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Who Wins and Who Loses? How Gentrification Caused by Public Transportation is Felt Differently a Crossed Race

Rosina Shipman

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Abstract

When does a public good become harmful? And who does it harm? To tackle these questions I take a detailed look at how public transportation affects housing prices. Public transportation is a common good utilized by people of all different socioeconomic levels, but scholars have found that the presence of a new public transportation stop can be a catalyst for gentrification, raising housing prices and displacing previous residents. While this positive relationship between housing prices and public transportation is well documented, there is a lack of literature on how gentrification, caused by public transportation, affects neighborhood-housing prices a crossed race. In order to understand this relationship I looked at three poor white neighborhoods. One in Atlanta, GA, one in Chicago, IL and one in Philadelphia, PA that had a new transportation site extended to it. Using census data, housing prices, and transportation ratings I looked at how these poor white neighborhoods experienced gentrification in comparison to surrounding black neighborhoods. Using these three cases studies, I find that neighborhoods that are 35 percent white or more will gentrify faster than neighborhoods with majority black residents. When neighborhoods around a city center begin to gentrify affluent homebuyers feel safer purchasing urban housing in neighborhoods were the residency is majority white.
Introduction

Even in our relatively individualistic society, we all continuously consume and benefit from public goods. Paul Samuelson formalized the concept of a public good in his acclaimed paper "The Pure Theory of Public Expenditure. (Samulson.1954)." He explains, a public good is any service, infrastructure or policy provided for by the government that every citizen has the right to use equally, as they see fit. An essential factor of a public good is that one person's use of this good should not and will not diminish its usefulness for anyone else. However, scholars have found that public goods, such as public transportation, may be harming some communities? Moreover, which communities are benefiting and which are not?

Many scholars have theorized that the presence of a public good, such as a new public transportation site, can cause housing prices to rise. When a city puts in place a new public transit system, new opportunities for faster commutes become available. A neighborhood automatically becomes a more desirable place to live if it can offer a public good such as a high-speed light rail or new subway stop. But does this process affect different racial groups in different ways? In this paper, I begin by discussing historical redlining practices and race-based policies that segregated neighborhoods and cities in America in the 30’s. This is necessary to understand the present day phenomena of gentrification, and therefore present a cohesive picture of its effects. In order to explore how a public good, such as public transportation, could cause gentrification and to investigate who is most affected by this gentrification I use three case studies by compiling and contrasting data on transportation, housing prices, racial makeup and more from neighborhoods in Atlanta Georgia, Chicago, Illinois, and Philadelphia, Pennsylvania, all of which have experienced high gentrification rates. I find that in all three cases access to public transportation does seem to have a positive relationship with higher housing prices and
gentrification. I also find that this gentrification process happens faster in neighborhoods that are predominantly white when compared to regions of mostly black or Hispanic backgrounds.

**What is Gentrification?**

Gentrification is a form of neighborhood change driven by an influx of wealthier people into a preexisting urban community. When more affluent residents move into an area, they not only change the communal makeup of the neighborhood but also radically reshape the economic conditions as well. Neighborhood economics change as property and rent values increase, often pricing previous residents out of the blocks they call home. These changes leave lasting marks on the demographic makeup, culture, politics, and economics of neighborhoods and cities. For some, the influx of new neighbors may bring the possibility of new restaurants, shops, and remodeled buildings. However, for lower-income households, these changes are increasingly resulting in displacement from long-time homes and neighborhoods. But what causes these dramatic changes to occur?

As western cities began to develop and grow in the midst of the industrial revolution, blue-collar workers moved to big cities in search of the manufacturing jobs that new factories had to offer. People prefer to live near their work, and longer commutes became both time consuming and more expensive, so the influx of industrial jobs brought a flood of families and individuals into residency in the busy, crowded city. The public bought property near the center of cities in unprecedented numbers. As the trend continued, however, the value of residential properties increased because of the increased demand. As housing prices rose near the city center, some residents became willing to accept a longer commute in exchange for less expensive, more plentiful houses thus creating suburbs on the periphery of the city. Neil Smith, explains in his article that "property values begin to take on a conical pattern with the highest
values closest to the central city and values decreasing (toward the base of the cone) as one moves further from the city center" (Smith.545). Smith is clear that while this was the pattern of urban housing for some time, the theory does not continue at this trajectory for long.

As housing near the city center becomes older and more decrepit, it becomes less desirable for the young professionals that previously lived there. Inevitably, housing values near the city center begin to fall. This changes the demographics of those who live in the city by attracting lower-income families who are often racial minorities. Just as lower housing prices drew people to the outskirts of the city in the past, lower prices now begin to pull them back toward the city center. The combination of lower cost residences coupled with better public transportation causes neighborhoods that are now perceived as low-income housing to become desirable homes for wealthier families once again. The cyclical nature of gentrification does not mean that there is not a lasting ill effect for some, however. As it has become more desirable for wealthy people to live in city centers again, low-income residents are displaced and often forced to move to suburban or exurban areas. While scholars are unsure if the regions displaced people are forced to move to are of a worse condition, it is clear that disrupting community, schooling, job opportunities and the social support that one's neighborhood allows does have a detrimental effect on low-income families. As we explore the impact of gentrification further, it is essential to understand what other scholars have attributed to the reason rising housing prices have displaced residents.

**Literature Review**

According to Ingrid Ellen Gould, and Katherine O'Regan changes in demographics are of paramount importance for explaining the rise in housing prices in an area. While they agree with Smith that the industrial revolution helped create the demographics of the first American cities,
they argue that in recent decades downtown business has been highly centered in urban downtown settings creating a demographic shift. Tech companies, law firms, insurance companies and other white-collar jobs fill high rises and downtown streets all over the country thus causing those who work in such industries to want to be close to their places of work. O'Regan and Ellen explain that as an influx of wealthier people moves into the area neighborhoods near the city center now offer more affluent people shorter commutes and the aging housing stock provides lower prices at first. Because the demographics of those working in the cities changes O'Regan and Ellen argue that it is inevitable that the income makeup of the surrounding neighborhood will as well. These demographic changes are also unavoidably accompanied by changes in attitudes, preferences, and culture.

Scholars such as Loretta Lees focus on how these demographic schema shifts affect gentrification trends. She explains, "a rise in anti-suburban attitudes feeds the demand for central city housing" (Lees. 2452). Lees focus on the demands of specific demographics for aesthetic remodeling and renewal. Wealthier residents' preferences for the strong history and charm of older houses increases migration toward central cities even barring job proximity. Specific neighborhood characteristics of housing may set off a chain reaction according to Lees. Homes in the gentrified area are externally and internally remodeled and fixed up when wealthier residents, who have the financial means for such aesthetics improvements, move in. The aesthetic renewal of a neighborhood then attracts more affluent residents. As a block improves financially, new restaurants, business, and shops open to serve these new communities. This continues and reinforces the cycle as such companies attracted more wealthy people as well. Once a neighborhood begins to gentrify, it can take on a new character that draws like-minded people.
Some scholars emphasize the effect public policy has on housing prices. Government policies can cause housing values to fall into pockets of a city or systems that create incentives for high-income people to purchase homes in lower-income neighborhoods. Scholars such as Elvin Wyly and Daniel Hammel (2004) identify multiple types of policies that can encourage gentrification. According to their research, the most direct of these policies are tax incentives meant to offer tax breaks that will bring in wealthier homebuyers. Many federal programs do the same thing. For example, mortgage programs intended to encourage more lending in less developed neighborhoods can make purchasing a home in a gentrifying neighborhood more attractive to wealthy homebuyers.

Scholars such as Maureen Kennedy and Paul Leonard find that even public housing rehabilitation programs could, in fact, cause unhealthy gentrification. For example, U.S. Department of Housing and Urban Development's HOPE VI program encouraged replacing declining public accommodations with new, less compact, more diverse housing. While this program was put in place under recommendation from National Commission on Severely Distressed Public Housing, the authors find that the program sparked gentrification in the neighborhoods where significant changes were made to traditional housing.

In the article "Light-Rail Transit Stations and Property Values: A Bedonie Price Approach" Musaad A. Al-Mosaind et al. examine prices of homes in metropolitan Portland, Oregon. The authors collected data from two spots in the city, one within 1/4th of a mile or closer to the new light rail stop and another spot that was more than 1/4th of a mile away from the station. The data they collected suggests a definite rise in housing prices in proximity to light rail stations for homes within 1/4 mi or walking distance. This effect was equally felt for all homes within that distance zone. The second further away site found a statistically weak negative
price increase for homes outside of the 1600 ft. area that the researchers used. This implies a positive influence of proximity to light rail station on housing prices. This phenomenon has been replicated and confirmed many times by scholars that focused on how new transportation affected housing prices in Boston Massachusetts, Atlanta, Georgia, Los Angeles, California and many more large cities. The data collected from all these sites seem to confirm a positive relationship between new transit and housing prices, thus proving that new transit sites can be a catalyst if not an essential variable in cause gentrification and displacement.

**Theory**

While all of these scholars offer great insight into the driving forces of gentrification, a substantial exploration of how transportation affects the process of gentrification in black and white neighborhoods respectively seems to be missing from the literature. This missing literature is important because where Americas live has been shaped by our countries racial history. Therefore, we cannot truly understand the dynamics between public transportation and gentrification without fully understanding how the variable of race has affected housing opportunities in general.

Understand why homeownership is so crucial to fiscal stability in America and why there is such a disparity between who owns a home and who does not is paramount for understanding basic gentrification. Since the growth of the federal government, minorities have been left out of the funding equation. The G.I. Bill fashioned by Franklin D. Roosevelt was not meant to be taken advantage of by everyone. His New Deal sets the foundation for the weaponization of housing. To make the southern Democrats happy, Roosevelt complied with Congress blocking many minority groups from accessing this new chance to "pull yourself up by the bootstraps." Ira Katznelson author of a book titled, "When Affirmative Action Was White"
writes "Farm work, housekeeping and other jobs disproportionately staffed by African-Americans were omitted from programs like Social Security and unemployment insurance. State organizations also hindered black soldiers from homeownership when "Local Veterans Affairs centers and other entities loyal to Jim Crow did their parts as well, systematically denying nonwhite veteran's access to the G.I. Bill" (Katznelson.105). Starting in 1934, redlining, the official Federal Housing Authority policy of discrimination, made homeownership virtually impossible in black communities and neighborhoods. The result of these actions proved numerous and lasting. "By 1984, when G.I. Bill mortgages had mainly matured, the median white household had a net worth of $39,135; the comparable figure for black households was only $3,397, or just 9 percent of white holdings." (Katznelson.2006). The vast difference between these figures is almost entirely accounted for by the inability of black Americans to buy a home. By using homeownership as a tool to damage the livelihood of black individuals and their families, Roosevelt and the New Deal created an effective and efficient weapon against equality. When the government chose to leave black Americans out of the housing market, systematically they essentially fashioned the American real estate market and the money attached to it, into a weapon to be used in the separation and inequality of the races. Unfortunately, the legacy of these policies is far from ancient history.

Today, the way these disparities play out is often much more subtle. If a young professional wants to buy into real estate these days, they may require some assistance from their parents. Most homebuyers today receive support from their parents when purchasing their first home and most parent’s help their children do this by refinancing the parents own home. This seems standard enough, but mostly white, affluent families own a home, while a majority of black and Latino, low-income families do not. Without the prior investment in real estate, often
minorities hoping to own home do not have the resources to do so. How can a black or Latino family be of any assistance to their property-seeking child if they, themselves, have been kept out of the world of real estate? According to Census Bureau, in 2014, 63 percent of white Americans owned at least one home, compared to the just 45.4 of Hispanic/Latinos and 43 percent of blacks Americans that own a piece of real estate.

Here is where we see the lasting effect of the new deal and other prohibiting policy. Homeownership is still the difference between wealthy and poor group and this drives and upholds inequality in America even presently. So it should be no surprise when Desmond writes that "In 2011, the median white household had a net worth of $111,146, compared with $7,113 for the median black household and $8,348 for the median Hispanic household (Desmond.332). If homeownership levels were even between the races, wealth inequality in the United States would be reduced by a third. These numbers are staggering. However, more importantly, the figures are in direct correlation with the 1984 data quoted above. It is one of the most precise and most sobering examples of systematic oppression in America's history. I believe this discussion of how race affects homeownership rates in America to be critical in understanding the full effects of gentrification today. As discussed above, as cities develop employment tends to be located near its center. Given that race impacts housing, how exactly does it influence the link between public transportation and gentrification? It is evident that people prefer to live near their work, as longer commutes are both time consuming and more expensive. This causes people to buy property near the center of the city. As more people choose to live near the central city, the value of residential properties increases. However, as housing prices increase near the city center caused by the new demand for housing, some become willing to accept a longer commute in exchange for less expensive, more plentiful houses. Scholars find that the more public
transportation sites in an area the further housing prices will rise causing the gentrification to occur in that area. In other words, public transportation sites and a rise in housing prices have a positive relationship. Nevertheless, I find that the positive correlation is felt faster in white low-income neighborhoods when compared to black neighborhoods. As Kay Hymowitz and her coauthor, Robert Sampson explain blocks with a substantial white working-class population were more likely to gentrify than areas that were more than 40% black. Neighborhoods that had higher concentrations of black and African American residents were also at risk of gentrification, however; this process of rising housing prices and displacement happened over a more extended period than in predominantly white lower-income neighborhoods. Jackelyn Hwang studies this phenomenon and explains that gentrification tends to slow down in the face of perceptions of disorder in a community, even if the actual level of chaos does not match perceptions. Hwang explains that the perception of disorder or increased crime that has clear racist overtones may actually preserve these neighborhoods with rich racial minority makeup for at least some time. The perception of minority neighborhoods as the black ghettos that policy's such as redlining build still affect the way people live today. While our county has denied many black Americans the dream of homeownership for decades, it seems that present-day gentrification may affect white working class neighborhoods at more significant numbers. For these reasons I, hypothesize that white neighborhoods are priced out of and displaced by gentrification caused by the implementation of new public transit at higher rates than black neighborhoods.

**Case Studies**

In 2015 Chicago was ranked #6, behind New York City, San Francisco, Boston, Washington, D.C., and Philadelphia in public transportation from the Walk Score company. Chicago has also been ranked as one of the cities with the fastest growing gentrification.
Although public transit and gentrification may not be a natural relationship to understand there is no coincidence that the city has ranked high in both areas. While Chicago as a whole received 65 out of 100 on the Transit Score, one neighborhood received a 93 (Walk Score). The South Loop neighborhood experienced the third largest change in white population in the 2000s. The South Loop referred to most of the area south of Congress Parkway between Lake Michigan and the Chicago River and was regarded as white "vice" district where prostitution and bars ran rampant. The area was referred to as skid row until the 70's because of the large population of homeless Chicagoans that stayed in the area. One of the largest homeless shelters in the city, the Pacific Garden Mission, was located reasonably central to the area but moved because there were no longer enough homeless people to serve around 2007.

The South Loop saw many changes in the last decade. It seemed the Pacific Garden Mission's move signaled a turning point in the life of the south loop. The area went from 37.7 percent white to 75.4 percent white. A broad swath of IT professional and web designer bought condominiums on Canal Street and more and more affluent whites followed in suit. Chicago magazine published a South Loop issue in 2008 seeming to validate the area's gentrification. The issue highlighted the areas many features listing good access to public transportation at the top. The city has always been a transit hub and many of the residential neighborhoods today are built on top of old tracks. In the 50’s 60’s and 70, ’s the tracks fell into disrepair until local executives organized a corporation to build a community, Dearborn Station rail yards. Residents moved into Dearborn Park in 1979. As the areas became more enticing for upper-class families, causing rail lines, and public transit sprung up to service new residents. Dearborn station is still a functioning transit stop, which connects the area to the rest of the city reasonably seamlessly, services the area. Because the area, while poor, was always relatively racial homogenous and
access to good public transit has been a calling card of the neighborhood since its resurgence in the 70s and 80s the South Loop became gentrification ground zero. The once-frayed edges of downtown, home to the poor and working-class, are now the home of the affluent. As the city expanded and urban living became trendier, the South Loop was a safe bet for new developers and residents alike. Easy access to trains stops and the perception that the area is more sheltered than black neighborhoods allowed developers to inflate prices and bring in a higher income population.

Though gentrification is most often associated with the phenomenon of white, upper-class residents moving into previously marginalized neighborhoods, newer data on how public investments and business sectors influence gentrification has been collected as well. In a study of the area, Harvard graduate students studied why some Chicago neighborhoods seemed to gentrify faster than others did by using google street view and scanning various blocks for early signs of gentrification. Longitudinal data was collected on same neighborhoods in order to track the level of gentrification over time. The evidence suggests that the gentrification process continues for neighborhoods with over 35 percent of white residents, and either slows or stops if the neighborhood is 40 percent black. Investment displaces working class people. Their communities are seen as attractive to investors because of amenities and demographics that make up the area. Robert Sampson, a Harvard social science professor, explains that the key finding "is that the predominantly black, seriously discriminated-against neighborhoods in Chicago and many other American cities aren't reaping the same benefits from the transformation of cities. “In one sense, this is a paradoxical result, because there is evidence that diversity and mixed neighborhoods are the ground floor of gentrification, but this paper shows there are sharp limits to that” (Sampson.79). While we commonly think of gentrification as a process of whites moving
into black neighborhoods, thus raising the housing prices, the finding suggests it is the exact opposite. Because white residents feel more comfortable in areas made up of people who look like them. Although property values and access to public transportation may be the same, we find that the deciding factor on where people choose to live is racial comfortably.

Similarly, in neighborhoods such as East Kensington in Philadelphia gentrification has taken comparable paths. East Kensington is a cluster of blocks only three miles north of Center City that has historically been poor and white. However, with the epicenter of the city and culture so close and public transit readily available in the area, the neighborhood has transformed over the last several years. Jackie Hwang, a professor at Stanford University, explains the importance of public goods such as transportation on this equation explaining, "Reinvestment can come from the people that live there, but it can also come from businesses, or developers, or policy-makers. An influx of middle- and upper-class residents is part of gentrification, but those other investments are equally important and drive the influx of these residents further." The blue line, more often referred to as the EL, is a section of the Philadelphia subway system which connects neighborhoods such as Kensington to the center city and thus to jobs and recreation. The blue line runs from 69th Street Station in West Philly and cuts right through Center City until it reaches Old City, then curves in an “L” shape to the North until the end of the line at the Frankford Transportation Center. A recent analysis by the Philadelphia Inquirer showed that not only has ridership on the El increased in past years, but the population in its neighborhoods has boomed, as well. Leaving Center City, the El turns north and heads into Fishtown and Kensington. These are the neighborhoods that experienced the most significant price booms in the last two decades and have seen similarly enormous ridership growth. Ridership at Spring
Garden and Girard stations is up 52 and 75%, respectively, while ridership at Berks, in the heart of Kensington, is up an astounding 214%.

As Hwang predicted the area has also attracted a growing number of millennial-friendly businesses. Kombucha bars and exotic beer shops now inhabit old warehouses, and trendy brunch spots can be found on almost any corner. According to the U.S. Census Bureau between 2000 and 2016, median household income in East Kensington shot up 124 percent while the median asking price ballooned 715 percent in the same area. Interestingly, similar to Chicago, neighborhoods such as east Kensington seem to gentrify much faster than surrounding neighborhoods of mostly black or latino residency, with equal access to public transit because it was already a predominately-white neighborhood. Again, the evidence suggests that our theory is correct. When people decide to purchase or rent a home, their assessment of the value and comfortability of the actual house is only a fraction of the equation. Instinctively people buy based on access to public goods such as schools, parks and perhaps most importantly public transportation. As important as the access to the amenities are, feeling safe in one’s neighborhood is at the top of the list for almost every homebuyer. The evidence presented explains to us that when two neighborhoods, one predominately black and one predominately white, have access to the same public goods the white neighborhood will gentrify, inflate housing prices faster. White, affluent urbanites feel safer in neighborhoods that are predominantly white despite there being no actual difference in crime or violence level between black and white neighborhoods in the area.

Lastly, Atlanta, Georgia can be used case of transit-oriented gentrification in a somewhat segregated city. In 1992, Atlanta had approximately 472,522 residents. The consequences of transportation were tested using the East Line of the Metropolitan Atlanta Rapid Transit
Authority in Dekalb County. This study offered a more complex analysis of how a new a transit stop might demonstrate a relative difference in effect on a neighborhood of differing demographics. The area directly around the transit site was highly industrialized building, but the community beyond the tracks on either side was highly residential. To the south of the line were predominantly black, lower income families. The areas to the north of the track was a more affluent middle-class neighborhood. According to data collected by Arthur Nelson in 1980 the average asking price on a house on the north side of the tracks was about double that of asking prices on the south side. This difference in neighborhood types serves as an excellent comparative study because they were both served by the same transportation site. In this case, examination of the effects of proximity to rail transit for these two neighborhoods showed that proximity to rail demonstrated a positive impact on property values on the south side, the lower income neighborhood. However, the presence of the light rail did not have as strong of an economic effect on the community on the north side. Nelson reports "In the neighborhood on the south side, property values increased close to $1045 for every 100 feet a property was closer to the East Line" (Nelson. pp. 127–132). While this case may seem like it is in opposition to that of Kensington and Chicago if we look closer at the data we find that, there are more similarities than differences. While prices on the south side of the tracks rose faster, newcomers to the neighborhood were more likely to move into the north side of the tracks. Newer data on the line and Atlanta gentrification from Hess and Almeida (2007), Bowes and Ihlanfeldt (2001), and Gatzlaff and Smith (1993) find that housing price increases are actually higher in white station areas, mainly if these areas also include other desirable neighborhood retail and commercial amenities when longitudinal data is collected. While the black neighborhood on the south side of the tracks saw an initial boost in housing prices soon after the new light rail station was
constructed in reality, the white side of the tracks saw a longer lasting and more powerful
gentrification process in the long run. This built-in bias seems to influence where urban-minded
professionals choose to buy property.

Again Jackie Hwang explains "Neighborhood preferences follow a racial hierarchy,
where people least prefer African American neighbors, and then least prefer Latinos, Asians, and
have higher preferences for whites," Hwang stated. "And these preferences are generally
strongest among white residents." Gentrification and displacement then are propelled by the
large-scale public and private investment in everything from transit, schools, and parks to private
research institutions and housing redevelopment.

Conclusion

These three cases shed light on the fact that people think about race when choosing where
to live, sometimes even more than they think about access to public transit or commute time. The
finding in Chicago, Philadelphia, and Atlanta help us systematically follow how access to public
transportation makes a neighborhood more desirable. Its presence can significantly affect
housing prices and as cities, such as these three, expand and wealthier resident look for urban
living neighborhoods with better public transportation are greater targets for gentrification and
displacement of previous occupants. However perhaps even more interesting our data shows us
that a neighborhood with excellent public transport but a predominantly black populous is less
likely to gentrify than a region that is more the 35 percent white. It must be stated that there are
some limitations to this study. Because public transit has been historically uneven, undeserving
black communities, it may be that black neighborhoods are predisposed to have less public goods
in the first place. Not only does this data clue us into a dynamic of race relations and how this
may affect where people choose to live, but it also has significant implications how policymakers
should handle displacement and rising housing prices. According to the data, while
gentrification can have harmful effects the benefits of public and private investment that
accompany wealthy newcomers is not felt by black neighborhoods. Black neighborhoods do not
have the same opportunity to capitalize on the benefits of gentrification and therefore should be
greater receptacles for policy that may attract investment, financial and otherwise, in other ways.
Likewise, policymakers should take note of low-income majority white neighborhoods as at high
risk of gentrification, putting in place preemptive policies such as rent ceilings. In general, I am
hopeful that this research will reinforce the importance of understanding how race plays a factor
in our everyday politics and serve as a reminder that policy can hardly ever be approached from
a ‘one size fits all’ perspective.


