

Developing a Practical Ideal Type Gentrification Effects Mitigation
Program: A Study of Austin, Texas

By

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Applied Research Project

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Abstract

Purpose: The purpose of this research is to develop a practical ideal type gentrification effects mitigation program and gauge its effectiveness in Austin, Texas. Austin is experiencing tremendous growth levels and a resurgence of residents making the choice to move to inner city neighborhoods that have experienced decades of neglect. Gentrification encourages redevelopment and revitalization while also increasing the risk for involuntary incumbent resident displacement. This research focuses on city programs dedicated to reducing involuntary displacement by developing a conceptual framework based on three categories: increasing affordable housing, maximizing housing retention, and promoting resident asset building.

Methods: Structured interviews were conducted with seven leaders of city government and nonprofit housing agencies in Austin, Texas.

Findings: The findings suggest that Austin is currently utilizing nine of the thirteen possible programs that make up this practical ideal type with varied success levels. Of the four programs that are not being utilized, two are prohibited in Texas, one is not used due to the difficulties of the local taxing system, and one is not used due to a significant decrease in federal funding.

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Chapter 1 - Introduction

The purpose of this research is to develop a practical ideal type gentrification effects mitigation program as a tool for city governments. City officials in Austin, Texas, are challenged with encouraging investment in blighted neighborhoods while reducing the potential for negative impact on existing residents of these blighted neighborhoods. This paper will focus on three key factors to mitigate the effects of gentrification: increasing affordable housing, maximizing housing retention, and promoting resident asset building. This research is unique in that it focuses on a quickly growing city that has experienced modest levels of research into this important issue. Gentrifying neighborhoods can create a variety of hardships for existing residents. For example, residents may experience significant property tax increases that create financial difficulties. In addition, some residents may experience a reduction in available, affordable, housing options with the development of new businesses and homes catering to the “new gentry” of higher income residents.

Gentrification brings with it an affluent group of residents along with more affluent and profitable businesses. It is through this process, however, that the potential for distress to low-income individuals and families increases. With the economic downturn that the U.S. has experienced in recent times, the need for decent, affordable housing has grown, and in general, has made the housing stock less affordable to low income residents. Over the past 30 years, reports showed that households with low to moderate income levels continued to disappear at “at an alarming pace” due to many factors such as the conversion of rental properties into condominiums, and newly constructed housing targeting higher-income households (Levy, Comey & Padilla 2007, 241).

The negative impact of gentrification on the supply of existing low-income residents can be significant, and for this reason, public managers should continue moving forward with efforts to minimize the impacts. This chapter will discuss elements of gentrification including life in a gentrifying neighborhood followed by a discussion of common effects associated with gentrification. As the focus of this paper is mitigating the effects of gentrification, this chapter will further explain the most direct potential effect--involuntary resident displacement. Low-income individuals and families are potentially displaced as a result of the decrease in available affordable housing, changing the character of the neighborhood, and forcing out residents due to rising costs.

Gentrification Explained

Gentrification is a term used to describe the phenomenon of middle- and upper-class households moving into distressed neighborhoods with the purpose of improving the quality and value of the housing stock. With the increase in higher socioeconomic status individuals comes increased demand for new and better homes, businesses, and services. While these aspects of gentrification are generally thought of as positive change for blighted areas, they cannot help but result in a higher cost of living. Among the increased costs are higher rents and taxes as well as loss of services that cater to low-income households such as corner stores (Levy, Comey & Padilla 2007, 240). Critics of gentrification argue that affluent households price existing residents out of working class neighborhoods when the same households have access to many other residential options (Vigdor 2002, 142).

The term gentrification was developed by urban geographer Ruth Glass in the 1960s to describe particular London neighborhoods that were undergoing change. Glass defined

gentrification as “the process of middle- and upper-class households moving into distressed working-class neighborhoods, upgrading the derelict housing stock, and eventually displacing the working-class residents, thereby changing the social character of the neighborhood” (Levy, Comey & Padilla 2007, 239). Authors and scholars continue to debate on the most accurate definition of gentrification; however, this study uses Glass’ definition of gentrification.

Gentrification is not purely the result of market forces where individuals act on their self-interest, identify distressed property located in proximity to attractive locations, and purchase homes. Gentrification occurs due to private sector investment and government policy. For example, developers may purchase deteriorated homes on run down lots with the intent of clearing the area for new market rate housing. Because long-term residents in these same neighborhoods often inhabit dilapidated housing, this creates the potential for displacement. Market forces create incentives for the developers as well as the incoming residents. Developers hope to create attractive investments for new residents as well as generate financially sound ventures. Incoming residents hope to buy into real estate investments that will appreciate as these neighborhoods experience increases in property values throughout the gentrification process.

There are also racial dimensions to gentrification. New residents tend to be white while former residents tend to be racial and ethnic minorities. Critics of gentrification often describe the racial changes with a “there goes the neighborhood” perspective implying the change in character due to fewer ethnic inhabitants. Neighborhoods considered ripe for gentrification, among other factors, are often described as dangerous areas with higher crime levels. In addition, the influx of white residents can upset “the prevailing notions of who belongs in

particular neighborhoods” (Freeman 2003, 6). While many incumbent residents welcome the new residents, there will always be groups that resist change resulting in racial tension.

While these issues are important, this study does not focus on the causes of gentrification, but rather its effects. While this study focuses on many of the effects of gentrification, it does not focus on the racial effects, but rather, on addressing the consequences after displacement occurs.

Life in a Gentrifying Neighborhood

Urban sociologists have studied life in gentrifying neighborhoods for decades. Recent studies have focused on the emergence of a new class with distinct preferences for redeveloping neighborhoods that offer an urban lifestyle (Bader 2011, 311). Proponents of redevelopment are usually supporters of more diverse neighborhoods focusing on preferences of the white middle-class gentrifying population. It is critical, however, to consider the implications regarding the impact of race in revitalizing communities. While most agree that urban revitalization beautifies and improves neighborhoods, there is also the feeling among many racial and ethnic minorities that a “conscientious decision” has been made to devote more attention to the needs and preferences of gentrifying whites. This perception results in resentment among incumbent residents who have seen years of inferior services (Freeman 2003, 9). Racial tension is a common consequence of gentrification; however, there is very little a public manager can do to change public perceptions of racism.

Effects of Gentrification

Most neighborhoods that experience gentrification are located near central business districts and offer attractive features such as skyline views, historical significance, and access to public green space thus drawing high-income individuals to invest in the area. The “new gentry” takes the risk in investing in an undesirable neighborhood and transforming it into a better place to live (Lawrence 2002, 359). In spite of the positive effects that gentrification brings to poorly maintained neighborhoods, public administrators cannot lose sight of the potential for increasing hardships for low-income individuals and families residing in these communities.

While gentrification undoubtedly brings beneficial change and improvement to neighborhoods such as new business and an increased tax base, critics, residents, and community leaders assert that the process displaces long-time residents. Displacement occurs by “shrinking the amount of affordable housing, changing the character of the neighborhood, and forcing out people who can no longer afford to live there” (Lawrence 2002, 358). Those residents who are displaced must bear the costs of relocation. While many are able to relocate to other neighborhoods, others are less fortunate and face the possibility of homelessness. The following sections examine common problems associated with gentrification related displacement to include a decrease in available, affordable housing, changing the character of the neighborhood, and a higher cost of living.

Decrease in Available Affordable Housing

Among the many problems faced by public administrators surrounding the issue of gentrification-related displacement is the likelihood of a decrease in available affordable housing. Local governments must balance their desire to revitalize neighborhoods and at the

same time reduce the risks of displacement of low-income families (Levy, Comey & Padilla 2007, 238). Gentrifying communities typically experience significant levels of economic development through new and rehabilitated homes and new businesses. Structurally sound but deteriorating homes are often inhabited by low-income individuals, and their homes are bought and rehabilitated by developers. The resulting properties become condominiums or luxury housing thus decreasing the stock of available affordable housing. It is through this process that current residents are uprooted and forced to find alternate affordable housing options (Lawrence 2002, 358). Residents who are able to find replacement, affordable housing are forced to bear relocation costs that can be significant on already financially stressed households.

Gentrification along with other factors has created the need for additional affordable housing units. This issue is evident throughout the country as the number of affordable housing units has declined by over 1 million units since 1973 while the population that needs affordable housing has increased (Levy, Comey & Padilla 2007, 241). Although the need for additional low-income units is largely undisputed, questions remain as to where to best locate affordable units. Many citizens believe that low-income housing brings increased crime rates and reduced property values. The same citizens often object to the idea of affordable housing units in their community with a “not in my backyard” mindset. A reduced supply of low-income housing coupled with community protest surrounding potential locations for new units creates additional challenges for public managers. Concentrating affordable units in one section of a city has negative consequences, and dispersing affordable housing across the city is met with citizen opposition.

As an example, the City of Austin conducted a community conversation entitled “Affordable Housing Across Austin” and discussed the City’s core policy values with respect to

affordable housing. Among these values was the need for geographic dispersion thus allowing low-income individuals and families the opportunity to live throughout Austin. Historically, affordable housing has been primarily located east of the major highway that runs through the city (City of Austin 2012). Convincing citizens that affordable housing should not be re-concentrated on the east side is difficult. In addition, the more affluent residents in the gentrifying neighborhoods oppose the concentration of affordable housing and prefer that new affordable housing is constructed outside of their gentrified areas. Like many U.S. cities, Austin is encountering major challenges as to where to locate additional low-income units.

Changing the Character of the Neighborhood

In addition to a decrease in available affordable housing, public administrators face another problem associated with displacement in gentrifying communities. Gentrification can cause a substantial change in the character of the neighborhood. Through the process of gentrification, public and nonprofit programs that provide support for the poor as well as stores that provide the goods that low income residents need can also be relocated as wealthy residents enter the community (Lawrence 2002, 360). For example, New York City's East Village gentrified, and new businesses and residences were planned and built. This resulted in resident concern that existing local businesses would not survive thus changing the neighborhood's character (Laurence 2002, 360). In the effort to minimize hardships and the likelihood for involuntary displacement of low-income residents, city officials can support the quality of life for all residents in gentrifying communities by preserving existing services and businesses. While many residents will benefit from new businesses, it is important that all (or nearly all) existing businesses that make up the culture and uniqueness of the neighborhood are not forced out through the gentrification process. Finding a balance between the new and the old can allow

a gentrifying neighborhood to maintain some of its original character thereby making it a more diverse and attractive place to live as well as easing the consequences of gentrification for low income residents.

While gentrification undoubtedly changes a neighborhood's character, if it is done in moderation and with respect to existing residents and businesses, it may work to enhance the neighborhood's character by adding attractive elements such as gourmet foods and new eateries to the corner stores. Gentrifying neighborhoods do not need levels of change so extreme that all past remnants are gone. While new residents of a higher socioeconomic status do bring a financial push for improvement, many of these same residents relocate to gentrifying neighborhoods to enjoy and appreciate elements of the original neighborhood. Local governments can develop programs to help preserve existing businesses. Although the change in a neighborhood's character is an important problem in gentrifying areas, perhaps the next issue is one that strikes the strongest chord with respect to incumbent low-income residents.

Higher Cost of Living

Gentrification related displacement can happen for several reasons to include a reduction in available, affordable housing as well as change in the character of a neighborhood. In addition to these factors, residents can also be displaced as a result of rising costs. Increased housing prices are not necessarily a problem. However, when costs rise in lower-income neighborhoods "where residents' incomes do not keep pace," the possibility for displacement increases (Levy, Comey & Padilla 2007, 238). As housing prices increase, lower-income households experience a higher risk of being forced to relocate. These same residents can also be prevented from moving into certain areas due to increased costs. Existing homeowners in gentrifying

neighborhoods may experience increased property taxes as new development causes appreciation.

Higher housing costs unquestionably have a stronger impact on lower-income residents and families. When private developers purchase low-income rental units to convert to condominiums for upper-class residents, the potential for displacement increases. It is this process that can result in a decreased supply of affordable rental units that in turn drive up other rental prices. Low-income tenants can be “indirectly displaced through their inability to afford the higher rents” (Lawrence 2002, 360). One strategy is to assist low-income residents on building long-term assets in gentrifying neighborhoods so that they have more choices such as housing, educational opportunities and small-business ventures. Progress cannot be stopped, and therefore, in the management of gentrification, public administrators must continue to improve.

City officials cannot realistically stop gentrification even if this is their policy preference. The only feasible option is to adopt programs that mitigate the effects of gentrification on low-income residents. Many incumbent residents want to remain in a gentrifying neighborhood, and it is in the interest of the broader community to support the supply of affordable housing and maintain economically and racially diverse neighborhoods. It is also in the interest of cities to support residents who are forced to move because every city needs lower wage workers and workers in proximity to job locations. Whether by increasing the stock of affordable housing, maximizing housing retention, or teaching low-income residents about asset building, cities should continue with efforts to increase housing choices for low-income households.

Summary

While the processes and consequences of gentrification have been studied, how the various programs address these consequences tend to be fragmented into different studies. This study brings many different approaches into one document known as a practical ideal type (Shields & Tajalli 2006). This practical ideal type gentrification effects mitigation program focuses on how city leaders and public administrators can reduce the negative impact on low-income residents in gentrifying neighborhoods. Gentrification of distressed areas brings economic development and beautification to neighborhoods that have often experienced decades of deterioration. While the benefits to residents and the city as a whole seem to outweigh the disadvantages, public administrators should promote significant efforts to minimize the potential for increasing hardships for low-income individuals and families. “The best anti-displacement strategy is one in which gentrification involves a collaborative effort among the government, private investors, and members of the affected community to achieve affordable housing and a better quality of life for the residents” (Lawrence 2002, 358). This practical ideal type program discusses a variety of methods that can be used to mitigate the negative impacts of gentrification. The following paragraph details the design of the research by chapter.

The literature review chapter provides a better understanding of the many ways cities can work to reduce the negative pressures of gentrification. It gives examples of how these programs have had positive impacts in neighborhoods throughout the country. The conceptual framework for this research is developed through the review of literature and is found in this chapter. In an effort to gauge the practical ideal type program’s ability to achieve the goal of mitigating the effects of gentrification, the research methods chapter includes the operationalization of the conceptual framework.

Through the operationalization specific questions were developed for a variety of interviews with individuals from government and nonprofit sectors. The results chapter reviews the respondents' answers and develops conclusions about the results and their ultimate impact on mitigating the effects of gentrification. The conclusion chapter discusses the results and offers recommendations for policy makers. The next chapter discusses the review of literature to include the practical ideal type gentrification effects mitigation program and conceptual framework.

Chapter 2 - Literature Review

City officials face the challenge of encouraging investment and revitalization in blighted neighborhoods while minimizing negative effects to existing residents (Levy, Comey & Padilla 2007, 238). Governments, non-profit organizations, and for-profit developers can mitigate displacement in gentrifying neighborhoods in a variety of ways (Levy, Comey & Padilla 2007, 243). Among these strategies is increasing affordable housing. One way that cities can increase affordable housing is through housing trust funds that require developers to contribute monies to the fund for low-income residents. This fund is used to build affordable units to replace those lost during redevelopment (Nolte 2011, 38). Another strategy to mitigate displacement is maximizing housing retention. Housing retention can be less expensive than building new properties.

One way that cities can maximize housing retention is through rent control that protects residents from rent increases. For example, in New York City “permissible rent increases on 1-year and 2-year leases are determined annually by a nine-member panel composed of public, tenant, and owner representatives” (Freeman & Braconi 2004, 42). A third strategy to mitigate displacement is through resident asset building. One way that cities can promote resident asset building is through community land trusts (CLTs) that allow communities to keep land in trust for its residents (Lawrence 2002, 365). The CLT owns the land while residents own the buildings on the land. For example, one of the largest CLTs in Burlington, Vermont has “had a major impact on the conditions in low-income neighborhoods, especially by expanding housing opportunities” (Lawrence 2002, 366). City officials face the challenge of mitigating displacement pressures in gentrifying neighborhoods.

Research Purpose

The purpose of this chapter is to review key literature on mitigating the effects of gentrification and to develop a practical ideal type gentrification effects mitigation program. While it can be difficult to determine the level of gentrification related displacement in an affected neighborhood, the general consensus amongst practitioners and scholars is the overwhelming need to decrease the pressures of displacement.

This chapter discusses the practical ideal type model of mitigating the effects of gentrification. Table 1 presents the conceptual framework.

Table 1: Conceptual Framework	
Descriptive Categories	Literature
Increase Affordable Housing	
Housing Trust Funds	Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007), Nolte (2011)
Inclusionary Zoning	Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007), Newman & Wyly (2006),
Low-Income Housing Tax Credit	DeFilippis & Wyly (2008), Freeman & Braconi (2004), Lawrence (2002), Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007), Salsich (1999)
Split-Rate Taxes	Hartzok (1997), Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007)
Tax Increment Financing	Hitchcock (1995), Levy, Comey, & Padilla (2006), Prior & Kemper (2005)
Maximize Housing Retention	
Code Enforcement	Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007), Ross (1996)
Rent Control	Elorza (2008), Freeman & Braconi (2004), Lawrence (2002), Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007), Newman & Wyly (2006), Nolte (2011), Rivlin (2002), Vigdor (2002)
Federally Subsidized Affordable Housing	DeFilippis & Wyly (2008), Levy, Comey & Padilla (2006), Levy, Comey, & Padilla (2007)
Tax Relief and Assistance	Kennedy & Leonard (2001), Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007)
Promote Resident Asset Building	
Individual Development	Clancy, Grinstein-Weiss, & Schreiner (2001), Levy, Comey, & Padilla

Accounts	(2006), Levy, Comey, & Padilla (2007), Zielenbach (2004)
Homeownership and Education Counseling	Clancy, Grinstein-Weiss, & Schreiner (2001), Elorza (2008), Levy, Comey, & Padilla (2006), Turnham & Bonjorni (2004), Zielenbach (2004)
Community Land Trust	Lawrence (2002), Levy, Comey, & Padilla (2006), Levy, Comey, & Padilla (2007), McCulloch & Robinson (2001), Nolte (2011)
Section 8 Homeownership Program	DeFilippis & Wyly (2008), Fraser & Kick (2007), Levy, Comey, & Padilla (2006), Newman & Wyly (2006)

Increase Affordable Housing

To mitigate the effects of gentrification, a city should increase the supply of affordable housing. This section will discuss five ways that cities should increase affordable housing.

Housing Trust Funds

One strategy cities should use to increase the affordable housing supply is the development of housing trust funds. Housing trust funds are tools utilized by the public sector to provide financial resources to housing developers, local governments, or nonprofit organizations to develop or rehabilitate affordable housing for low to moderate-income individuals. Housing trust funds have flexible characteristics and agencies can decide whether to use the money for grants, for-profit or nonprofit loans to rehabilitate housing, home ownership assistance, or other housing services (Levy, Comey & Padilla 2006, 4).

Housing trust funds allow localities to target specific needs such as providing units to homeless or affordable rental units. Housing trust funds are a key factor in increasing affordable housing because they are a dedicated funding source and are protected only for the stated housing purpose. Housing trust funds are established by an “elected body, such as a city council” (Levy, Comey & Padilla 2006, 4). For example, in the 2002-03 Los Angeles budget, the Mayor and the City Council approved \$100 million for a trust fund as a commitment over the

course of three years. At that time, this was the largest housing trust fund commitment to any US city. The Los Angeles housing trust fund was successful in contributing to the construction of new housing and in establishing affordable housing as a city priority (Levy, Comey & Padilla 2007, 276).

As neighborhoods experience increased levels of gentrification, low-income units are often replaced with higher income units. Nolte (2011, 38) states that monies directed to housing trust funds should be enough to replace a minimum of half of the lost low-income housing. Housing trust funds help cities to mitigate the effects of the loss of low-income units. Therefore, a component of a practical ideal type gentrification effects mitigation program is the creation of housing trust funds to secure and maintain funding for the development or rehabilitation of affordable housing.

Inclusionary Zoning

Another affordable housing strategy cities should use to mitigate the effects of gentrification is inclusionary zoning. Inclusionary zoning can be a mandatory or voluntary ordinance based on area needs and is designed to “produce affordable housing for low-to-moderate-income households within new market-rate residential developments” (Levy, Comey & Padilla 2006, 5). An inclusionary zoning ordinance will often require a minimum percentage of a new development’s units to be classified as affordable. These units typically remain affordable for a set time period. Developers may receive incentives to help with costs such as relaxed zoning restrictions to allow for unit types that would normally be unapproved like attached housing or higher buildings.

Inclusionary zoning is a key factor in increasing affordable housing because it produces units for low-income residents (Newman & Wyly 2006, 48). Cities that do not mandate inclusionary zoning should offer incentives that are strong enough to encourage developers to build affordable units. For example, an Illinois inclusionary zoning program known as Chicago Partnership for Affordable Neighborhoods (CPAN) waives required building permit fees of up to \$10,000 per unit for every affordable unit built (Levy, Comey & Padilla 2007, 296). Inclusionary zoning can also benefit buyers through housing counseling and purchase assistance at low interest rates for income-eligible individuals. Because the length of affordable housing wait lists in some neighborhoods can be significant, Newman and Wyly (2006, 48) argue that inclusionary zoning should be mandatory. Voluntary or mandatory inclusionary zoning helps cities to mitigate the effects of the loss of low-income housing. Therefore, a component of a practical ideal type gentrification effects mitigation program is inclusionary zoning because it secures a minimum percentage of dedicated affordable housing in new developments.

Low-Income Housing Tax Credit

Another affordable housing strategy cities should use to mitigate the effects of gentrification is the low-income housing tax credit (LIHTC). The LIHTC is a federal program in place to increase the production of affordable rental housing (Levy, Comey & Padilla 2006, 7). The LIHTC offers incentives in the form of tax credits to private organizations that construct and rehabilitate low-income rental units (Lawrence 2002, 363). LIHTC projects can be attractive to developers because of the federal tax incentives received. The tax incentives create competition for developers and an increase in the efficiency of the project allowing more of the tax dollar to go towards low-income housing. Developers can use the LIHTC to build affordable housing in

poor or higher-income neighborhoods; although studies show that more LIHTC units are provided in low to moderate-income areas (Levy, Comey & Padilla 2006, 8-9).

The LIHTC can be an effective tool in mitigating displacement in gentrifying neighborhoods. Although the LIHTC is a federal program, it is administered at the state and local level. Therefore, administrators set goals, monitor the program, and ensure compliance. State administration allows for increased flexibility in the LIHTC as states are better prepared to cater to the needs of their respective neighborhoods. States may focus on a specific neighborhood or population such as lower-income tenants, rentals for families, or efficiencies for the elderly (Levy, Comey & Padilla 2006, 8). The LIHTC has become a successful tool in bringing private investors, lenders, and developers together with local and state governments and non-profit organizations to produce affordable housing (Salsich 1999, 29).

To mitigate the effects of gentrification, state and city governments can increase the stock of affordable housing through administering the LIHTC. The low-income housing tax credit increases affordable housing because it develops rental housing and encourages new construction and rehabilitation in areas with significant need. For example, the program is “attributed with generating between 550,000 and 600,000 units of affordable housing nationwide between 1986 and 1996” (Levy, Comey & Padilla 2006, 7). The LIHTC may also benefit neighborhoods by increasing property values. Cities can use the LIHTC to stimulate housing production through developer tax incentives in gentrifying neighborhoods. LIHTC units are the only new development in some neighborhoods because the tax credits make construction of affordable housing more attractive to developers due to reduced project costs (Levy, Comey & Padilla 2006, 8). The LIHTC helps cities to mitigate the effects of the loss of low-income housing. Therefore, a component of a practical ideal type gentrification effects mitigation program is the

low-income housing tax credit as it increases affordable rental housing through developer tax credits.

Split-Rate Taxes

Another affordable housing strategy cities should use to mitigate the effects of gentrification is the split-rate or two-tier property tax. Split-rate taxes reform property taxes through differentiating the taxes into a lower rate for buildings and a higher rate for land. This type of property tax aims to encourage the improvement and rehabilitation of buildings while discouraging land speculation and vacant buildings (Levy, Comey & Padilla 2006, 9). Split-rate taxes offer incentives to release vacant property that could be used to build affordable housing. They can be especially helpful in neighborhoods with significant numbers of vacant and abandoned properties and can encourage property owners to make home improvements without risking an overall tax increase (Levy, Comey & Padilla 2006, 9).

To mitigate the effects of gentrification, state and city governments should increase the stock of affordable housing through the implementation of split-rate property taxes. Split-rate taxes are a key factor in increasing affordable housing because they decrease the property tax on the buildings to encourage improvements and infill development while raising the property tax on the land thus discouraging land speculation (Hartzok 1997, 205). For example, a Pittsburgh, Pennsylvania, university study that compared building permits a decade before and a decade after the city expanded its two-rate tax found a 70.4% increase in the value of the permits (Hartzok 1997, 208).

Homeowners benefit from a split-rate tax structure with reduced taxes in comparison to the more traditional flat-rate property tax. Split-rate taxes have the added benefit of encouraging

“economic regeneration” in urban areas because they increase space efficiency in neighborhoods and reduce sprawl (Hartzok 1997, 208). Split-rate property taxes help cities mitigate the effects of gentrification related displacement. Therefore, a component of a practical ideal type gentrification effects mitigation program is a split-rate property tax as it encourages affordable homeownership through reduced property taxes on buildings.

Tax Increment Financing

Another affordable housing strategy cities should use to mitigate the effects of gentrification is tax increment financing (TIF). TIF is a tool that allows cities to subsidize economic development projects with the intent of stimulating or retaining business and jobs (Levy, Comey & Padilla 2006, 10). When cities use a TIF, specific geographic areas are designated as a TIF area for a specific period of time. The rate of tax is assessed in the designated area prior to the economic plan, and cities may require certain percentages of TIF revenues to be allocated to build affordable housing (Levy, Comey & Padilla 2006, 11). The tax rate of a TIF remains the same throughout the lifetime of the TIF; therefore, existing property owners will not experience tax increases during the lifespan of the TIF. Hitchcock (1995) explains that TIF “was originally seen as a targeted financing mechanism to help rundown areas and inner cities.” It allows city managers greater control and to target borrowing specifically for redevelopment. It is important to note that tax increment financing is a reallocation of tax revenues, not an additional tax to taxpayers (Hitchcock 1995, 2).

To mitigate the effects of gentrification, state and city governments should increase the stock of affordable housing through tax increment financing. TIF is a key factor in increasing affordable housing because it allows city managers to control and direct growth and

redevelopment in blighted neighborhoods. Tax rates in TIF districts remain the same for the duration of the TIF, and cities have the opportunity to designate revenues towards affordable housing for low-to-moderate income residents. For example, the Dallas, TX Cityplace TIF District reported major commercial and residential development with more than \$170 million invested and over 1,200 apartment units constructed within the TIF area since 1992 (Prior and Kemper 2005, 203). Tax increment financing helps cities mitigate the effects of gentrification related displacement. Therefore, a component of a practical ideal type gentrification effects mitigation program is tax increment financing as it secures targeted borrowing specifically for the development of affordable housing.

Maximize Housing Retention

To mitigate the effects of gentrification, a city should maximize housing retention. This section will discuss four ways that cities should maximize housing retention.

Code Enforcement

One strategy cities should use to maximize housing retention is code enforcement. The process of code enforcement involves resident and advocacy group efforts to pressure city agencies to enforce appropriate codes in an effort to preserve affordable rental properties (Levy, Comey & Padilla 2006, 12). Code enforcement allows for a property that is in disrepair to be improved and remain affordable, depending on the method of enforcement. Enforcement focuses primarily on safety codes in addition to building, health, or fire codes. One drawback to code enforcement is the execution of the enforcement may lead to the loss of affordable housing if the property is sold or condemned (Levy, Comey & Padilla 2006, 13). On the contrary, housing code enforcement may reduce blight in deteriorating neighborhoods (Ross 1996, 31).

Cities can conduct inspections in response to complaints, on a regular cycle, or both. Cities will notify property owners of violations and give the owner a specified period of time to make repairs. Failure to make repairs can lead to fines or criminal prosecution.

To mitigate the effects of gentrification, state and city governments should maximize housing retention through code enforcement. Code enforcement is an important factor in maximizing housing retention because the primary goal is improvement in the property thus preserving the stock of affordable housing. This may result in preventing an increase in abandoned properties that create municipal costs and pay no taxes (Ross 1996, 42). Housing code enforcement is used in many American cities in the effort to prevent decay and blight, but cities must choose enforcement methods carefully. For example, negative effects of enforcement such as abandonment may occur when cities demand measures that property owners cannot afford (Ross 1996, 29). Cities must work diligently to enforce codes within reason without causing increases in abandoned properties. Code enforcement helps cities mitigate the effects of gentrification related displacement through maximizing housing retention. Therefore, a component of a practical ideal type gentrification effects mitigation program is code enforcement targeted to protect and preserve affordable rental properties.

Rent Control

Another strategy cities should use to maximize housing retention is rent control. Rent control is designed to protect tenants in private properties from excessive rent increases. It mandates gradual rent increases in an effort to ensure that landlords receive a fair return on their investments (Levy, Comey & Padilla 2006, 15). In gentrifying neighborhoods, condominium conversions and higher-income individuals can increase rental prices (Lawrence 2002, 362).

Rent control laws can be put into place to offset the rising prices in gentrifying areas with the intent of protecting low-income residents from displacement by allowing them to remain in their homes with lower rental prices. City councils can enact rent control ordinances that allow for increased accessibility and control by city governments. When interviewed, New York City residents in gentrifying neighborhoods identified rent regulation as the city's "single most important form of public intervention" (Newman and Wyly 2006, 47).

To mitigate the effects of gentrification, state and city governments should maximize housing retention through rent control. Rent control protects low-income residents and aids in retaining affordable housing in neighborhoods experiencing gentrification. Rent control ordinances specify the buildings covered and the amount of allowed increases annually (Levy, Comey & Padilla 2006, 15). The laws are designed to protect landlords' returns on investments as well as tenants' ability to pay. Rent control may have the added benefit of better integrating the poor into mainstream society and reducing the expenses associated with subsidies and low-income individuals (Elorza 2008, 7). Housing price increases due to a lack of rent control ordinances have the potential to displace low-income residents, and it is important that cities work to mitigate displacement. Therefore, a component of a practical ideal type gentrification effects mitigation program is rent control because it preserves affordable rental housing through regulated rent increases.

Federally Subsidized Affordable Housing

Another strategy cities should utilize to maximize housing retention is the preservation of federally subsidized affordable housing. The project-based Section 8 subsidy program and the Section 236 mortgage program are subsidies offered by the federal government to private owners

of multifamily housing. The programs were created to subsidize rental housing for low-income households (Levy, Comey & Padilla 2006, 18). Affordable housing subsidized by either program can be lost if landlords convert properties to market rate housing through prepayment of a Section 236 mortgage or nonrenewal of a Section 8 contract. Gentrifying areas often experience increased pressure to convert to market rate housing, and for this reason, cities should preserve federally subsidized affordable housing (Levy, Comey & Padilla 2006, 18).

The Section 8 subsidy program offers rental subsidies to owners that cover the difference between the actual rent and the rent collected from low-income tenants. Contracts have terms between 5 and 30 years. Owners have the option of opting out of contracts at expiration (Levy, Comey & Padilla 2006, 19). The purpose of the subsidy is to reduce opting out and the subsequent conversion to market-rate rentals (Levy, Comey & Padilla 2007, 299). Furthermore, landlords that renew Section 8 contracts qualify for tax reduction.

The Section 236 mortgage program provides insured loans with subsidized interest rates to owners of multifamily properties. The loans are offered in exchange for the agreement to lease units to low-income tenants (Levy, Comey & Padilla 2006, 18). The federal government provides an interest rate reduction through the lender that allows the owner to set a lower rent. The program no longer offers new mortgages, but buildings currently receiving the Section 236 mortgages are able to continue receiving the subsidy. Owners are allowed to prepay the mortgage after 20 years at which time the rental restrictions are released allowing the rent to increase to market rate (Levy, Comey & Padilla 2006, 18).

Preserving existing federally subsidized affordable housing is important in gentrifying areas. For example, between 1965 and 1983, nearly 1.5 million affordable housing units were

built with federal subsidies. More than 236,000 of these units have since been removed from the affordable housing stock which limits options for low-income individuals (DeFilippis & Wyly 2008, 782). To mitigate the effects of gentrification, cities should work to preserve federally subsidized affordable housing because it reduces displacement by allowing low-income residents to retain housing in gentrifying neighborhoods. Therefore, a component of a practical ideal type gentrification effects mitigation program is federally subsidized affordable housing targeted to preserve rental properties for low-income households.

Tax Relief and Assistance

Another strategy cities should utilize to maximize housing retention is tax relief and assistance. A significant problem in gentrifying neighborhoods faced by incumbent residents is the potential for increased property taxes. As areas gentrify, property values begin to appreciate thus causing higher taxes. Increased property taxes may create financial hardships for low-income residents with an inability to pay. Tax relief and assistance is designed to help low-income homeowners (Levy, Comey & Padilla 2006, 21). Cities can aid low-income homeowners by maintaining housing affordability through tax assistance. Tax relief policies often benefit low-income residents who have lived in their homes for a specified number of years or elderly homeowners (Levy, Comey & Padilla 2006, 21). Tax deferral legislation can range from the deferral of property tax payments until the sale of the home to low-interest loans and grants for maintenance (Levy, Comey & Padilla 2006, 22).

Tax relief and assistance is important in maximizing housing retention because it can allow low-income and elderly residents to remain in their homes in spite of rising housing costs. For example, both Atlanta and Cleveland utilize tax deferral legislation to mitigate the adverse

consequences of gentrification. Both cities offer homeowners “the ability to defer incremental tax increases due to gentrification-driven appreciation until they sell the house” (Kennedy & Leonard 2001, 33). Financial assistance for repair and maintenance offers advantages in particular for elderly homeowners as it extends the time they are able to live in their home (Levy, Comey & Padilla 2006, 22). To mitigate the effects of gentrification, cities should offer tax deferral legislation because it slows displacement by allowing low-income residents to retain affordable housing in gentrifying neighborhoods. Therefore, a component of a practical ideal type gentrification effects mitigation program is tax relief and assistance to preserve affordable homeownership through deferred property taxes.

Promote Resident Asset Building

To mitigate the effects of gentrification a city should promote resident asset building. This section will discuss four ways that cities should promote resident asset building.

Individual Development Accounts

One strategy cities should use to promote resident asset building is individual development accounts. Individual development accounts (IDAs) are targeted to the poor and provide subsidies through matched savings designed to help low-income individuals and families acquire long-term savings for investments such as homeownership (Clancy, Grinstein-Weiss & Schreiner 2001, 2; Levy, Comey & Padilla 2006, 23). IDAs provide low-income households the opportunity to accumulate wealth without the requirement of existing wealth (Levy, Comey & Padilla 2006, 24). IDAs require participants to participate in financial education in an effort to increase the willingness and ability to save (Clancy, Grinstein-Weiss & Schreiner 2001, 3). Financial institutions and corporations receive incentives and tax credits by holding individual

development accounts. It is important that cities promote the importance of asset building for poor families and utilize IDA policies.

IDAs are an important factor in promoting resident asset building because they can benefit the individual and the neighborhood as a whole by encouraging investment and homeownership for individuals and families that may not have had the means to own a home prior to the IDA. Many low-income residents may feel that homeownership or accumulating wealth is out of their reach, and IDAs help to make saving money possible. For example, in the Atlanta, Georgia neighborhood of Reynoldstown, IDA program participants received \$4,800 to match their required \$1,200 in savings that could be used towards homeownership (i.e. down payment or closing costs) in any approved neighborhood (Levy, Comey & Padilla 2007, 269). To mitigate the effects of gentrification, cities should use individual development accounts because they encourage low-income residents to build wealth through matched savings. The savings accounts can encourage homeownership and minimize displacement for individuals residing in gentrifying neighborhoods. Therefore, a component of a practical ideal type gentrification effects mitigation program is use of individual development account programs, and cities should make efforts to ensure that the details of an IDA programs are known and readily available for low-income residents.

Homeownership and Education Counseling

Another strategy cities should use to promote resident asset building is homeownership and education counseling (HEC). “Homeownership counseling is considered an effective approach to increasing homeownership among low-income households” (Levy, Comey & Padilla 2006, 26). HEC provides opportunities to low-income households with valuable information and

assistance in improving financial ability. HEC is beneficial to neighborhoods because higher rates of homeownership increase surrounding property values. Neighborhoods become more stabilized with decreased turnover and increased maintenance and upkeep (Elorza 2008, 17).

There are four types of homeownership counseling: homeownership education, pre-purchase counseling, post-purchase counseling, and foreclosure prevention (Levy, Comey & Padilla, 2006, 26). Homeownership education assists in determining a household's ability to own a home while pre-purchase counseling includes education, one-on-one counseling, establishing or improving credit, and financial advising. Post-purchase counseling includes any mortgage issues and default prevention while foreclosure prevention assists with financial planning (Levy, Comey & Padilla 2006, 27).

HEC is an important factor in promoting resident asset building because it can increase homeownership opportunities for low-income residents thereby reducing displacement. For example, HEC recipients are 13 percent less likely to become delinquent on their mortgage payments (Levy, Comey & Padilla 2006, 27). The HEC received by potential homebuyers works to ensure that the participant is able to demonstrate creditworthiness and potential for ability to repay debt (Clancy, Grinstein-Weiss & Schreiner 2001, 8). To mitigate the effects of gentrification, cities should use homeownership and education counseling because it increases the rates of homeownership among low-income residents thereby slowing the potential for involuntary displacement. Therefore, a component of a practical ideal type gentrification effects mitigation program is homeownership and education counseling, and cities should work to ensure that low-income residents are aware of this option.

Community Land Trust

Another strategy cities should use to promote resident asset building is the community land trust. A community land trust (CLT) is a private, nonprofit organization that acquires and retains land for community benefit. The CLT holds the land in a trust and occupants own the buildings on the land (Levy, Comey & Padilla 2006, 30). Housing is more affordable for low-income residents due to the reduction in land costs. CLTs often purchase property with funding from public sources. CLTs lease the land to homeowners upon the sale of a home, and the lease is typically long term such as 99 years and often renewable (Levy, Comey & Padilla 2006, 30). CLTs work to stabilize the housing market for low-income individuals who would not otherwise be able to afford to purchase homes (McCulloch & Robinson 2001, 94). Individuals purchasing properties owned by CLTs become members who have “a voice in the operation of the CLT” (McCulloch & Robinson 2001, 95).

CLTs are an important component of promoting resident asset building because they work to maintain affordability for low-income residents in areas with rising property values (McCulloch & Robinson 2001, 96). For example, “half of all CLT residents earn less than 50 percent of area median income, and 40 percent are at 51-80 percent of the median” (McCulloch & Robinson 2001, 95). The CLT allows the homeowner to accumulate wealth through homeownership that may not have been possible due to the high cost of land. CLTs may be especially beneficial in neighborhoods at earlier stages of gentrification when more land is available for purchase.

CLTs ensure affordable housing for residents indefinitely because the nonprofit retains the land in trust preventing its return to market rate (Lawrence 2002, 365). By allowing the CLT

to regulate the land costs, low-income residents can be assured of the ability to remain in their homes thereby limiting displacement (Levy, Comey & Padilla 2007, 278). To mitigate the effects of gentrification, cities should utilize CLTs because they provide affordable housing for low-income residents by maintaining ownership of the land while residents own the buildings on the land. Therefore, a component of a practical ideal type gentrification effects mitigation program is a community land trust as it secures affordable homeownership through holding land in a trust.

Section 8 Homeownership Program

Another strategy cities should use to promote resident asset building is the Section 8 Homeownership Program. Section 8 housing is a federal program that encourages the “development of mixed-income housing communities” (Fraser & Kick 2007, 2359). Section 8 housing vouchers, also known as housing choice vouchers, are part of a program enacted by Congress allowing for payment of homeownership expenses (Levy, Comey & Padilla 2006, 33). Vouchers can be used to cover monthly mortgage payments, repairs, utilities, or condominium fees, but they cannot be used toward down payment or closing costs. Participants must be first-time homebuyers and meet the minimum eligibility requirements regarding income and employment (Levy, Comey & Padilla 2006, 33). Section 8 recipients may not use welfare payments to qualify as household income.

The Section 8 Homeownership Program is an important component in promoting resident asset building because it encourages homeownership for low-income individuals and aids in creating stable, mixed-income communities. For example, there are currently about 2.1 million households receiving Section 8 vouchers in the United States (DeFilippis and Wyly 2008, 784).

These homeowners increase neighborhood stability by providing regular maintenance and upkeep.

Mixed-income communities aim to attract private investment and retail establishments in underserved areas. An additional benefit is that municipal revenues may also increase (Fraser & Kick 2007, 2359). These neighborhoods are beneficial to low- and higher-income households because they provide services in support of people-based, self-sufficiency efforts (Fraser & Kick 2007, 2359). To mitigate the effects of gentrification, cities should utilize the Section 8 Homeownership Program because it encourages homeownership for low-income residents thus decreasing the potential for displacement. Therefore, a component of a practical ideal type gentrification effects mitigation program is the Section 8 Homeownership Program to secure and protect affordable homeownership.

Summary

To summarize, cities should follow all or parts of this practical ideal type in an effort to mitigate the effects of gentrification. It is critical that city officials and communities work together to minimize displacement and financial hardship for low-income residents. Cities should ensure that there is an adequate supply of affordable housing to match the demand. There are many ways that cities can develop affordable housing: housing trust funds, inclusionary zoning, low-income housing tax credits, split-rate taxes, and tax increment financing. Cities should maintain creativity in finding the best options to encourage the investment and residential stability that gentrification brings while reducing the adverse effects to low-income, incumbent residents (Levy, Comey & Padilla 2007, 307).

City officials should work to preserve and maximize housing retention. Investors and strong proponents of development may look to increase market rate housing while simultaneously decreasing existing low-income housing. There are many ways cities can maximize housing retention including code enforcement, rent control, federally subsidized affordable housing, and tax relief and assistance. Cities should maintain a balance between the positive and negative changes brought about by gentrification (Levy, Comey & Padilla 2007, 307).

Cities should promote resident asset building. Low-income individuals and families may be able to qualify for homeownership that aids in the accumulation of wealth and increases neighborhood stability. There are many ways cities can promote resident asset building including individual development accounts, homeownership and education counseling, community land trusts, and the Section 8 Homeownership Program. While it can be difficult to view investment and revitalization in blighted areas as anything but positive, it can be detrimental to low-income residents' ability to afford their homes. It is critical that cities find a middle-ground to encourage growth while minimizing its harmful effects. This practical ideal type gentrification effects mitigation program will aid in this process. The next chapter discusses research methodology.

Chapter 3 - Research Methods

The purpose of this chapter is to describe the research methodology used to advance the conceptual framework developed from the review of key literature. To do this, interview questions were developed based on the conceptual framework. This project uses the interview results to develop a practical ideal type gentrification effects mitigation program model. The interviewees included professionals working in the field of city management, planning and housing.

Operationalization

Table 2 operationalizes the conceptual framework developed through the review of key literature. Table 2 connects interview questions to the conceptual framework. In order to understand the City of Austin's gentrification effects mitigation program, this study relies on interviews with city managers, planners, and directors of nonprofit housing agencies in Austin, Texas.

Data Collection Strategy

In order to better understand if the City of Austin meets the standards of a practical ideal type gentrification effects mitigation program, in-depth interviews were conducted with the following individuals from government and nonprofit sectors: Jason Alexander, Executive Assistant, City Manager's Office, City of Austin; David Danenfelzer, Manager of Development Finance, Texas State Affordable Housing Corporation; Mandy de Mayo, Consultant, HousingWorks; Rebecca Giello, Assistant Director, Neighborhood Housing and Community Development Office, Austin, TX; Stuart Hersh, Consultant, Affordable Housing; Walter Moreau, Executive Director, Foundation Communities; and Ryan Robinson, Demographer, City of

Austin. These interviews were most appropriate because these individuals comprise the most significant and notable leaders of city government and nonprofit housing agencies in Austin, TX. Respondents answered a series of open-ended questions. The respondents were selected based on a form of nonprobability sampling known as snowball sampling. Prior to and during the interviews, additional contact information was provided by the respondents regarding potential future respondents. Interviews were both digitally recorded and supplemented with note taking. To process the data, open coding was used. Key concepts and categories were noted and analyzed for similarities and dissimilarities amongst the respondents. In addition to the interviews, the findings are based on documents such as Building and Retaining an Affordable Austin, A Community Investment Consolidated Plan Brief, and Ideas for Housing Policy and Practice that provide information on the city’s housing-related programs. Following Table 2 is a discussion of each of the indicators of a gentrification effects mitigation program.

Table 2: Operationalization Table		
Gauging Type	Interview Questions	Measurement
Increase Affordable Housing		
<i>Housing Trust Funds</i> offer financial tools to develop or rehabilitate affordable housing for low-income individuals.	<ul style="list-style-type: none"> • Are housing trust funds used to address the consequences of gentrification? • If yes, how? • If yes, does COA dedicate these funds in Austin and how? • If no, why not? 	Yes/No Open-ended Open-ended Open-ended
<i>Inclusionary Zoning</i> ordinances require a minimum percentage of a new development’s units to be classified as affordable.	<ul style="list-style-type: none"> • Are there any select circumstances that would allow COA to utilize inclusionary zoning programs and if so, which circumstances? • If yes, are inclusionary zoning programs used to 	Open-ended Yes/No

	<p>address the consequences of gentrification?</p> <ul style="list-style-type: none"> • If yes, how? • If yes, does COA utilize inclusionary zoning programs in Austin and if so, what? • If no, why not? • If no, what select circumstances would allow COA to utilize inclusionary zoning programs? 	<p>Open-ended Open-ended</p> <p>Open-ended Open-ended</p>
<p><i>Low-Income Housing Tax Credits</i> offer federal incentives in the form of tax credits to encourage the construction and rehabilitation of affordable units.</p>	<ul style="list-style-type: none"> • Are low-income housing tax credit programs used to address the consequences of gentrification? • If yes, how? • If yes, how does COA utilize low-income housing tax credits to increase affordable housing in Austin? 	<p>Yes/No</p> <p>Open-ended Open-ended</p>
<p><i>Split-Rate Taxes</i> reform property taxes by differentiating the taxes into a lower rate for buildings and a higher rate for land thereby encouraging improvements in affordable housing in addition to infill development.</p>	<ul style="list-style-type: none"> • Are split-rate tax programs used to address the consequences of gentrification? • If yes, how? • Does COA utilize split-rate taxes to increase affordable housing in Austin? • If yes, how? • If no, why not? • If no, what would it take for COA to utilize split-rate tax programs? 	<p>Yes/No</p> <p>Open-ended Yes/No</p> <p>Open-ended Open-ended Open-ended</p>
<p><i>Tax Increment Financing</i> subsidizes economic development projects and allows city managers to direct growth and redevelopment.</p>	<ul style="list-style-type: none"> • Are tax increment financing programs used to address the consequences of gentrification? • If yes, how? • If yes, does COA utilize tax increment financing to increase affordable housing in Austin? • If yes, how? 	<p>Yes/No</p> <p>Open-ended Yes/No</p> <p>Open-ended</p>

	<ul style="list-style-type: none"> • If no, why not? 	Open-ended
Maximize Housing Retention		
<p><i>Code Enforcement</i> allows city agencies to enforce appropriate codes in an effort to preserve affordable rental housing.</p>	<ul style="list-style-type: none"> • Are code enforcement programs used to address the consequences of gentrification? • If yes, how? • If yes, how does COA utilize code enforcement programs to maximize housing retention in Austin? 	<p>Yes/No</p> <p>Open-ended</p> <p>Open-ended</p>
<p><i>Rent Control</i> protects tenants in private housing from excessive rent increases.</p>	<ul style="list-style-type: none"> • Are rent control programs used to address the consequences of gentrification? • If yes, how? • Because rent control is prohibited in Texas, does COA utilize any programs in lieu of rent control to maximize housing retention in Austin? • If yes, what? • If no, why not? • If no, what would it take for COA to utilize rent control programs? 	<p>Yes/No</p> <p>Open-ended</p> <p>Yes/No</p> <p>Open-ended</p> <p>Open-ended</p> <p>Open-ended</p>
<p><i>Federally Subsidized Affordable Housing</i> is a subsidy offered by the federal government to private owners of multifamily housing to subsidize rental housing for low-income households.</p>	<ul style="list-style-type: none"> • Are federally subsidized affordable housing programs used to address the consequences of gentrification? • If yes, how? • If yes, does COA utilize federally subsidized affordable housing programs to maximize housing retention in Austin? • If yes, how? 	<p>Yes/No</p> <p>Open-ended</p> <p>Yes/No</p> <p>Open-ended</p>
<p><i>Tax Relief and Assistance</i> allows low-income and elderly home owners to remain in their homes in spite of rising property costs by maintaining housing affordability.</p>	<ul style="list-style-type: none"> • Does COA utilize tax relief and assistance programs? • If yes, are tax relief and assistance programs used to address the consequences of 	<p>Yes/No</p> <p>Yes/No</p>

	<ul style="list-style-type: none"> • gentrification? • If yes, how? • If yes, does COA utilize tax relief and assistance programs to maximize housing retention in Austin? • If yes, how? • If no, why not? • If no, what would it take for COA to utilize tax relief and assistance programs? 	<p>Open-ended Yes/No</p> <p>Open-ended Open-ended Open-ended</p>
Promote Resident Asset Building		
<p><i>Individual Development Accounts</i> provide subsidies through matched savings designed to help low-income individuals and families acquire long-term savings for investments such as homeownership.</p>	<ul style="list-style-type: none"> • Does COA utilize individual development account programs? • If yes, are individual development account programs used to address the consequences of gentrification? • If yes, how? • If yes, does COA utilize individual development account programs to promote resident asset building in Austin? • If yes, how? • If no, why not? • If no, what would it take for COA to utilize individual development account programs? 	<p>Yes/No</p> <p>Yes/No</p> <p>Open-ended Yes/No</p> <p>Open-ended Open-ended Open-ended</p>
<p><i>Homeownership and Education Counseling</i> provides valuable information and assistance in improving financial ability.</p>	<ul style="list-style-type: none"> • Are homeownership and education counseling programs used to address the consequences of gentrification? • If yes, how? • If yes, does COA utilize homeownership and education counseling programs to promote resident asset building in Austin? • If yes, how? • If no, why not? 	<p>Yes/No</p> <p>Open-ended Yes/No</p> <p>Open-ended Open-ended</p>

<p><i>Community Land Trusts</i> work to maintain affordability for low-income residents by reducing the cost of the land through long-term land leases.</p>	<ul style="list-style-type: none"> • Does COA utilize community land trust programs? • If yes, are community land trust programs used to address the consequences of gentrification? • If yes, how? • If yes, does COA utilize community land trust programs to promote resident asset building in Austin? • If yes, how? • If no, why not? • If no, what would it take for COA to utilize community land trust programs? 	<p>Yes/No</p> <p>Yes/No</p> <p>Open-ended Yes/No</p> <p>Open-ended Open-ended Open-ended</p>
<p><i>Section 8 Homeownership Program</i> encourages homeownership for low-income individuals through federal vouchers.</p>	<ul style="list-style-type: none"> • Is the Section 8 Homeownership Program used to address the consequences of gentrification? • If yes, how? • If yes, does COA utilize the Section 8 Homeownership Program to promote resident asset building in Austin? • If yes, how? 	<p>Yes/No</p> <p>Open-ended Yes/No</p> <p>Open-ended</p>

Operationalization of the Variables

Increase Affordable Housing

In order to determine if the City of Austin includes a practical ideal type gentrification effects mitigation program to increase affordable housing, there are five subcategories that will

be examined: housing trust funds, inclusionary zoning, low-income housing tax credit, split-rate taxes, and tax increment financing. Each of these subcategories is operationalized below.

Housing Trust Funds

In order to determine if the City of Austin includes housing trust funds as a component of increasing affordable housing, the following was asked of the respondents: “Are housing trust funds used to address the consequences of gentrification?” Housing trust funds are important because they offer financial tools to develop or rehabilitate affordable housing for low-income individuals. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how housing trust funds are linked to issues surrounding gentrification. “If yes, does COA dedicate these funds in Austin, and how?” An answer of yes indicates further evidence of linkage to issues surrounding gentrification. An answer of no suggests the potential opportunity that exists in Austin to offer housing trust funds. Additionally, this open-ended question allows respondents the opportunity to expand on varying ways COA utilizes housing trust funds. Evidence of linkage may include discussion of meetings, documents and plans. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not provide dedicated housing trust funds to Austin.

Inclusionary Zoning

In order to determine if the City of Austin practices inclusionary zoning as a component of increasing affordable housing, the following was asked of the respondents: “Are there any select circumstances that would allow COA to utilize inclusionary zoning programs, and if so, which circumstances?” Inclusionary zoning ordinances are important because they require a

minimum percentage of a new development's units to be classified as affordable. Interview questions regarding inclusionary zoning were developed with consideration of the fact that it is prohibited in Texas by state law. This open-ended question allows respondents the opportunity to expand on exactly what inclusionary zoning programs linked to issues surrounding gentrification may or may not exist. "If yes, are inclusionary zoning programs used to address the consequences of gentrification?" An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. "If yes, how?" This open-ended question allows respondents the opportunity to expand on exactly how inclusionary zoning is linked to issues surrounding gentrification. "If yes, does COA utilize inclusionary zoning programs in Austin, and if so, what?" This open-ended question allows respondents the opportunity to expand on what inclusionary zoning programs COA may offer in Austin. Evidence of linkage may include discussion of meetings, documents and plans. "If no, why not?" This open-ended question allows respondents the opportunity to expand on why inclusionary zoning programs may not link to issues surrounding gentrification. "If no, what select circumstances would allow COA to utilize inclusionary zoning programs?" This open-ended question allows respondents the opportunity to expand on the select set of circumstances that would allow COA to utilize inclusionary zoning in Austin. Although it is illegal in Texas, inclusionary zoning is a tool that is used in other parts of the country with success, and for this reason, it was included in this practical ideal type.

Low-Income Housing Tax Credit

In order to determine if the City of Austin includes the low-income housing tax credit as a component of increasing affordable housing, the following was asked of the respondents: "Are low-income housing tax credit programs used to address the consequences of gentrification?"

Low-income housing tax credits are important because they offer federal incentives to encourage the construction and rehabilitation of affordable units. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how the low-income housing credit is linked to issues surrounding gentrification. “If yes, how does COA utilize low-income housing tax credits to increase affordable housing in Austin?” This open-ended question allows respondents the opportunity to expand on the multitude of ways that COA utilizes the low-income housing tax credit to increase affordable housing in Austin. Evidence of linkage may include discussion of meetings, documents and plans.

Split-Rate Taxes

In order to determine if the City of Austin includes split-rate taxes as a component of increasing affordable housing, the following was asked of the respondents: “Are split-rate tax programs used to address the consequences of gentrification?” Split-rate taxes are important because they offer lower rates for buildings and higher rates for land thereby encouraging improvements to existing affordable housing as well as infill development. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how split-rate taxes are linked to issues surrounding gentrification. “Does COA utilize split-rate taxes to increase affordable housing in Austin?” This yes or no question indicates whether or not COA utilizes split-rate tax programs to increase affordable housing in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how COA may utilize split-rate taxes in Austin. Evidence of linkage may include discussion of meetings, documents and plans. “If no, why not?” This open-ended question

allows respondents the opportunity to expand on why COA may not utilize split-rate taxes in Austin. “If no, what would it take for COA to utilize split-rate tax programs?” This open-ended question allows respondents the opportunity to expand on what conditions would need to be met before COA could utilize split-rate tax programs to increase affordable housing. Austin, Texas, has a unique taxing structure that includes five separate taxing entities. This can create difficulties in implementing taxing structures such as the split-rate tax as each entity has its own priorities.

Tax Increment Financing

In order to determine if the City of Austin includes tax increment financing as a component of increasing affordable housing, the following was asked of the respondents: “Are tax increment financing programs used to address the consequences of gentrification?” Tax increment financing is important because it subsidizes economic development projects and allows city managers to direct growth and redevelopment. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how tax increment financing is linked to issues surrounding gentrification. “If yes, does COA utilize tax increment financing to increase affordable housing in Austin?” This yes or no question indicates whether or not COA utilizes tax increment financing to increase affordable housing in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how COA may utilize tax increment financing in Austin. Evidence of linkage may include discussion of meetings, documents and plans. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not utilize tax increment financing in Austin.

Maximize Housing Retention

In order to determine if the City of Austin includes a practical ideal type gentrification effects mitigation program to maximize housing retention, there are four subcategories that will be examined: code enforcement, rent control, federally subsidized affordable housing, and tax relief and assistance. Each of these subcategories is operationalized below.

Code Enforcement

In order to determine if the City of Austin includes code enforcement as a component of maximizing housing retention, the following was asked of the respondents: “Are code enforcement programs used to address the consequences of gentrification?” Code enforcement is important because it allows city agencies to enforce appropriate codes in an effort to preserve affordable rental housing. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how code enforcement is linked to issues surrounding gentrification. “If yes, how does COA utilize code enforcement programs to maximize housing retention in Austin?” This open-ended question allows respondents the opportunity to expand on the multitude of ways that COA utilizes code enforcement to maximize housing retention in Austin. Evidence of linkage may include discussion of meetings, documents and plans.

Rent Control

In order to determine if the City of Austin includes rent control as a component of maximizing housing retention, the following was asked of the respondents: “Are rent control programs used to address the consequences of gentrification?” Rent control is important because

it protects tenants from excessive rent increases. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how rent control is linked to issues surrounding gentrification. “Because rent control is prohibited in Texas, does COA utilize any programs in lieu of rent control to maximize housing in Austin?” This yes or no question indicates whether or not COA utilizes any alternatives to rent control to maximize housing retention in Austin. “If yes, what?” This open-ended question allows respondents the opportunity to expand on exactly what alternatives to rent control COA may utilize to maximize housing retention in Austin. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not utilize any alternatives to rent control in Austin. “If no, what would it take for COA to utilize rent control programs?” This open-ended question allows respondents the opportunity to expand on what conditions would need to be met before COA could utilize rent control programs to maximize housing retention in Austin. Although it is illegal in Texas, rent control is a tool that is used in other parts of the country with success, and for this reason, it was included in this practical ideal type.

Federally Subsidized Affordable Housing

In order to determine if the City of Austin includes housing trust funds as a component of increasing affordable housing, the following was asked of the respondents: “Are federally subsidized affordable housing programs used to address the consequences of gentrification?” Federally subsidized affordable housing is important because it subsidizes rental housing for low-income households. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how federally subsidized affordable

housing is linked to issues surrounding gentrification. “If yes, does COA utilize federally subsidized affordable housing programs to maximize housing retention in Austin?” This yes or no question indicates whether or not COA utilizes federally subsidized affordable housing to maximize housing retention in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on how COA may utilize federally subsidized, affordable housing to maximize housing retention in Austin. Evidence of linkage may include discussion of meetings, documents and plans.

Tax Relief and Assistance

In order to determine if the City of Austin includes tax relief and assistance as a component of maximizing housing retention, the following was asked of the respondents: “Does COA utilize tax relief and assistance programs?” Tax relief and assistance is important because it allows low-income and elderly homeowners to remain in their homes by maintaining housing affordability in spite of rising property costs. This yes or no question indicates whether or not COA utilizes tax relief and assistance programs. “If yes, are tax relief and assistance programs used to address the consequences of gentrification?” An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how tax relief and assistance programs are linked to issues surrounding gentrification. “If yes, does COA utilize tax relief and assistance programs to maximize housing retention in Austin?” This open-ended question allows respondents the opportunity to expand on what tax relief and assistance programs COA may offer in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how COA may utilize tax relief and assistance programs to maximize housing retention in Austin. Evidence of linkage may include discussion

of meetings, documents and plans. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not utilize tax relief and assistance programs. “If no, what would it take for COA to utilize tax relief and assistance programs?” This open-ended question allows respondents the opportunity to expand what conditions would need to be met before COA could utilize tax relief and assistance programs to maximize housing retention in Austin.

Promote Resident Asset Building

In order to determine if the City of Austin includes a practical ideal type gentrification effects mitigation program to promote resident asset building, there are four subcategories that will be examined: individual development accounts, homeownership and education counseling, community land trusts, and the Section 8 Homeownership Program. Each of these subcategories is operationalized below.

Individual Development Accounts

In order to determine if the City of Austin includes individual development accounts as a component of promoting resident asset building, the following was asked of the respondents: “Does COA utilize individual development account programs?” Individual development accounts are important because they provide subsidies through matched savings designed to help low-income individuals and families acquire long-term savings for investments such as homeownership. This yes or no question indicates whether or not COA utilizes individual development account programs. “If yes, are individual development account programs used to address the consequences of gentrification?” An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-

ended question allows respondents the opportunity to expand on exactly how individual development account programs are linked to issues surrounding gentrification. “If yes, does COA utilize individual development account programs to promote resident asset building in Austin?” This yes or no question indicates whether or not COA utilizes individual development account programs to promote resident asset building in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how COA may utilize individual development account programs to promote resident asset building in Austin. Evidence of linkage may include discussion of meetings, documents and plans. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not utilize individual development account programs. “If no, what would it take for COA to utilize individual development account programs?” This open-ended question allows respondents the opportunity to expand on what conditions would need to be met before COA could utilize individual development account programs to promote resident asset building in Austin.

Homeownership and Education Counseling

In order to determine if the City of Austin includes homeownership and education counseling as a component of promoting resident asset building, the following was asked of the respondents: “Are homeownership and education counseling programs used to address the consequences of gentrification?” Homeownership and education counseling is important because it provides valuable information and assistance in improving financial ability. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how homeownership and education programs are linked to

issues surrounding gentrification. “If yes, does COA utilize homeownership and education counseling programs to promote resident asset building in Austin?” This yes or no question indicates whether or not COA utilizes homeownership and education counseling programs to promote resident asset building in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how COA may utilize homeownership and education counseling in Austin. Evidence of linkage may include discussion of meetings, documents and plans. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not utilize homeownership and education counseling in Austin.

Community Land Trust

In order to determine if the City of Austin includes community land trusts as a component of promoting resident asset building, the following was asked of the respondents: “Does COA utilize community land trust programs?” Community land trusts are important because they maintain affordability for low-income residents by reducing the cost of the land through long-term land leases. This yes or no question indicates whether or not COA utilizes community land trust programs. “If yes, are community land trust programs used to address the consequences of gentrification?” An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how community land trust programs are linked to issues surrounding gentrification. “If yes, does COA utilize community land trust programs to promote resident asset building in Austin?” This yes or no question indicates whether or not COA utilizes community land trust programs to promote resident asset building in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand

on exactly how COA may utilize community land trust programs to promote resident asset building in Austin. Evidence of linkage may include discussion of meetings, documents and plans. “If no, why not?” This open-ended question allows respondents the opportunity to expand on why COA may not utilize community land trust programs. “If no, what would it take for COA to utilize community land trust programs?” This open-ended question allows respondents the opportunity to expand on what conditions would need to be met before COA could utilize community land trust programs to promote resident asset building in Austin.

Section 8 Homeownership Program

In order to determine if the City of Austin includes the Section 8 Homeownership Program as a component of promoting resident asset building, the following was asked of the respondents: “Is the Section 8 Homeownership Program used to address the consequences of gentrification?” Section 8 programs are important because they encourage homeownership for low-income individuals through federal vouchers. An answer of yes acknowledges linkage to issues surrounding gentrification. An answer of no indicates no linkage. “If yes, how?” This open-ended question allows respondents the opportunity to expand on exactly how the Section 8 Homeownership Program is linked to issues surrounding gentrification. “If yes, does COA utilize the Section 8 Homeownership Program to promote resident asset building in Austin?” This yes or no question indicates whether or not COA utilizes the Section 8 Homeownership Program to promote resident asset building in Austin. “If yes, how?” This open-ended question allows respondents the opportunity to expand on how COA may utilize the Section 8 Homeownership Program to promote resident asset building in Austin. Evidence of linkage may include discussion of meetings, documents and plans. The next chapter discusses results of the interviews.

Chapter 4 – Results

This chapter discusses and analyzes the results of the interviews conducted with city officials, nonprofit directors, and consultants in affordable housing. The chapter is arranged according to the categories of the conceptual framework and the operationalization table in Chapters 2 and 3. Interviews were conducted with seven respondents. All seven respondents were interviewed using the same interview questions. The results are summarized based on the categories and subcategories in the operationalization table. As the majority of questions were open-ended, similar answers will be grouped together and dissimilar answers will be noted individually. Table 3 presents the results.

Table 3: Results Table		
Categories	Being Done in Austin	Linked to Gentrification
Increase Affordable Housing		
Housing Trust Funds	Yes	Somewhat
Inclusionary Zoning	No	N/A
Low-Income Housing Tax Credit	Yes	Yes
Split-Rate Taxes	No	N/A
Tax Increment Financing	Yes	Yes
Maximize Housing Retention		
Code Enforcement	Yes	Yes
Rent Control	No	N/A
Federally Subsidized Affordable Housing	Yes	Yes
Tax Relief and Assistance	Yes	Yes
Promote Resident Asset Building		
Individual Development Accounts	Yes	Yes
Homeownership and Education Counseling	Yes	Yes
Community Land Trust	Yes	Yes
Section 8 Homeownership Program	No	N/A

Increase Affordable Housing

Housing Trust Funds

Housing trust funds offer the possibility of mitigating the effects of gentrification by allowing the city to acquire land with the intention of ensuring affordability. Each of the respondents was asked the following questions: “Are housing trust funds used to address the consequences of gentrification? If yes, how?” Of the seven respondents, five had mixed feelings on the ability of housing trust funds to address consequences of gentrification. Although five respondents did affirm the potential of trust funds, one felt they did not, and one did not know. The five respondents that acknowledged some ability of housing trust funds to address consequences of gentrification seemed to agree that although the City of Austin has housing trust funds, these funds are not necessarily dedicated to mitigating the effects of gentrification. The respondents did acknowledge that housing trust funds are an available financial mechanism allowing for dedicated revenue sources that *could be* directed towards gentrification issues.

In 2006, Austin voters approved a \$55 million General Obligation Bond program that provided a boost in affordable housing to include funds for an Austin housing trust fund. The Austin trust fund is available for rental housing for people below 30% median family income, and it also supports homeownership and community land trusts. Respondents acknowledged that while local housing trust funds are by nature more flexible than federal funds, the money may not be specifically dedicated to issues surrounding gentrification. One respondent felt that housing trust funds do not mitigate the effects of gentrification because there are too many competing interests involved. These competing interests can include anyone with an interest in the revenue source. For example, the Texas legislature may not want to dedicate revenue to a

specific purpose such as a trust fund. In summary, most housing policy makers in Austin report that housing trust fund dollars have been used to mitigate the effects of gentrification; however their application is not due to a formal policy.

Inclusionary Zoning

Inclusionary zoning can mitigate the effects of gentrification by requiring a minimum percentage of a new development's units to be classified as affordable. Each of the respondents was asked the following questions: "Are there any select circumstances that would allow COA to utilize inclusionary zoning programs, and if so, which circumstances? If yes, are inclusionary zoning programs used to address the consequences of gentrification?" Of the seven respondents, five reported that this tool is not legal in Texas, one commented on the potential benefit of "creative zoning," and one did not know. The 2005 Baxter Bill prohibited Texas cities from enacting inclusionary zoning. Because respondents affirmed that inclusionary zoning is not legal in Texas, there was no additional comment. However, one respondent felt that inclusionary zoning could mitigate the effects of gentrification by increasing the stock of affordable housing by ensuring minimum levels of housing classified as affordable. Another respondent noted that inclusionary zoning is difficult for cities to adopt as a policy compared to exclusionary zoning because of significant pressures from real estate developers and lobbyists. Another felt that current zoning mechanisms could use be used to address gentrification if zoning policies were not influenced by private developers.

In summary, respondents acknowledged that inclusionary zoning offers potential to mitigate the effects of gentrification through economic integration; however, legal barriers prevent the use of this strategy in Texas cities. Policy makers expressed an interest in creative

zoning aimed specifically towards mitigating the effects of gentrification, but also pointed out that there are political barriers to this strategy.

Low-Income Housing Tax Credits

Low-income housing tax credits can mitigate the effects of gentrification by offering federal incentives to encourage the construction and rehabilitation of affordable units. Each of the respondents was asked the following questions: “Are low-income housing tax credit programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, four reported that LIHTC can be used to mitigate the effects of gentrification, one responded that the credits did not address consequences of gentrification, and two respondents did not know. The majority of respondents said that LIHTCs increase affordable rental housing in Austin. However, these credits do not provide *extremely low affordable* units defined at 30% median family income. This practice has unique potential for Austin as renters hold a majority of the housing market.

In East Austin, for example, low-income housing tax credits aided in the construction of M Station, a 150-unit complex with 10% market rate units providing multiple public transit options, affordable utilities, on-site daycare, and a learning center for individuals with low to moderate incomes. As can be seen in the photo below, courtesy of www.foundcom.org, M Station is an example of the benefits attributed to the use of low-income housing tax credits.



One respondent that felt that LIHTCs did not mitigate the effects of gentrification because poverty in Austin is too concentrated on the East side, and that the credits should be used to disperse low income units into higher income areas. In summary, most respondents agreed that there is more potential for Austin to use low- income housing tax credit projects with increased emphasis on mitigating the effects of gentrification. For example, the Austin nonprofit Foundation Communities has received \$11 million in tax credits to build a 135 unit downtown development to house low-income residents. LIHTC projects offer the ability to revitalize neighborhoods thus allowing low-income individuals and families to remain if they so choose.

Split-Rate Taxes

Split-rate tax programs can mitigate the consequences of gentrification by assigning a lower tax rate for buildings and a higher tax rate for land to encourage improvements in affordable housing. Each of the respondents was asked the following questions: “Are split-rate tax programs used to address the consequences of gentrification? If yes, how?” Of the seven

respondents, four reported that split-rate taxes are not used in Texas, and thus could not fully answer if this sort of taxing structure addresses the consequences of gentrification. Split-rate tax programs are not used in Texas because the current tax structure operates under the pressures of five separate taxing entities. The remaining three respondents did not know. However, three respondents noted that Austin is not utilizing the taxing structure to its full potential as a tool for gentrification mitigation primarily because there are five taxing entities in Austin, Texas: City of Austin, Austin Community College, Travis County, Hospitals, and Austin Independent School District. The respondents discussed the tremendous difficulties present in the effort to get the five key players on board with tax structures as each has its own priorities. Land values in gentrifying neighborhoods can increase rapidly as the area becomes more desirable. Split-rate tax structures can encourage property owners to make home improvements without risking a tax increase on the improvement. In summary, three of the respondents did acknowledge the potential for split-rate taxes to mitigate the pressures of gentrification in Austin, and one felt that it warranted additional research and exploration. Opportunities exist in Austin regarding the possibilities surrounding a split-rate taxing structure in an effort to mitigate the effects of gentrification.

Tax Increment Financing

TIF districts can mitigate the effects of gentrification by subsidizing economic development projects that allow city managers to direct growth and redevelopment. Each of the respondents was asked the following questions: “Are tax increment financing programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, five reported that a tax increment financing program can address consequences of gentrification, one did not know, and one reported that a TIF district does not address gentrification issues. Among

the respondents that affirmed the ability of a TIF district to mitigate the pressures of gentrification, there were a multitude of considerations. The majority of respondents felt that a TIF district is an effective tool that cities can use that does not require approval by the public.

More than one respondent expressed that as a city, Austin has significant opportunity for increasing the use of tax increment financing. It is an available tool to aid in gentrification pressures but needs participation from all taxing entities with the exception of school districts that are not allowed to participate in TIFs. An example of a current tax increment financing district in Austin today is the Mueller Development that offers affordable homes for sale at 80% of the median family income, and for rent homes at 60% of the median family income. This development is part of the City of Austin's S.M.A.R.T. (Safe, Mixed-income, Accessible, Reasonably-priced, Transit-oriented) Housing Program that emphasizes growth and development of affordable renter- and owner-occupied housing. One respondent did not know if tax increment financing could successfully mitigate gentrification pressures, and stated that they were untested in providing residential relief. A final respondent reported that TIFs do not address the consequences of gentrification because the city has mixed feelings on the resulting losses of future tax revenues. In summary, the majority of respondents affirmed the ability of tax increment financing programs to address consequences of gentrification. Opportunities exist in Austin regarding further research into the possibilities surrounding tax increment financing programs as a component of mitigating the effects of gentrification.

Maximize Housing Retention

Code Enforcement

Code enforcement can mitigate the effects of gentrification by allowing city agencies to enforce appropriate codes in an effort to preserve affordable rental housing. Each of the respondents was asked the following questions: “Are code enforcement programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, four reported that code enforcement can address the consequences of gentrification. Two respondents reported that code enforcement does not address issues surrounding gentrification, and one did not know. Among the respondents that affirmed the ability of code enforcement to address the consequences of gentrification, several factors were examined and discussed. The affirming respondents explained that Austin’s code enforcement office is now known as a code compliance office. The name of the office, as well as its general procedures, has evolved from enforcement to compliance. This was done in an effort to allow for increased assistance in citizens’ ability to comply with the city’s code.

The code compliance team wants to provide the resources needed to help gain compliance. Code compliance can offer a significant impact by addressing the consequences of gentrification with regard to low-income rental housing. One respondent commented that the city must make it more expensive to not maintain property. City of Austin is currently looking into tougher code compliance mechanisms such as the threat of losing property if it is not kept up to code. While code compliance can be a useful tool to mitigate the effects of gentrification, it was also acknowledged that because the issues are complaint driven, code compliance can be a result of nothing more than individual neighbor relations.

Two respondents felt that code enforcement does not address the consequences of gentrification because it is inefficient and creates the potential to push out low-income households. In addition, the cost of repairs can be transferred to tenants. For code enforcement to offer the opportunity to mitigate the effects of gentrification, one respondent explained that mechanisms to ensure affordability must be in place. Opportunities exist in Austin for creativity in code compliance. In summary, the majority of respondents affirmed the ability of code compliance to mitigate the effects of gentrification for low-income households. City of Austin should continue exploring avenues in code compliance that provide incentive and/or disincentive for property owners to maintain their rental properties without passing the costs onto tenants. For this reason, code enforcement is a useful component to better mitigate the effects of gentrification.

Rent Control

Rent control can mitigate the effects of gentrification by protecting tenants from excessive rent increases. Each of the respondents was asked the following questions: “Are rent control programs used to address the consequences of gentrification? If yes, how?” Although rent control is prohibited in Texas, it is a successful tool in mitigating the consequences of gentrification in other states and therefore was included in this practical ideal type. Of the seven respondents, seven reported that rent control is illegal in Texas and therefore unenforceable. Four of the respondents were able to offer additional commentary on this program while the remaining three respondents ended with issues surrounding legality in Texas. One respondent reported that rent control has the potential of mitigating the effects of gentrification, but that it needs the political will to do so. Three respondents discussed alternatives in Austin.

The City of Austin, for example, participates in general obligation bonds in lieu of rent restrictions. A general obligation bond is a municipal bond secured by the local government's pledge to use available resources that include tax revenues to repay bondholders. These bonds create a private agreement between public and private groups. General obligation bonds were integral in financing The Willows complex that provides a total of 64 affordable rental units. Twenty-eight of the units are at 30% median family income or less, and 32 are at 50% median family income or less. The photo below, courtesy of www.austintexas.gov, shows The Willows of Austin, Texas, and demonstrates the potential offered by general obligation bonds in lieu of rent control.



Although rent control is illegal in Texas, two respondents discussed that Texas can ensure that a percentage of units be designated as affordable housing units as well as dictate the level of affordability that must be reached. The city cannot require through regulation, but it can require through subsidies the terms of the contract. One respondent explained that Texas can, “ensure that a set number of units be at a specific percent of median family income.” Rent control, in Texas, is not a part of a practical ideal type gentrification effects mitigation program due to the issue of legality. Alternatives do exist, however, specifically in general obligation bonds that

allow the city to control the percentage of affordable units in developments such as The Willows. In summary, the City of Austin has the opportunity to continue exploring and utilizing tools such as general obligation bonds in lieu of rent control that offer creative ways to maintain affordability in an effort to maximize housing retention.

Federally Subsidized Affordable Housing

Federally subsidized affordable housing can mitigate the effects of gentrification by subsidizing rental housing for low-income households. Each of the respondents was asked the following questions: “Are federally subsidized affordable housing programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, all seven reported that federally subsidized affordable housing does address the consequences of gentrification. Two respondents commented that as the need for affordable housing has increased, federal funding has been in decline to include “a 40% drop in the past 2 years.” One respondent explained further that the main issue surrounding affordable housing is the fact that it is “a highly competitive environment with extremely scarce resources.” Cities need access to federal funds as well as sophisticated partnerships to offer creative financing for affordable housing.

One respondent explained that federally subsidized affordable housing can address the consequences of gentrification through programs such as the Community Development Block Grant (CDBG) program in Austin. Among other things, this program funds housing for low to moderate income residents. CDBG funding is awarded to various entities by the U.S. Department of Housing and Community Development. It offers annual grants to entitled cities by providing decent housing for low and moderate income residents. It also aids in expanding economic opportunities. In Travis County, Texas, the CDBG funded home repairs, land purchase

to construct affordable homes, and homebuyer assistance. For example, the CDBG awarded Austin Habitat for Humanity the funds to purchase land for the construction of affordable homes. Thirty-one lots were purchased with plans for approximately 31 units for low to moderate income families. In summary, all respondents affirmed the ability of federally subsidized affordable housing to address consequences of gentrification. Although federal funding for housing has been in decline, it is clear that City of Austin has the opportunity to continue exploring and utilizing the federal funds we do have access to for things such as home construction or home repair. Preserving and increasing the current stock of affordable housing with federal subsidies is a key component to maximizing housing retention in an effort to mitigate the effects of gentrification.

Tax Relief and Assistance

Tax relief and assistance can mitigate the consequences of gentrification by allowing low-income and elderly homeowners to remain in their homes in spite of rising property costs by maintaining housing affordability. Each of the respondents was asked the following questions: “Are tax relief and assistance programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, four reported some ability of tax relief and assistance to mitigate the effects of gentrification, two reported no ability, and one did not know. Of the four respondents that noted some ability to mitigate the effects of gentrification, one reported that the city can offer relief through property tax exemptions and property tax abatements. Exemptions are annual, and they exempt classes of properties from a certain percentage of property taxes. Abatements work for a set term, usually 5-15 years to either freeze the property’s value or to tax the property at a lower rate during the specified time period. One respondent added that tax

relief can help to mitigate the effects of gentrification specifically with regard to homeownership, but it is only a piece of the puzzle created by gentrifying pressures.

The two respondents who reported the inability of tax relief to address gentrification issues explained that City of Austin has no power over taxes. Furthermore, tax relief can be undesirable because it results in fewer financial resources. In summary, the majority of respondents reported that tax relief and assistance do have some ability to mitigate the effects of gentrification. Opportunities exist in Austin regarding further research into the possibilities surrounding tax relief in gentrifying areas whether through property tax exemptions, abatements, or additional programs. Maximizing housing retention is a critical component of mitigating the effects of gentrification, and tax relief and assistance is one way this can be achieved.

Promote Resident Asset Building

Individual Development Accounts

Individual development accounts can mitigate the consequences of gentrification by providing subsidies through matched savings accounts designed to help low-income households save for investments such as homeownership. Each of the respondents was asked the following question, “Are individual development account programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, five affirmed the ability of individual development accounts (IDAs) to address gentrification issues, one reported no, and one did not know. The Neighborhood Housing and Community Development Office of City of Austin and Foundation Communities are two entities that offer IDAs. Of the five respondents that affirmed the ability of IDAs to address the effects of gentrification, several discussed the varying government and nonprofit entities that offer these accounts.

City of Austin (COA) offers an IDA that matches \$3 for every \$1 saved by the holder of the account. COA is able to do this through a federal grant designed to provide matched savings to low-income residents. Residents can then spend the account on higher education, investing in a small-business venture, or the purchase of a home. One respondent explained that IDAs assist in wealth creation for low-income people and may provide the opportunity for them to move from rental to homeownership in the neighborhood where they currently rent. Foundation Communities is a non-profit that provides affordable homes and support services to low-income families and individuals. Foundation Communities offers IDAs with similar parameters to low-income citizens that meet qualifications and reside on a Foundation Communities property. One supporting respondent discussed a similar program as Family Self-Sufficiency Program (FSS) offered by Housing Authority of the City of Austin. Among other things, FSS offers financial training, an academic scholarship program, and a homeownership program that offers down payment assistance to qualified applicants.

One respondent reported that IDAs do not address consequences of gentrification because graduates of IDA programs are able to buy homes anywhere with no specific emphasis on gentrifying communities. In summary, the majority of respondents affirmed some ability of IDAs to mitigate the effects of gentrification. Opportunities exist in Austin regarding further research into the possibilities of long-term asset building and the impact of individual development accounts on low-income residents in gentrifying areas. Low-income individuals and families currently residing in gentrifying areas should have the choice to remain if they so choose. IDAs are one tool to assist in homeownership thus preserving and building assets that should be used in a gentrification effects mitigation program.

Homeownership and Education Counseling

Homeownership and education counseling can mitigate the effects of gentrification by providing valuable information and assistance in improving financial ability. Each of the respondents was asked the following questions: “Are homeownership and education counseling programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, six affirmed the ability of homeownership and education counseling to address issues surrounding gentrification, and one disagreed. The majority of respondents acknowledged the importance of educating families about the value of homeownership. One respondent remarked that education is “a massive component in addressing the consequences of gentrification because we must educate individuals as to why these things are a benefit.” Low-income residents can build wealth through homeownership. The Neighborhood Housing and Community Development Office of City of Austin offers homebuyers training known as HousingSmarts. A series of three classes covers readiness to buy, money management, understanding credit, financing a home, selecting and maintaining a home, and finance management. Post purchase counseling is also offered, as well as one-on-one credit counseling.

Additional entities throughout the city such as Foundation Communities, Frameworks CDC, and Austin Habitat For Humanity offer homeownership and education counseling as well. One respondent pointed out that although existing wealth through homeownership puts a homeowner in better financial condition than a renter, opportunities exist for renters as well. This respondent questioned whether or not we overvalue homeownership. In summary, the majority of respondents overwhelmingly acknowledged the multitude of benefits attributed to homeownership. For this reason, opportunities continue to exist in Austin to expand educational resources for low-income individuals and families in an effort to offer the choice to purchase a

home. Asset building is an important aspect in mitigating the effects of gentrification, and homeownership and education counseling allows individuals to do this more effectively.

Community Land Trusts

Community land trusts can mitigate the effects of gentrification by maintaining affordability for low-income households by reducing the cost of the land through long-term land leases. Each of the respondents was asked the following questions: “Are community land trust programs used to address the consequences of gentrification? If yes, how?” Of the seven respondents, five affirmed the ability of community land trusts to mitigate the consequences of gentrification, and two did not know. The majority of respondents acknowledged the potential land trusts can provide in preserving affordability in gentrifying neighborhoods. Community Land Trusts (CLTs) have a significant effect on property taxes. Because the homeowner does not own the land but instead leases it, the impact of the tax burden is decreased. This is especially critical in Texas due to our tax system. Taxes become much more critical as the value of land rises. The CLT provides tax relief to the homeowner. In exchange, the homeowner gives up ownership of the land and pays taxes only on the structure. In addition, the holding entity of the CLT can limit access to low-income buyers.

City of Austin and PeopleTrust, a non-profit affordable housing corporation, both offer a model of community land trusts known as the “shared equity” model. In the case of COA, down payment assistance of up to \$40,000 to qualified buyers is available in a deferred 0% interest loan for 30 years. If the borrower transfers the title in any way (sells, leases, refinances, etc.) within the first 30 years, the down payment must be repaid. In the case of PeopleTrust, the shared equity model creates asset building through affordable homeownership, preserves

affordable housing stock, and sustains stable, mixed-income communities. PeopleTrust sells homes to low-income buyers at below market prices, and then limits the resale price that homeowners can charge if they decide to sell at a later time.

CLTs and the shared equity model are examples of the much needed creativity in the affordable housing market. Gentrifying neighborhoods need more public sector and non-profit creativity to address the potential consequences to low-income residents. One respondent acknowledged the need for creativity and suggested that we take a closer look at publicly owned spaces. For example, one respondent asked, “What is stopping us from building affordable housing on a library parking lot that COA already owns?” In summary, the majority of respondents affirmed the ability of CLTs to address consequences of gentrification. Additional opportunities exist in Austin to mitigate the effects of gentrification through resident asset building. Community land trusts and shared equity models are concepts that bring affordable homeownership to a segment of the population that may not have had the opportunity otherwise. It is critical that creativity and exploration in this area continue to be encouraged.

Section 8 Homeownership Program

The Section 8 Homeownership Program can mitigate the effects of gentrification by encouraging homeownership for low-income individuals through federal vouchers. Each of the respondents was asked the following questions: “Is the Section 8 Homeownership Program used to address the consequences of gentrification? If yes, how?” Federal Section 8 funding has seen significant decreases in recent years. Of the seven respondents, three acknowledged only some ability of the Section 8 Homeownership Program to mitigate the effects of gentrification, while three did not know, and one respondent replied no. The respondents that affirmed some ability

of this program to address gentrification issues focused more on the fact that funding has become inconsistent, and therefore, COA's reliance on this program is not what it was in the past.

The Section 8 Homeownership Program does have the potential to assist in wealth creation by offering low-income residents a better opportunity to move from rental housing to homeownership, however, without proper funding this option is not feasible. While one respondent commented on the importance of subsidized housing and the ability to keep affordable developments anchored in gentrifying areas, another respondent explained that dense clusters of affordable housing is a problem. The respondent discussed the difficulty that lies in breaking up the clusters. In addition, City of Austin wants more geographic dispersion of affordable homes as well as long term affordability. In summary, due to funding limitations it appears that the Section 8 Homeownership Program may not be a suitable choice in Austin. While low-income Austin residents do currently have access to Section 8 Rental vouchers, Section 8 Homeownership vouchers do not appear to be available. In lieu of this, City of Austin has the opportunity to continue creatively exploring other avenues in asset building in the effort to mitigate gentrification pressures.

Summary

Based on these findings, these program types are relatively linked to the consequences of gentrification. Of the thirteen programs that were considered and researched, nine of these programs are implemented in some format in Austin whether through City of Austin or local non- profits. Of the four programs that are not implemented in Austin, Inclusionary Zoning and Rent Control are illegal in Texas, Split-Rate Taxes deserve further exploration, and the Section 8 Homeownership Program is not used due to a lack of federal funding. The remaining nine

programs are used in some form or fashion with varying levels of success and implementation. Considering the enormous population and growth levels Austin has and continues to experience, the need for further study of this practical ideal type along with emerging programs to mitigate the effects of gentrification is clear. The next chapter discusses recommendations and concluding thoughts.

Chapter 5 – Conclusion

The purpose of developing a practical ideal type gentrification effects mitigation program is to help local government better address the potential for negative impact to low-income individuals and families residing in gentrifying communities. This program is comprised of a specialized group of processes that have been either used or considered in Austin, Texas, and many other parts of the country at varying levels of success. Throughout the interview process, it became clear that two of the most vulnerable groups in gentrifying neighborhoods are fixed-income seniors and low-income renters. It is important that City of Austin continues with concerted efforts to protect these groups from the negative consequences of gentrification.

The responses to the open-ended survey questions ran the gamut in terms of consistencies as well as differences amongst the respondents. It became evident that to consistently and efficiently address gentrification issues, there are a number of factors for consideration and implementation.

To mitigate the effects of gentrification, cities must retain affordability while increasing new opportunity. With every market rate development in a gentrifying neighborhood, there is potential and likelihood of a reduction in the supply of an already depleted stock of affordable housing. Gentrification cannot be stopped, nor should it be, as it represents growth and redevelopment, but we must prioritize offsetting the negative impact whenever possible. In looking toward future progress, we cannot allow those who have weathered the storm of the blighted neighborhoods to get lost in the shuffle. Preservation is essential in these communities, and for this reason, the focus needs to include both the new population and the old. Sophisticated partnerships and collaborations must be in place between both the public and non-profit sector in addition to community associations and private entities. Where the city may be

deficient in some areas, the non-profit sector or perhaps a community association can pick up and run with the tools and information in place.

The respondents discussed the importance of educating low-income individuals in an effort to offer better opportunities, e.g., homeownership and higher education. This is not the only group that needs further education. In addition, citizens and most importantly voters need to be educated as to why this subject deserves time, energy, and proper funding in Austin. City of Austin held a 2012 bond election that included a proposition, known as Proposition 15, for affordable housing. This was an opportunity for voters to allow the city to continue funding the affordable housing development through the issuance of \$78,300,300 in housing bonds and notes. Proposition 15 was one of the few propositions that voters did not approve. This bond would have supported rental housing, homeownership, transitional and permanent supportive housing, home repair, and infrastructure improvements. This vote loss was confusing as it had been supported by Austin voters in past elections, and the critical need to both maintain and increase affordability in Austin continues to grow. In private sector organizations, some say that the organization is only as strong as its weakest employee. The same concept can be applied to cities as well as governments. Are we having compassion and caring for some of our most vulnerable groups?

Gentrification effects mitigation programs are best managed at the micro-level with community based programs. Local government must be able to cater to the unique opportunities and issues in their respective cities and counties. Funding, however, needs to be made available from a variety of sources to include local and federal partnerships. Cities such as Austin should continue collaborating and ensuring that the proper associations and agreements are in place to offer a wide range of services with a far reach. This cannot happen without comprehensive

planning. Planning is a crucial component in mitigating the effects of gentrification. Cities have the unique opportunity to identify trends and needs ahead of the game. Planning committees can be proactive because they can see the directions of growth and thus can predict what type of impact it will have. Knowing where growth is headed, at least to some extent, allows a city to plan investments or perhaps land acquisitions accordingly.

Cities have the opportunity to take a careful look at currently owned public land as well as possible acquisitions with the intent of providing creative opportunities in affordable housing. We should always preserve what we can while also seeking out new opportunities for locating affordable housing that previously we may not have considered. Now is not the time to take options off the table. Legality in Texas must always remain a priority, but creativity and innovation must follow closely behind. For this reason, local governments must work diligently to attract a highly skilled and educated public sector workforce.

In the case of inclusionary zoning and rent control, there are specific legal prohibitions. In other states inclusionary zoning and rent control are allowed. The Legislature should consider passing laws that restore flexibility to cities regarding inclusionary zoning and rent control.

Creative funding sources and financial tools are key elements in mitigating the consequences of gentrification. Whether through tax increment financing, tax abatements, or sources yet to be developed, it is critical that local government and non-profits continue to capitalize on existing funding mechanisms while seeking out and testing new ideas. Public sector agencies must ensure that these issues remain a priority for legislators. Cities need to secure both state and federal funds that are dedicated to gentrification issues. Although federal funds are critical, local funds without federal “strings” are typically more desirable and allow for

much needed flexibility. City governments should maintain a balance between being sufficiently proactive as well as efficiently reactive to the unique set of circumstances in their communities.

Concepts surrounding the gentrification debate continue to emerge. During the interview process, one respondent highlighted the difference between gentrification and revitalization. This respondent explained that gentrification primarily represents the involuntary displacement of low-income residents while revitalization allows low-income residents to remain if they want to. In comparison, revitalization has a less negative association than gentrification. While both include similar elements, would it potentially be more beneficial for Austin to create a revitalization focus?

In 2003, the Austin City Council directed the City Manager to investigate and analyze a unique set of gentrification related pressures in East Austin. This action resulted in the creation of a staff task force that studied gentrification in a specific area of East Austin. Nearly twenty city employees were involved in this directive comprised of individuals from departments including but not limited to Neighborhood Housing, Government Relations, Economic Development, Transportation, Demography, and Planning. The conclusions of the study were documented in City of Austin's Staff Task Force on Gentrification in East Austin. While COA undoubtedly gained a tremendous level of knowledge throughout this process, the city has seen a fantastic level of growth in the nearly ten years since this document was created. If Austin were to revisit elements of this initiative today, would the city stand to gain by utilizing a more holistic approach focusing on efforts centered on revitalization versus mitigating the effects of gentrification?

Public, private, and non-profit sectors, at times, decide to rebrand and/or change the direction that the entity is headed. While some would say Austin, Texas, has achieved significant levels of success in its efforts to mitigate the consequences of gentrification, there will always be critics suggesting the overall ineffectiveness and inefficiency under which the local government operates. There is no perfect path in this or any other problem that government needs or feels compelled to address. We will continue to experience successes, and in spite of our best efforts, there will always be opportunity for improvement and change. As is the case with so much of life, the work is never done.

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