

with the children about his activism, Adams recalls one telling the others, “You see, I told you they didn’t plant those trees for us.’ It was painful to realize how even a kid could see in every new building, every historic renovation, every boutique clothing shop—indeed in every tree and every flower in every park improvement—not a life-enhancing benefit, but a harbinger of his own displacement.”²⁰ In the real estate state, planners can create marvelous environments for rich people, but if they work to improve poor peoples’ spaces they risk sparking gentrification and displacement. Rich communities can lobby for all sorts of planning improvements, but many poor neighborhoods fight planning interventions they would otherwise embrace out of a very real fear that any enhancement will trigger displacement.

The promise of planning—of creating more beautiful cities; of imposing order on capital’s chaos; of undoing the exploitive relations between people and land, and between city and country—is virtually impossible to realize under these conditions. Instead, the forces of property present two options for cities: gentrification or disinvestment. Other modalities surely exist, but they are made to feel increasingly unlikely under real estate’s rule, which pushes cities toward this binary. Urban planners’ main task is ensuring that the former, rather than the latter, represents their city’s lot.

²⁰ Adams, Michael Henry. “The end of Black Harlem.” *New York Times*, May 27, 2016.

2

Planning Gentrification

*What is happening to our cities?
Why are they becoming so impossibly expensive?*

Healthy cities exist in a state of flux. Change is necessary and good: people come and go, are born and die; industries are carefully harnessed, but almost never become permanent fixtures. A city that never changes is probably not a city at all.

But a particular kind of change is taking hold in many cities and towns around the world—one that presents itself as neighborhood revitalization but results in physical displacement and social disruption for the urban working class. In geographer Ipsita Chatterjee’s terms, it represents “the theft of space from labor and its conversion into spaces of profit.”¹ This change is generally known as gentrification, the process by which capital is reinvested in urban neighborhoods, and poorer residents and their cultural products are displaced and replaced by richer people and their preferred aesthetics and amenities.

¹ Chatterjee, Ipsita. *Displacement, revolution, and new urban politics: Theories and case studies*. Sage, 2014, 5.

Every time it happens it looks somewhat different. Spatial transformations are always premised on local political-economic conditions and shaped by particular narratives and ideologies that are specific to each location. But there are some features that occur again and again.

Low rents become high. Landlords and speculators profit from the eviction of long-term tenants, who are forced to live farther and farther from their jobs and communities. As space-time contracts for wealthier people moving closer to their central city jobs, it expands for those pushed to the geographical limits of metropolitan areas. Bankers walk to work while debtors endure super-commutes.

The people of color and immigrants who built up neglected neighborhoods are recast as outsiders in their own homes and expelled in favor of White newcomers. Neighborhoods and, eventually, cities become places only the rich can afford, with environments designed according to their desires.

The commercial fabric turns over and replaces itself. Existing bars, restaurants, coffee shops, supermarkets, hardware stores and other everyday urban spots are deemed deficient, and are replaced by new bars, restaurants, coffee shops, supermarkets and hardware stores deemed superior largely because they charge higher prices and pay higher rents.

Municipal investment follows real estate investment. After years of complaints about failing schools and subpar parks, new funding suddenly manifests. Though residents used buses and bicycles before, new lanes dot the landscape once new money arrives. These benefits appear as long-term residents are priced out and have to find homes in other divested communities.

All this change does not just happen on its own. It requires investors, developers and landlords—the “producers” of gentrification—to buy and sell land and buildings at ever higher costs. It also requires wealthier homebuyers, renters and shoppers—the “consumers” of gentrification—to valorize areas they would have previously ignored. Neither side alone makes gentrification a reality, since economic value is only realized when both production and consumption demands are fulfilled. If producers build but consumers don’t bite, the market busts; likewise, if consumers are prepared to purchase but producers don’t invest, the result is unmet demand.

Part of what planners do, then, is ensure that both sides of the relationship are present by luring gentrification’s producers with land use and tax incentives, while inviting its consumers through race- and class-inflected neighborhood initiatives. The state is a central actor, marshaling investment, boosting land values, attracting desired residents and industries, chasing away threats to profits and rolling out the welcome mat for developers and investors. Gentrification, then, is a political process as well as an economic and social one; it is planned by the state as much as it is produced by developers and consumed by the condo crowd. Planners did not invent gentrification, but they helped foster its development and transform it from a local phenomenon into a global business model.

Why Gentrification?

While land ownership, property development and speculative investment have always been part of the capitalist economy,

until recently, real estate represented a smaller and more specialized business than industrial production. Like real estate, industry requires investments in land, infrastructure and buildings, but in an industrial context those features' worth tends to be a function of their productivity—if a factory were not productive, its buildings would not be considered valuable in and of themselves. Historically, as buildings aged their property values tended to drop, not climb, over time. The central city was the site of production and distribution, and those who lived closest to it usually could not afford to live farther away.

A number of changes in local, national and international political economies during the second half of the twentieth century, however, led investors away from industrial production in first-world cities. Global treaties among capitalist countries in the postwar era established organizations like the World Bank, the International Monetary Fund and the World Trade Organization to facilitate low-cost global production and distribution of goods with minimal taxes and tariffs. Labor unions were attacked and marginalized, undermining their ability to act as a counter-hegemonic force for urban industrial retention. Advances in transportation technology and the standardization of containerized shipping made the exchange of goods across space a much simpler and cheaper proposition, and required a different spatial layout than most central city planners and politicians were willing or able to provide. Real estate-minded city planners actively pushed industry out with land use changes and redevelopment projects meant to marginalize manufacturing while driving up land costs.

As a result of these and other changes, during the second half of the twentieth century industry decamped from many first-world central cities in search of lower wages, looser environmental standards and wide-open spaces in northern suburbs, rural towns and international "free trade zones." New York City is an extreme but telling example: from the 1950s to the 1990s, the city lost 750,000 manufacturing jobs while its land values soared from \$20 billion to \$400 billion.²

As the complex process of deindustrialization unfolded, capital became both more mobile and, ironically, more grounded: tariffs dropped, firms internationalized and corporate globalization took hold while, at the same time, investments in land and buildings filled the literal and figurative space left by urban industrial flight. Real estate went from being a secondary to a primary source of urban capital accumulation. This switch is the genesis of gentrification in the United States.

US urban property investments were patterned by two prior federal programs, redlining and urban renewal. During the postwar era of rational comprehensive planning, the primary project of real estate capital was suburbanization. Massive amounts of public and private money poured in to create segregated residential enclaves located outside central cities and connected by new highways and railways. In the 1950s and '60s, city governments responded with "urban renewal" programs, in which entire working class and industrial neighborhoods were bulldozed to make way for central business district expansions and infrastructure projects. While

2 Fitch, *The assassination of New York*, 40.

some low-income developments were produced through these programs—including much of the country's public housing—90 percent of new residential construction was designed for middle- and upper-class households.³ Robert Fitch called it “real estate Stalinism.”⁴ With markers of poverty cleared, more city space was produced and coded for urban real estate investment and development.

Even before bulldozers cleared the way for cranes, bankers and planners had set out on a stealthier form of urban neighborhood clearance, which established the preconditions for gentrification. In 1934 New Deal legislation established the Federal Housing Administration (FHA) to standardize, regulate and insure home mortgages. Not everyone, however, could access these loans. Along with the FHA, the federal government empowered bankers and developers to lead the Home Owners' Loan Corporation (HOLC). HOLC was tasked with quantifying the risk bankers would take in giving loans to particular people in particular places. This would allow the federal government and the banks to agree on rates for FHA loan insurance. To make these decisions, HOLC sent surveyors out to every residential block in just about every city in the country; those surveyors would look at a neighborhood and grade it on a scale from A (very safe) to D (very unsafe).

There were three main criteria HOLC used to determine risk: 1) the age of the building stock; 2) the density of housing; and, by far most determinately, 3) the racial composition

³ O'Connor, James. *The fiscal crisis of the state*. St. Martins Press, 1973, 147.

⁴ Fitch, *The assassination of New York*, 141.

of residents. Jews were considered communistic and likely to go on rent strike. Italians were characterized as dangerous gangsters. African Americans were written off entirely, and virtually any block with any Black people was given a low grade. Following real estate industry “best practices,” the FHA made segregation and suburbanization the United States' de facto housing policy. Over time, as property owners in Black, immigrant and racially mixed neighborhoods were shut out of the finance system, many of their buildings declined, rents fell and some landlords resorted to abandonment.

One landlord's abandonment, however, is another buyer's opportunity, and in the 1960s, '70s and '80s many young urbanites, as well as a few farseeing financiers, saw an opportunity to grab low-cost properties and renovate them. “Brownstoning” and “loft living” became touchstones for young artists and professionals seeking urban “authenticity” and alternatives to the dominant pro-suburban narratives of the 1950s and 1960s. Although many considered themselves architectural preservationists, few paid much attention to preserving their neighborhood's social character. Many these new brownstone owners evicted all of their tenants and converted their buildings into single-family homes, while loft landlords actively pushed out their remaining industrial tenants in favor of residential converters.

In several cities, these trends coincided with a severe round of fiscal crises and capital strikes—moments when a state cannot raise the capital it needs to maintain its budgets and bond investors refuse to buy shares in its future. New York's late-1970s recovery from the brink of bankruptcy was led by banks, real

estate interests and municipal unions, who disciplined the city through a process of privatization and disinvestment from social services that continues to this day. Municipal wages and benefits were slashed; welfare payments fell by one-third; the city's public universities started charging tuitions. Meanwhile, stock taxes were dropped, income taxes were halved and real estate taxes fell to historic levels. This became a model for neoliberal governments throughout the country and around the world.

During this process, gentrification presented an alternative way for cities to continue redeveloping their housing stock and boosting land values without (at first) spending much money. Over time the model proved effective, and local governments, banks and major real estate firms got into the business of financing gentrification, either through loans to high-income homeowners in places that were previously red-lined, or by building luxury landscapes in neighborhoods that had long been considered unsafe for investment.

Gentrification, then, was a "spatial fix" for capitalism's urban crisis: a way to profit from previous disasters and to find new places for investors to turn money into more money.⁵ Deindustrialization created the space for real estate's revival, and redlining and urban renewal set the spatial patterns for disinvestment and reinvestment. What first appeared as an opportunistic venture for middle class movers and profit-seeking landlords—a building-by-building, block-by-block phenomenon—became a way to transform entire cities from places into products.

5 Harvey, David. *The limits to capital*. Verso, 1982.

The Economics of Gentrification

By definition, gentrification cannot happen everywhere. It is the third stage in a long-term process of capital flow in and out of space: first comes *investment* in a built environment; second, neighborhood *disinvestment* and property abandonment; and third, *reinvestment* in that same space for greater profits. The key to understanding why some places gentrify is the amount of money that a landowner—who effectively holds a monopoly on all rents from a particular geographic location—can expect to generate from a given lot and the building atop it. Real estate speculators choose to invest in a particular location because they identify a gap between the rents that land currently offers and the potential future rents it might command if some action were taken, such as evicting long-term tenants, renovating neglected or unstylish properties, or demolishing and reconstructing buildings.

Geographer Neil Smith proposed this thesis in 1979 as the primary driver of gentrification at the building level. Gentrification, he theorized, "occurs when the gap is wide enough that developers can purchase shells cheaply, can pay the builders' costs and profit for rehabilitation, can pay interest on mortgage and construction loans, and can then sell the end product for a sale price that leaves a satisfactory return to the developer."⁶ Smith formulated this theory during a period of urban disinvestment, when the *rent gap* described the space between falling actual rents and stable or slowly rising potential rents.

6 Smith, Neil. "Toward a theory of gentrification: A back to the city movement by capital, not people." *Journal of the American Planning Association* 45.4 (1979): 538–48, 545.

In today's context, the rent gap in hyper-invested cities like New York is more likely to be between slowly rising actual rents and exploding potential rents.

Under these conditions, rent gaps exist at more than just the building scale. When enough individual buildings in an area are brought up to their full potential rents, the remaining surrounding properties exhibit a rent gap (as does the entire neighborhood). The rent regulations that govern prices and tenure rights for nearly half the private rental apartments in New York have tenuously kept hundreds of thousands of apartments at below-market rents. This creates a citywide rent gap that landlords are working hard to close through evictions and demolitions as well as political lobbying.

In some markets, real estate firms try to profit from the potential value of their properties by selling rather than renting them. This can take the form of townhouses being converted from apartment buildings to single-family homes, or individual apartments in larger buildings being sold as co-ops or condominiums. As the market for such housing rises in cities around the world, the *value gap* between the income they generate as rental properties and their potential sale price expands and the potential for gentrification rises.

A similar dynamic exists in places where a property's current use masks the potential income that property could generate if it were given over to another activity. The clearest example of this *functional gap* would be the remaining factories in central city locations. In Manhattan's Chinatown, for example, the garment industry—which by the 1980s employed roughly 20,000 people in 500 shops—has now nearly vanished, not only because of

competition from cheap imports but also because of a widening functional gap: the difference between current manufacturing rents and potential residential or commercial rents became so great that building owners were willing to evict their industrial tenants to make room for higher paying alternatives. By now, most of Chinatown's factories have been converted into offices, hotels or condominiums, forcing the workforce that sustained them to shift to service-sector jobs, while enabling the industrialists who ran them to move on to other, more profitable pursuits. John Lam, one of the neighborhood's most infamous garment titans, went from owning fifteen factories, employing 1,200 workers and doing over \$40 million in business annually to being one of the "undisputed titans of Manhattan's hotel scene."⁷

By the twenty-first century, real estate developers and city planners learned how to identify and exploit these opportunities, turning grit into gold. They developed housing, policing, education and design strategies to identify rent, value and functional gaps, and encouraged speculators to close them.

This has given rise to new and peculiar forms of gentrification. Rich neighborhoods that never truly experienced disinvestment have become "super-gentrified," with homes in places like New York's Greenwich Village and Brooklyn Heights selling for astronomical figures to finance titans, and unregulated rents pricing out even relatively wealthy households.⁸ Far

7 Kwong, Peter. *The new Chinatown*. Hill and Wang, 1987; Schram, Lauren Elkies. "Ex-Partners Sam Chang and John Lam Are the Undisputed Titans of Manhattan's Hotel Scene." *Commercial Observer*, October 8, 2015.

8 Lees, Loretta. "Super-gentrification: The case of Brooklyn Heights, New York City." *Urban Studies* 40.12 (2003): 2487–2509.

from central cities, some rural towns are moving through the phases of gentrification, with rent gaps making historic barn houses and ranch-side cottages alluring sites for speculative investment. Some rural areas, like billionaire Ted Turner's sprawling 2 million-acre ranches in Montana and New Mexico, are gentrified virtually overnight and send their effects rippling outward through the local land market. Meanwhile, billionaires like Warren Buffett and Sam Zell are buying up trailer parks and raising rents for tenants, many of whom are displaced urbanites. Beyond housing, global media corporations like Disney, Universal and Sony have worked with city planners to transform commercial areas such as New Orleans' French Quarter and Manhattan's Times Square into gentrified tourist traps.

As much as the process mutates, it always retains its core: landlords and developers identify gaps and act to close them. In most cases, however, it's not just capitalists initiating the process, but also local state actors who, in responding to the changing economic landscape as well as the demands of specific landholders, aim to lure investors and developers to particular areas. The politics of gentrification are therefore just as important as the economics.

The Politics of Gentrification

The emergence of gentrification in the late 1960s and '70s tracked closely with important political changes at the national and local levels. For gentrification's advance, the most significant was a shift in US cities' governing coalitions.

When manufacturing firms exited post-war urban centers, they left behind not just a tremendous amount of property but also a political vacuum. Since the industrial revolution took hold, cities had been governed by the political party that could best bridge the divide between the needs of industrial capital and its workforce. But with the flight of manufacturing from cities, real estate and finance became the remaining major urban power bloc and the key to rebuilding local economies. Real estate was an especially potent force in urban politics, because while finance can be ephemeral, real estate is always place-based.

This economic restructuring forced local governments to seek out new coalitions for securing political power. Being a friend of industry and a champion of industrial unions was no longer a viable strategy for winning (or financing) elections. By the late 1960s, it was becoming much more important to be a friend of real estate capital and the service and building trades unions.

This new growth coalition looked little like the old, and as a result some of the elected officials who rose to prominence during this transitional period—like New York's mayor, John Lindsay—were branded as refreshing reformers. They made common cause with the nascent community development movement, which, with support from federal anti-poverty programs and the Ford Foundation, was encouraging reinvestment in central city neighborhoods that had long been redlined or targeted for "urban renewal" clearance. They tweaked city land use laws to allow for a balance of renewed commercial development and historic preservation. They recognized that the country was moving toward social liberalism, and spurned

overt racism and bigotry (without fully addressing the structural racism embedded in their policies and programs). They embraced art and cultural production as ways to bring people with money to their cities; when artists began renovating industrial lofts and middle class professionals were renovating brownstones, they saw a smart strategy for redevelopment that was simultaneously edgy and posh.

New regional blocs in New York City, along with Philadelphia, Pittsburgh, Baltimore, Washington, DC, and a number of other deindustrializing cities with historic housing stocks, made it part of their mission not only to encourage downtown construction, but to create policies that would hasten gentrification. The City Planning Commission's 1969 Plan for New York City stated, "If brownstoners have done what they have done in the face of major difficulties, it is staggering to think of what could be done if the difficulties were removed."⁹ The plan proposed guaranteed mortgage loans for one- and two-family home purchases, long-term loans for renovations and tax abatements for home improvements.

Loft conversions were legalized and encouraged in sections of the city where planners wanted to spark industrial flight and residential reuse. Some housing leaders were initially bemused by the fury over "obsolete" loft buildings. Union co-op developer Abraham Kazan joked sardonically that "a finer collection of fire traps would be hard to find anywhere."¹⁰ Over time,

9 "Plan for New York City 1969," as quoted in Whyte, William H. *City: Rediscovering the center*. Doubleday, 1988, 327–28.

10 Freeman, Joshua. *Working class New York: Life and labor since World War II*. New Press, 2000, 188.

however, many policymakers came to embrace the idea and were relieved to be dealing with artists demanding live-work spaces rather than impoverished tenants demanding livable conditions. In her book *Loft Living*, sociologist Sharon Zukin quotes a SoHo resident recalling a crucial public hearing on a proposed artists' district:

[T]here were lots of other groups giving testimony on other matters. Poor people from the South Bronx and Bed-Stuy complaining about rats, rent control, and things like that. The board just shelved those matters and moved right along. They didn't know how to proceed. Then they came to us. All the press secretaries were there, and the journalists. The klieg lights went on, and the cameras started to roll. And all these guys started making speeches about the importance of art to New York City.¹¹

Early gentrification was a boon to politicians who were both hamstrung by shrinking municipal budgets and unwilling to take on serious problems of entrenched poverty and structural racism. To their relief, the face of early gentrification was a group of middle class, mostly White liberals looking to add value to the city's building stock—just the kind of constituents they were seeking to cultivate. In many cities, these newcomers took over neighborhood associations, asserted their power within party clubs, and steered the work of local governance and planning bodies that had recently been created in response

11 Zukin, *Loft living*, 117–18.

to the urban civil rights struggles of the 1960s. In so doing, they exerted power far disproportionate to their actual numbers.

By the 1970s, conditions were in place to promote gentrification as a spatial fix for capital and a political fix for cities in crisis. It would take planners, however, to scale up gentrification from a neighborhood phenomenon of renovation and reinvention to a larger process of displacement, demolition and development.

Planners for Gentrification

Real estate fortunes are cyclical. The job of planners, then, is to keep business booming as long as possible, and when land and property values ultimately fall, to get them back up as quickly as possible. In order to do so, planners and policy elites have developed a wide range of mechanisms, which they put to use in various forms depending on particular local circumstances.

Local property tax cuts are one of the main incentives cities use to lure and retain real estate investment. They come in two main forms: those for renovation, and those for construction. In 1955, New York lawmakers created the J-51 tax abatement, which gives landlords a fourteen-year tax break for repairing their properties. In 1975 they expanded it to encourage industrial-to-residential conversions. At a cost of over \$250 million per year in lost revenue, building owners continue to use J-51 to gut and renovate old buildings and drive up rents, or convert their rental properties into condominiums. In 1971, to spur new apartment construction, the city created the 421-a tax incentive program, which gives enormous tax breaks

to luxury developers in gentrifying areas. By 2016, the program was costing the city \$1.2 billion per year in lost property tax revenue; it was subsequently tweaked to extend the tax break at an estimated cost of \$2.4 billion per year.¹²

Critics call this “geobribery”—the way planners use public finances to lure private investment into specific areas.¹³ Among the most direct examples of geobribes are *Payment In Lieu of Taxes* (PILOT) projects, which have become commonplace in municipalities large and small. Under these schemes, developers pay a low annual fee to the municipality rather than a full tax load. Sometimes these deals are negotiated for deep-pocketed nonprofits or developers building on publicly owned (and therefore tax-exempt) land, but many cities—like New Jersey’s Jersey City—have found ways to apply them more generally in order to incentivize downtown development. In some cases, in order to pay PILOTs instead of ordinary tax bills, for-profit developers will pay nonprofits to buy a piece of land, then lease it back to them. Cities get a little bit of cash from these deals, but they are often legally bound to use those funds to upgrade nearby infrastructure. In this sense, the developers win twice—they pay lower fees over time and they get improved public services.

An even grander geobribe is *Tax Increment Financing* (TIF), a widely used development incentive. Under TIF, planners usually start by designating an area as “blighted”—terminology

¹² Waters, Tom. “Governor Cuomo’s flawed 421-A proposal.” *New York Slant*, November 29, 2016.

¹³ Roy, Ananya. “Why India cannot plan its cities: Informality, insurgence and the idiom of urbanization.” *Planning Theory* 8.1 (2009): 76–87.

borrowed directly from “urban renewal” planning. Next, the city issues bonds for new infrastructure development in the district. After making improvements to the land and raising its value tremendously, the city hands the land to a developer, who builds private commercial or residential buildings. If their property values rise, their tax revenues are “captured” and used first to pay off bondholders, and then for renewed investment inside the TIF zone; if property values are stagnant or fall, the city is on the hook to pay back the bondholders. Risk is thus transferred from the private sector (real estate developers) to the public sector (the rest of us). When they fail, TIFs blow up budgets; when they are successful, they magnify uneven development. In such “successes,” TIFs can generate more revenue than an entire city’s municipal budget, reinforcing the disparity between gentrified and disinvested neighborhoods.

In addition to geobribery, planners have taken steps to surrender public ownership of land and buildings. One important manifestation is selling off tax-foreclosed properties acquired during recessions. In the wake of its mid-1970s fiscal crisis, New York City seized thousands of buildings when their owners stopped paying property taxes. In severely disinvested neighborhoods, this represented an enormous transfer of property and wealth; a 1983 study showed that 19,588 buildings had been taken in Harlem, representing more than a third of the total housing stock and nearly as many buildings as were owned by private landlords.¹⁴ Some of these foreclosed buildings were

¹⁴ Schaffer, Richard and Neil Smith. The gentrification of Harlem? *Annals of the Association of American Geographers* 76.3 (1986): 347–65.

turned into limited-equity co-ops and controlled by former squatters. Most of them, however, were sold cheaply or given away to landlords who wanted to upgrade them. Years later, Obama’s Housing and Urban Development secretary, Shaun Donovan, would look back on these actions as “the largest privatization of housing anywhere in the country.”¹⁵ This form of strategic liquidation played a large part in the gentrification of disinvested neighborhoods.

While cities were giving away their seized properties, many were also demolishing much—if not all—of their public housing. In conjunction with federal and state governments, cities across the country—from Atlanta to Chicago to Baltimore to New Orleans—severely underfunded their public housing and allowed projects to fall into dangerous disrepair. Building off architectural analyses and social science fads, many planners claimed the problem was bad design and a *concentration of poverty*—a problem they never seemed to associate with a concentration of wealth elsewhere. Financed by the federal government’s HOPE VI program, these cities developed plans to destroy their public housing complexes and build small-scale, mixed-income, subsidized private housing wherever lots were available. The numbers of new apartments rarely came close to the number of homes destroyed, and they often cost significantly more to rent, but the process freed up coveted central city land for new development and gentrification.

¹⁵ Hevesi, Dennis. “Transforming city’s housing: Act 2.” *New York Times*, May 2, 2004.

As cities destroyed their public housing, they chipped away at rent controls or abandoned them altogether. This helped cement the relationship between planning and gentrification. With strong rent controls in place, urban planning interventions like new parks, schools and transit do not necessarily produce elevated housing costs; while public investments in neighborhoods might widen rent gaps, rent controls would prevent landlords from closing them. With rent controls diminished or removed, however, landlords could more easily raise rents based on new neighborhood improvements; they market these planning interventions as amenities for their property, and thus immediately turn inclusionary public investments into exclusionary private gains. Today a weak form of rent control still stands in some California, DC, Maryland, New York and New Jersey cities, but these systems have been systematically undermined by landlord-backed legislators and under-enforced by regulators. Many US states have passed ordinances outlawing further controls.

In addition to straightforward land giveaways and deregulation, planners have overseen a subtler but more systematic privatization of urban spaces. Historic gathering places have been turned over to private developers for the creation of *festival markets*—an economic development strategy that rarely benefits city residents as much as it does tourists and developers. Such projects, like Harborplace in Baltimore and South Street Seaport in New York, were especially popular among neoliberal planners in the 1970s and 1980s. Management of many older parks has been handed over to *conservancies*, who raise private funds for improvements and impose new rules that

often target the poor. Newly designed public spaces are often privatized from the start. Not only do they come with conservancies attached to them, they are even sometimes private property—as in the case of New York City’s privately owned public spaces. In cities throughout the country, commercial main streets are encouraged to form business improvement districts (BIDs), self-taxing entities run by and for landlords that collude to raise rents, bring in big box stores, and impose new security regimes on streets, sidewalks and public parks. Reflecting on the impact of one such BID on a strip of immigrant-owned small businesses, Tania Mattos of the group Queens Neighborhoods United recalled, “it used to be Calle Colombia. Now it’s Calle Corporate.”¹⁶

Likewise, planners have increasingly used zoning to facilitate gentrification. Zoning holds an outsized place in US municipal politics because of the particular dynamics of political devolution during the neoliberal period: responsibilities have been pushed to the local level, while control over policies and purse strings is held at higher governmental scales. For planners, this is a catch-22: cities are responsible for solving their own housing crises but the federal government restricts their abilities to build public housing and states often preclude them from enacting rent controls. Incentivizing development through zoning, then, becomes key to many municipal housing plans.

Both *upzoning* (which increases building density and development capacity) and *downzoning* (which limits it) can be used

16 Elstein, Aaron. “Shaping a neighborhood’s destiny from the shadows.” *Crain’s New York Business*, September 18, 2016.

to channel investment to particular areas, and either open up new rent gaps or close them where they remain. More than almost any other tool in the planners' kit, zoning has tremendous impact on both land and property values. When a city upzones a particular lot, it makes that land far more valuable by increasing the amount of rent-producing units a developer can build. Upzoning can therefore encourage developers to buy existing properties, knock down the buildings and build something bigger. When planners downzone, they can dramatically raise property values for existing buildings, which may be bigger than the zoning allows for future developments. Downzoning can therefore encourage developers to reinvest in older properties and derive higher rents from existing buildings. In either case, planners produce enormous value with the stroke of a pen, and hand it over to land and property owners.

Rezoning can thus facilitate a vertical enclosure movement, which privatizes the air above and the ground below. In the case of upzonings, planners allow developers to own a new piece of the sky, turning everyone's airspace into someone's property. In the case of downzonings, planners can drive such schemes underground. In parts of central London, for example, where strict zoning caps limit building heights, property owners are allowed to create enormous and luxurious basements that elongate the boundaries of private property deep below the pavement.

Rezoning does not equal gentrification; under the right circumstances, zoning can be used to slow or even prevent gentrification. It can also be used to undo exclusionary land uses, like the giant single-family home zones that keep working

class people out of sprawling, segregated suburbs. What zoning does is change the economic calculus of present versus future land uses. In conditions prone to gentrification—hyperinvested cities run by the real estate state—any rezoning will likely alter conditions such that landlord or developer incomes rise, and public benefits shrink.

Under these circumstances, even planners' provision of public goods—such as investments in schools, parks, transit and technology—tends to contribute to gentrification. The relationship, however, is complex.

Sometimes planners channel new services toward neighborhoods that are *already gentrified*, giving the wealthy the most resources even though their taxes go into a common municipal fund. This is the case, for example, when wealthy neighborhoods get better trash pickup than poorer ones, even though they are all served by the same sanitation department.

Sometimes planners invest in *currently gentrifying* areas in order to speed along the process. For example, when planners fix up the streets as rents start to rise, they are signaling to potential investors that these neighborhoods will no longer be neglected by the city.

And sometimes they focus their attention on areas that are *not yet undergoing gentrification* in order to attract real estate capital. This is the case when working class strongholds in gentrified cities are suddenly lavished with public attention—as in New York Governor Cuomo's plans for Brownsville, Brooklyn discussed in the Introduction. In all three cases, planners end up stimulating and compounding uneven development. This lose-lose-lose situation is one of the main reasons so many

residents caught in the violence of gentrification are deeply skeptical of urban planners.

This violence is real and material: despite legal protections for tenants, landlords and their hired hands regularly seek to close rent gaps by force, using harassment, intimidation, eviction, and sometimes even arson, assault and murder. But it is not only owners who inflict this pain. Just as gentrification's violence is no metaphor, neither is planners' "police power."

Urban police forces act as the armed wing of the real estate state: what planners and policy makers enact, police enforce. Planning and police departments are separate entities, with separate leadership, budgets and institutional cultures. Their missions are nevertheless often aligned around protecting property and encouraging gentrification. Rising real estate values are a crucial performance metric for many urban police departments, who point to gentrification as proof that their ballooning budgets represent money well spent. With increased resources, police are mirroring planners by speaking the language of data-informed decision-making and adopting the tools of geographic information systems to target their activities. Using *quality of life* and *broken windows* campaigns, police aggressively stop, ticket, arrest, beat and even kill people accused of low-level infractions like loitering, unpermitted vending and turnstile jumping, particularly in gentrifying neighborhoods. This geographical targeting is neither incidental nor accidental: aggressive policing clears the terrain for future investment and makes wealthier households more comfortable with the idea of living among poorer people.

Planners do not encourage gentrification out of some underlying commitment to violence, displacement or inequality; rather, gentrification is what happens when real estate rules and planners follow. Even if planners understand their work as promoting livability, growth and sustainability rather than as enabling inequality, as geographer Loretta Lees argues, "we need to see gentrification as mutating, as parasitic, as attaching to and living off other policies."¹⁷ Whatever else they are working toward, planners in the real estate state are also planners for gentrification.

Justifying Gentrification

Mainstream planners recognize that gentrification presents both moral and economic problems for their cities. In rhetoric, they attest to the importance of balanced growth, inclusion and increased opportunity; in practice, however, most planners facilitate uneven development and measure their progress against rising land values. To bridge that gap, planners need theories and ideologies that let them feel altruistic while undermining the urban working class.

One of the most important is *highest and best use*. This concept turns land use planning into real estate appraisal, positing that the best use for any piece of land is that which derives the greatest value at the lowest cost and allows buildings to actualize their full potential rent. Measuring this, however, is nearly

¹⁷ Lees, Loretta. "The geography of gentrification: Thinking through comparative urbanism." *Progress in Human Geography* 36.2 (2012): 155–71, 163.

impossible, and always contested. Parks, for example, do not necessarily bring in much money, but they result in increased property values for the surrounding areas, which in turn deliver higher property tax revenues. The benefit of the park, then, is measured not just by its use and enjoyment, but by its value as a real estate amenity. Low-cost housing in the central city will rarely be a “higher” use than luxury housing, even if it is what most people in the city need. According to the theory, however, if planning is done according to highest and best use, then more money will land in the city’s coffers and can be used for the social good. In the end, however, the copious real estate tax breaks that accompany this sort of planning ultimately rob the city of the very revenue that development is supposed to generate, creating little opportunity for income redistribution.

Often planners openly admit that they are trying to lift land values, but justify this action with attempts at *value recapture*—using tools that reclaim some social benefit from publicly generated private profits. Whenever cities upzone an area, for example, they create a rent gap out of thin air. In exchange, planners sometimes create mechanisms to “recapture” a portion of this value by demanding a public benefit from the landlord: an accessible open space in exchange for more development capacity (in the case of “privately owned public spaces”); a set of affordable apartments in new and bigger developments (in the case of “inclusionary zoning”); payment into a fund for nearby infrastructure improvements (in the case of PILOTs and TIFs); or a dedicated funding stream for transit that boosts property values (as in the case of New York City’s proposed streetcar).

These policies are often considered progressive, since they make explicit demands on landlords and force them to pay their “fair share.” This framing, however, has three major flaws. First, it assumes that planners must always give away value if they ever hope to win anything for the public. Actions that do not make money for landlords are therefore deemed worthless because they do not create any value to recapture. Second, it engages a sort of magical thinking whereby it is the landlords who actually pay these costs. Landlords’ incomes come from tenants, so in the absence of very strong rent controls, the cost of these fees are more likely to be borne by renters than they are to cut into landlord profits. Third, it fails to account for the effects of increased property values in a private land market—i.e., gentrification. Even if some public benefits are secured at the site of the deal, residents who hope to enjoy them are at risk of displacement. As Marina Ortiz of the anti-gentrification group East Harlem Preservation admonishes, planners frame these value capture projects as “‘looking toward the future,’—and that future will not include us.”¹⁸

Whereas value recapture tends to add new regulations to the urban environment, other programs seek to remove regulations from working class districts. In these cases, planners seek to unlock what economist Michael Porter calls the *competitive advantage of the inner city*.¹⁹ Porter argues that working class neighborhoods are underexploited markets that represent major

18 Savitch-Lew, Abigail. “4 months after rezoning, East Harlem stakeholders remain vigilant.” *City Limits*, March 19, 2018.

19 Porter, Michael E. “The competitive advantage of the inner city.” *Harvard Business Review* 73.3 (1995): 55–71.

opportunities for national retailers, and prescribes planning policies that clear the way for big box stores and large chain operations: lax zoning codes, loosened labor and environmental laws, and lower corporate taxes. The Clinton administration used this logic to promote “empowerment zones,” a planning model derived from Margaret Thatcher’s “enterprise zones” and recently rebranded and expanded by the Trump administration as “opportunity zones.” In the name of increasing competitive advantage, these programs slash taxes and induce investment in areas that have not yet gentrified. In Harlem, the Clinton-era Empowerment Zone provided subsidies and protections to a host of incoming big box stores. Most of the decades-old Black-owned small businesses were pushed out of Harlem’s main street, 125th, and several storefronts were replaced with a Harlem-themed shopping mall.

Another way planners carve out a competitive advantage is by luring the so-called *creative class*. This is a slippery social category that can mean anything from artists to tech workers and tends to focus more on high-end consumption habits than actual creative output. The language comes from planning theorist and consultant Richard Florida, who argues that cities today compete for their ability to attract and retain artists and idea creators.²⁰ Appeals to creativity do not automatically constitute gentrification; Floridian language aside, creativity is not actually a class trait and working class neighborhoods are always home to working class artists. What most planners take away from the concept, however, is that yuppies

20 Florida, Richard. *Cities and the creative class*. Routledge, 2005.

like artists, so cities should promote arts-based gentrification as a means to attract both. Planners then use lifestyle amenities and place-making strategies to attract capital—creative, as well as the more common kind. According to visual artist and Take Back the Bronx member Shellyne Rodriguez, “artists have this lingering stench that follows us around... It’s a trojan horse tactic. You place art events in the middle of the community and then this shit starts to happen.”²¹

Wrapped up in this “creative class” discourse is the notion of *livability*, or the idea that cities should be human scaled, environmentally sustainable and just plain nice. “Livability” can mean many things and can be a way to frame planning issues around the needs of people over profit. Most of the time, however, planners use “livability” to describe every urban nicety except the two most closely aligned with people’s ability to live—the prices of labor and shelter. Like many planners, Amanda Burden, director of the New York City Planning Department under former mayor Bloomberg, used the word “livable” as a substitute for “gentrified.” Referring to a neighborhood undergoing severe gentrification, Burden told the *New York Times*, “We are making so many more areas of the city livable. Now, young people are moving to neighborhoods like Crown Heights that 10 years ago wouldn’t have been part of the lexicon.”²² No “livability” improvements are actually

21 Maleszka, Jamie. “Did Swizz Beatz’s ‘No Commission’ art fair benefit the Bronx?” *Mass Appeal*, August 17, 2016.

22 Satow, Julie. “Amanda Burden wants to remake New York. She has 19 months left.” *New York Times*, May 18, 2012.

specified, other than the presence of “young people,” a euphemism for White people with disposable income.

One of the names most commonly associated with urban livability is Jane Jacobs, a paradoxical hero of both leftist advocacy planners and libertarian market urbanists. In her 1961 book *The Death and Life of Great American Cities*, as well as in her later work, Jacobs pilloried the planning profession for creating sterile environments based on flawed ideas about how people should interact with their environments. As a writer as well as an organizer, she lashed out against highway projects and modernist developments, and advocated instead for the slow, organic growth of cities, centered around vital and lively neighborhoods, short blocks, medium-to-high densities, mixed uses, and a combination of new and old buildings. She shook up the thinking around cities and neighborhoods, and brought a feminist, street-level perspective to urban analysis.

The main lesson many planners pull from Jane Jacobs, however, is that gentrification is the best way to make cities more livable. Planners around the country cite Jacobs when they are tearing down housing projects or encouraging industrial conversions. Airbnb, a firm targeted by tenant movements for contributing to housing crises in cities around the world, has sponsored “Jane’s Walk NYC,” a set of walking tours in Jacobs’ honor.

Jacobs, for her part, did not want to be associated with gentrification planning. In a note buried in her final book, she wrote that the fight against gentrification was “unwinding vicious spirals” that had resulted from well-intentioned projects:

By the end of the 1990s, gentrification was under way in what had been even the most dilapidated and abused districts of Manhattan. Again, the poor, evicted or priced out by the higher costs of renovating, were victims. Affordable housing could have been added as infill in parking lots and empty lots if government had been on its toes, and if communities had been self-confident and vigorous in making demands, but they almost never were. Gentrification benefited neighborhoods, but so much less than it could have if the displaced people had been recognized as community assets worth retaining. Sometimes when they were gone their loss was mourned by gentrifiers who complained that the community into which they had bought had become less lively and interesting.²³

This analysis is at once prescient and deficient. It presents an alternative vision of economic development in which social preservation is as coveted as landmark preservation and livability is actually measured by people’s ability to live in a place. But Jacobs unfairly faults communities for not fighting back and thus ignores the myriad examples of forceful activism that were contemporaneous to her argument. At the same time, she locates the problem in a government that was not “on its toes”; the issue was not that the state was unprepared for the developers sneaking into neighborhoods, but rather that it was functioning at a high capacity to invite them there. When Jacobs claims that “gentrification

23 Jacobs, Jane. *Dark age ahead*. Vintage, 2004, 214.

benefited neighborhoods," she presumably means that they became more livable for those who could afford to live there, and the physical qualities of the neighborhood—its buildings, shops and schoolhouses—were reinvested and upgraded. True as this might be, it elides the central lesson of Jacobs' work: that cities *are* their neighborhoods, and neighborhoods *are* their residents. To say that gentrification benefited neighborhoods while displacing its people flies in the face of this notion. When she writes that gentrification benefited neighborhoods "much less than it could have," she implies that the alternative should have been a friendlier form of gentrification, rather than another mode of urbanization altogether.

While Jacobs dreamed of a more livable gentrification, others argued that the standard mode was already livable enough. In the first decade of the twenty-first century, several prominent researchers produced studies claiming that gentrification was, on the whole, a positive force for cities and their residents. Geographer Tom Slater compiled an infuriating list of such studies and their media coverage, including New Urbanist planner Andres Duany's triumphalist "Three cheers of gentrification: It helps revive cities and doesn't hurt the poor" and Jacob Vigdor's 2002 Brookings Institute paper entitled "Does gentrification harm the poor?" (Answer: not particularly). Another report by economists McKinnish, Walsh and White called "Who gentrifies low-income neighborhoods?" claimed that, in general, "it looks like gentrification is a pretty good thing." That report was picked up by *Time* magazine, who

titled their article on the findings, "Gentrification: Not ousting the poor?"²⁴

Using a version of the *neighborhood effects thesis*, or the idea that social outcomes are highly influenced by environmental factors, planning scholar Lance Freeman has presented research arguing that gentrification, while potentially disruptive, is not that bad for poor people.²⁵ Moreover, Freeman argues, gentrification does not actually cause much displacement; poor people move more than anyone else, he argues, but they are actually less likely to leave gentrifying neighborhoods because they enjoy the benefits that reinvestment brings. Many scholars disagreed with this analysis, as did many of those most vulnerable to gentrification, but it nonetheless fascinated planners and the press. Freeman's output became some of the most reported academic work on gentrification, landing news stories with headlines like "Studies: Gentrification a boost for everyone" and "Exploding the gentrification myth."²⁶

24 Slater, Tom. "Missing Marcuse: On gentrification and displacement." *City* 13.2 (2009), 292–311; Duany, Andres. "Three cheers for gentrification: It helps revive cities and doesn't hurt the poor." *The American Enterprise*, April 2001, 37–39; Vigdor, Jacob L. "Does gentrification harm the poor?" *Brookings-Wharton Papers on Urban Affairs*, 2002, 133–82; McKinnish, Terra, Randall Walsh and T. Kirk White. "Who gentrifies low-income neighborhoods?" *Journal of Urban Economics* 67.2 (2010): 180–93; Kiviat, Barbara. "Gentrification: Not Ousting the Poor?" *Time*, June 29, 2008.

25 Freeman, Lance. *There goes the 'hood: Views of gentrification from the ground up*. Temple University Press, 2006.

26 Hampson, Rick. 2005. "Studies: Gentrification a boost for everyone." *USA Today*, April 20, 2005; Chamberlain, Lisa. "Exploding the gentrification myth." *New York Observer*, November 17, 2003.

Most planners are ultimately (and sometimes jubilantly) resigned to the idea that gentrification is a necessary outcome of urban change. From this standpoint, working class displacement is the price a city has to pay for improvements to neighborhood schools, parks, streets and housing. Robert Yaro, a longtime planner with New York's influential Regional Plan Association, represents this hand-wringing wing. In an interview with geographer Scott Larson, he characterized gentrification as "a real quandary. You preserve character and preserve the quality of life and people with money buy in, and people without are pushed out. How do you deal with that? Subsidies? Direct investment? New York has had a housing crisis since the 1940s. [Gentrification] is one of the constants, one of the results of the success of the city."²⁷

Dan Doctoroff, who served as New York City's deputy mayor for economic development under Mayor Bloomberg and oversaw his redevelopment efforts, represents the unapologetic wing. Invoking his then-boss, Doctoroff once told a reporter, "As the Mayor says, 'if you want to solve the problem of gentrification, you should have crime go up, the schools get worse, the parks dirtier.' Gentrification is a natural product of market forces."²⁸ Under this school of thought, gentrification is an unassailable public good and a feature as basic to urban development as commerce is to capitalism.

In recent years, the hand-wringing approach seems to be winning out, with even boosters like Richard Florida waving

²⁷ As quoted in Larson, Scott. *Building like Moses with Jacobs in mind*: Contemporary planning in New York City. Temple University Press, 2013, 24–25.

²⁸ As quoted in Larson, *Building like Moses with Jacobs in mind*, 145.

the red flag and penning critiques of urban inequality.²⁹ Nonetheless, this viewpoint still sees gentrification as a symptom of success and often prescribes private development as its cure.

Taken together, these narratives—*highest and best use, value recapture, competitive advantage, creative class, livability and neighborhood effects*—represent some of the most potent ways planners legitimate displacement. They help reframe dispossession as development and popularize the notion that gentrification is something to be desired, not disparaged. Ultimately, according to these theories, gentrification is the outcome of good city planning.

Coercing Compliance

Beyond self-justification, planners are compelled by external forces to reshape their cities for investment. While real estate is a lead actor in cities' transformation, its costar is finance. By directing flows of money into and out of places and projects, banks and investors act as capitalists' own private planners. As economist J. W. Mason explains,

the financial system is also where conscious planning takes its most fully developed form under capitalism. Banks are, in Schumpeter's phrase, the private equivalent of Gosplan, the Soviet planning agency. Their lending decisions determine what new projects will get a share of society's resources,

²⁹ Florida, Richard. *The new urban crisis: How our cities are increasing inequality, deepening segregation, and failing the middle class—and what we can do about it*. Basic Books, 2017.

and suspend—or enforce—the “judgment of the market” on money-losing enterprises.³⁰

Property development is a big, intensive fixed-capital investment, and as such it requires enormous amounts of debt for both the builder and the buyer. That capital is provided by banks, which package bonds and mortgages into securities and sell them off in pieces to investors. The result is a net of finance that stretches across most of the world, and places enormous power over city governance in the hands of financiers, bondholders and debt speculators. Politicians and planners who try to challenge this historical bloc are frequently frustrated by its sheer power and control, and those who persist are often punished.

In the international sphere, this disciplining usually comes from global development organizations like the World Bank and the International Monetary Fund (and, as in Chile or the Congo, the CIA). On the local level, neoliberalism’s enforcers are much more banal: municipal credit rating agencies. Three companies—Moody’s, Standard & Poor’s and Fitch Ratings—control just about every city’s ability to access capital through the bond markets by grading them based on their likelihood to repay their debts or default. These agencies look at each city’s economic mix, finances, debt level and management, and they come to a decision about whether or not it is safe for investment. As creatures of finance, they look for the markers of neoliberalism: a small state making limited expenditures targeted at bringing in investment; public policies that support

the FIRE sectors; weak unions, especially for public-sector workers; public-private partnerships to manage major urban projects; and business-friendly political regimes that fight the class war from the bankers’ side. Where they find these traits, they mark a city as safe: AAA. Where they do not, the city’s grade suffers.

Credit rating agencies are not hands-off investigators or passive reporters of economic prospects. They are ideologically driven activists who meet regularly with municipal governments in the United States and around the world to ensure capital’s expanded reproduction. In New York, credit rating agencies rewarded the city for granting tax abatements and exemptions to developers in the 1980s, and for reducing benefits for government workers in the 1990s. In Detroit, despite the signs of an impending collapse of the city’s primary industries, municipal credit ratings rose during the 1980s because its government was willing to pursue gentrification as a planning strategy. In the early 1990s, the city of Philadelphia was rewarded for a program of government shrinkage, municipal employee wage freezes and health care cuts. After improving the city’s credit rating, Moody’s wrote, “The only test for the city is to keep up the momentum.”³¹

While many planners wish to opt out of this trap, they are left with few options. As federal spending on local projects declines, cities are on their own to pay for programs and close their budget gaps. Their ability to raise taxes is also often constrained by state and federal guidelines (as well as voters’ will),

30 Mason, J. W. “Socialize finance.” *Jacobin*, November 28, 2016.

31 Hackworth, Jason. *The neoliberal city*, 37.

and they are legally prevented from deficit budgeting. The remaining vehicle is the bond market, and both the amount of bond issuances and their value has grown rapidly since the 1970s, with an especially sharp upturn from 2000 to 2010. Under these conditions, the consequences of a bad credit score can be severe. Not only will many private investors back away from poorly rated cities, but pension funds, money market funds and insurance companies—all major bondholders—generally will not invest in anything but top-graded bonds. The city that rejects gentrification planning is therefore taking a significant financial risk.

By choice or by force, planners use gentrification to create the physical environments for capital to thrive. It is the process by which cities seek capital, and capital seeks land. Its endgame is a city controlled by bankers and developers, run like a corporation, designed as a luxury product and planned by the finance sector. What was public becomes private; what was common becomes enclosed; what was cheap becomes expensive; what was shared becomes traded. Through the real estate state, the city becomes gentrified. Through gentrification, the city becomes neoliberal.

3

New York's Bipartisan Consensus

How has New York City planned in the twenty-first century? Is there a liberal and a conservative approach to gentrification planning?

There's a saying in the New York City tenant movement: real estate in New York is like oil in Texas. Not only is private property the city's biggest business, it's also its lifeblood. Like the oil fields of Texas, New York extracts value from its physicality: land, the skin of the city; buildings, its bones. Money flows through it as blood through the circulatory system. People enter like oxygen and are expelled like carbon dioxide. This is not a natural state, though; like all bodies under capitalism, it sells itself daily as a means of survival. As a result, real estate lurks behind every other major fight in the city, from labor struggles (which often cite rising housing costs as justification for higher wages) to environmental fights (which are often about who lives closest to noxious industries and toxic waste) to civil rights (which often center around both the right to move and "the right to stay put").¹

¹ Hartman, Chester. "The right to stay put." In Geisler, Charles and Frank Popper. *Land reform, American style*. Roman and Allanheld, 1984.