



CITY POLICIES CAN ACCELERATE DISPLACEMENT AND GENTRIFICATION

“First, Do No Harm”

CodeNEXT Research Group

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Executive Summary

Zoning policies that increase density and allow commercial activities in existing neighborhoods exacerbate displacement and gentrification. Austin’s ongoing high-end residential and commercial development is exporting out of our City large numbers of low- and middle-income families, seniors, and workers. The proposed rezoning of the entire City under CodeNEXT will accelerate significantly the displacement of non-affluent residents by providing developers more entitlements – increasing the value of properties in low-, middle-, and mixed-income single-family areas. These displacements create extreme disruptions in people’s lives, and in their communities, and will result in the redevelopment of large areas of our city for the benefit of affluent residents. Cities such as Portland, Oregon, have adopted policies to evaluate and attempt to mitigate some impacts of city-sponsored changes in land use. Austin has no such policies. The CodeNEXT process to date has not included an evaluation of predictable socioeconomic and community impacts caused the sweeping policy changes, including displacement. This is a fundamental flaw, and it should be rectified before CodeNEXT is adopted.

Advocates supporting CodeNEXT argue that increasing density and commercial uses in existing neighborhoods increases our supply of affordable housing. They call it “missing middle housing”. One only needs to tour the areas of Austin currently being redeveloped to disprove their assertions. CodeNEXT will further exacerbate Austin’s growing economic justice problem. Until the City Council obtains an independent, expert study of community socioeconomic impacts, coupled with a comprehensive plan to address displacement, no

substantive votes on CodeNEXT should take place by either of the land use commissions or the City Council.

People Are Being Pushed Out of Austin

Single-family neighborhoods – south, central, north, west and east – already have experienced significant displacement¹, in-fill, redevelopment, and gentrification. Central East Austin has been rapidly redeveloped, displacing its lower-income residents with upscale gentrifiers.²

City Demographer Ryan Robinson has noted that Austin's income level has increased mainly because so many moderate-income families have moved to suburbs in Bastrop and Caldwell Counties.³ Robinson also has reported that, "with only a few exceptions, neighborhoods in Austin's urban core are becoming largely devoid of households with children, and the overall number of families-with-children has increased while the share of total households from families-with-children has decreased. This relative loss of families-with-children households has significant implications for the city's school districts, but AISD will feel the greatest brunt of the effect'.⁴ AISD, for example, expects the PK-12 student district population to decline by 4,266 students over the ten-year projection time frame, for a net decrease of 4.8%.⁵ All of the schools to be closed in the AISD Facilities Master Plan, due to declining enrollment, lie on the East Side or historically disadvantaged areas, due to loss of working families.

If these trends continue, only the most affluent people will be able to live in the few remaining single-family neighborhoods in Austin. Average Austinites, such as first responders, teachers, and state employees, will continue to be

¹ For a definition of displacement, see Bates, Lisa K., "Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification" (2013). Urban Studies and Planning Faculty Publications and Presentations. Paper 83, p. 10, 11 http://pdxscholar.library.pdx.edu/usp_fac/83

² Busch, "Crossing Over: Sustainability, New Urbanism, and Gentrification in Austin Texas" (Southern Spaces, August 19, 2015) (<http://southernspaces.org/2015/crossing-over-sustainability-new-urbanism-and-gentrification-austin-texas>)

³ <http://buildingatx.com/2015/04/austins-affordability-issue/>

⁴ <http://www.austintexas.gov/page/top-ten-demographic-trends-austin-texas>

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https://www.austinisd.org/sites/default/files/dept/default/docs/AISD_Demographic_Study_2016.pdf

forced to move out of the city, and commute back to their jobs in Austin.⁶ Single-family homes will become an impossible dream for all but the richest Austinites, which is not what the vast majority of families want.⁷

In recent years, thousands of moderately and lower priced single-family homes throughout Austin have been demolished. Most have been replaced with more expensive, higher-density housing and mixed use, commercial developments for the affluent, particularly new residents. The City estimated that over 1,000 homes would be demolished in 2015 alone.⁸ Another study identified nearly 1,800 residential demolitions in the urban core since 2010 – nearly equal the amount over three decades from 1980-2009.⁹

Government-sponsored density, of course, is not the only cause of displacement and gentrification. Market forces today also are resulting in demolitions of single-family homes. Government policies, however, can accelerate or decelerate market forces causing displacement. This paper focuses on government policies that impact displacement, directly or indirectly, and not market activities alone.

What Other Fast-Growing Cities Are Doing

Other fast-growing cities are experiencing similar displacement problems. A study about Portland, for example, says this:

“When the area becomes desirable to higher-income households and/or investors, there

⁶ “As neighborhoods or corridors become more compact and connected, they also become desirable and increase in value. As a result, owners of aging rental properties are likely to sell or redevelop their properties. Rents are likely to rise or units may be converted to owner occupancy, and lower income households may be priced out. The changes in these corridors may thus contribute to the growing shortage of affordable rental housing in centrally-located areas.” <http://soa.utexas.edu/work/corridor-housing-preservation-tool>

⁷ See *Forbes* (Feb. 6, 2014) (<http://www.forbes.com/sites/joelkotkin/2014/02/06/americas-future-cities-where-the-youth-populations-are-booming/>)

⁸ “Austin homes demolished...” KVUE report (August 21, 2015) (<http://www.kvue.com/story/news/local/2015/08/20/austin-homes-demolished--make-way--mcmansions/32093783/>). See also, <https://data.austintexas.gov/Permitting/Demolition-Data/6uif-m8u3>

⁹ <https://communityimpact.com/austin/data-reference/2017/02/27/7-years-worth-central-austin-home-demolitions-track-exceed-numbers-previous-30/>

are changes in the housing market. As demand rises for the neighborhood, higher-income households are able to outbid low-income residents for housing, and new development and economic activity begins to cater to higher-income tastes. Lower-income households and/or households of color migrate out of the neighborhood and new in-migrants change the demographics of the neighborhood.”¹⁰

Portland has adopted policies and procedures to measure and mitigate the impacts of some government actions on minority residents in existing neighborhoods. For example, it has incorporated anti-displacement and equity goals into its area planning for one of its commercial corridors.¹¹ Another example is its Racial Equity Toolkit.¹² It is unclear whether Portland is utilizing its Racial Equity Toolkit or any other tool to forecast whether displacement will occur under its ongoing plan to densify parts of the city in a project named the Residential Infill Project.¹³ The Residential Infill Project has been the subject of heated criticism by neighborhoods.¹⁴

In Seattle, in 2015, after a vocal outcry from neighborhoods, city leaders retreated from a proposal that would have permitted duplexes, triplexes, stacked flats and other multifamily structures in single-family zones.¹⁵

What Austin’s CodeNEXT Team Is Doing

CodeNEXT is the rewrite of Austin’s entire Land Development Code. To

¹⁰ Bates, Lisa K., "Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification" (2013). Urban Studies and Planning Faculty Publications and Presentations. Paper 83, p. 9

http://pdxscholar.library.pdx.edu/usp_fac/83 See also, <https://www.kcet.org/agenda/las-small-lot-homes-destroying-low-rent-housing-restoring-the-american-dream-or-both>

¹¹ Bates, Lisa K., "Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification" (2013). Urban Studies and Planning Faculty Publications and Presentations. Paper 83, p. 38

http://pdxscholar.library.pdx.edu/usp_fac/83

¹² <https://www.portlandoregon.gov/oehr/71685> See also Seattle’s similar toolkit: http://www.seattle.gov/Documents/Departments/RSJI/RacialEquityToolkit_FINAL_August2012.pdf

¹³ <https://www.portlandoregon.gov/bps/article/623488>

¹⁴ <http://www.historiclaurelhurst.com/single-post/2016/11/19/The-Truth-About-RIP-From-The-Inside---A-Minority-Report-Is-Issued>

¹⁵ <http://www.seattletimes.com/seattle-news/politics/mayor-murray-withdraws-proposal-to-allow-more-density-in-single-family-zones/>

date, the effort has not included a comprehensive, independent study and analysis of the community and socioeconomic impacts of the proposed changes in zoning and land use rules with recommendations to address the problem. There has been little or no analysis of the displacement effects on less affluent Austinites. Yet these proposed changes are dramatic and are likely to greatly accelerate displacement.

On January 26, 2017, the City Council took a positive step when it passed a resolution¹⁶ instructing the City Manager to work with City staff and CodeNEXT consultants to evaluate the potential net loss or gain of market affordable housing and income-restricted affordable housing when mapping changes in development entitlements. Secondly, in another positive move, on April 13, 2017, the City Council adopted a resolution directing the City Manager to consider using the Corridor Housing Preservation Tool to help assess current conditions and set corridor-specific numeric goals for the creation and preservation of affordable housing for priority corridors throughout Austin.¹⁷ Neither of these actions appears to have had any impact on the CodeNEXT process or timeline. Displacement is being treated as an afterthought, while it is the central economic justice issue with writing a new land development code.

More recently, in a third action, on May 31, 2017, the City Council was briefed on forecasts being made by a Portland-based consultant using its tool known as Envision Tomorrow.¹⁸ At the City Council meeting, it became apparent that these forecasts are still a work in progress and that the work, to date, is very troubling to some Council Members.¹⁹ The consultant's statements to the City Council imply that the CodeNEXT maps are drawn to promote redevelopment by market forces of areas that are economically desirable, instead of following the City's master plan, *Imagine Austin*. This issue will be the subject of a separate paper.

Calling it the addition of “missing middle housing”, the CodeNEXT draft contains numerous provisions intended to both increase density in certain

¹⁶ Resolution 20170126-038, sponsored by Mayor Pro Tem Kathie Tovo

¹⁷ <http://www.austintexas.gov/edims/document.cfm?id=275682> (Resolution # 20170413-025)

¹⁸ See <http://austintexas.gov/page/envision-tomorrow> and <http://envisiontomorrow.org/et-intro/> and <http://envisiontomorrow.org/et-intro/>

¹⁹ See <http://austintx.swagit.com/play/05312017-727> and <https://communityimpact.com/austin/central-austin/city-county/2017/06/01/5-reasons-why-austin-city-council-wants-more-information-before-voting-codenext-in-2018/>

neighborhoods currently zoned as single-family and to increase the types and numbers of allowed uses, including many business uses. Examples include adding triplexes, fourplexes, small apartments, medical offices, restaurants, and bars.²⁰ In addition, radical reduction of on-site parking requirements will push parked vehicles onto neighborhood streets in large numbers. Many of these streets lack sidewalks.

Austin City planners state that 135,000 housing units need to be built in the City to satisfy future housing needs over the next ten years.²¹ Regrettably, they fail to clearly point out that this forecast is for the entire five-county MSA area – not the forecasted needs within Austin’s city limits. Recent reports demonstrate that most of the area’s recent growth is occurring outside of Austin’s city limits. According to recently released Census data from the Census Bureau, from July 1, 2015 to July 1, 2016, the City of Austin experienced a net gain of 17,738 in total population which results in an annual percent increase of 1.9% – ranking 5th overall in the annual rate of growth for U.S. cities with at least 500,000 population. This data indicates an overall downshifting in the rate and volume of population growth for the City, while data for the entire metropolitan area shows a surge in population growth during the same period. The City’s overall capture of total regional population growth has fallen to 30%, the smallest take of total growth that we ever have historically experienced as a City.²²

On April 18, 2017, the City published its CodeNEXT maps indicating an intention to rezone the entire city. Where applied to existing single-family neighborhoods, these new rules will drive up land values, rents, and property taxes. Leaders in the real estate industry call these relaxed regulations “entitlements” and claim they will make Austin more affordable. Residents in established neighborhoods will feel these impacts as decreasing affordability, increasing their taxes, and degrading the quality of their lives. These changes violate the expectations of current residents that they could rely on City government not to change the rules to their detriment.

The term “entitlement” is used by real estate investors to describe City-

²⁰ Read, for example, the allowed structures and uses for one of the residential zoning categories named T4NS: <https://codenext.civiccomment.org/chapter-23-4-zoning-code>

²¹ http://www.austintexas.gov/sites/default/files/files/NHCD/Strategic_Housing_Blueprint_4.24.17__reduced_.pdf

²² See <http://www.mystatesman.com/news/local/suburbs-lead-the-way-austin-region-growth/q7oD3uM5OVf5oqmoIzVhuK/> *Suburbs lead the way in Austin region’s growth*

granted rights to exploit land ownership. A typical example is zoning that allows increased density and business uses, often at the expense of owners of neighboring properties. Many moderate-income or low-income residents do not have the financial resources to capitalize on increased entitlements. Even when these disadvantaged residents want to sell and leave their homes, the full value of the increased entitlement usually does not accrue to them. Instead, most of the value increase from the higher entitlements accrues to investors that are able to fully develop the properties. The investors that do have the financial resources to realize the monetary gains from redevelopment, target the most affordable properties (those not yet fully gentrified), taking them out of the affordable housing inventory while replacing them with high-end unaffordable housing for the affluent. In this case, the affordability gap is not only increasing, but the rate is accelerated. As land values in a neighborhood increase because of investors' exploiting their new rights to generate higher revenue from single-family lots, property values – and property taxes – often go up on neighboring lots.

Misleading Statements by Density Advocates About So-Called Affordability

Those who advocate increasing density in existing neighborhoods do so in the name of affordability. But we ask, “Affordable for whom – affluent new residents?” What these advocates fail to mention is that destruction of existing affordable housing is often the first step to displacement and gentrification. One fact is indisputable: the most affordable housing is existing housing. What these advocates mean by “affordability” is placing more newly constructed, more expensive units on a piece of land so that the land cost is spread among more units. They glibly assume, without evidence, that this will reduce slightly the price per unit. But these assumptions are often wrong.

These “missing middle” and “mixed use” units will be built for an affluent market, because their profit margins are greater and the affluent make up 2/3rds of new residents. Landowners will demand increased land prices for their increased entitlements and the developers' expected increased profits, raising the price of the subdivided land. The landowners' expectations will be built into the land price. In addition, because housing demand is mostly from affluent new residents, developers will build high-end units with more expensive construction costs. Any marginal land savings will likely be wiped out by increased construction costs for high-end amenities. In addition, displacement will likely inflate the price of these high-end units as moderate housing is replaced and less affluent residents leave. As these neighborhoods appear more “desirable” to the affluent, as those of different incomes and races leave, the unit prices will rise to

their ability to pay what the market will bear. CodeNEXT advocates forget that housing prices are set by demand, not just supply. In short, these “affordable” units likely will be much more costly than those they replace. There will not be “affordable” units for working families or seniors, who will be displaced by the affluent.²³

Density already has increased significantly in Austin, yet housing has become less affordable. The density of the Austin/Round Rock MSA increased by 57% between 2000 and 2015²⁴, and Austin has become less affordable. A 2015 report by Demographia, a pro-density organization, reported that large cities in the world that have implemented urban density policies like “compact development” or “smart growth” have experienced significantly higher land prices, with no real impact on sprawl.²⁵ As reported in the Austin Business Journal, even most business leaders (80%) recognize the true cause of Austin’s lack of affordability: rapid population growth.²⁶ Only 6% of those surveyed by the Journal attribute neighborhood opposition to new development as a primary driver of Austin’s rising housing prices.²⁷ Given the clear evidence that increased density actually makes a city less affordable, we are perplexed why Austin’s commercial real estate industry perpetuates the argument that increasing density in our single-family neighborhoods will improve affordability.

Peter Moskowitz’s recent book²⁸ analyzing New York and San Francisco shows how these cities systematically and exclusively rezoned affordable housing areas for high-density developments. He says,

“Gentrification is also the inevitable result of a political system focused more on the creation and expansion of business opportunity than on the well-being of its citizens (what I refer to as neoliberalism). With little federal funding for housing, transportation, or anything else, American cities are now forced to rely completely on their tax base to pay for basic services, and the richer a city’s tax base, the easier those services are to fund.

²³ Austin resident and expert Ed Wendler, Jr. See also, *The New Urban Frontier, Gentrification and the Revanchist City* by Neal Smith, 1996

²⁴ Population data from Ryan Robinson, Demographer, City of Austin.

²⁵ 11th Annual Demographia International Housing Affordability Survey: 2015

²⁶ “What is the Primary Driver of Austin’s Rising Housing Prices”, Austin Business Journal (August 21, 2015), p.27

²⁷ Ibid.

²⁸ *How to Kill a City: Gentrification, Inequality, and the Fight for the Neighborhood*. March 7, 2017. Kindle version, location 121 of 4531. See also, <https://m.eastbayexpress.com/SevenDays/archives/2016/05/27/uc-berkeley-report-lao-wrong-about-market-rate-housing-panacea>

That can mean attracting the wealthy to cities, actively pushing out the poor (who are a drain on taxes), or both. The latter seems to be the preferred one in most cities these days.”

In her book, *Affordability in New Urbanist Development: Principle, Practice, and Strategy*, Emily Talen states that “Data for 152 New Urbanist projects were obtained, and it was found that 23 out of 152 developments or 15% were affordable to someone making the Area Median Income.”²⁹

A Los Angeles program to allow the redevelopment of lots into small lots has led to the displacement of working families.³⁰ The current draft of CodeNEXT relies heavily on the use of this type of feature, but without the actual subdivision of the lot, instead using the term “parcel size”.³¹

Austin Has An Economic Justice Problem, Particularly in the Eastern Crescent

The Austin metropolitan area has been criticized as the most economically segregated area in the U.S.³² Austin has been ranked as the 10th fastest in gentrification.³³ Our Hispanic/Latino residents believe that:

“Our neighborhoods are feeling the effects of gentrification. Too many of our homesteads have been lost due to inability to pay rising property taxes, and we find ourselves in a position of no longer being able to remain in the neighborhoods where we

²⁹ See pages 489-510, Published online: 30 Nov 2016. See also, <https://dspace.mit.edu/bitstream/handle/1721.1/98935/921891223-MIT.pdf?sequence=1> : “Data on development and demographic change suggest that the rezonings facilitated new housing growth in prime, central neighborhoods at the expense of low- and moderate-income renters. In low-density areas, the city conducted rezonings that preserved neighborhoods from new development, but, in combination with an influx of immigrants and renter households, contributed to increasing rent burdens and overcrowding. The quantitative analysis demonstrates that, on aggregate, rezonings were associated with residential displacement in and near the city’s core while serving to exclude low-income households in the periphery. “

³⁰ <https://www.kcet.org/agenda/las-small-lot-homes-destroying-low-rent-housing-restoring-the-american-dream-or-both>

³¹ See 23-4D-2060

³² <http://martinprosperity.org/content/insight-segregated-city/>

³³ http://www.realtor.com/news/trends/10-surprising-cities-that-are-gentrifying-the-fastest/?aid=11921783&pid=7597981&cid=aff_cj_rdcandrental_allaffiliates_cj

grew up.”³⁴

With regard to the declining African American population, a University of Texas study reaches a similar conclusion:

“Those who promulgated the 1928 Master Plan likely never anticipated that the territory just east of downtown would one day become coveted land for new business owners, real estate developers, and a new professional class. As the value of property increased so did property taxes. This enticed African-American residents to sell their property, especially when their children were unlikely to replace them as property owners.”³⁵

The draft of the *Mayor’s Report on Racism* states that it appears that the new code will fuel even more and faster displacement of longtime residents and businesses in East Austin,³⁶ and the Austin La Raza Roundtable in a letter dated February 13, 2017 states that they believe that CodeNext is the “most recent tool of institutionalized racism.”³⁷ These are issues that CodeNEXT must not ignore.

A Way Forward

Before CodeNEXT is adopted, it is imperative that the City order an independent, comprehensive socioeconomic and community impact study of CodeNEXT’s proposals, especially on displacement of non-affluent Austinites and the impact on their neighborhoods. It also should adopt an effective strategic plan with concrete programs and resources to mitigate displacement – before adopting CodeNEXT. This study should be performed by experts who are independent of the City staff and the CodeNEXT team. Until a study of socioeconomic and community impacts, along with a comprehensive plan to address displacement, are completed and delivered to the City Council, no substantive votes should take place by either of the land use commissions or the City Council. This issue is too important for the long-term health of our City.

³⁴ http://www.austintexas.gov/sites/default/files/files/Code_Compliance/HispanicReport-ver_5-07-15-13.pdf

³⁵ http://liberalarts.utexas.edu/iupra/_files/pdf/Austin%20AA%20pop%20policy%20brief_FINAL.pdf p.7

³⁶ *Mayor’s Task Force on Institutional Racism, Real Estate and Housing Group Draft Report, February 19, 2017*

³⁷ <https://www.facebook.com/larazaroundtableaustin/>

While it is not easy to mitigate displacement of lower- and middle- income families, other cities are addressing the problem. And it is incumbent on the City of Austin to not adopt new policies in CodeNEXT that will actually accelerate displacement and gentrification. It should follow the maxim of “First, do no harm.”

CodeNEXT is far too complicated and is on a too short a timetable for residents to get a complete understanding of its specifics and consequences. .

Let’s take our time, and do it right.

In 2016, the City Council twice took steps to diminish economic incentives to demolish existing affordable housing: It did so when it voted to make permanent the rules for occupancy limits for new single-family construction and again when it voted to restrict non-owner-occupied short term rentals. Among the considerations for their actions was the fact that the looser regulations were giving financial incentives for the demolition of affordable existing housing. These two adopted City policies have helped decrease incentives to destroy existing affordable homes.

In addition, Austin should adopt policies that seek to preserve as much existing housing as possible. Its attempts to do so have been sporadic and inadequate.

Density in the right places is not a bad thing. The City’s comprehensive plan, *Imagine Austin*, has among its goals making the City more compact and at the same time protecting our neighborhoods. These are not incompatible goals. There is a time and place for everything. Austin has ample land with entitlements for developing diverse housing types for our expanding population. Our policy makers should focus on the total picture, not just areas in the central parts of the City that are viewed as profit centers for special interests.

Now is the time to get CodeNEXT on the right track. Displacing current, non-affluent residents is the wrong track.