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**Cultural Districts: Creating Sustainable Economic Development Versus Catalyzing
Gentrification**

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Abstract

A growing literature suggests that cultural and arts districts play a significant role in gentrifying surrounding areas. This is counterintuitive to the sustainable economic activity that metropolitan cities like Austin, Texas suggest that cultural districts create. This paper seeks to evaluate the effects that cultural districts have on average housing prices in Austin. This paper will illustrate the described effects using a synthetic control model comparing Austin to other metropolitan areas in the continental United States without cultural districts. The results suggest that cultural districts in Austin contribute to the rising average housing prices.

Introduction

Over the past few decades, a more progressive constituency in United States cities has pushed for steps towards a more equitable society. One popular proposition has been establishing arts and cultural districts to celebrate and preserve the history of minority races, ethnicities, and gender identities. Austin, Texas, which has built a reputation as a progressive city, is a prominent example. This paper seeks to evaluate the effects that the cultural districts have on the average housing prices in Austin, Texas.

There is a growing literature at the intersection of arts and gentrification discussing whether arts and cultural districts have net positive or negative impacts on their surrounding environments. The argument essentially boils down to whether a cultural or arts district creates sustainable economic development in the region or spurs gentrification. Sustainable economic development is commonly defined as economic activity that benefits the stakeholders. In the context of cultural districts, sustainable economic development distributes incoming profits to stakeholders in the area without significantly changing the demographics of the inhabitants living there. History illustrates that arts and cultural districts attract new businesses to surrounding areas that raise property/ housing prices while displacing low-income households. The remainder of this section will use the SoHo arts district as an example to provide context on the effects cultural and arts districts can have on their environments.

In the 1960s, SoHo was an industrial area containing various businesses that had been run down over the years. In the following decade, artists began to move into the area because of the various vacant commercial lofts, which provided an abundant amount of space for artists to create and display their art at an affordable price. As SoHo began gaining recognition as an artistic community, artists who lived there gained more exposure, and more prominent artists

were attracted to the area.¹ At first, tourists began to come to the area to watch performances and see different galleries throughout the district. At this point, artists absorbed most of the new economic activity as income. Despite the success of art galleries and shows, other businesses homed in on the new economic activity in the area. Artistic tourism attracted restaurants, boutique shops, and other retail shops, which began appreciating property values in the area. The new retail economic sector in SoHo soaked up a large chunk of revenue, causing many galleries to either raise the price of their art dramatically or shut down altogether. The decreasing number of galleries was exacerbated by the rising rent prices for galleries and living space too.

For artists to survive in SoHo, they had to adapt. Artists with competitive galleries took advantage of local and national arts-funding agencies or increased the price of their art so selling a couple of pieces to wealthy tourists could fund their operation.² The artists who did not adapt were displaced out of SoHo. Like SoHo, the city of Austin has a prominent cultural district with a rich history. The following section of this paper will focus on the history of Austin, Texas, from 1928 to the present.

Austin's Racist Past and Problematic Future

Throughout the last few decades, Austin, Texas, has been a popular destination for people and companies to settle. Austin is synonymous with progressive values and seeking to preserve its rich, racial culture. In 2013, Austin attempted to support this idea by designating a historic

¹ (SoHo Memory Project)

² (Shduka, 2012)

piece of the east side of Austin as a cultural district. The significance of the newly named "Six Square Black Cultural District" has roots going back to 1928.³

In 1928, Austin city officials passed a zoning policy called "The Master Plan," a blatantly racist zoning ordinance that segregated families of color and low-income families to East Austin, away from the rest of the city. The Master Plan cut off families of color from city services and limited economic opportunity for anyone who lived there. The purpose of this policy was to limit socioeconomic mobility of low-income families and other families of color. Despite geographical obstacles, various successful businesses sprouted in East Austin. The businesses were run by the same people of color who Austin officials tried to oppress, particularly black-owned businesses. These entrepreneurs took advantage of the lack of zoning restrictions in their area and used innovative techniques to create companies that are economic and cultural pillars in East Austin.⁴

In the 21st century, Austin has continued to be a popular destination for entrepreneurs hoping to start a new business. As more innovative concepts took off and the music scene began to gain more recognition nationwide, housing prices also rose. Over the past decade, giant corporations such as Amazon and Tesla have only propelled the appreciation of property value. The rapid rise of housing prices and rent costs have had harmful impacts on families of color in East Austin. The Eastern Crescent, which is home to Austin's most vulnerable population, has seen high levels of displacement. The Urban Displacement Project, a study about gentrification in Austin, assigns gentrification levels to Austin neighborhoods. Historically minority areas in

³ (Six Square website)

⁴ (Hill)

East Austin consistently rank as Dynamic or Late in ongoing gentrification.⁵ These are defined as areas with vulnerable populations, demographic changes, and appreciating housing markets. Thus, gentrification and displacement occur at significant levels in minority-dominated neighborhoods in Austin.

To stem displacement, the city of Austin decided to designate the six square mile portion of East Austin, where people of color were separated from other Austin residents, as a cultural district. The idea is that the city would pump funds into historic sites associated with the black community in Austin to revitalize them and preserve black history. Theoretically, Austin would simultaneously benefit from positive media attention and the new economic activity created by tourists coming to Austin to explore the Six Square Cultural District.

Six Square officially became a cultural district in 2013, which is when the Urban Displacement Project named areas around the cultural district to have significant levels of gentrification and displacement. The purpose of this paper is to evaluate the effect that Six Square has on average housing prices in Austin and whether it contributes to gentrification in historically minority-dominated neighborhoods. The following sections of this paper will discuss demographic changes to Austin's population since 2000, the data collection methodology, and the evaluation of the synthetic control model.

Demographic Changes in Austin

Since the start of the 21st century, Austin has seen a significant increase in population size despite appreciating housing prices. Racial and ethnic demographics in Austin have

⁵ (Urban Displacement Project, 2020)

significantly changed over this period because of many push and pull factors. This section will focus on the changing demographics in Austin from 2000 to 2010 and analyze the push factors causing families of color to leave Austin and settle in surrounding areas.

From 2000 to 2010, Austin has seen a population increase of over 20% but has a declining African American population. Table 1 expresses the population demographics for the four most prevalent racial and ethnic groups in Austin. This table illustrates that each of the other groups saw a population increase over 10% except the African American population, which decreased by about 5% over the same ten-year period.⁶

Figure 1

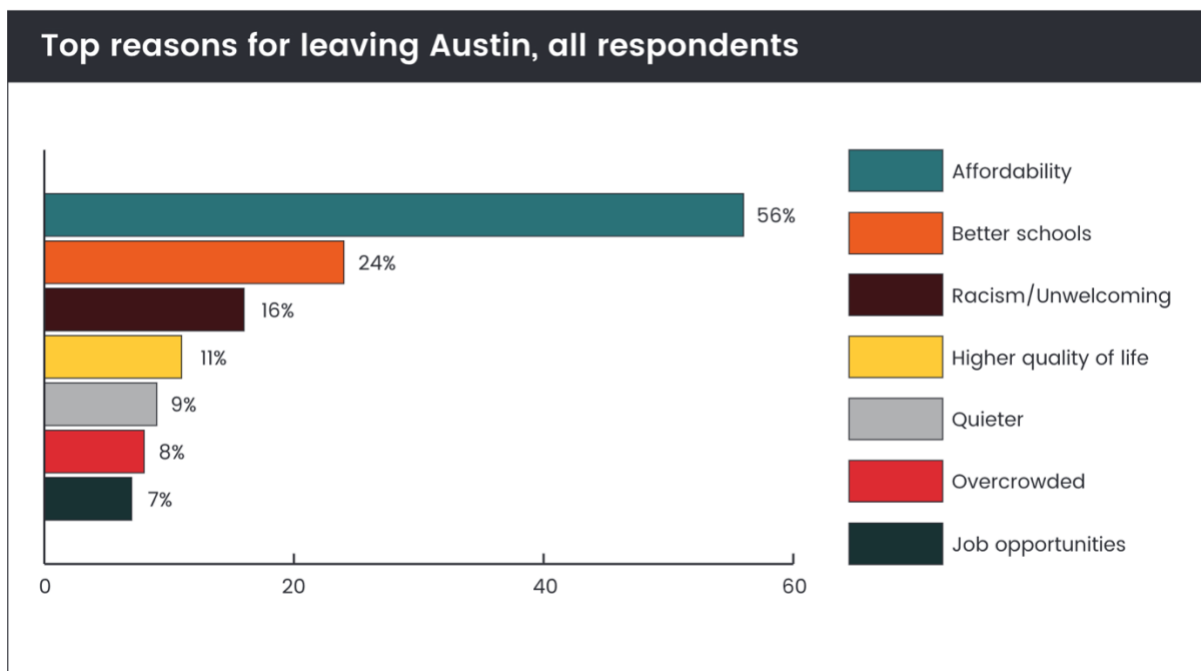
Table 1: City of Austin Total Population Growth by Racial and Ethnic Group				
	White	African-American	Hispanic	Asian
Population in 2000	347,554	64,259	200,579	30,580
Population in 2010	385,271	60,760	277,707	49,159
% Change	10.9%	-5.4%	38.5%	60.8%

The rapid expansion caused by increased economic activity and opportunity caused by the influx of start-up and technology companies has also contributed to the displacement of families of color African American families. Professor Eric Tang and associates from the University of Texas at Austin created a study based on a survey of 100 African American families. Most of these families moved out of Austin between 1999 and 2015 to surrounding areas. The table below is a result of the survey responses and illustrates a variety of reasons why

⁶ (Tang)

African American families left the city. “Affordability” is easily the most popular reason for leaving the city, outpacing “better schools” by over 30%.⁷ The top reasons for leaving Austin are gentrification indicators, which supports the Urban Displacement Project's position that gentrification is prevalent throughout Austin and families of color are disproportionately displaced.

Figure 2



Although the population in Austin has increased significantly from 2000 to 2010, the African American community continues to be negatively affected by gentrification and displacement. Regardless of the city's attempt to preserve African American culture through the

⁷ (Tang)

Six Square Cultural District and attempting to create sustainable economic development for the remaining black-owned businesses in Austin, there is no reason to believe that these trends will not continue. The following section of this paper is dedicated to using empirical techniques to support further that cultural districts catalyzed gentrification in Austin, Texas.

Methodology

The data extract needed to illustrate the effects cultural districts have on housing prices stems from Zillow and IPUMS. The Zillow extract includes data on housing prices from Zillow's Home Value Index (ZHVI), which provides for metropolitan areas from every area in the continental United States. Using IPUMS, I extracted micro-level data from 2008 to 2018 from the American Community Survey (ACS) and the Census. This data included various socioeconomic, racial, ethnic, gender, and census tract variables.

When attempting to merge the two data sets, there were two distinct issues. First, each data set had a different identifier number for unique metropolitan areas. Thus, I recorded the identifier variable in the IPUMS extract to match the identifier numbers for corresponding metropolitan regions in the ZHVI data set. The second issue was that Zillow and IPUMS did not consider the same areas to be metropolitan regions. I filtered out any metropolitan regions that did not appear in both data sets to account for this. Finally, I merged the two data sets by unique identifier numbers and ended up with a data frame consisting of Austin, Texas, and other metropolitan regions without cultural districts.

This paper will fit a synthetic control model to the data extract to evaluate the effects of cultural districts in Austin, Texas, on average housing prices in the city. A synthetic control model focuses on a singular observation, which serves as the treatment group. In this context,

Austin, which has an established cultural district after 2013, is the control group. The rest of the observations are different metropolitan areas in the United States without established cultural areas before 2018. The control group, also known as the donor pool, creates the counterfactual average housing prices in Austin if there were no cultural districts in the city. Essentially, the synthetic control creates a parallel universe where the only difference between itself and this one is that Austin does not have any cultural districts. Thus, the difference in the average housing prices for Austin in reality and the synthetic control model is the effect of cultural districts on average housing prices in Austin. The following section will focus on the results from the synthetic control model.

Results and Analysis

To create a representative donor pool to replicate the average housing prices in Austin before the cultural district was established in 2013, I gathered information on whether the 500 different metropolitan areas in the continental United States. Out of those cities, 25 metropolitan regions were chosen because they had not established a cultural district before 2018. Zillow had average housing prices in these regions between 2008 and 2018.

The synthetic control model requires that the data be in a balanced panel. Essentially, there must be an equal number of observations before and after 2013, which is the year the treatment effect starts. Thus, it was vital to choose regions with housing data for the ten years of interest. A balanced dataset combined with the control variables extracted from the IPUMS data makes it easier to satisfy the main condition to conduct a synthetic control model.

For a synthetic control model to work, the observations in the donor pool must accurately represent averaging housing prices in Austin from 2008 to 2012. Figure 3 illustrates the donor

pool's effectiveness at replicating average housing prices over this period. The bold line represents average housing prices in Austin from 2008 to 2018, and the dashed line shows the synthetic control. The two lines are nearly identical from 2008 throughout 2012, which signifies this model provides an accurate estimation of average housing prices in Austin.

Figure 3

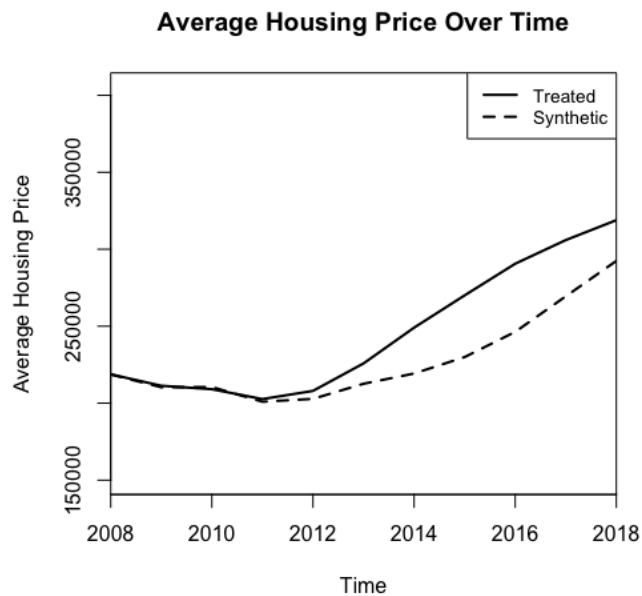
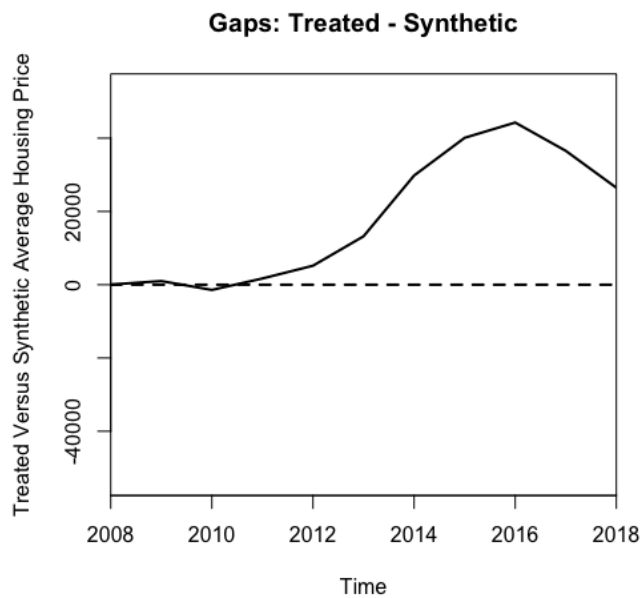


Figure 4 illustrates the similar information as Figure 3, except it, makes the synthetic control model that baseline for the graph, so the results are more interpretable. Figure 4 explains a significant difference between housing prices in Austin in a world where Six Square exists and an alternate version where it does not. The gap between these two lines rapidly increases from 2013 to 2016, signaling that Six Square has contributed to about \$40,000 of the rising housing

prices throughout that period. These results support the position that Six Square contributes to increasing housing prices in parts of Austin in later stages of the gentrification process.

Figure 4



Although Figures 3 and 4 support the position that Six Square contributes to rising housing prices in Austin, these results do not indicate that cultural districts are inherently harmful. The Six Square Black Cultural District and other arts and cultural districts are typically implemented through city planning. Thus, Austin itself constructed the zoning ordinance that segregated people of color from the rest of the city and did not take enough action to mitigate the harmful consequences of this policy throughout the following decade. As a result, it is unfair to blame Six Square for the century of activity of city officials. Ultimately, Austin city officials must prioritize the voices of local stakeholders if they wish to preserve black culture in a

respectful manner that does not negatively impact the black community currently living in the city.

It is also important to note the main limitations of this study. First, as previously mentioned, the metropolitan regions in the donor pool do not have established cultural districts. However, these metropolitan regions do support art and culture in other ways. Thus, the results in this paper are likely biased given that the other metropolitan regions attempt to increase artistic tourism in smaller fashions.

Conclusion

In conclusion, there is a growing literature suggesting that arts and cultural districts play a role in catalyzing gentrification. Austin, Texas, which is known for being a progressive city, recently established a cultural district in 2013 around areas in advanced stages of the gentrification process. Since the beginning of the 21st century, Austin has had a significant increase in population, and its identity has drawn various start-up and technology companies to the city. This population boom has increased the population of the four major racial and ethnic groups except for African Americans, which saw a decrease of 5.4% from 2000 to 2010.

This paper sought to evaluate if Six Square contributed to the increasing average housing prices, which is the main driving factor causing African American people to move out of Austin. Using data from Zillow, the American Community Survey, and the Census, I crafted a dataset containing average housing price data in twenty-six unique metropolitan regions. Fitting a synthetic control model to this data illustrated that Six Square contributes to at least \$20,000 of the average housing price increase in Austin in each year since 2013. This result supports the position that Six Square catalyzed the displacement of African American families in areas that

are in advanced stages of the gentrification process. However, Six Square is not necessarily at fault because Austin city officials failed to adequately mitigate displacement of marginalized people when implementing this cultural district.

This paper lays the foundation for further research. To accurately indicate the extent that Six Square plays in causing increased housing prices, a researcher would need to obtain micro-level housing data on each census tract. Similar research projects could be conducted with other metropolitan areas with cultural or arts districts while using this paper as a reference source.

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