

## East Liberty Revitalization: Gentrification

This is the fourth in a series of white papers on East Liberty Development Inc.'s (ELDI) crime reduction strategy. At this point, readers of the series are familiar with our proposition that crime is a real estate problem. It is firmly established that crime can accelerate neighborhood decline, leading to depopulation and a general deterioration of public life and economic conditions.<sup>1</sup> ELDI's strategy of purchasing problem rental properties and putting a halt to criminal behavior was in large part responsible for the rebirth of the residential neighborhood of East Liberty. Furthermore, this 'rebirth' occurred without appreciably changing the demographic and the socio-economic make-up of the neighborhood.<sup>2</sup>

It seems counter-intuitive. After all, we have heard what gentrification did in New York, Portland and San Francisco so why wouldn't it be the same here? Well, the short answer is, Pittsburgh isn't New York, Portland or San Francisco. The long answer is, the neighborhood of East Liberty had a long term plan for this growth based on equitable development. As a result, East Liberty has achieved what appears to be a prosperous, diverse and growing neighborhood. But more importantly, it is a neighborhood that provides broad-based development that is inclusive of its residents.

The primary driver of gentrification is the mismatch between housing demand and supply, with the trend fueled by an increased preference for city living, rapid job growth in urban areas and tight housing markets.<sup>3</sup> The process is more prevalent in boomtowns and youth magnet cities. And while it could be argued that the City of Pittsburgh is on the upswing, it is a stretch to make the claim that these traits apply to Pittsburgh - an observation borne out by US Census Bureau figures. Recent data from the Bureau shows that Pittsburgh's population, long in decline, has only just stabilized in the past five years - hovering around 306,000, a figure appreciably less than half of its 700,000 peak population in 1950.

A more granular analysis by Numeritics at the block group, census tract and neighborhood levels using US Census Bureau American Community Survey (ACS) data reveals that population loss (or gain) across the city has been far from even.<sup>4</sup> This result is supported by an earlier study by Chris Briem, a University of Pittsburgh economist and demographer who analyzes regional population trends. Briem reports that, "There are parts of the city growing and changing and doing well — absolutely. But people forget that of 90 neighborhoods, there are a lot of them still suffering from trends of the past."<sup>5</sup> Even as East Liberty prospers, immediately adjacent neighborhoods with chronic crime problems, like Homewood, Larimer and Lincoln-Lemington, continue to hemorrhage population.

<sup>1</sup> Cullen, Julie Berry and Steven D. Levitt. 1999. "Crime, Urban Flight, and the Consequences for Cities," The

<sup>2</sup> In 2009, African Americans constituted 68% of East Liberty's population compared to 67% in 2013. Figures are based on the US Census American Community Survey data.

<sup>3</sup> Kennedy M. & Leonard P. (2001) "Dealing with Neighborhood Change" A Primer on Gentrification and Policy Choices." <http://www.brookings.edu/research/reports/2001/04/metropolitanpolicy>

<sup>4</sup> Numeritics' Report on Baseline Assessment Study *forthcoming*.

<sup>5</sup> Rotstein, Gary. "Census estimates show Pittsburgh population decreasing." Pittsburgh Post Gazette, May 21, 2015.

The corollary to the absence of rapid growth is Pittsburgh’s well-publicized affordability. The median value of a home in the City of Pittsburgh, at \$91k, is less than half the national median home value, 16% of the median value of a home in New York City, and only 8% of the over \$1m median home value in San Francisco.<sup>6</sup> In short, it could be argued that we have neither the growth nor the tight housing market that the earlier cited Brookings Institution report says are preconditions for gentrification.

What we do have, however, is an East End housing market with radically different valuations for each neighborhood, determined largely on whether that neighborhood is perceived to be safe or not safe. East Liberty, previously considered unsafe and therefore undesirable, is now much safer. Falling crime, and the resultant increase in property values may create a localized risk of urban displacement. Conscious of this and in maintaining fidelity to its core objective of achieving a “mixed income neighborhood that is safe, stable and sustainable with development efforts that benefit all residents,” ELDI proactively planned for a transition that has proven beneficial to the neighborhood’s residents. This was achieved by involving the community in the visioning and planning process that culminated in a comprehensive community plan in 1999 with an updated version in 2010.

The 1999 Plan called for a thriving urban community that provides “...commerce, employment, recreation, services, good schools and diverse housing choices.” This would be accomplished through the replacement of distressed housing with mixed-income alternatives, the redevelopment of the “towers,” and the acquisition and rehabilitation of housing in the neighborhood. Incredibly, much of what was outlined in 1999, and re-affirmed in 2010, has been accomplished. This includes the virtual elimination of vacant and foreclosed properties, property appreciation and increased economic activities including investment in properties, a large supply of well-managed, high quality affordable and market-rate housing, an increasingly vibrant and dynamic business district, and a dramatic reduction in crime.<sup>7</sup>

Brooking’s definition of gentrification further lends credence to the fact that what occurred in East Liberty is community revitalization and not gentrification. With respect to the definition, “gentrification has three specific conditions which all must be met: displacement of original residents, physical upgrading of the neighborhood, particularly of housing stock; and change in neighborhood character.” This is obviously not the case in East Liberty, given that nearly all market rate development occurred on vacant or abandoned land, and the provision of 542 new units<sup>8</sup> of

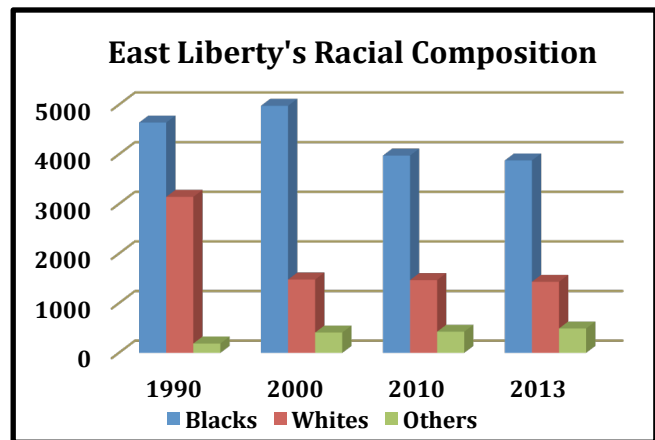


Chart 1a: East Liberty's Racial Composition

<sup>6</sup> Figures obtained from Zillow.com

<sup>7</sup> East Liberty Crime Data Analysis. Accessible at [http://www.eastliberty.org/sites/default/files/page/files/Report\\_of\\_the\\_ELDI\\_Crime\\_Study.pdf](http://www.eastliberty.org/sites/default/files/page/files/Report_of_the_ELDI_Crime_Study.pdf)

<sup>8</sup> New apartments in East Liberty funded by the Low Income Housing Tax Credit.

affordable replacement housing ensured the long-term affordability of the neighborhood. The success of these efforts is represented in census data, which shows the demographics of the neighborhood have remained essentially the same.<sup>9</sup> Admitted, East Liberty’s housing stock has undergone significant physical upgrades in the past five years. However, much of these are concentrated in the commercial zone. Within the residential area, architectural changes to properties are modest and largely invisible. In this regard, East Liberty’s revitalization looks to be a textbook case for inclusive, broadly beneficial development that preserves the neighborhood core characteristics. Charts 1a<sup>10</sup> and 1b that provide figures on East Liberty’s economic and demographic attributes provide more clarity on the subject. 2013 figures are based on estimates from the US Census American Community Survey<sup>11</sup>.

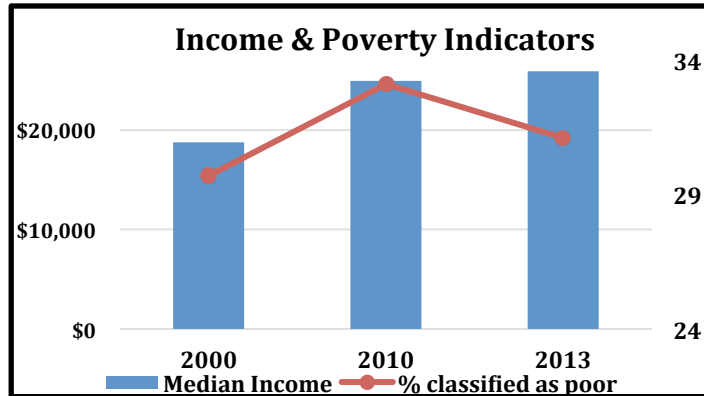


Chart 1b: Income & Poverty Indicators for East Liberty

There is no doubt that East Liberty has changed for the better, in large part due to ELDI’s strategy of tackling crime and planning for inclusive growth. The neighborhood

is a rare example of diversity in a racially and economically segregated city. Demand for affordable units in East Liberty is at record high and East Enders, both the poor and the wealthy, are streaming to East Liberty in droves, making it one of the few communities in Pittsburgh that is growing. In this regard, East Liberty is a model for Pittsburgh.

However, it remains to be seen if the neighborhood can continue to be an inclusive one given the increased pressure on demand for housing, juxtaposed with the fact that a decent percentage of the neighborhood’s Section 8 assisted privately-owned rental housing stock for lower income households could be at risk of conversion.<sup>12</sup> The recent situation with the Penn Plaza clearly shows the risks, and illustrates the need for proactive planning, and the continued construction and preservation of affordable housing in East Liberty.

<sup>9</sup> Recent studies (in bullet points below) suggest that there is no significant difference in the rate at which people move out of gentrifying and non-gentrifying neighborhoods; which likely aided the retention of low-income households in East Liberty.

- L. Ding, J. Hwang and E. Divringi. “Gentrification and Residential Mobility in Philadelphia.” Federal Reserve Bank of Philadelphia. October 2015.
- T. McKinnish, R. Walsh and T. K. White. “Who Gentrifies Low Income Neighborhoods?” Journal of Urban Economics. March 1, 2010, 67(2): 180-193.

<sup>10</sup> It is noteworthy that the 1990s witnessed a 53% decline in the population of East Liberty’s White residents; or in other words, one out of every two white residents voted with their feet in that period.

<sup>11</sup> Margins of estimation error are not reported.

<sup>12</sup> When a property, reserved predominantly for lower income households, reverts to market rate housing.