

**Testimony of John Henneberger, co-director  
before the Texas Senate Intergovernmental Relations  
Committee on the committee interim charge**

**"Study the shifting geographic nature of low-income  
neighborhoods in urban and suburban areas, focusing on  
factors that contribute to economic displacement of low  
income homeowners and factors that contribute to beneficial  
redevelopment of distressed neighborhoods."**

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One behalf of the Texas Low Income Housing Information Service<sup>1</sup> I want to thank you for inviting me to testify on this interim charge.

Gentrification is a force that is changing the character of countless urban neighborhoods in Texas — a force whose impact is most felt by low-income and minority working families, because it threatens their ability to live in safe, decent, affordable housing in neighborhoods close to good jobs and quality schools.

Gentrification is often poorly defined and made unnecessarily complex. In its simplest definition provided by the Brookings Institution, whose 2001 study<sup>2</sup> I will cite frequently in my testimony, "gentrification is the process of neighborhood change that results in the replacement of lower income residents with higher income ones." Generally, this change occurs in historically minority neighborhoods close to the urban center and can be the result of both market pressures and public policies designed to promote community revitalization, as I will explain in more detail later.

In my testimony, I will also distinguish between gentrification that occurs within two contexts: the gentrification of existing single-family neighborhoods, and gentrification of multi-family housing when it is demolished or converted into higher-income housing. Both displace low-

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<sup>1</sup> The mission of the Texas Low Income Housing Information Service (TxLIHIS) is to support low-income Texans' efforts to achieve the American dream of a decent, affordable home in a quality neighborhood.

TxLIHIS was founded in 1988 by public and private housing providers, low-income people and other community leaders who subscribe to the national goal of decent, affordable housing for all Americans and who believe there must be an organized, concerted effort to achieve that goal in Texas. TxLIHIS is Texas' foremost supporter of housing for the poor and for neighborhood preservation, and is one Texas' primary source of research on low-income housing.

<sup>2</sup> Brookings Institution Center on Urban and Metropolitan Policy. Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices, Brookings Institution, Washington, DC, April 2001, p. 16.

income Texas families, particularly working families, children, single mothers and seniors. Gentrification in both contexts exasperates an already critical affordable housing shortage that has been made worse in recent months by an economic downturn and foreclosure crisis. Our failure to implement public policies that protect families in gentrifying neighborhoods undermines 40 years of work toward racial and economic integration.

### **Causes of Gentrification**

The extremely constrained supply of affordable housing in Texas cities is one of the factors driving low-income and minority families into more segregated and less desirable living situations. As a more affluent, predominantly white population seeks to escape problems associated with urban sprawl and a lack of adequate transportation, they look for housing in close proximity to cultural and employment opportunities in the inner city. Previously undesirable, low-income neighborhoods located near the urban core offer the solution, especially as high-priced in existing desirable neighborhoods remain out of reach. The reality is that this more affluent population is acquiring the last remaining affordable housing in cities near amenities and job opportunities. The poor are left to grapple with a well-documented affordable housing shortage.

There is not a single metropolitan area in Texas where a minimum wage worker can afford median market rent. Instead, on average, a worker must earn \$13.43 an hour to afford a two-bedroom apartment at fair market rent.<sup>3</sup> Fewer than one in four families who qualify for publicly assisted housing receive any form of housing assistance.<sup>4</sup> Texas' meager funding for social services, high housing costs and low wages devastate families, making it almost impossible for them to overcome poverty. In Dallas for instance, 39 percent of all households are low-income and almost 11 percent of residents live below the federal poverty line.<sup>5</sup>

At the same time, Texas' unsubsidized affordable housing stock is declining. A limited supply of private, unsubsidized housing affordable to low-income families makes up only a tiny and rapidly diminishing share of the total affordable housing stock. According to The State of the Nation's Housing 2006<sup>6</sup>, produced by Harvard's Joint Center for Housing Studies:

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<sup>3</sup> National Low Income Housing Coalition (NLIHC). Out of reach report, NLIHC, Washington, D.C., 2006.

<sup>4</sup> Texas Department of Housing and Community Affairs (TDHCA). State of Texas low income housing plan and annual report, TDHCA, Austin, TX, January 2006.

<sup>5</sup> Ibid.

<sup>6</sup> Harvard University Joint Center for Housing Studies. The state of the nation's housing, 2006.

The nation has been losing affordable rental housing for more than 30 years. This is the housing stock that is affordable, at 30 percent of income, to the third of renter households with incomes of \$16,000 or less. From 1993 to 2003, the inventory of these units—with inflation-adjusted rent of \$400 or less, including utilities—plunged by 1.2 million. With such drastic losses to upgrading, abandonment, or demolition, the shortage of rental housing affordable and available to low-income households was a dismal 5.4 million.

Gentrification generally occurs in low-income and minority neighborhoods where the surrounding area is redeveloping with higher income, non-minority populations. The presence of the minority, low-income enclaves within a redeveloping area produces a degree of temporary integration. Yet this integration is brief. Research shows that as a greater share of cities are gentrified, low-income and minority residents face increased risks of displacement to the urban periphery (i.e., declining inner-ring suburbs), or to substandard housing that remain precariously situated within ‘seas of renewal’.<sup>7</sup>

The public’s failure to stabilize those minority and low-income enclaves by preserving affordable housing results in a lost opportunity for economic and racial integration. Not only are opportunities to break patterns of segregation lost, without necessary policies that preserve affordable housing, gentrification begins a process of re-segregation by race and class.

## Effects of Gentrification

There are several key effects of gentrification:

- It displaces original residents when their incomes do not keep pace with rising property values, often forcing them from communities where they have lived for generations. The Brookings Institution considers “involuntary displacement of low-income residents” to be a central feature of gentrification.
- Most immediately threatened with displacement are not only renters, but also our most vulnerable citizens: seniors, single moms and minorities. National data suggests that nearly 30 percent of low-income homeowners have a single elderly head of household; over 50 percent include female heads of household; and 25 percent include a minority household head.
- Gentrification leaves entire neighborhood populations geographically, economically and socially marginalized. This marginalization has resounding implications not only

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<sup>7</sup> Aldeman, Robert, and Gocker, James. “Racial residential segregation in urban America.” *Sociology Compass*, vol. 1, no. 1, 2007, pp. 404-423.

for the low-income communities at risk, but for our larger communities, sharpening the division between white and black, rich and poor.

- Gentrification doesn't just displace families, it also changes the very character of neighborhoods, as can be seen with the loss of local community business and changes of valuable cultural institutions. The Brookings study notes: "In cities across the country nearly empty churches are saddled by high maintenance costs they can't pay out of paltry Sunday coffers. Meanwhile, some churches follow their congregations to the suburbs."
- Gentrification often leads to reinvestment and physical upgrading of underserved, disintegrating neighborhoods and is thus commonly perceived as having a positive social impact. Hence, gentrification is a term used interchangeably with "neighborhood revitalization," which has positive connotations. Yet those who are displaced from their neighborhood by gentrification rarely benefit from the positive impact of this revitalization. The Brookings Institution summarizes this well: "If not an explicit intention of cities' redevelopment efforts, gentrification can be a byproduct, particularly in cities with little vacant land or few unoccupied buildings. For all the benefits it can bring, gentrification can impose great financial and social costs on the very families and business owners who are least able to afford them."
- Involuntary displacement by gentrification and the lack of decent affordable housing in high-opportunity areas has ramifications for low-income families that go far beyond housing. Most critically, it uproots low-income children. Countless studies show that high rates of school mobility reduce the academic achievement of children. For example, for the segment of low-income children who are homeless, those who transfer schools are 35 percent more likely to repeat a grade and 78 percent more likely to have poor attendance than children who remain in a stable school.<sup>8</sup>

### **Focusing in on the Gentrification Problem in Texas**

So how big is the gentrification problem in Texas? Admittedly, it is difficult to measure. There is a dearth of hard data at the neighborhood level. Such data is only available from the decennial census, so change in the intervening years is hard to measure. There are three main issues worth examining when it comes to gentrification in Texas: the loss of both multi-family affordable housing and its effects on renters; the loss of affordable single-family homes and its effects on homeowners; and direct public incentives that foster gentrification.

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<sup>8</sup> NLIHC. Housing and education, NLIHC, Washington, D.C., March 1, 2007.

**Loss of multi-family affordable housing stock**

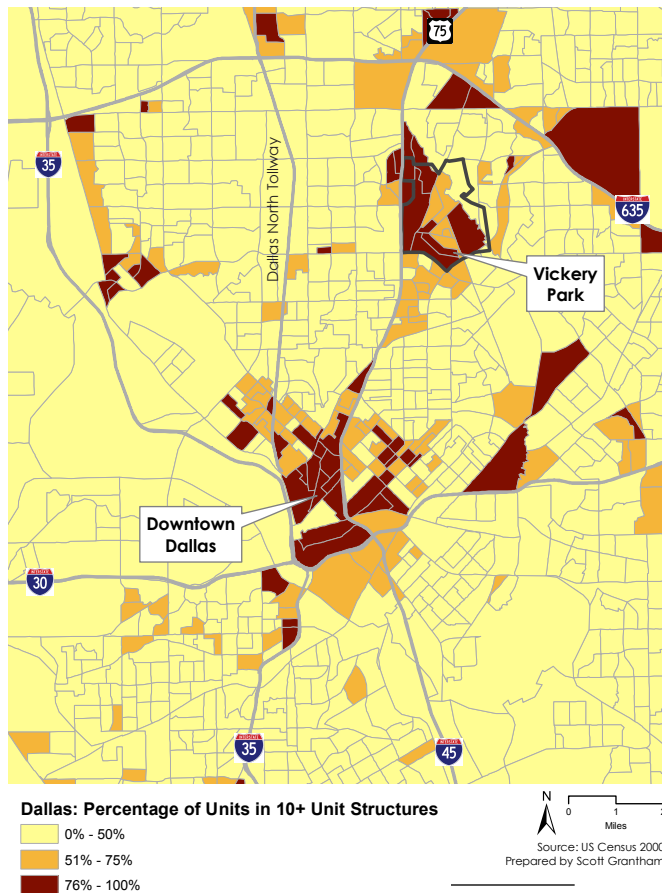
The nation’s leading scholars have looked closely at what little data is available to examine the changing use or demolition of multifamily properties that were previously available to low-income people. A recent study focusing on Dallas and Austin by Dr. Elizabeth Mueller, professor in the University of Texas School of Architecture, reveals that new planning trends, aimed at creating high quality, mixed use neighborhoods, bring us back to a long standing planning conundrum: the impact that improving living conditions has on housing costs for current residents. If we focus only on changing physical conditions, we will push out existing residents. If we ignore these conditions, they will undermine efforts to improve the lives of

residents. Thinking about both, cities will be essential to ensuring that our efforts to create more pleasant neighborhoods in some parts of Texas cities do not simply remove and exclude low-income residents from the benefits of change.

Dr. Mueller reports that gentrification particularly threatens unsubsidized, older apartments where the bulk of low-income renters find affordable housing. She reports that 45 percent of poor renters in Dallas live in apartments built in the 1970s and 1980s — and these apartments are under immediate threat by redevelopment pressures. Research done at request of the Dallas Morning News found that approximately 200,000 apartments built in the 1980s rent for 40 percent less, on average, than new apartments in the region.<sup>9</sup>

Admittedly, many of these apartments are a poor fit for the family households who inhabit them and have not been well maintained. Moreover, these apartments (concentrated in north Dallas neighborhoods) were not built with children in mind. Says Dallas city council member Donna Blumer of the development of these apartments in the 70s and 80s: “I don’t think social concerns were on anybody’s mind then.”<sup>10</sup>

**Dallas areas with significant multifamily housing**



<sup>9</sup> Mueller, Elizabeth. “Old Apartments and New Plans: Threats to affordable apartments in two Texas cities,” presented at the annual meeting of the Association of Collegiate Schools of Planning, Milwaukee, WI, October 17-21, 2007.

<sup>10</sup> Ibid.

Yet we cannot ignore the fact that these apartments are also an important source of affordable, unsubsidized housing for low-income households. Dr. Mueller finds that “In both cities [Dallas and Austin], private, unsubsidized apartments form the bulk of the affordable units for rent, outnumbering the stock of affordable housing serving households with incomes below half the regional median that have been constructed through all public programs combined.” In essence, these unsubsidized apartments serve an important public purpose of providing affordable housing to the poor, on a scale greater than the very public housing programs designed for this purpose.

The loss of unsubsidized multifamily housing will thus have a huge public impact. “Increasingly,” Dr. Mueller writes, “cities are challenged to balance planning goals against the preservation of this sizeable stock of affordable housing.” This is the challenge now presented to state policy makers: how to provide cities support for the redevelopment of substandard multi-family housing in Texas cities while preserving these necessary housing opportunities affordable to low and very low-income families.

#### **Loss of single-family housing stock**

Gentrification also threatens the greatest asset of low-income people: their homes. Homes owned by low-income families for generations are under threat as land values increase rapidly under gentrification. Residents’ incomes are simply not sufficient to weather the rise in property taxes. For instance, the average monthly household income in the gentrifying neighborhood of East Austin is \$900 less than the average monthly cost of living.<sup>11</sup> East Austin’s proximity to a rapidly growing central business district all but ensures that gentrification will continue, and there are no indications that existing low-income residents will be able to adjust to the changes.

As I noted earlier, this problem is spurred by an influx of a more affluent population seeking centrally located, affordable housing. As this population moves into the neighborhood, low-income homeowners are forced to move out. The only affordable options for displaced low-income families are often on the far edges of town. The consequences are aggravated sprawl, an exacerbation of transportation problems, and a severe economic burden on low-income families.

But we are not totally helpless against these changes. Public policies can help insure that increased neighborhood value redounds to lower income residents without necessarily raising the tax rate and displacing lower income homeowners. I would like to commend Senator West for passing legislation last session that brought Texas cities closer to a future of equitable development. This bill extended the tools of the Homestead Preservation District

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<sup>11</sup> PeopleFund, East Austin economic outlook report, Austin, TX, 2008.

to Dallas to protect neighborhoods and assist low-income urban families in danger of displacement by gentrification.

First enacted in Austin, the Homestead Preservation District gives cities the means to protect the viability of residential areas near the urban core. This includes creating affordable housing opportunities while providing for the gradual expansion of high-density commercial development that coexists with the single-family homes of longtime residents. Among other things, Senator West's bill authorizes Dallas to establish a community land trust whereby a nonprofit organization purchases land, builds homes and sells the houses to lower income families, while maintaining ownership of the land and protecting families from rising property taxes.

#### **Direct public incentives fostering gentrification**

Before discussing additional public policy changes, it is important to understand that gentrification can be brought about by private market forces operating on their own, but more commonly it is a process triggered or at least accelerated by government policies. These policies include, but are not limited to zoning changes, city planning decisions to locate Transit Oriented Developments (TODs) in low-income neighborhoods, and public infrastructure projects in low-income neighborhoods to entice redevelopment. The Brookings Institution study highlights "public incentives, direct and indirect" as causes, or enablers of gentrification. This has certainly been the case in Dallas.

A 2005 study<sup>12</sup> looked at how the Dallas City government, in creating taxpayer-funded Tax Increment Finance Districts, Public Improvement Districts, and Historic Districts, fostered gentrification. These policies allowed private developers to acquire large blocks of property and began to build up a high-density, mixed-use residential/commercial area. "Uptown" Dallas, write the authors, "represents a new ordering of urban space in Dallas, and offers important lessons for assessing community transformation and gentrification in contemporary America."

The gentrification of North Dallas has displaced many of the African-American residents who once had been the majority in the area. Census data for 1970, 1980, 1990, and 2000 show clearly how quickly the African-American community was transformed. In two decades, the community on the eastern side of Central Expressway and dominated by a government sponsored project called Roseland Homes, lost more than half its population, dropping from 6,007 to 2,716, with the percentage of African-Americans dropping from 92.5% to 74.1%.

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<sup>12</sup> Kemper, Robert, and Prior, Marsha. "From Freedman's town to uptown: community transformation and gentrification in Dallas, Texas." *Urban Anthropology & Studies of Cultural Systems & World Economic Development*, June 2005.

This trend continued to the year 2000, when the census reported a total population of 2,493, with just 43.4% being African-American.

The authors of the study conclude:

The reconstruction of Roseland Homes in the first years of the 21st century marks a last milestone in the transformation of the African-American community of North Dallas. The coming of TIFs, PIDs, and Historic Districts created a place for accommodating the growing numbers of young, mostly White professionals who are moving into the trendy Uptown area. Hundreds of apartments and condominium units have been built or are in the planning stages. By the 2010 census, the empty spaces still visible here and there will be gone. The evidence for the existence of a vibrant African-American community will be hard to find, except in the memorials preserved at the Freedman's Cemetery on the northeast edge of the area. The principal living presence of an African-American tradition is found at the few remaining African-American churches in the area.

Texas legislators, recognizing the impact of gentrification on their constituents, have recently taken action to ensure Texas cities remain open to families of various incomes. As the Brookings Institution report notes: "cities have the ability to spur revitalization, which in turn can lead to gentrification, and they hold revenue tools that can limit or slow gentrification's adverse consequences."<sup>13</sup>

In 2005, Senate Bill 833 sponsored by former Senator Gonzalo Barrientos, sought to do just that. This legislation won widespread support from housing advocates, nonprofit affordable housing developers, and low-income people living in Texas' urban neighborhoods, and it passed the Texas Legislature with bipartisan support.

SB 833 required cities that were financing private redevelopment in Transit Oriented Development (TOD) districts using tax increment financing (TIF) funds to devote 25 percent of TIF revenue to affordable housing. This ensured that affordable housing was preserved in transit districts, whose development usually signals gentrification, as affluent populations seek "transit friendly" housing. Thus, SB 833 would have helped address the problem in the early stages of gentrification, when there remains an opportunity to preserve housing opportunities for low-income families and seniors, as well as the existing culture. It also was an appropriate place for state policy makers to support housing preservation, given that the bill was focused on the negative affects of public subsidies. Finally, it the bill preempted the problem of the extremely expensive cost of replacement affordable housing. Preservation of existing housing stock brings us closer to a goal of reducing dependency on subsidized housing.

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<sup>13</sup> Brookings Institution.

Governor Perry vetoed SB 833. However, it remains a strong legislative response to the displacement of low-income families. In the coming legislative session, we will be recommending that similar legislation is introduced and adopted by the legislature.

### **Conclusion: A future that embraces equitable development**

The Brookings Institution's 2001 report on gentrification establishes "equitable development" as the goal of neighborhood revitalization, "equitable development" being defined as "the creation and maintenance of economically and socially diverse communities that are stable over the long term, through means that generate a minimum of transition costs that fall unfairly on lower income residents."

My organization believes that all stakeholders—policymakers, neighborhood residents and community groups, business owners, and developers — must embrace the ideal of equitable development. This is not necessary a rejection of urban revitalization, but rather an acceptance that in transforming our communities we must also further the most basic rights of equality, opportunity, and access to decent housing opportunities that is central to the American dream.