CREW NETWORK
CREW Network Industry Brief
Vol. 3 • Issue 8 • November 2021

Pushing Back on Gentrification with an Anti-Displacement Strategy

By Alisa Pyszka, Bridge Economic Development

In the world of real estate development, a strong return on investment (ROI) is a driving factor in decisions. Often public agencies will partner with private investors in under-developed or low-income areas to make the ROI more attractive and catalyze investment through incentives. This is an appropriate tactic for the public good as it ultimately increases tax revenue that can support broader public services throughout a community. However, increasingly communities are resisting this idea of public-private partnerships to foster redevelopment for fear of gentrification and displacement of existing businesses and residents within a low-income area.

Gentrification is a complex issue. If there is no investment in a low income community, the area will continue to struggle with no opportunity for existing property owners to access wealth through property appreciation or increased business revenues with customer growth. Not to mention, a community will not increase the tax base. At the same time, if a low-income community is simply viewed as commodity that is ripe for opportunity by outside developers, growth will be achieved at the expense others that have endured the struggles associated with a low income area and they will not have the opportunity to gain access to wealth.

To avoid gentrification, a community can strategically invest with private partners in low-income areas with the laser focus of anti-displacement efforts for existing businesses and residents. If equity is a core value for a community and a private developer, it is incumbent upon those stakeholders to ensure that existing community members also realize economic gains fostered by public investment.

Supporting equity in a low-income area requires that under-represented/under-resourced people have the same level of access to the economy and wealth creation opportunities as all other individuals. The intent is not to change the existing market, but to make sure that people who can't access the conventional market (the "unbankable") are provided the skills or alternative affordable capital to enter the existing market. Introducing under-represented business owners to the following programs is typically led by public agencies. However, real estate developers could include these programs with their projects and potentially achieve environmental, social and corporate governance (ESG) investing goals.

Help tenants gain access to affordable capital. Find the Community Development Financial Institutions (CDFI) in your community that are charged with offering loans to the "unbankable" such as Garden Bar in Portland, Oregon. Make sure under-represented business owners meet the CDFI staff and are aware of their resources. Alternatively, business owners that may be leasing a building should be encouraged to buy the building they are in (if available), with CDFI support, prior to significant outside investment so they can build wealth.

Support tenants with training for skill gaps for business management. It is important to stress that only having access to affordable loans/capital will not achieve desired results. Business owners facing inequity require in-depth and meaningful programs and services to help them understand how to best run a business and increase clientele through marketing education. Strong CDFIs, such as MESO in Portland, Oregon, will pair capital lending with important technical skills support. Often skills programs are provided by the local Small Business Development Center (SBDC) as well.

Help tenants navigate regulatory/permitting processes. New businesses must navigate the complex and daunting permitting process, which is especially complicated for local first-time businesses or restaurants that must also address health and liquor law issues. To address this, some cities provide free services to first time businesses to help them better understand what may be required (such as a new ADA bathroom) before venturing into a new lease. Vancouver, Washington offers the "pre-lease" program that brings different representative from various departments to walk-through a site with the potential tenant to determine if there will be any significant issues before they sign a lease.

Expand the infrastructure investment. Developers can consider improving infrastructure conditions beyond the immediate site. In developing a new project that may require improved broadband fiber or a new water line, the developer could work with the jurisdiction to consider how the new service could be expanded to surrounding blocks to maximize the investment and help benefit the existing residents and/or businesses.

Equitable growth is not easy, but it is critical for developing resilient communities. As community leaders and developers revitalize low-income areas, they need to invest in the people as well as the buildings. ESG investors can help shape this opportunity with an enhanced focus on the "social" aspect of ESG lending through clear metrics calling for development projects to invest in programs such as those outlined above.