Gentrification Study: Mitigating Involuntary Displacement

May 2016
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A World-Class City Where Everyone Matters

Mayor Michael B. Hancock’s vision for Denver is to deliver a world-class city where everyone matters. To achieve that goal, the City and County of Denver is working to ensure that all Denver’s residents, new and old, have the ability to live where they can easily access economic opportunities and community support networks.

The Office of Economic Development (OED) strives to create thoughtful strategies to enhance and reinvest in Denver’s neighborhoods without spurring involuntary displacement. Involuntary displacement means that residents and/or businesses are forced to relocate to neighborhoods where real estate is less costly. Those neighborhoods then become at-risk of experiencing concentrated poverty, which is linked to a host of negative social and economic outcomes for residents, especially children.

The revitalization of disenfranchised neighborhoods is a result of both public and private investment and will be a critical test of how we, as a city, implement the Mayor’s vision. Policymakers now face the challenge of deliberately and proactively enabling the creation of mixed-income neighborhoods with opportunities for renters and homeowners alike to stay in the city and participate in its well-established neighborhoods. Such a strategy means not only mitigating involuntary displacement of existing residents, but also investing to ensure that long-time residents can access and benefit from opportunities created by economic growth.
Introduction

This Gentrification Study: Mitigating Involuntary Displacement was proposed in JumpStart 2015, the strategic plan of the Denver Office of Economic Development (OED), and it is an effort to research the magnitude of involuntary displacement in Denver and provide direction to OED’s investments and programs.

The study examines where involuntary displacement appears to be taking place or appears to be at risk of taking place in Denver, and suggests what the city can do to mitigate negative impacts of involuntary displacement while capturing the positive impacts of neighborhood reinvestment. Many Denver residents value diversity, inclusiveness and opportunity for all; however, these values are currently being threatened by the displacement of long-time residents through involuntary displacement and a lack of economic opportunities.

While a number of the actions proposed could be accomplished using existing resources, others will require new investments, reallocation of existing resources and strong community partnerships. The impacts of gentrification and involuntary displacement touch many aspects of neighborhood life which are outside of OED’s sphere of influence. One recommended action item is for the city to convene conversations with partner agencies and community organizations to begin building a more comprehensive citywide strategy to address involuntary displacement.

The term “gentrification” encompasses a complex group of neighborhood dynamics, some positive and some negative. Involuntary displacement is a clearly negative impact of gentrification that the city can take action to mitigate. This report recognizes that some phenomena associated with gentrification can create opportunity for neighborhood residents if paired with strategic public investments. For this study, we have chosen to use the definition of “gentrification” presented by Lisa Bates of Portland State University in her Gentrification and Displacement study for the City of Portland (Bates, 2013). Bates offers an operational definition with measurable characteristics in three areas at the neighborhood scale: housing market changes, economic status changes and demographic changes:

“Gentrification [is the process that] occurs when a neighborhood has attractive qualities—for example, location or historic architecture—but remains relatively low value. The disconnect between potential value and current value (called “the rent gap”) may occur due to historic disinvestment by public and private sectors. When the area becomes desirable to higher-income households and/or investors, there are changes in the housing market. As demand rises for the neighborhood, higher-income households are able to outbid low-income residents for housing, and new development and economic activity begins to cater to higher-income tastes. Lower-income households and/or households of color migrate out of the neighborhood and new in-migrants change the demographics of the neighborhood.”

The findings and recommendations that follow summarize what the city can to do minimize involuntary displacement while supporting existing residents in accessing new economic opportunities. It is OED’s intention to research this issue in Denver and to provide direction to future investments and activities that OED and other city departments undertake.

The goals of this report are to:

Identify factors that cause residential and commercial displacement;
Identify neighborhoods where displacement is currently happening or could happen;
Research promising practices in other cities that are working to minimize displacement as neighborhoods are being revitalized; and
Inform the discussion and decisions for OED investments in light of the office’s goal of equitable neighborhood revitalization.
Summary Findings and Recommendations

This section would normally appear at the end of a report, but has intentionally been moved forward to highlight this material for policy briefing purposes.

OED develops its annual strategic plan of work, JumpStart, across major headings of business development, small business advocacy, housing, neighborhood development, and workforce development. JumpStart 2016 is available online at https://www.denvergov.org/content/denvergov/en/denver-office-of-economic-development/reports-and-studies.html. This gentrification study relates directly to JumpStart 2016, as noted throughout this section.

In 2014, OED released Housing Denver, an ambitious five-year strategy to prioritize Denver’s affordable housing challenges and recommend executable strategies to address such challenges. Many of the strategies and action items identified in the Housing Denver plan are already being executed by OED and will be critical to mitigating involuntary displacement in neighborhoods that are at risk.

Finding A. There is no silver bullet.

Recommendation 1. Collaborate across agencies on strategies to mitigate displacement.
Recommendation 2. Address potential for involuntary displacement in neighborhood plans.

Finding B. Investment in affordable housing continues to be a critical need.

Recommendation 3. Create a robust permanent funding source for affordable housing.
Recommendation 4. Preserve existing affordable housing.
Recommendation 5. Bank land in neighborhoods at risk of involuntary displacement.
Recommendation 6. Protect existing homeowners.
Recommendation 7. Use the study’s neighborhood typology to evaluate investments.

Finding C. Access to economic opportunity needs to be considered as part of public investments.

Recommendation 8. Provide technical support to neighborhood businesses to manage changes in customer base.
Recommendation 9. Tie business incentives to community engagement that benefits low-income residents.
Recommendation 10. Make training for middle-income jobs available to neighborhood residents.
Recommendation 12. Preserve industrial space and middle-skill jobs.

Gentrification Study: Mitigating Involuntary Displacement

Finding A. There is no silver bullet.

Gentrification is most often the result of market forces and there is no silver bullet. In other words, there is no single tactic or quick fix for a city to benefit from neighborhood revitalization while avoiding involuntary displacement. Cities must be proactive and implement multiple strategies over a long time to mitigate involuntary displacement. OED has a broad set of tools, ranging from affordable housing development to small business support to employment and training, that can help mitigate the negative impacts of gentrification and increase economic and community opportunity; however, a successful strategy to address involuntary displacement must include other city agencies as well as community partners.
Recommendation 1.

**Collaborate across agencies on strategies to mitigate displacement.** Convene a collective impact working group to coordinate a comprehensive set of strategies that brings OED together with other city agencies such as Community Planning and Development (CPD), Parks and Recreation, Public Works, Office of Children’s Affairs, and the Mayor’s Office; with partners such as the Denver Housing Authority, Denver Urban Renewal Authority, Mile High United Way, and neighborhood development collaboratives; and with the Denver Public Schools, the Community College of Denver and other educational institutions.


Recommendation 2.

**Address the potential for involuntary displacement in neighborhood plans.** Collaborate with CPD to ensure that neighborhood plans consider the potential for displacement in each neighborhood and include strategies to minimize involuntary displacement. Strengthen CPD and OED coordination on future neighborhood planning efforts to address the need for housing and business opportunity, and to include strategies to mitigate the negative effects of gentrification.

Finding B. Investment in affordable housing continues to be a critical need.

The rate of increase in Denver’s median household income has significantly outpaced Colorado’s and the national rate. Nonetheless, even with these healthy increases, Denver’s household earnings are not keeping up with housing prices and rent increases. The disparity in household income and housing costs makes public investment critical to increase the supply of affordable workforce housing, and therefore decrease costs, to help low- and moderate-income families and individuals afford to remain in the city.

Recommendation 3.

**Create a robust permanent funding source for affordable housing.** The top priority in Housing Denver was to find a permanent fund to develop affordable housing. The top housing recommendation in this report is the same. Leveraging funds from the Colorado Housing Finance Authority, in 2015 the city invested $6 million in a new Revolving Affordable Housing Loan Fund. Mayor Hancock has set aside another $8 million from the 2016 budget for affordable housing, and has announced plans to dedicate $15 million of city funds annually over ten years to affordable housing investment, beginning in 2017. Appendix A contains information on what other cities have done to create similar funds.

Recommendation 4.

**Preserve existing affordable housing.** Another key recommendation of the Housing Denver report was to invest in the preservation of existing affordable housing, particularly rentals. In 2015 the city strengthened its affordable housing preservation ordinance to give the city increased notice of expiring covenants and a right of first refusal on covenant-restricted properties for sale. OED has also been an active participant in a statewide preservation collaborative and is developing a mapping system that will identify and target Denver properties with expiring covenants.

See JumpStart 2016: Housing – Westwood, Preservation, Project-Based Vouchers, Fair Housing, and Inclusionary Housing Ordinance.
Recommendation 5.

**Bank land in neighborhoods at risk of involuntary displacement.** A proactive strategy is land banking—acquiring land for affordable housing in areas where land values are projected to increase sharply over the next several years. OED should consider strategies that recognize the impact of public investments on affordability and land values. Whenever possible, OED should consider supporting its partner entities to bank land at the beginning of a project to develop affordable housing and create mixed-income neighborhoods. The city is a key investor in the Mile High Transit-Oriented Development Fund, which provides financing for the acquisition and development of vacant property in proximity to light rail stations and high frequency bus corridors for uses that include affordable housing. In 2015 OED partnered with the Urban Land Conservancy to acquire six acres of property within walking distance of the National Western Center light rail station at 48th & Race.

*See JumpStart 2016: Housing - Land Banking.*

Recommendation 6.

**Protect existing homeowners.** Promote and maximize enrollment in the current state program to defer property taxes to protect long-time homeowners, with special attention to ensure that seniors and others on fixed incomes have the ability to stay in their homes.


Recommendation 7.

**Use the study’s neighborhood typology to evaluate investments.** The neighborhood typology used in this report provides new insight into where affordable housing investments could have a significant impact on mitigating involuntary displacement. Going forward, the housing mapping tool used to generate the maps presented in this report, as well as maps of existing income-restricted units and vacant land opportunities, will provide key data and analysis to support affordable housing investment decisions. In collaboration with other agencies, this typology will be useful to assess the potential neighborhood impact of a wide range of city initiatives.


Finding C. Access to economic opportunity needs to be considered part of public investments.

Denver’s economy and population are booming. Investing aggressively in affordable housing is critical, but housing-based strategies must also be paired with strategies to build existing residents’ economic capacity. With the right strategies and supports, neighborhood reinvestment offers the potential to create new economic opportunity for existing residents. Keeping investment out of some neighborhoods to avoid gentrification while the rest of the city prospers is not a positive strategy for the long-term success of neighborhood residents.
Recommendation 8.

Provide technical support to neighborhood businesses to manage changes in customer base. Focus technical and financial assistance efforts on existing businesses in gentrifying neighborhoods and neighborhoods at risk of involuntary displacement. Ensure that commercial displacement is minimal and assist businesses to continue to cater to the existing neighbors and expand the types of goods and services that appeal to the new residents in the neighborhood. OED uses a revolving business loan fund that provides loans to small businesses in low-income neighborhoods. In addition, OED’s Business Development Representatives could be deployed to assist businesses in gentrifying neighborhoods and to market OED’s revolving loan funds to neighborhood businesses to help mitigate commercial displacement.


Recommendation 9.

Tie business incentives to community engagement that benefits low-income residents. When OED is making significant investments through business incentives, consider asking businesses to develop a mutually agreed upon neighborhood engagement strategy that addresses some of the specific needs of the neighborhood, including commitments to hire neighborhood residents, patronize local restaurants and engage local small businesses into the supply chain of businesses receiving business incentives.


Recommendation 10.

Make training for middle-income jobs available to neighborhood residents. In neighborhoods that are at risk of involuntary displacement, target workforce investments to provide training and education opportunities that will help low-income residents achieve economic mobility. In cases where targeted neighborhoods are experiencing significant business investment or job growth, tailor training opportunities to help residents access middle-skill jobs being created in the neighborhood. OED can offer Individual Training Accounts (ITAs) for jobseekers who need skills training to obtain jobs, and plans to serve 200 jobseekers in the 2016-17 funding year with ITAs typically capped at $3,000. The city must continue to reach out to nonprofits and individuals in areas at risk of involuntary displacement and make all residents aware of the availability of ITAs and other training opportunities. In addition, OED has a federal grant to train unemployed workers for H1-B occupations such as information technology and advanced manufacturing.


Recommendation 11.

Support entrepreneurs in gentrifying neighborhoods. OED could specifically target resources to support existing resident-owned businesses in neighborhoods that are at risk of involuntary displacement. OED could also partner with high-growth companies that are expanding in Denver to explore opportunities to support existing and aspiring entrepreneurs who are women, people of color, and/or low-income residents in these areas.

Recommendation 12.

Preserve industrial space and middle-skill jobs. OED should work to preserve and potentially increase the availability of industrial and commercial space in neighborhoods that are at risk for involuntary displacement. These efforts should focus on preserving space for businesses or industries that provide middle-skill jobs paying a family-supporting wage. Where middle-skill jobs are preserved, an ongoing training pipeline is also needed to help residents access these opportunities.

See JumpStart 2016: Business Development - Manufacturing and Innovation Hub, Manufacturing Training Programs
Background

Through smart investments and visionary leadership, Denver has emerged out of the 2008 recession to become a center of ideas and talent, which is attracting firms and investment from the West Coast and elsewhere. This, along with a competitive cost of living, has made Denver a leading economic force in the United States for the last three to four years.

Denver’s economic climate today is one of brisk growth, investment and rapidly accelerating home values. The values and amenities that for decades have made Denver a great place to grow up and raise a family are also making Denver a preferred destination.

According to the latest Census data, more than 1,000 new households move to Denver every month. Denver has seen an influx of young and highly educated residents, which has led to the displacement of long-time residents in some of the oldest neighborhoods and has fueled concerns that many of Denver’s neighborhoods are rapidly becoming unaffordable to many people.

This growth is challenging policymakers to consider investments and choices to maintain our quality of life and to provide opportunities for all. Denver voters have recently made significant investments in our educational system, neighborhoods, and infrastructure—investments which are testaments to the commitment to remain an inclusive community where prosperity is shared by all residents. Bold leadership and meaningful investments must continue in order to achieve this goal.

Housing Denver and JumpStart 2016

Mayor Michael B. Hancock and the Office of Economic Development unveiled Housing Denver, a five-year housing plan, in October 2014. The plan is the result of extensive input from stakeholders, including housing advocates, foundations, housing finance experts and neighborhood residents. Housing Denver aims to harness the resources of the public and private sectors to increase affordable housing for individuals and families.

This study follows the OED’s release of JumpStart 2016, its annual plan, which includes a three-year window of strategic action for 2016-2018. Many of OED’s guiding principles and strategic priorities coordinate directly to the issues of involuntary displacement, including supporting small businesses, economic mobility, housing, and employment in vulnerable neighborhoods.

This study was conducted to inform the City and County of Denver’s programs and investments with a focus on guiding OED’s approaches, practices, and activities such that potential negative impacts of neighborhood redevelopment are mitigated and existing residents benefit from public investments.

Many of this study's recommendations echo key priorities from the Housing Denver plan, including creating a permanent funding source for affordable housing. The report will illustrate how the actions that are being undertaken as part of the Housing Denver plan can be layered with other tools and strategies within OED to create a comprehensive strategy to fight involuntary displacement. Behind such a strategy is the acknowledgment that, while affordable housing is a critical policy intervention that can directly mitigate involuntary displacement, affordable housing investments are not enough to combat the negative impacts of gentrification on their own.

We recognize that issues such as changing social, cultural, and general neighborhood character are important aspects of gentrification. These issues will be addressed by OED to the extent possible given the purview of OED’s programs and activities, and by collaborating with other city agencies and community organizations to ensure that equitable revitalization is a collective priority.
Section 1. Identifying Gentrification and Involuntary Displacement

"Gentrification" is a process that seems easy to identify, but can be challenging to define. There is significant debate among scholars on what specific social and economic processes make up what we typically identify as gentrification – and to what extent each of those processes has a positive or negative impact on residents, neighborhoods, and the city as a whole.

**Gentrification.** As noted previously, this study uses the definition proposed by Lisa Bates of Portland State University in her Gentrification and Displacement study for the City of Portland.

**Involuntary Displacement.** An important element of the Bates study is that it makes the negative consequences of involuntary housing displacement its defining focus. She frames involuntary displacement as the distinction between revitalization and gentrification:

"Revitalization is usually desired by current residents and can have many positive outcomes for cities, neighborhoods, and individuals. Here, we focus on the negative consequences of involuntary residential displacement as the distinction between revitalization and gentrification. Rather than debating the complex causality of neighborhood change or attempting to weigh all its positive benefits and costs, this approach places an emphasis on recognizing and avoiding the displacement of residents as their neighborhood receives new investments and upgrades."

**Equitable Development.** Writing for the Brookings Institution, Maureen Kennedy and Paul Leonard argue that "equitable development" should be the goal of revitalization (Kennedy and Leonard, 2001). This study uses their definition of equitable development to describe a positive process of revitalization without involuntary displacement:

"We define equitable development 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."

This report mirrors the Portland gentrification study’s focus on involuntary displacement as the key negative impact of gentrification. The strategies and recommendations presented in this report also reflect Kennedy and Leonard’s definition of equitable development. Their definition suggests that, to ensure that investment drives equitable development rather than involuntary displacement, policymakers must not only help mitigate negative impacts but also take positive steps to ensure that investments support broadly shared prosperity.

**Affordable Housing.** OED uses the customary definition of affordable housing as being the combination of a monthly mortgage payment (or rent) and utilities, which together do not consume more than 30% of a household’s gross monthly income. Households spending over the 30% level are considered cost-burdened.
Key Reports

There are hundreds—if not thousands—of reports on gentrification: the positive aspects, the negative aspects, what cities have done or plan to do, as well as studies that argue that the persistence of poverty, the concentration of poverty in neighborhoods and the growth of poverty in cities and suburbs are the most important threats to cities—not gentrification.

The Federal Reserve Bank of San Francisco recently released “Gentrification, Displacement and the Role of Public Investment: A Literature Review” (Zuk et al, 2015). This report, led by Berkeley and UCLA urban planning faculty, delves into the social science of gentrification in great detail, examining some of the fundamental assumptions about neighborhoods and housing choice that underlie our general understanding of gentrification. Rather than replicating the analysis of that study, this report focuses on a handful of key studies that can inform OED's approach to understanding and mitigating involuntary displacement.

Where is Gentrification Taking Place?

In order to implement an effective strategy to mitigate gentrification, first we must be able to understand where gentrification is taking place. The most commonly used methodology for measuring gentrification was designed by Lance Freeman of Columbia University using Census tract-level data to examine changes in population and housing characteristics over time (Freeman, 2005).

In February 2015, Governing magazine published a report on gentrification that pares down the variables measuring gentrification to just two: increase in home value and increase in the population with a college degree. The results determine whether a tract that was “eligible to gentrify” did or did not gentrify over a certain time period; a tract was considered eligible to gentrify if it had lower than average household income and lower than average home values (Maciag, 2015).

Figure 1 shows the results of the Governing magazine analysis applied to Census tracts in Denver. Of tracts “eligible to gentrify,” 42% have gentrified since 2000, meaning that they were in the top third of all Denver tracts analyzed in terms of how much home values and residents with college degrees have increased. This result puts Denver at #7 of the 50 largest U.S. cities in terms of the extent of gentrification.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>% of Eligible Tracts Gentrifying</th>
<th>Tracts Gentrifying</th>
<th>Did Not Gentrify</th>
<th>Not Eligible to Gentrify</th>
<th>Total Census Tracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since 2000</td>
<td>42.1%</td>
<td>24</td>
<td>33</td>
<td>87</td>
<td>144</td>
</tr>
<tr>
<td>1990-2000</td>
<td>31.8%</td>
<td>21</td>
<td>45</td>
<td>78</td>
<td>144</td>
</tr>
</tbody>
</table>

Source: Governing analysis of 2009-2013 American Community Survey, US2010 Longitudinal Tract Data Base
Bates’ study of Portland uses a more complex set of variables to create a typology of change that defines various stages of gentrification. This more detailed categorization of Census tracts is particularly useful for policymakers in that it not only looks backward at areas where gentrification has occurred, but also indicates which areas may be more likely to gentrify than others, or are still in the early stages of gentrification. Early detection of these areas is an important first step for policymakers and stakeholders that want to preserve affordable housing, maintain neighborhood character, and ensure economic opportunity in neighborhoods likely to gentrify.

Section 2 presents a local spatial analysis of gentrification that adapts Bates’ methodology for the Denver context. OED will continue to develop and use the results of this analysis to help guide affordable housing and other investment decisions, as outlined in the key findings and recommendations.

**What Does Gentrification Mean for Residents?**

One of the main concerns around gentrification—and, as stated above, a primary focus of this report—is the involuntary displacement of long-standing residents and businesses in gentrifying neighborhoods. A number of academic analyses have attempted to measure the rate at which involuntary displacement actually occurs in gentrifying neighborhoods (typically identified according to methodologies similar to those above).

Another rough measure of the displacement of lower-income residents is the change in a neighborhood’s average income over time. Mark Funkhouser, publisher of *Governing*, cites a study in 2015 that has found that only about 5% of low-income neighborhoods in the country went from higher poverty to lower poverty at a rate beyond the national average. At the same time, the number of high-poverty neighborhoods in metropolitan areas tripled—and the number of Americans living in poverty increased by 36% (Funkhouser, 2015). In other words, urban poverty...
has increased overall and its distribution across urban areas has become increasingly uneven—two facts which together represent a difficult challenge for cities today. By causing low-income residents to relocate involuntarily, gentrification in some neighborhoods can contribute to the concentration of poverty in other neighborhoods.

This concern about the growth of poverty is echoed in a recent Brookings Institution study (Butler and Grabinsky, 2015) citing research that the concentration of poverty, and not gentrification, is the real problem for the urban poor. Concentrated neighborhood poverty and the accompanying dilapidated housing, failing schools, teen pregnancy and high unemployment create a culture of despair that can persist for generations and “can permanently blight a young person's future.” Conversely, gentrification can often bring improved neighborhood schools, a decrease in crime, improved retail offerings and services—and jobs—that can help all residents, as long as they are able to stay in the neighborhood. Under the direction of Mayor Hancock, OED is spearheading an economic mobility initiative in 2016 to address the growth of poverty and the concentration of poverty in Denver.

Grabinsky and Butler (2015) maintain that whether revitalization has negative or positive impacts on low-income urban residents depends on the policies that guide it. They describe cities such as Washington D.C. that are beginning to use their regulatory power to help more residents benefit from investments, for example, “requiring developers to preserve or expand modest-income housing along with higher-priced housing.”

Another Brookings study (Kennedy and Leonard, 2001) takes a historical perspective that describes the key role that public investment can play in both the positive and negative impacts of gentrification:

“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. If development is to be equitable, if revitalization is to have the essential support of those living in neighborhoods targeted for assistance, if the outcomes of these investments are to benefit more than those moving into the city, decision-makers in the public and private sectors must anticipate these potentially harmful effects and take effective and timely steps to mitigate them now, and into the future.”

Both Brookings studies underline that a policy approach that seeks to simply stop or slow investment will not provide the greatest benefit to a city’s lower-income residents. Rather, policymakers should undertake strategies that allow residents to stay in place as investments in their communities create new economic opportunity. This report recommends strategies to both create greater access to affordable housing in gentrifying neighborhoods, and to create entry points for residents to benefit from new investments in their communities.
Section 2. Gentrification in Denver

In order to identify where in Denver OED should focus on implementing needed strategies, this section includes a spatial analysis of key markers of gentrification in Denver’s neighborhoods.

The Portland Neighborhood Typology: Six Stages of Change

Bates’ study on gentrification and displacement categorizes neighborhoods into six different stages of gentrification, based on vulnerability (higher-than-average populations that are renters rather than homeowners, belong to communities of color, lack college degrees, and have lower incomes); demographic changes (increases in white residents, homeowners, college-educated residents, and household incomes over the last decade); and housing appreciation (high appreciation starting from low or moderate home values at the beginning of the period under consideration). The six categories are collapsed into three major categories: early, mid and late stages of gentrification (Bates, 2013).

According to Bates, the best opportunities to mitigate displacement are in early stage neighborhoods with strategies that include “planning for inclusive development, including affordable housing preservation and development opportunities.” The risk of displacement increases for areas with desirable neighborhood characteristics, such as proximity to either a planned light rail line or to a rapidly gentrifying neighborhood. In addition, risk is also increased by designation as a public investment area, a fact that should be kept in mind as city efforts continue in Sun Valley and through the North Denver Cornerstone Collaborative in Denver.

Portland identifies economic development and targeted housing as strategies for mitigating displacement in dynamic tracts (areas in mid stages of gentrification where there could be significant loss of affordable housing). Finally, in areas experiencing late stages of gentrification, the need is to create new affordable housing and, to the extent possible, to preserve any existing affordable housing (Bates, 2013).

Denver Neighborhoods Analysis

The main objective of this analysis is to identify areas in Denver that are most at risk for gentrification, as well as neighborhoods that are experiencing demographic and housing market changes that may indicate that gentrification is already occurring. Along with other research and analyses, the results can be used by policymakers to more effectively distribute resources to preserve affordable housing in areas that are most likely to lose housing options for lower income households.

Areas vulnerable to gentrification tend to have certain characteristics, the main one being a history of disinvestment. Additional characteristics include being located in an urban area, and having a majority low income population, and a high proportion of renters. Gentrification of an area is characterized by an increase in investment and a growing population with higher incomes and education levels (Freeman, 2005; Bates, 2013).

In this analysis, OED modified the methodology to measure and classify gentrification originated by Lance Freeman and applied by Lisa Bates (Freeman, 2005; Bates, 2013). Additional detail on our process appears in Appendix B. The classifications regarding population vulnerability, gentrification-related demographic change, and types of housing markets are used to put each Census tract into a neighborhood typology. The following map illustrates the typology as applied to Census tracts along with Denver’s statistical neighborhood boundaries.
To achieve the goal of mixed income neighborhoods that maintain some of their traditional character, policymakers must aggressively preserve affordable housing and support neighborhood businesses in areas that are at risk for gentrification—regardless of the extent to which displacement is voluntary or involuntary. To avoid homogenized high-income neighborhoods, some portion of a neighborhood's market rate affordable housing must be converted to or replaced by income-restricted housing. Strategies should target the preservation of affordable units in areas where the housing market will soon eliminate options for lower income households.

### Gentrification Typology

<table>
<thead>
<tr>
<th>Gentrification Typology</th>
<th>Vulnerable Population</th>
<th>Demographic Change</th>
<th>Housing Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT RISK Susceptible to Gentrification</td>
<td>✓</td>
<td>x</td>
<td>Adjacent</td>
</tr>
<tr>
<td>EARLY STAGE Early Housing Gentrification</td>
<td>✓</td>
<td>x</td>
<td>Accelerating</td>
</tr>
<tr>
<td>EARLY STAGE Early Population Gentrification</td>
<td>✓</td>
<td>✓</td>
<td>Adjacent</td>
</tr>
<tr>
<td>DYNAMIC CHANGE Current &amp; Ongoing Gentrification</td>
<td>✓</td>
<td>✓</td>
<td>Accelerating</td>
</tr>
<tr>
<td>LATE STAGE Late Stage Gentrification</td>
<td>✓</td>
<td>✓</td>
<td>Appreciated</td>
</tr>
<tr>
<td>LATE STAGE Continued Loss Gentrification</td>
<td>x</td>
<td>✓</td>
<td>Appreciated</td>
</tr>
<tr>
<td>NO DATA Missing Data</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tracts missing data for one or more years that would impact the analysis.

### Areas Vulnerable to Gentrification

Based on 1990, 2000, 2013 Housing & Demographic Data

- Ineligible To Gentrify
- Susceptible to Gentrification
- Early Housing Gentrification
- Early Population Gentrification
- Current & Ongoing Loss
- Late Stage Gentrification
- Continued Loss Gentrification
- Other: Does Not Fit Typology
- Missing Housing Market Data
It is recommended that OED’s policy and program leadership use the Vulnerable Neighborhood map (Figure 4) as a basis for examining areas with the most potential for gentrification. This will provide a wider view of areas with potential to gentrify, which is important given the intensity of investment currently being seen in Denver. The typology categories that include housing data can be used to tailor strategies based on a neighborhood’s current state.

**Figure 4. Vulnerable Neighborhoods in Denver**

Based on 2013 Demographic Data

This analysis shows the types of neighborhoods that are likely to be vulnerable to gentrification, but it does not explain what factors tend to catalyze the process. While there are other potential factors influencing the likelihood of gentrification, public investment is often considered to be an important variable. Recognition of the impact of public investment spurred the creation and implementation of Denver’s TOD Fund, which directs resources towards the creation and preservation of income-restricted affordable housing near newly constructed light rail stations. Similar strategies should be considered whenever significant public investments are made in or near areas that have been categorized as vulnerable to gentrification as identified by this analysis.

An overlay of significant public and private investments onto the Vulnerable Population map will allow policymakers to zero in on areas that require immediate, aggressive investment in income-restricted housing development and preservation. The strategies that will be most effective to preserve affordable housing, maintain neighborhood character and encourage socioeconomic diversity will vary depending on the area’s physical assets, public investment, and community dynamics. This analysis helps identify areas that are likely to be vulnerable to gentrification and increased housing costs, but a more detailed examination of each neighborhood is recommended in order to select strategies to mitigate negative effects and ensure that all residents reap economic benefits.
Section 3. Mitigating Involuntary Displacement

As explored in the previous section, any policy strategy to mitigate involuntary displacement must be multi-pronged and flexible. Involuntary displacement occurs when a resident can no longer afford to stay in his/her own home, or when a business is either “priced out” or its customer base is involuntarily displaced. Generally, involuntary displacement is attributed to rising housing costs—either increases in rent as landlords find that their rental units are becoming attractive to higher-income residents, or increases in property taxes as neighborhood investment and new amenities increase the value of existing housing stock.

A different perspective on involuntary displacement is that it is not caused by rising costs in and of themselves, but occurs when real estate and housing costs rise faster than income. In other words, if residents' incomes were to increase at the same time as their housing costs increased in a gentrifying environment, involuntary displacement might be avoided.

Why don’t we see this scenario taking place in most gentrifying neighborhoods? One answer is a national trend of wage stagnation, which began more than 30 years ago. As Elise Gould writes for the Economic Policy Institute:

“...ever since 1979, the vast majority of American workers have seen their hourly wages stagnate or decline. This is despite a real GDP growth of 149% and net productivity growth of 64% over this period. In short, the potential has existed for ample, broad-based wage growth over the last three-and-a-half decades, but these economic gains have largely bypassed the vast majority.” (Gould, 2015)

In 2012, the area median household income in Colorado was $57,255, or 15.4% below what it was only five years earlier (Madland and Miller, 2013). Denver’s median income increased by 21.9% between 2010 and 2014, significantly outpacing the national rate of increase (7.2%) and Colorado’s rate of increase (13.4%) (US Census Bureau, ACS, 2010-2014). Even the brisk pace of these gains, however, has not been able to keep up with increases in home values and rental costs over the same period. Data from the Apartment Association of Metro Denver, which publishes a comprehensive quarterly rent report, show that rents in Denver have increased by nearly 50% in the past four years alone, with the average three-bedroom apartment renting for more than $1,600 as of the second quarter of 2015 (Throup and Von Stroh, 2015).

On the following page, Figure 5 shows how rent has increased in Denver County since 2008 in comparison to the rent that would be affordable to a household earning the median income in each year. The top blue area shows affordable rent at 100% median income, the middle blue area shows affordable rent at 80% of area median Income, and the bottom blue area shows affordable rent at 60% of area median income.
Denver residents earning 80% of area median income include many residents working in skilled occupations. Industrial machinery mechanics, health technologists and technicians, computer operators and electricians making the area median wage for their professions could not afford a two-bedroom apartment in metro Denver on their own—and these are individuals making the median wage, not an entry-level wage, which would be much lower. Individuals earning approximately 60% of area median income working in occupations such as medical record and health information technician, bus and truck mechanics and diesel engine specialists, operating engineers and other construction equipment operators could not afford a median-priced one-bedroom apartment of their own.

Most individuals in low-skilled occupations requiring just a high school diploma or no high school diploma could not afford to live in Denver at all. The Colorado Fiscal Institute recently released an issue brief showing that a single food preparation and serving worker would have to work 62 hours/week to live in Denver, at the hourly median wage of $8.96, while a single parent in this occupation would have to work an astounding 114 hours/week to live in median-priced housing in Denver (Denver Cost of Living, 2015).

The stagnation of wages combined with rising home prices has kept many of Denver’s residents from purchasing homes in the neighborhoods where they grew up. The young professionals who are displacing lower-income residents are also affected by wage stagnation—they cannot afford to buy the homes that college graduates in previous generations could buy. They can, however, qualify for loans to purchase homes in older neighborhoods more readily than the blue-collar workers who originally inhabited these neighborhoods.
Wage stagnation, the increasing cost of housing and a significant decrease of federal housing investments have created a perfect storm that in the current low-inventory market will make it increasingly difficult for Denver’s low- and middle-income residents to stay in the city. The role of wage stagnation in involuntary displacement points to a multi-pronged strategy that the city can implement to mitigate the negative impacts of gentrification. In addition to creating and preserving affordable housing opportunities in areas that are vulnerable to gentrification, OED should also invest to create new opportunities for long-time residents to access the benefits of reinvestment, including opportunities to increase their skills and ultimately, their median incomes.

**Promising Strategies from Other Cities**

The most comprehensive report on strategies that other cities are currently using to mitigate displacement is found in an Urban Institute study (Levy, Comey and Padilla, 2006). The strategies analyzed by the authors include affordable housing production and financing, the retention of affordable units, and asset-building as well as cross-cutting strategies. Following is a summary of these strategies and Denver’s current status regarding each. A more comprehensive list of these strategies is in Appendix A.

**A. Affordable Housing Production and Financing**

1. **Housing Trust Fund (Sacramento)**

   The Housing Trust Fund establishes a housing linkage fee per square foot of commercial development to support the development of housing for low-income workers employed in new retail or commercial developments. For example, in Sacramento, payment of the fee is required to receive a building permit. The fees are deposited into the citywide Housing Trust Fund and administered through the Sacramento Housing and Redevelopment Agency. The money can be used for gap financing for affordable housing development. According to the Center for Community Change, 73 cities in 27 states have housing trust funds, not including 148 jurisdictions participating in Massachusetts’ Community Preservation Act and 250 communities in New Jersey certified by the Council on Affordable Housing.

   **Denver Status:** Denver is currently working to develop a permanent source of funding for affordable housing. In 2015, Mayor Hancock announced that beginning in 2017, the city would dedicate $15M of revenue to affordable housing annually. The proposed sources include a residential and commercial linkage fee as well as a property tax mill which had previously been credited to residents.

2. **Housing Levy (Seattle)**

   The housing levy is a property tax assessment that raises funds for affordable housing preservation, production, and assistance in economically distressed areas. Seattle has passed four housing levies, now organized into five programs: the Rental Preservation & Production Program, the Homeownership/Home Buyer Assistance Program, the Neighborhood Housing Opportunity Program, the Rental Assistance Program, and the Operating and Maintenance Program, all described below.

   **Denver Status:** Denver is currently crediting several property tax mills that were approved by voters in 2012, which creates capacity for the city to implement a property tax levy within the constraints of Colorado’s Taxpayers Bill of Rights (TABOR).

   Seattle’s Rental Preservation and Production Program is used to fund the acquisition and/or rehabilitation of vacant or occupied buildings, new construction, and for project financing.

   **Denver Status:** Denver uses its HUD funds to provide gap financing for rental preservation and production, but current funding levels are not enough to meet needs. It should be noted that Colorado’s statute CRS 38-12-301, enacted in 1980 and reaffirmed by the Telluride decision in 2000, does not allow
municipalities to impose rent control set-asides, or to use land use approvals to require rent-controlled housing, unless there is a contract or partial ownership by the municipality. In Denver, the Denver Housing Authority, and not OED, controls all subsidized rental units, except for units in which the city has acquired an interest through loan agreements. Denver’s Inclusionary Housing Ordinance includes a voluntary component for rental properties and for-sale developments with greater than 30 units which provides incentives to developers including cash reimbursements, density bonuses, parking reductions and/or expediting processing of plans.

Seattle’s Homeownership/Home Buyer Assistance Program is designed to help low-income first-time homebuyers purchase homes. Beneficiaries must have incomes at or below 80% AMI, with at least half of the funds targeted to households earning at or below 60% AMI.

**Denver Status:** In the Denver metro area, the Metro Mortgage Assistance Plus Program can provide grants to qualified homebuyers for down payment assistance and closing costs. OED is also one of the funders of the Colorado Housing Assistance Corporation, which provides low-interest loans for first-time homebuyers at or below 80% AMI for down payment assistance and closing costs.

Seattle’s Neighborhood Housing Opportunity Program supports projects located in economically distressed areas, historically distressed areas, or projects that can serve as a catalyst to revitalization. Program criteria include mixed-use or mixed-income projects and projects that will help mitigate the impact of gentrification by providing a range of housing types and prices. Housing funded by this program must be affordable to households at 80% AMI, and at least a quarter of the funding must support housing for people at or below 30% AMI.

**Denver Status:** Denver does not currently have a similar strategy to geographically target affordable housing.

Seattle’s Rental Assistance Program pays a rent subsidy for short-term assistance directly to a private landlord through a public agency or a nonprofit organization. It is meant to help prevent homelessness due to economic hardship and to help households transition from homelessness into rental housing. Households receiving assistance under this program must have incomes at or below 50% AMI.

**Denver Status:** Denver OED awards HOME, Housing Opportunity for Persons with AIDS (HOPWA) and CDBG funds for the Tenant-Based Rental Assistance program to the Colorado Coalition for the Homeless and other nonprofits.

Seattle’s Operating and Maintenance Program offers operating support for multi-unit developments under the Rental Preservation and Production Program to make units affordable to extremely-low-income households (earning at 30% AMI or below). Private developers, nonprofit organizations, and public agencies except for the Housing Authority may participate in this program.

**Denver Status:** Denver currently does not offer operating funds for multi-unit development.

### B. Retention of Affordable Housing

#### 1. Code Enforcement (Los Angeles)

Los Angeles has had a Systematic Housing Code Enforcement Program (SCEP) since 1998. All residential rental properties with two or more dwellings are inspected every three years to determine housing code compliance. If noncompliance citations are not resolved, the Los Angeles Housing Department (LAHD) has programs to address properties that are out of compliance. SCEP also enables the housing department to identify areas of the city with older housing stock, and to direct developers to
rehabilitate units in those neighborhoods. The Rent Escrow Account Program allows tenants to pay their rent into a city-administered escrow account until the citations are resolved; the Rent Reduction Program reduces tenants’ rents based on the LAHD’s evaluation of the value of the missing service.

**Denver Status:** Denver does not currently perform routine internal home inspections; however, inspectors can issue citations for non-livable space and foreclose properties when in violation of the law. Inspectors in Denver are assigned to sections of the city and monitor building activities and external upkeep. Thorough inspections are performed in the event that violations are visible from the street. A program similar to Los Angeles, targeting rehabilitation of these properties, should be considered.

2. Rent Control (Los Angeles)

In Los Angeles, a Rent Stabilization Ordinance protects renters from sharp rent increases while permitting landlords to receive a reasonable return on their investments.

**Denver Status:** As stated above, Colorado law does not allow rent control unless there is a contract or ownership interest by the municipality.

3. Preservation of Federally Subsidized Housing (Illinois)

The Organization of the Northeast and other nonprofits have assisted in the purchase of ten Section 8 privately held buildings that could opt out in 20 years. The Jane Addams Senior Caucus also led a successful campaign to convince landlords to renew Section 8 contracts.

**Denver Status:** Denver has had a preservation of affordable housing ordinance since 2000 that was strengthened in 2015 to give the city increased notice of pending sales or expiring covenants and a right of first refusal. The city is collaborating with other public sector and nonprofit partners to create an inventory of all covenant-restricted units and a strategy, including both financing tools and criteria, for investing in units with expiring covenants.

4. Conversion of Apartments to Limited-Equity Co-ops (Illinois)

The Organization of the Northeast has converted apartment buildings into limited-equity co-ops that created permanent affordable buildings. They have also assisted other nonprofits to purchase privately owned units and rehab them along with wraparound services.

**Denver Status:** Currently neither Denver nor our partners, to our knowledge, are converting apartment buildings into limited-equity co-ops.

5. Land Trust (California)

Cities have established Housing Trust Funds, and Community Development Corporations and other advocacy groups are organizing to create a land trust that will regulate land costs over time. This will help stabilize the community by bringing existing housing under community ownership and creating a variety of ownership opportunities, ranging from single-family ownership to limited-equity cooperatives to condominiums.

**Denver Status:** OED has provided funds to the Urban Land Conservancy and the Colorado Communities Land Trust to perform this function in Denver as part of our long-term strategy.

6. Infill Development (Florida, Washington)

In Florida, St. Petersburg offers properties for sale to nonprofits at a discounted price to encourage development. Boarded-up properties are acquired through code enforcement and demolition. Nonprofit and private developers have had an impact, and vacant and boarded properties in St. Petersburg
decreased between 50% in 1998 and 2001. In Seattle, the Central Area Development Association (CADA) was created after urban renewal policy restricted development of subsidized projects. Today CADA is advancing mixed-use infill projects. Infill development allows developers to take advantage of vacant or dilapidated properties that exist in the neighborhood. Since the community is not yet completely gentrified, CADA is able to push such projects forward.

**Denver Status:** Denver has had two of the largest infill development projects in the country—Lowry and Stapleton. There were agreements to provide affordable housing in each, and some affordable housing has been developed. Both neighborhoods, however, became high-cost neighborhoods over time. The Lowry redevelopment project met its affordable housing goals; Stapleton is still being developed and while the project has to date fallen short of its original goals for affordability, affordable units continue to be built. There are several major projects under development or in the pipeline that will provide an opportunity to use Inclusionary Housing Ordinance (IHO) funds to build affordable housing: the redevelopment of the University of Colorado Hospital at 9th and Colorado, the redevelopment of St. Anthony’s Hospital in West Denver and the Gates redevelopment in south-central Denver.

7. Tax Relief Assistance (Illinois)

The Cook County Assessor’s Office offers three tax incentives:

The **Class 3** tax classification reduces the assessment on all multi-unit residential properties with seven or more units from 33% to 26%.

The **Class 9** tax classification applies to newly constructed or rehabbed buildings with seven or more rental units targeted to low- and moderate-income households (or households making less than 80% AMI). These buildings’ assessments are reduced to 16% of market value for up to 10 years with the possibility of two 10-year extensions.

The **Class S** classification provides incentives to owners of expiring Section 8 buildings to renew their contracts using HUD’s Mark Up to Market program. The purpose of the tax incentive is to curb the conversion of affordable rentals to market-rate rentals and condominiums. Landlords that decide to renew their Section 8 contracts qualify to cut their tax assessments from a 33% to a 16% assessment rate, matching the assessments of homeowners.

**Denver Status:** Denver does not have similar tax incentives, but this Cook County model is one that should be studied and considered.

C. Asset-Building of Existing Low and Moderate Income Residents

1. Individual Development Accounts (Georgia)

An Individual Development Account (IDA) program started in 1998 is funded by the United Way. It enables participants to build wealth and serves as a community-building tool. Participants can use their savings toward homeownership in any of 11 approved neighborhoods.

**Denver Status:** Denver worked with United Way in the past for the Assets for Independence grant that provided IDAs, although the program is not in place today.

D. Other Strategies to Promote Affordable Housing and Revitalization

1. Zoning Changes (St. Petersburg)

St. Petersburg revised its Land Development Regulations to allow greater flexibility in development across the city, including mixed-use developments and increased density. Current zoning regulations were established in the 1970s and reflect suburban realities of larger lot sizes.
**Denver Status:** Denver’s form-based zoning does not allow similar incentives to developers.

### 2. Economic Development

It is important to direct broad-based economic development activity early in the revitalization of a targeted area so that other business and residential investors will follow. This commitment by OED to a “collective-impact” approach can leverage both public as well as subsequent private dollars to a far greater impact than individual, “one-off” public investments scattered throughout the entire city. While well-intentioned, the latter approach is proving to be less effective in building economic mobility for vulnerable residents.

**Denver Status:** With Housing, Workforce Development, and small business advocacy as part of OED, Denver is in a good position to ensure that economic development strategies support targeted, purposeful and equitable revitalization.

### E. Cross-Cutting Lessons from Case Studies

#### 1. Land Availability Is Essential

The availability of developable land parcels is a factor for entities addressing affordable housing and displacement mitigation, regardless of the strength of the housing market. Land banking strategies should occur early, before costs become prohibitive for affordable housing development. Purchasing parcels early at low cost can help control future development costs, ensuring affordable housing units for lower-income households.

**Denver Status:** As a city geographically constrained by the Poundstone Amendment, Denver is finding that acquiring land is increasingly more difficult, although currently some developable land parcels are available. Denver financed land-banking through the Neighborhood Stabilization Program and continues to do so in partnership with the Urban Land Conservancy. The Mile High Transit-Oriented Development Fund is also making direct land acquisitions.

#### 2. Community Involvement Is Crucial

Community involvement can help motivate city government and other organizations to support affordable housing initiatives. Seattle offers an example of courting community support for its housing levies, which are put up for vote. The city has marketed the levies prior to the elections. It also designed the first levy to be politically expedient by targeting funds to seniors. Based upon initial success, subsequent levies have expanded in scope to reach broader segments of the population in need of affordable housing.

**Denver Status:** OED actively engaged the community in the development of the Housing Denver plan. The North Denver Cornerstone Collaborative has been actively engaging neighbors in its redevelopment planning. It should be noted that Levy, Comey and Padilla, the authors of the report on strategies to mitigate displacement, observed that resident involvement in affordable housing activities was strong only in the most gentrified communities. While they are cautious in interpreting this finding, it does suggest that residents are more likely to become involved once housing concerns are pressing. OED, other city agencies, and our partners will continue to engage residents in neighborhoods vulnerable to involuntary displacement.

#### 3. Displacement Is a Broad-Reaching Housing and Economic Issue

In order for low-income residents of gentrifying neighborhoods to remain in place and benefit from improvements, communities need to develop a holistic approach to mitigating displacement.
**Denver Status:** Denver OED uses its Business Development Representatives to provide support for the development of existing businesses so that they can weather change, and provide incentives for successful businesses to locate in vulnerable neighborhoods and create job opportunities for incumbent residents. Depending upon the wages offered, new jobs can in turn increase residents’ ability to remain in their community.

The above section is a summary. Full detail is contained in Appendix A.
Denver's Existing Tools to Build and Preserve Affordable Housing

Here is a summary of the primary affordable housing tools that OED currently uses, including financial tools, regulatory tools, programs, policy goals, and tools controlled by our partners.

**FINANCING TOOLS**

<table>
<thead>
<tr>
<th>Financing Tool</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development (HUD) Funds</td>
<td>CDBG, HOME, HOPWA, ESG: A total of $10.6 million in 2015, including $2.1 million in HOME grants. In the past year, 557 units were developed with these funds, and between 50-100 more were leveraged through partner activities. OED uses these funds both to invest in affordable housing and other projects and for homeowners and renters.</td>
</tr>
<tr>
<td>Revolving Affordable Housing Loan Fund (RAHLF)</td>
<td>Announced by Mayor Hancock in February 2015, the fund is a new finance tool to support affordable housing development throughout Denver. It was seeded with $6 million from the city along with leveraged funds from the Colorado Housing and Finance Authority (CHFA), which is administering the fund.</td>
</tr>
<tr>
<td>General Fund</td>
<td>In the city’s 2016 budget, Mayor Hancock designated $8 million in general fund dollars to support affordable housing projects.</td>
</tr>
<tr>
<td>Denver Regional Transit-Oriented Development Fund</td>
<td>Managed by Enterprise Communities, this fund will provide $12-16 million in loan capital for the development of transit-oriented affordable housing in Denver over the next five years.</td>
</tr>
<tr>
<td>Metro Mortgage Assistance Plus Program</td>
<td>Created in 2013 to encourage homeownership among low- and moderate-income buyers by providing up to 4% down payment and closing cost assistance. Developed in Denver and extended to 24 cities and counties in the metro area. Denver metro homebuyers have received over 1,000 grants from the program, totaling $189 million.</td>
</tr>
<tr>
<td>Mortgage Credit Certificate Program</td>
<td>This program allows qualifying borrowers to receive an annual federal income tax credit equal to 30% of the annual interest they pay on their mortgage loan ($2,000/year maximum). The tax credit enables a taxpayer to subtract the amount of credit from his or her annual total federal income taxes. Borrowers may choose to adjust their W-4 withholding to account for the tax-credit benefit and receive a higher net monthly income.</td>
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**POLICY TOOLS**

<table>
<thead>
<tr>
<th>Policy Tool</th>
<th>Description</th>
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<tbody>
<tr>
<td>Denver’s Road Home: Ten-Year Plan to End Homelessness</td>
<td>Since its creation in 2005, 2,795 new housing units have been made available to the chronically homeless, and through eviction assistance programs, 6,199 families and individuals have been prevented from becoming homeless.</td>
</tr>
<tr>
<td>3x5 Housing Initiative</td>
<td>Unveiled in the 2013 State of the City address, 3x5 is Mayor Hancock’s initiative to increase affordable housing production by 3,000 units over five years through construction, rehabilitation and preservation. A total of 1,458 units have been created under the initiative during the first two years.</td>
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**REGULATORY TOOLS**

<table>
<thead>
<tr>
<th>Regulatory Tool</th>
<th>Description</th>
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<tbody>
<tr>
<td>Inclusionary Housing Ordinance (IHO)</td>
<td>Denver's ordinance was originally enacted in 2002 to help boost the availability of affordable for-sale units for households in the 80-100% area median income range. Amended in 2013 and 2014.</td>
</tr>
<tr>
<td>Housing Preservation Ordinance</td>
<td>Denver’s ordinance was approved in 2000 and strengthened with amendments in 2015. It is designed to preserve the inventory of affordable properties, including HUD Section 8 properties.</td>
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</table>

**PARTNER TOOLS**

<table>
<thead>
<tr>
<th>Partner Tool</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Low-Income Housing Tax Credit (LIHTC)</td>
<td>LIHTC is a critical affordable housing finance tool that is administered by the Colorado Housing Finance Authority (CHFA) to provide equity capital for affordable rental projects.</td>
</tr>
<tr>
<td>Section 8 Vouchers</td>
<td>Section 8 vouchers are administered by the Denver Housing Authority (DHA) and can be either tenant-based or project-based. In either case, vouchers allow a lower-income resident to live in a housing unit and pay affordable rent while the landlord can receive HUD-determined Fair Market Rent.</td>
</tr>
<tr>
<td>Private Activity Bonds</td>
<td>Private Activity Bonds are allocated by the State of Colorado and provide tax-exempt bond financing for a variety of economic development uses, including new construction or acquisition/rehab of housing for low- to moderate-income people.</td>
</tr>
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# APPENDIX A

## In the Face of Gentrification: Case Studies of Local Efforts

The most comprehensive report on strategies that other cities are currently using to mitigate displacement is a 2006 Urban Institute study, “In the Face of Gentrification: Case Studies of Local Efforts to Mitigate Displacement” (Levy, Comey and Padilla, 2006). The strategies analyzed include affordable housing production and financing, retention of affordable units, asset-building as well as cross-cutting strategies. The strategies in the chart that follows are summarized from a shortened version of the report by the Metropolitan Area Planning Council (Summary of Urban Institute report, 2014). In the right-hand column, we have summarized Denver’s current status regarding these strategies.

<table>
<thead>
<tr>
<th>Production and Financing of Affordable Housing</th>
<th>Denver Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOUSING TRUST FUND (Sacramento)</strong></td>
<td>Denver is currently working to develop a permanent source of funding for affordable housing. In 2015, Mayor Hancock announced that beginning in 2017, the City would dedicate $15M of revenue to affordable housing annually. The proposed sources include a residential and commercial linkage fee as well as a property tax mill which had previously been credited to residents. The State also has a Colorado Housing Investment Fund and it contributed funds to Denver’s Revolving Housing Loan Fund from this fund. According to the Center for Community Change, 73 cities in 27 states have housing trust funds, not including 148 jurisdictions participating in Massachusetts’ Community Preservation Act and 250 communities in New Jersey certified by the Council on Affordable Housing. The most common source for cities is developer fees.</td>
</tr>
<tr>
<td><strong>INCLUSIONARY ZONING ORDINANCES AND VOLUNTARY INCLUSIONARY ZONING (Chicago)</strong></td>
<td>Denver has an Inclusionary Housing Ordinance (IHO) for homeownership enacted by the City Council in 2002 and most recently updated in 2014. The Ordinance requires 10% affordability in new, for-sale developments of 30 or more units. It is one of OED’s key tools to facilitate home-ownership opportunities for those earning 50-95% of AMI.</td>
</tr>
<tr>
<td><strong>HOUSING LEVY (Seattle)</strong></td>
<td>Denver’s proposed annual $15M in dedicated funds for affordable housing may be partially funded by a property tax levy. Denver is currently crediting several property tax mills that were approved by voters in 2012, which creates capacity for the city to implement a property tax levy within the constraints of Colorado’s Taxpayer Bill of Rights (TABOR).</td>
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</table>

*Each program is further explored below as its own strategy.*
Seattle’s Rental Preservation and Production Program is used to fund the acquisition and/or rehabilitation of vacant or occupied buildings, new construction, and for project financing. Denver uses its HUD funds to provide gap financing for rental preservation and production, but current funding levels are not enough to meet needs. Colorado’s statute CRS 38-12-301, enacted in 1980, and reaffirmed by the Telluride decision in 2000, does not allow municipalities to impose rent control set-asides, or to use land use approvals to require rent-controlled housing, unless there is a contract or partial ownership by the municipality. In Denver, the Denver Housing Authority, and not OED, controls all subsidized rental units, except for units in which the City has acquired an interest through loan agreements. Denver’s Inclusionary Housing Ordinance (IHO) includes a voluntary component for rental and for-sale developments of less than 30 units which provides incentives to developers, including cash reimbursements, density bonuses, parking reductions and/or expediting processing of plans.

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Seattle’s Operating and Maintenance Program offers operating support for multi-unit developments under the Rental Preservation and Production Program to make units affordable to extremely-low-income households (earning at or below 30% AMI). Private developers, nonprofit organizations, and public agencies except for the Housing Authority may participate in this program. Denver currently does not offer operating funds for multi-unit development.

**COMBINING FINANCING STREAMS TO BUY, CONSOLIDATE, AND FINANCE AFFORDABLE HOUSING (Reynoldstown, GA)**

Georgia’s Reynoldstown Revitalization Corporation developed affordable homeownership and rental units using a variety of financing sources. They used HOME financing to buy down the price of homes, consolidated rooming houses, and financed a multifamily building using LIHTC and Section 8, which targets residents at or below 60% AMI. OED’s affordable housing gap financing is typically utilized by development partners in conjunction with LIHTC and, in some cases, Section 8 project-based vouchers. As OED’s affordable housing funding sources become more diversified, OED is developing a portfolio of financing tools that will create greater opportunity for partners.
**COMMUNITY DEVELOPMENT CORPORATION PARTNERSHIPS**  
**WITH FOR-PROFIT HOUSING DEVELOPERS**  
*(Reynoldstown, GA)*

Because of the reduction in available land and increasing land prices, the Reynoldstown Revitalization Corporation (RRC) has switched approaches—from building affordable housing on their own to building it with for-profit private developers. RRC’s impetus for partnering is the need for capacity, and private developers (or lending institutions) benefit by fulfilling community investment and basic philanthropic interests.

CDCs in Denver, funded through OED and other sources, work with for-profit private developers to develop housing.

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</tr>
<tr>
<td><strong>PRESERVATION OF FEDERALLY SUBSIDIZED HOUSING</strong> <em>(Illinois)</em></td>
<td>Denver has had a preservation of affordable housing ordinance since 2000, which was strengthened in 2015 to give the city increased notice of pending sales or expiring covenants and a right of first refusal. The city is collaborating with other public sector and nonprofit partners to create an inventory of all covenant-restricted housing units and a strategy, including both financing tools and criteria, for investing in units with expiring covenants.</td>
</tr>
<tr>
<td><strong>CONVERSION OF APARTMENTS TO LIMITED-EQUITY CO-OPS</strong> <em>(Illinois)</em></td>
<td>Currently neither Denver nor our partners, to our knowledge, are converting apartment buildings into limited-equity co-ops.</td>
</tr>
</tbody>
</table>
LAND TRUST (California)

Cities have established Housing Trust Funds, and CDCs and other advocacy organizations have organized to create a land trust that will regulate land costs over time. This will help stabilize the community by bringing existing housing under community ownership and creating a variety of ownership opportunities, ranging from single-family ownership to limited-equity cooperatives to condominiums.

OED has provided funds to the Urban Land Conservancy and the Colorado Communities Land Trust to perform this function in Denver as part of a long-term strategy.

CITY, STATE, AND FEDERAL PROGRAMS TO FUND PROPERTY AND LOT REHABILITATION (St. Petersburg)

In St. Petersburg, funding for owner-occupied rehabilitation comes from a variety of sources such as the City’s Working to Improve our Neighborhoods (WIN) program, State Housing Initiatives Partnership Program, the federal Community Development Block Grant program, and federal HOME funds. WIN funds are often used for roof repair, plumbing, and electrical work. Rehabilitation funds are disbursed as loans or as forgiven loans. The city is no longer offering rehab funds as deferred loans because of difficulties some owners faced when selling a house of relatively low property value with deferred debt.

OED provides federal funds to DURA for rehabilitation of owner-occupied single-family residences of up to $35,000. Units are covenant-restricted for 15-100 years. For rental units, the covenants are for a minimum of 20 years.

VACANT PROPERTY REDEVELOPMENT (Sacramento)

In Sacramento, the Oak Park neighborhood promoted revitalization and maintained affordable housing including rehabilitation through the Boarded and Vacant Homes Program (BVHP) and infill development through the Vacant Lot Development program. Vacancies in Sacramento are said to come in part due to the City’s stringent code enforcement. The Sacramento Housing Redevelopment Authority moved to an incentive-based system, the BVHP, to attract developers to rehabilitate and develop these properties and then sell them to low-income households. Developers receive a $10,000 fee for properties in target areas, $15,000 in redevelopment areas, and $20,000 in the Oak Park redevelopment area, for the acquisition and rehabilitation of a single-family boarded and vacant home.

Denver is not currently developing vacant private property, but this strategy was identified as one to consider in the Housing Denver plan.

VACANT LOT REDEVELOPMENT (Sacramento)

In Sacramento, through the Vacant Lot Development Program (VLDP), developers receive a fee for the acquisition and development of a single-family residential vacant lot in the amount of $7,500 for a two-bedroom/two-bath house, $20,000 for a three-bedroom/two-bath house, and $25,000 for a four-bedroom/two-bath house. (Fees are adjusted periodically.) The new home must be sold to an income-qualified household at an affordable price due to the tax increment funding of the VLDP. The developer fee is allocated upon approved completion and sale of home to an owner-occupant.

Denver currently does not have a similar land banking program, but a similar program could be implemented. Similar incentives through Denver’s Inclusionary Housing Ordinance are paid on completed units with a covenant recorded and an income-qualified person in residence.
IN-FILL DEVELOPMENT (Florida and Washington)

St. Petersburg offers properties for sale to nonprofits at a discounted price to encourage development. Boarded-up properties are acquired through code enforcement and demolition. Nonprofit and private developers have had an impact, and vacant and boarded properties in Midtown in St. Petersburg decreased 50% between 1998 and 2001. In Seattle, the Central Area Development Association (CADA) was created several years after urban renewal policy restricted development of subsidized. Today CADA is advancing mixed-use infill projects. Infill development allows developers to take advantage of vacant or dilapidated properties that exist in the neighborhood. Since the community is not yet completely gentrified, CADA is able to push such projects forward.

TAX RELIEF ASSISTANCE (Chicago)

The Cook County Assessor’s Office offers three tax incentives:

- The Class 3 tax classification reduces the assessment on all multi-unit residential properties with 7+ units from 33% to 26%.
- The Class 9 tax classification applies to newly constructed or rehabbed buildings with 7+ rental units targeted to low- and moderate-income households (or households making less than 80% of AMI). Assessments are reduced to 16% of market value for up to 10 years with the possibility of two 10-year extensions.
- The Class S classification provides incentives to owners of expiring Section 8 buildings to renew their contracts using HUD’s Mark Up to Market program. The purpose of the tax incentive is to slow affordable rentals converting to market-rate rentals and condominiums. Landlords that decide to renew their Section 8 contracts qualify to cut their tax assessments from a 33% to a 16% assessment rate, matching the assessments of homeowners.

Denver does not have similar tax incentives, but this Cook County model is one that should be studied and considered.

Asset-Building of Existing Low and Moderate Income Residents

INDIVIDUAL DEVELOPMENT ACCOUNTS (IDAs)
(Reynoldstown, GA)

RRC’s IDA program, which began in 1998 and is funded by the United Way, enables participants to build wealth and serves as a community-building tool. Participants can use their savings toward homeownership in any of 11 approved neighborhoods.

Denver has worked with United Way in the past for the Assets for Independence grant which provides IDAs, although the program is not in place today.

Home-Buying Programs

TARGET AREA HOMEBUYER PROGRAM (Sacramento)

The Sacramento Housing and Redevelopment Agency’s Target Area Homebuyer Program provides down payment and closing cost assistance to low- and moderate-income homebuyers for home purchases within several redevelopment areas.

In Colorado, this is a program that CHFA implements.
**FIRST-TIME HOMEBUYER PROGRAM** *(Sacramento)*

The Sacramento Housing and Redevelopment Agency’s First-Time Homebuyer Program offers down payment and closing cost assistance to low-income homebuyers on home purchases within the city and county of Sacramento.

In Colorado, this is a program implemented by CHFA and the City’s Metro Mortgage Assistance Plus program.

**VOLUNTEER AND MUNICIPAL PROGRAMS FOR HOME REPAIR** *(Seattle)*

Seattle’s CADA provides maintenance and repair work assistance for neighborhood homeowners. Volunteers work on up to ten houses each summer during weekends to paint exteriors, repair roofs, do yard work, and improve home security for elderly or disabled residents. Seattle also offers a home repair program, called HomeWise, with loans at 3% interest to low- and moderate-income homeowners to cover the costs of health- and safety-related repairs, accessibility modifications, or code violation upgrades.

In Denver, this is done by Brothers Redevelopment (Paint-a-Thon) and by the Colorado Homebuilder Foundation.

**Other Strategies to Promote Housing and Revitalization**

**DENVER STATUS**

**ZONING CHANGES** *(St. Petersburg)*

St. Petersburg revised its Land Development Regulations to allow greater flexibility in development across the city, including mixed-use developments and increased density. Current zoning regulations were established in the 1970s and reflect suburban realities of larger lot sizes.

Denver’s Form-Based Zoning does not allow similar incentives to developers.

**CROSS-CUTTING LESSONS FROM CASE STUDIES**

**DENVER STATUS**

**LAND AVAILABILITY IS ESSENTIAL**

The availability of developable land parcels is a factor for entities addressing affordable housing and displacement mitigation, regardless of the strength of the housing market.

As a city geographically constrained by the Poundstone Amendment, Denver is finding this increasingly difficult, but developable parcels are available.

Recommended strategy: Bank land early, before costs become prohibitive for affordable housing development. Purchasing parcels early at low cost can help control future development costs, ensuring affordable housing units for lower-income households.

Denver has financed land-banking through the Neighborhood Stabilization Program and continues to do so in partnership with the Urban Land Conservancy. The Mile High Regional Transit-Oriented Development Fund is also making direct land acquisitions.

**CITY GOVERNMENT INVOLVEMENT IS CRUCIAL**

The case studies suggest that local government involvement and leadership is vital to addressing affordable housing needs regardless of the stage of gentrification.

Denver is actively addressing its affordable housing challenges and studying successful strategies from other cities to reduce displacement. Our pressing need to strive for more equitable development and reduce displacement is fueling a stronger level of inter-agency communications and collaboration inside city government.

Recommended strategy: Attentive management of regulations and city programs can help create opportunities to positively affect neighborhood revitalization/gentrification and displacement issues.
COMMUNITY INVOLVEMENT IS CRUCIAL

Community involvement can help motivate city government and other organizations to support affordable housing initiatives. Seattle offers an example of courting community support for its housing levies, which are put up for vote. The city has marketed the levies prior to the elections. It also designed the first levy to be politically expedient by targeting funds to seniors. Based upon initial success, subsequent levies have expanded in scope to reach broader segments of the population in need of affordable housing.

Recommended strategy: Resident involvement in affordable housing activities was strong only in the three most gentrified communities. While we are cautious in interpreting this finding, it does suggest that residents are more likely to become involved once housing concerns are pressing.

OED actively engaged the community in the development of the Housing Denver Plan. OED, other City agencies and partners will engage residents in neighborhoods vulnerable to gentrification. The North Denver Cornerstone Collaborative has been actively engaging neighbors in the redevelopment planning.

DISPLACEMENT IS A HOUSING AND ECONOMIC ISSUE

In order for low-income residents of gentrifying neighborhoods to remain in place and benefit from neighborhood improvements, communities need to develop a holistic approach to mitigating displacement.

Recommended strategy: Provide support for the development of existing businesses, so that they can weather change. Provide incentives for successful businesses to locate in the neighborhoods can create job opportunities for incumbent residents. Depending upon the wages offered, new jobs might in turn increase residents’ ability to remain in their community.

A key recommendation of this report is to link affordable housing strategies with business development and workforce development strategies in targeted areas.
APPENDIX B

Denver Gentrification Spatial Analysis Methodology

The objective of this analysis is to identify areas in Denver that appear to be at risk for gentrification. Along with other research and analyses, the results can be used by policymakers to most effectively distribute resources that will preserve affordable housing in areas that are most likely to lose housing options for lower income households. By looking at patterns of neighborhood change over the past 25 years, this analysis attempts to identify areas that have already gentrified, are in the process of gentrifying, and are at risk for gentrification. This typology of gentrification provides a framework for further analysis and may help policymakers effectively target resources to preserve affordable housing options in areas that are likely to lose them. It is important to consider other information and research when targeting resources.

Methodology

In this analysis, we modify the methodology to measure and classify gentrification originated by Lance Freeman and used by Portland State University (Freeman, 2005; Bates, 2013). Research has shown that areas vulnerable to gentrification tend to have certain characteristics, the main one being a history of disinvestment (Beauregard, 1886; Hamnett, 1991; Ley, 1980; Rose, 1984; Smith, 1979; as cited in Freeman, 2005). Additional characteristics include being located in an urban area, and having a majority low income population, and a high proportion of renters. Gentrification of an area is characterized by an increase in investment and a growing population with higher incomes and education levels (Freeman, 2005; Bates 2013).

For this study of Denver, we examine Census Tract data from 1990, 2000, and 2013. To deal with changes in Census Tract boundaries between 1990, 2000 and 2010, the geographic boundaries were merged such that the largest historical boundary was used. Data was aggregated to the larger boundaries as necessary, depending on the year of the data.

Home value changes are used as a proxy measure of disinvestment and reinvestment. Educational attainment, household income, and type of housing occupancy are used to characterize the population in an area. Unlike the Bates methodology, classifications used in this analysis do not use race and ethnicity.

Bates' typology includes data on race and ethnicity because an increasing White population is often associated with gentrification. However, limitations of this data led Denver to remove this variable from our methodology. Over time the Census Bureau changed the way it asks survey respondents about their race and ethnic background. More recent surveys provide more options for reporting multiracial heritage, and Hispanic origin is now asked about separately from race. In aggregating data to make it comparable across different Census years, some detail is lost, and people of Hispanic origin may be counted in either the White or Non-White category.

The following tables show the raw data and the variables calculated from them. For each data point, the variable’s value for Denver as a whole was used as a benchmark to measure whether a tract’s value was high or low. As in Freeman’s study, the variables were used to examine dimensions of change in population and home values (Freeman, 2005).
Following Portland’s example, we used housing market and locational characteristics to assess the likelihood that a tract would be a candidate for reinvestment (and thus, gentrification) (Bates, 2013). The variable measures, classifications, and resulting typology of gentrification are shown below.

**Vulnerable Population Index**

At least two of the following must be true for the Census Tract to be considered as having a population that is vulnerable to gentrification:

- The tract’s percent of residents with less than a Bachelor’s Degree is higher than Denver’s percent of residents with less than a Bachelor’s Degree;
- The tract’s percent of renter-occupied units is higher than Denver’s percent of renter-occupied units in 2013;
- or,
- The tract’s median household income is lower than Denver’s median household income in 2013.

**Neighborhoods Vulnerable to Gentrification**

Based on 2013 Demographic Data

A tract is categorized as Vulnerable if it meets at least two of these criteria:

- median household income is lower than Denver’s
- % renter-occupied units is higher than Denver’s
- % residents with less than a Bachelor’s Degree is higher than Denver’s
Gentrification-Related Demographic Change

At least two of the following must be true for the Census Tract to be considered as experiencing gentrification related demographic change between 2010 and 2013:
- The tract’s percent of residents with less than a Bachelor’s Degree must have decreased between 2000 and 2013 more than Denver’s;
- The tract’s percent of renter-occupied units must have decreased between 2000 and 2013 more than Denver’s; or,
- The tract’s median household income must have increased between 2000 and 2013 more than Denver’s median household income increased.

Housing Market Categories

Again using Bates’ methodology, several types of housing market classifications are used to assess investment in a tract over time, and a tract’s potential attractiveness for reinvestment (Bates, 2013). The categories and measures are described and summarized below. (Low to moderate values are those that fall into the bottom three quintiles of the data set; high values fall into the top two quintiles.)

All of the following must be true for a Census Tract to be classified as having an Appreciated Housing Market.

*Compared to Denver as a whole, the tract must have:*
- A low to moderate home value in 1990;
- A high home value in 2013; and,
- A high increase in home value between 1990 and 2013.
Both of the following must be true for a Census Tract to be classified as having an Accelerating Housing Market. *Compared to Denver as a whole, the tract must have:*
  - A low to moderate home value in 2013; and,
  - A high increase in home value between 2000 and 2013.

All of the following must be true for a Census Tract to be classified as having an Adjacent Housing Market. *Compared to Denver a whole, the tract must have:*
  - A low to moderate 2013 home value;
  - A low to moderate increase in home value between 2000 and 2013; and,
  - Be adjacent to a tract with a high home value in 2013, or adjacent to a tract with a high increase in home value between 2000 and 2013.
Stages of Gentrification Typology

The classifications about population vulnerability, gentrification related demographic change, and types of housing markets are used to put each Census tract into a neighborhood typology. This map illustrates the typology as applied to Census tracts along with Denver’s statistical neighborhood boundaries.

<table>
<thead>
<tr>
<th>GENTRIFICATION TYPOLOGY</th>
<th>CRITERIA</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vulnerable</td>
<td>Demographic</td>
</tr>
<tr>
<td></td>
<td>Population</td>
<td>Change</td>
</tr>
<tr>
<td>AT RISK Susceptible to Gentrification</td>
<td>✓</td>
<td>x</td>
</tr>
<tr>
<td>EARLY STAGE Early Housing Gentrification</td>
<td>✓</td>
<td>x</td>
</tr>
<tr>
<td>EARLY STAGE Early Population Gentrification</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>DYNAMIC CHANGE Current &amp; Ongoing Gentrification</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>LATE STAGE Late Stage Gentrification</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>LATE STAGE Continued Loss Gentrification</td>
<td>x</td>
<td>✓</td>
</tr>
<tr>
<td>NO DATA Missing Data</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tracts missing data for one or more years that would impact the analysis.

Areas Vulnerable to Gentrification
Based on 1990, 2000, 2013 Housing & Demographic Data

Legend:
- Ineligible To Gentrify
- Susceptible to Gentrification
- Early Housing Gentrification
- Early Population Gentrification
- Current & Ongoing Gentrification
- Late Stage Gentrification
- Continued Loss Gentrification
- Other: Does Not Fit Typology
- Missing Housing Market Data
Limitations

At the time of this study, the most recent data available is from the 2013 American Community Survey. Denver’s population and housing market have been changing rapidly in the last three years, and it is likely that more recent shifts in demographics and housing are not reflected in the data sets used in this study.

Another limitation is that aggregating data to the Census Tract level hides geographic variability within a tract. Since Denver has changed so rapidly in the past several years, policymakers should “ground truth” these maps, comparing the typology to local knowledge and other research. Further research and drilldown analysis for areas of concern is recommended.
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