

The Effects of Gentrification on Household Finance and Mobility

By

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Discussion: Chris Cunningham

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*All views expressed are my own and do not reflect those of the Federal Reserve Bank of Atlanta, or the Federal Reserve System.

↗Also, I have gentrified. These slides were prepared in a home once occupied by a low-income person but was originally built for a wealthy/middle income person.

Drivers of gentrification?

- Changing employment markets
- Changing demographics (delayed household formation/child bearing. two-earner households doubles commuting cost or commuting coordination with polycentric employment)
- Changing taste
- Improved local public goods
- Filtering renovation/teardown cycle Bruckner and Rosenthal

Gentrification and Welfare of Incumbent Residents

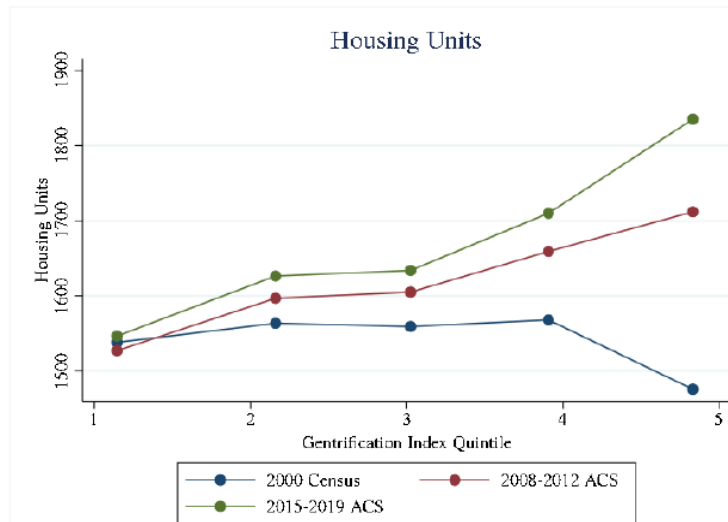
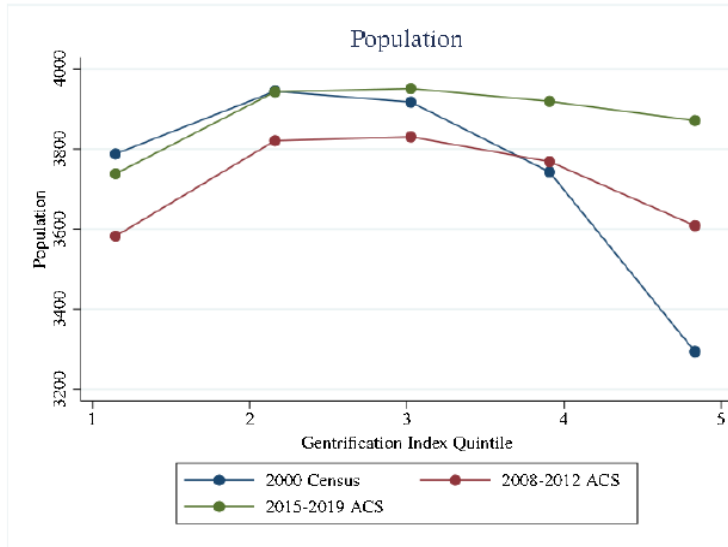
- Market outcome, not a policy
- Not sure what can or should be done
- Are there observably bad outcomes for the incumbent residents of gentrified neighborhoods

Summary

- Create index of gentrification intensity and examine measures of neighborhood change across
- Use credit-bureau data to track outcomes for incumbent residents pre-gentrification:
 - Mobility (if/how far/ neighborhood quality)
 - Differential effect by incumbent owner/renters
 - Differential effect by local supply elasticities
- Credit utilization
 - Mortgage balances/HELOCs
 - Nonmortgage credit
 - Credit score/bad credit events

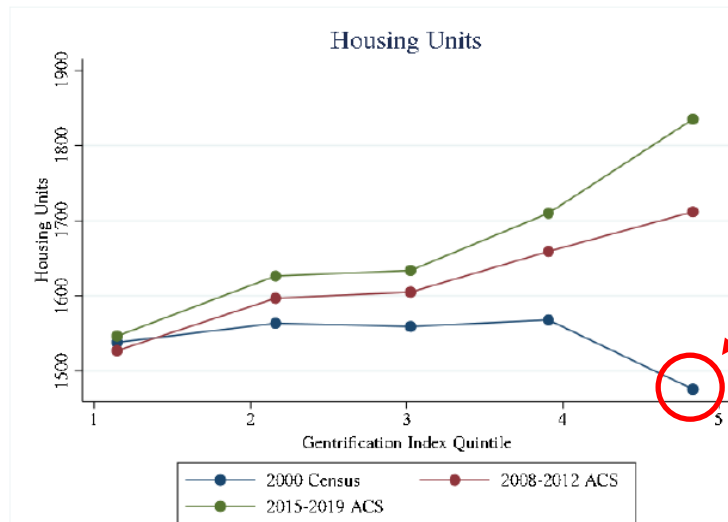
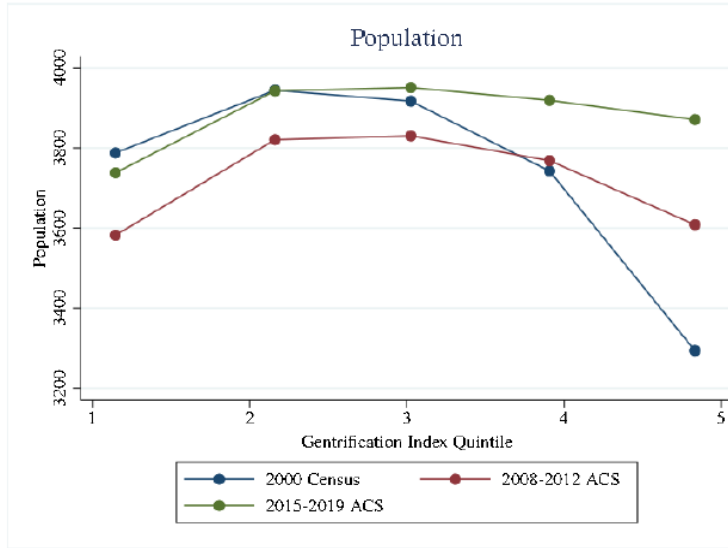
Findings

- Consistent with Baum-Snow and Hartley, 2020
- Gentrification could be associated with:
 - A) renovation of formerly vacant buildings
 - B) new construction or
 - C) conversion from non-housing units



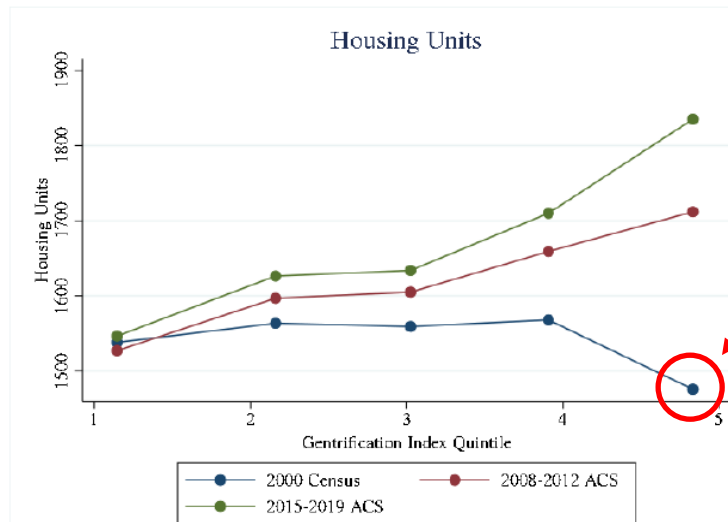
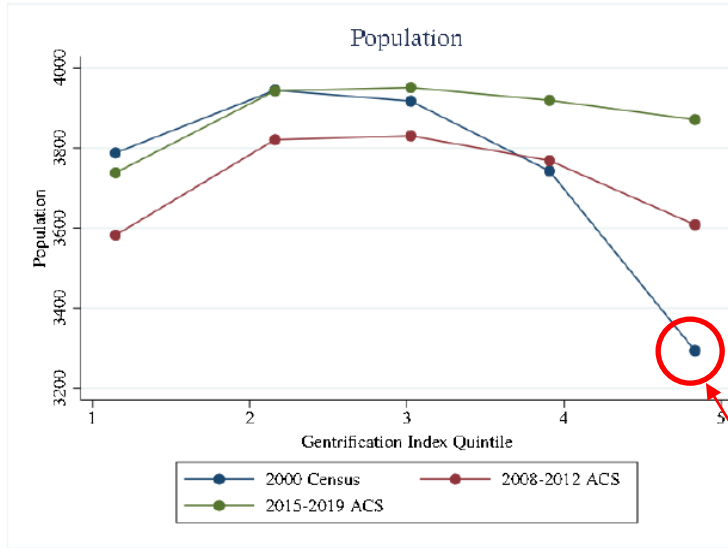
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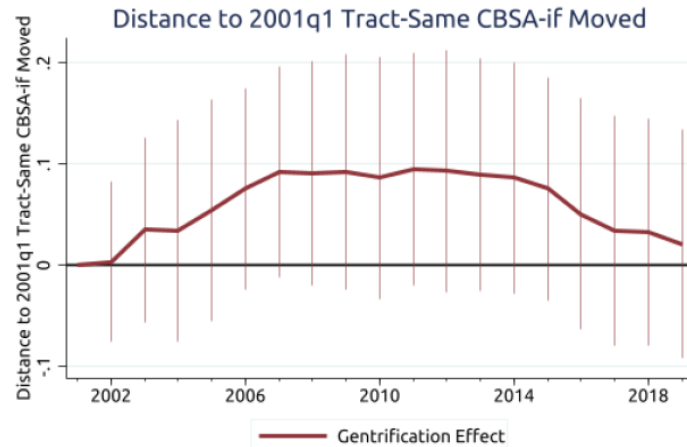
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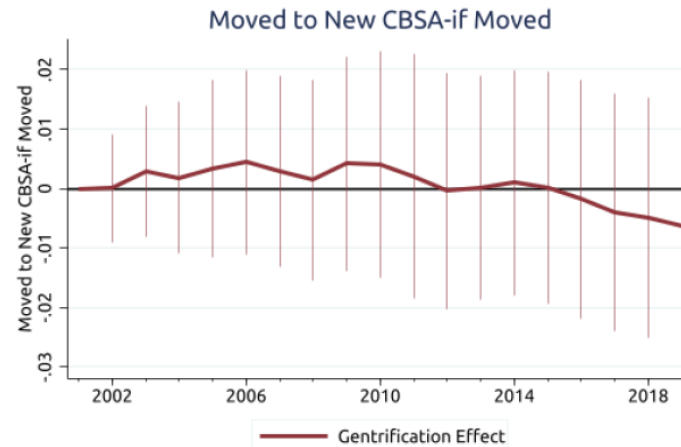
$$gent_{\ell} = \frac{pop.college_{\ell}^{2010} - pop.college_{\ell}^{2000}}{pop.adult_{\ell}^{2000}}$$

Incumbent residents that moved don't seem to end up in worse places

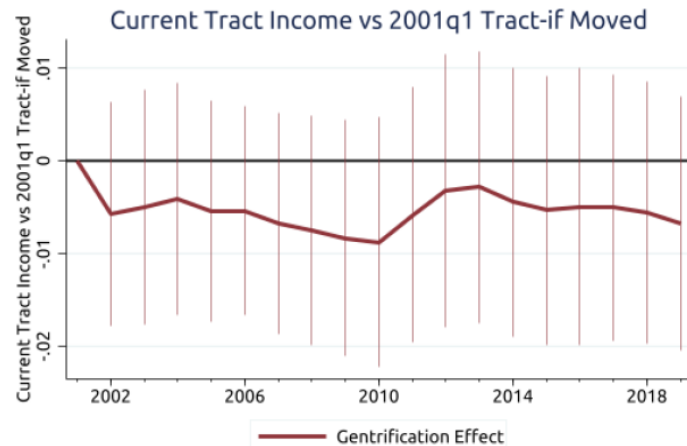
Figure 7. Comparing Origin and Destination Neighborhoods



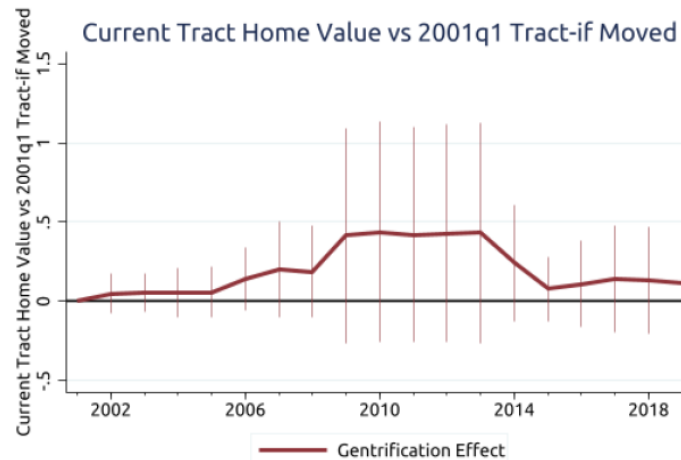
Effect from net entry of 25 college workers per 100 original residents.
Full sample



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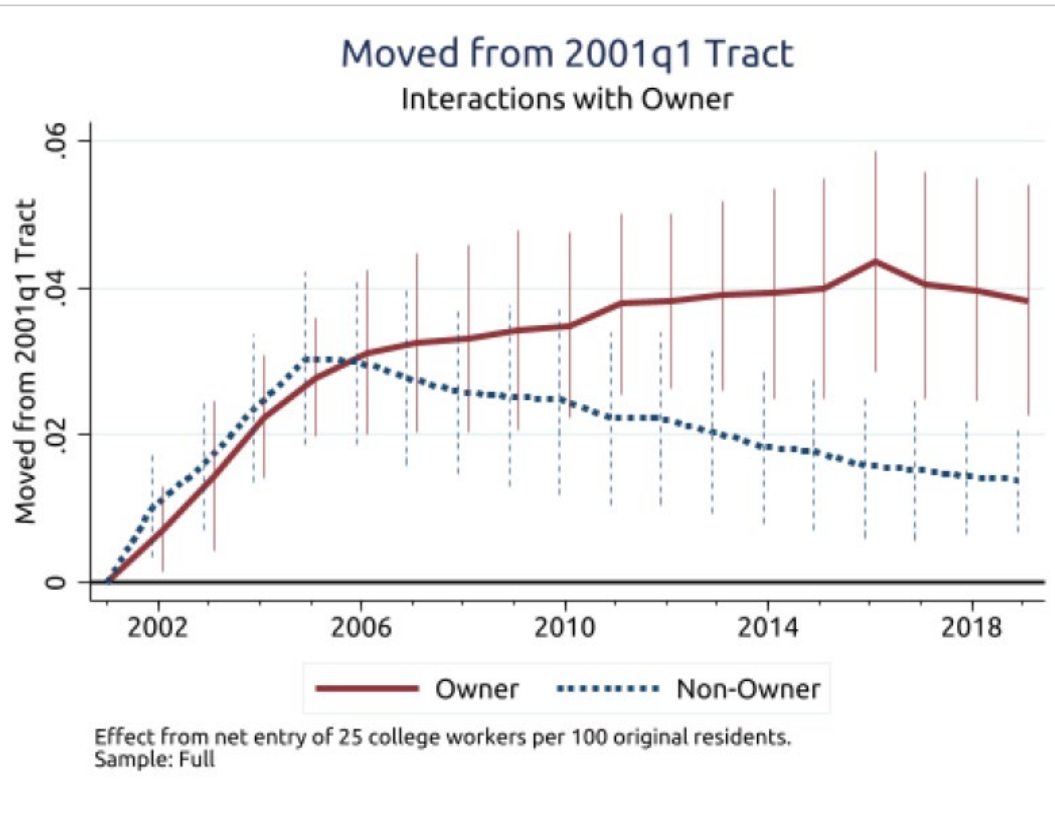


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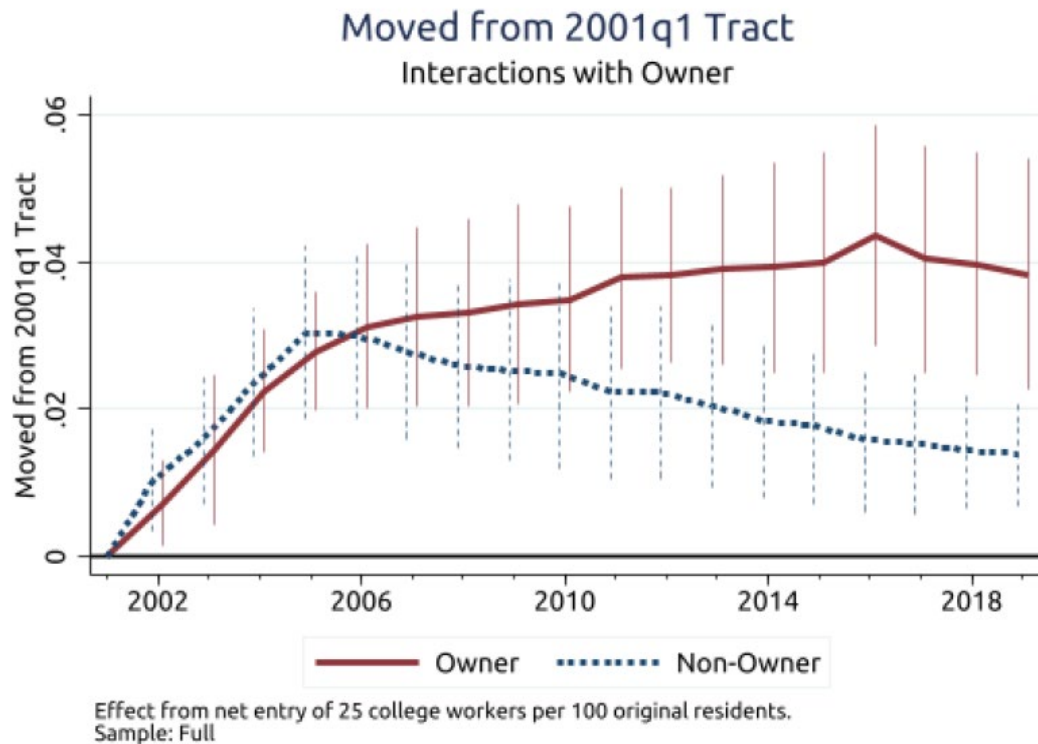
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Findings



- Homeowners (relatively) more likely to move
- I don't think is a property tax effect

(my) Findings

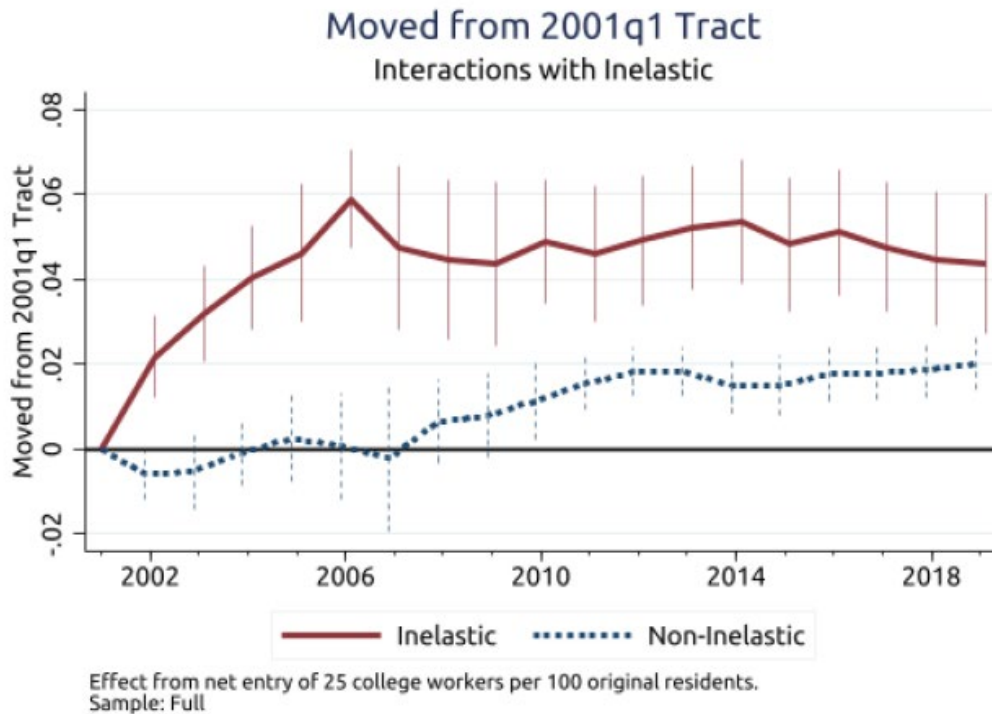


- Homeowners (relatively) more likely to move
- I don't think is a property tax effect
- Homes subject to assessment cap were more likely to gentrify

Neighborhood Type	Low Priced Neighborhoods in 2000	Gentrified Between 2000 and 2007	Share
Assessment Cap	2,392	504	0.21
No Assessment Cap	1,792	305	0.17
Difference			0.041*

Findings

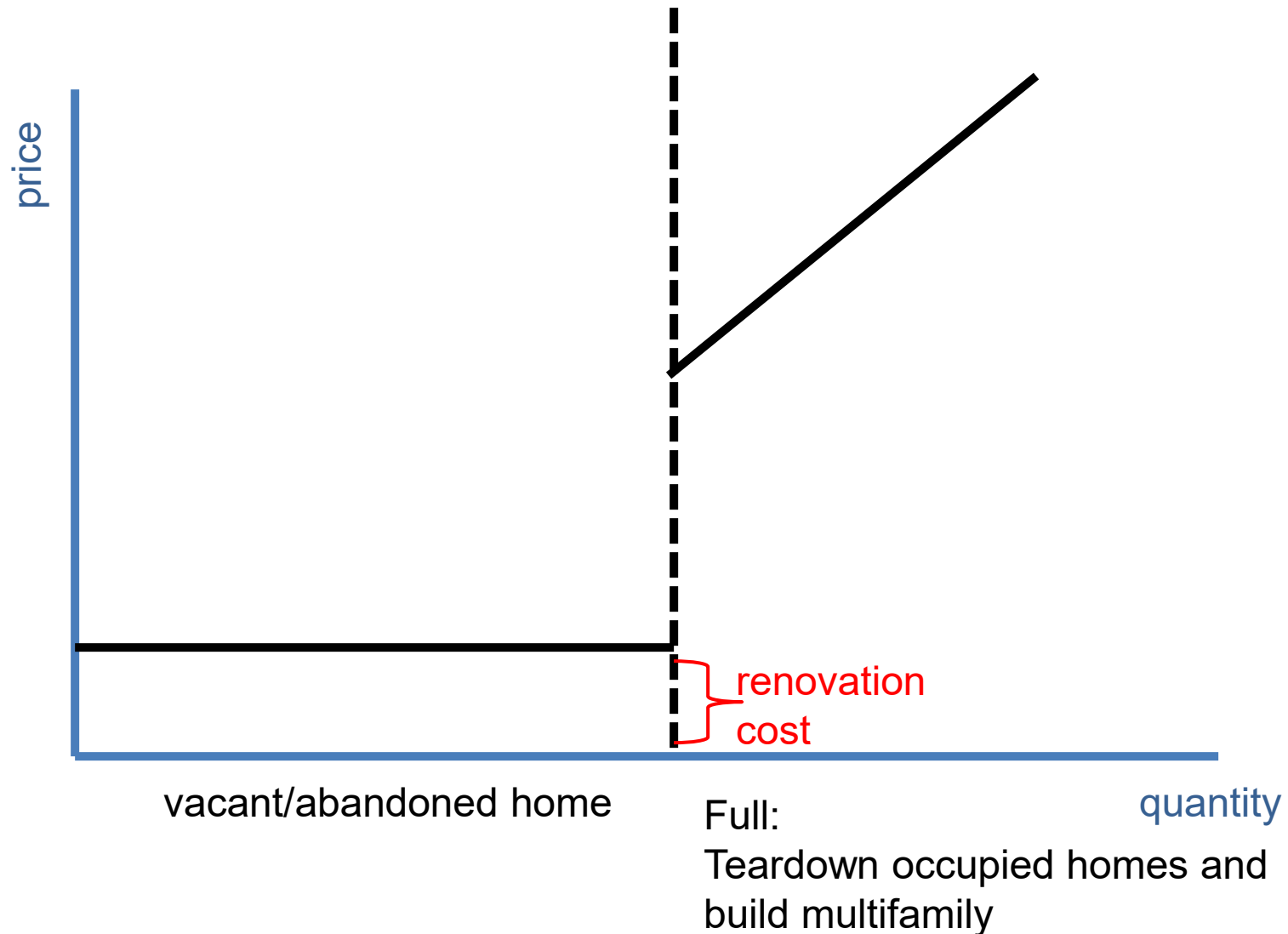
- Supply elasticities matter for gentrification effects



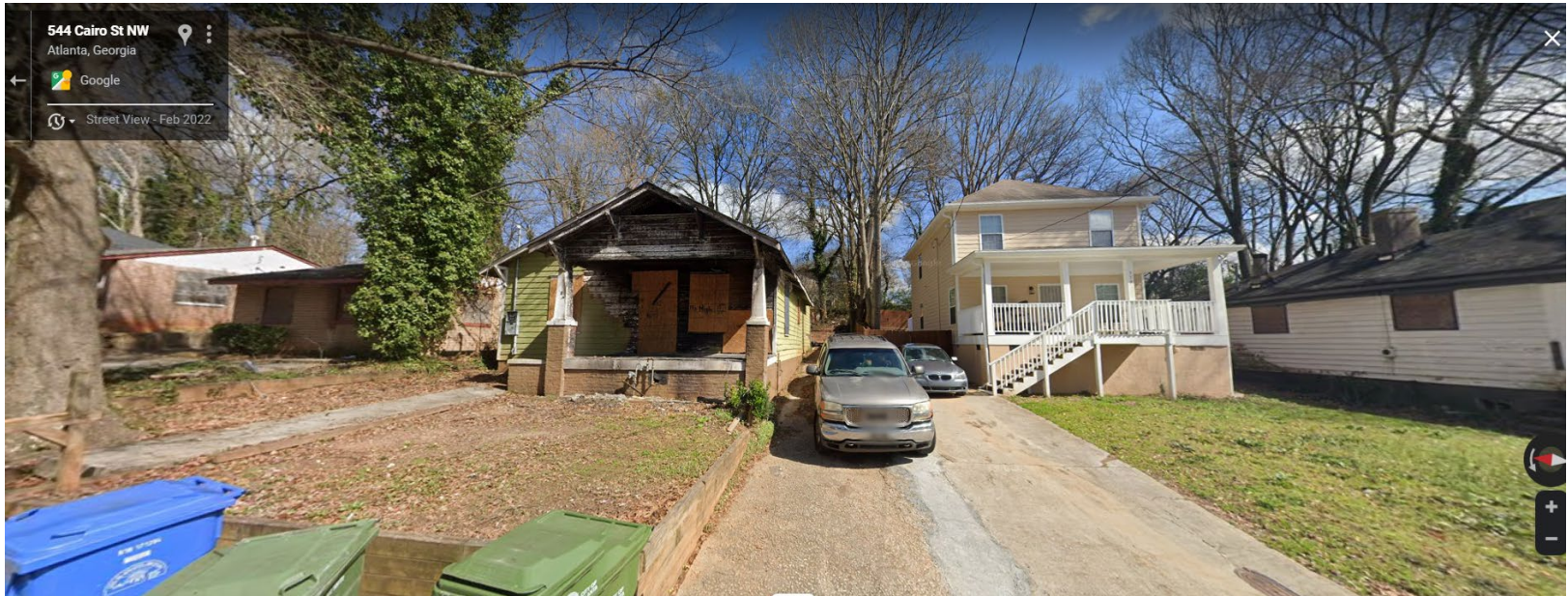
Local supply elasticities



Local supply elasticities with out regulation



Existing stock of housing, depreciation, maintenance and quality-adjusted rents



- Price of quality-adjusted housing services
 - Median rent including new/renovated structures could be biased up (implied rent experienced by incumbents)
 - Incumbent housing services could decline if existing rental stock allowed to depreciated in anticipation of renovation (...or even to clear out tenants?)

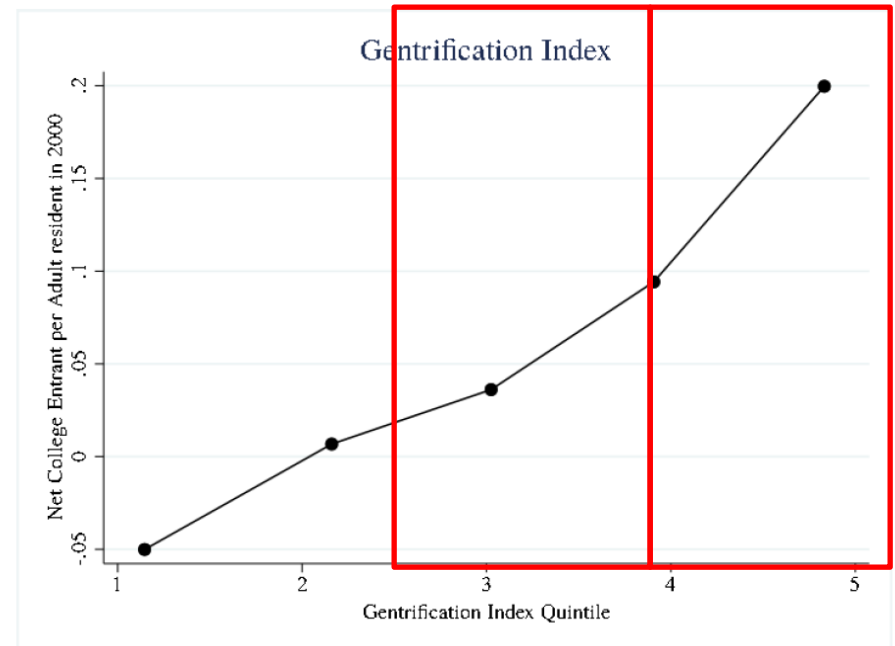
Possible Refinements

- In current analysis gentrification just happens
- If gentrification is more likely to occur in unobservably (or observably) nicer tracts perhaps those incumbent residents will fare differently over time?
 - Control group is all low-income core tracts
 - Limit non-gentrified control group to more “gentrifiable” candidate tracts in 2000
 - Hartley used adjacencies to high-college tract
 - Propensity score matching?

Possible Refinements

- Not sure about the gentrification index
 - Only top 2 quantiles actually gain more college educated than expected
 - If gentrification is part a coordination game, it could truly be discrete event
 - Maybe just take a stand and make a dummy
 - Also will help with interactions to come

Figure 1. Net College Entrants by Gentrification Index Quintile



Possible Refinements

- Chetty opportunity neighborhoods as mobility outcome
- Use cross-CBSA variation to find control groups?
- Lee and Lin (RES) find that neighborhood change affected by amenity endowments
 - Less anchors= more churn
 - Synthetic control?

Things I wonder about

- Fraction of the population with a credit record? (11% credit invisible, 8.3% unscorable)
Brevoort, Grimm, Kambara, CFPB 2015.
- Standard error clustered at CBSA,
 - MaKinnon, Nielsen, Webb (J. Econometrics, 2022)
on Wild Cluster Bootstrap, may help with significance.