if "higher-income residents do not feel threatened by the proximity of poor families" (741). If HOPE VI were simply a response to the desire to avoid that threat, it would be poor public policy indeed. But the case of Cabrini-Green, which is adjacent to a truly gentrifying area and may involve that issue, is far more complex than that and is very much the exception, as the authors acknowledge. Outside of exceptional cases such as Cabrini-Green, HOPE VI takes place far from the areas of interest to the gentry.[7] The more usual issue is the balancing act between improving the quality of housing for some of those most in need and the maintenance of the quantity of housing available to others in similar need.

[7] There may in fact be more cases like Cabrini-Green, and there may be some pressures to use HOPE VI as a way of displacing poor people for the benefit of those much higher on the income scale; but that is a problem of which the U.S. Department of Housing and Urban Development is aware and is far from at least the explicit purposes of HOPE VI. It is an issue worth exploring in greater detail, and the data and analysis of the article might be useful in such an endeavor.

Conclusions

In the end, returning to the question with which Wyly and Hammel started, the simple conclusion they arrive at is strongly supported by their evidence: The "predictions of the demise of gentrification were exaggerated" (738). It will perhaps not come as a shock to anyone who has worked in the field to learn that gentrification fluctuates in intensity, that it has swings and waxes and wanes. The authors are careful not to predict that from here on it will be all waxing, but their evidence is a good antidote to anyone who might think that from here on it will all be waning.

Another of their conclusions, about changes in the pattern of investment, is important: that changes in the allocation of mortgage credit have taken place that alter the dynamics of private development. Specifically, they argue that historically the allocation of credit created or exacerbated rent gaps, while today credit allocation tends rather to fill such gaps. They go too far, I think, when they speak of credit allocation "leading" gentrification; lenders tend to follow market demand, not create it, but in any event the evidence here does not clarify which one is the cart and which one is the horse. Rent gaps are created when market potential is not realized; the conclusion might be reformulated to say that historically credit allocation did not smoothly reflect the market, but rather contradicted it in the inner city, while today it is more nearly following the market.

But it might be well to emphasize another aspect of these findings. Explicit governmental policies have pushed the market to act in a more "rational" manner (much of the push coming from government-sponsored enterprises such as Fannie Mae). The role of government in getting the market to act as it should is, the logic of Wyly and Hammel's article suggests, very great. That is by itself an important finding: Contrary to some private market ideologists, the private market does not always produce the most rational result, even in purely economic terms, but needs governmental action to do what it claims to be doing.

Wyly and Hammel's findings raise a final and important question. In the somewhat tortured modeling exercise with which the article concludes, in which the most space is devoted to the limitations of the analysis and the explanation of counterintuitive results, one result is stated flatly: There is "little evidence of expanding homeownership opportunity for minorities in gentrified neighborhoods. . . . African Americans applying in core neighborhoods are 1.44 times more likely to be rejected than African Americans who apply elsewhere" (760–61). That result is not coincidence. Investment by the gentry may in fact be implicitly conditioned on avoid-

ing the perceived threat of the proximity of poor families and, by stereotype, African-American families, and the greater denial of loans to them may be part of that process.

The public policy conclusion might therefore well be extreme care in implementing policies that affect gentrification. Wyly and Hammel give three examples of such policies: the relaxation of borrowing constraints imposed on government; government subsidies, guarantees, and direct intervention; and Community Reinvestment Act regulation of private lending. The second and third of these constitute direct intervention by government in the housing market, which can be, and by and large has been, appropriately targeted to meet social needs. If there is a recession, the relaxation of borrowing constraints may backfire; in the context of today's optimism, it too seems a desirable aspect of public policy. The public interest in serving underserved markets is, however, an area where caution in interpreting results might be appropriate. If underserved markets are defined as population groups having inadequate access to credit, as Fannie Mae generally defines them, the effort to guide the market to perform better is eminently desirable. But if underserved markets are defined in exclusively geographical terms (census tracts with certain characteristics) and investment is fostered there willy-nilly, the results may indeed be the classic displacement aspect of gentrification and very undesirable by most standards.

So investment by the gentry and income mixing in public housing, if not carefully handled, may in fact come together with the same undesirable result: a disproportionate worsening of housing opportunities for poor and African-American families. If Wyly and Hammel's article is read as highlighting once again that danger, it will have made a contribution to the policy discussion.

But for a more conceptually grounded look at gentrification, much more work needs to be done. Surprisingly, there is no look at what Brian Berry, in an article the authors frequently cite, considered a central condition of gentrification: office growth in the central business district (Berry 1985). The general restructuring of the space of cities, involving broad changes in the nature, location, control, and effects of economic processes, needs to be seen as the background to the kind of detailed statistical study Wyly and Hammel provide. Consumer preferences and choices of location made by individuals do not, after all, vary from year to year randomly or independently of the world in which they live. Nor do real estate financing practices or governmental policies. Without looking at the sources of the demand for housing, only very limited conclusions can be drawn as to the long-term trends of gentrification. And certainly the future of HOPE VI projects will have much to do with whether they are on

the fringe of an expanding central business district and an expanding class of professionals or isolated from such areas and in the midst of expansive ghettos. We must await further studies to grapple with such broader questions.

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