

# 1

## An Introduction

Look around. No matter the continent, no matter the country, you will see streets, buildings, utilities, ornamental trees, manicured lawns, maybe even flowers. Some places also have bicycle lanes, trolleys, bridges, parks, or even formal gardens. As a small child might put it: how did this all get here? How are cities and towns built? Who decides and how?

Broadly speaking, this is the aim of the urban studies field to answer. In this book, we take a narrower line of inquiry by asking what the role of the real estate development and planning enterprises are in shaping how places get built and rebuilt. While a multitude of factors play into the design and development of human settlements, real estate and planning have an outsized and oft misunderstood role. The choice of where water lines are laid out, how tall a building is, what trees are planted, these each have their origins in the real estate development and planning professions – an intricate and complex set of customs, techniques, methods, theories, and histories that, situated slightly differently in different geographies reveal the answer to the child’s question about the built environment.

It might be easy in telling this story to focus on a series of nameless and faceless ideas (like pro forma analysis, gentrification, or zoning) that propel the shaping and reshaping of places, but people are in fact at the center of this work – we build not because of regulations or profits or because of tradition, we build for humankind. Through this people-first lens, we will explore the practice of real estate planning and development.

The book’s title “Building for People” is an homage to the seminal urban planning book *Cities for People* by Danish planner Jan Gehl (2013). Gehl can reasonably be considered the most important urban planner alive today. His work has reshaped cities globally and the impact of *Cities for People* has been profound: using psychological sciences and simple human observation, he has brought attention within the urban design and planning world to how people experience

cities (Matan and Newman 2016). Through a people-centered lens, Gehl has helped city planners make places more inviting, safer, and more accessible. We hope that this book can make a similar impact on the real estate development and planning fields.

A good deal of research has established how places affect people and how policies and stakeholders have served to produce and reinforce these effects. Understanding real estate development is a fundamental task for using this research as part of a career focused on making places better for people. While most practical guides to real estate development focus on the business side of the proposition, this book presents real estate development more holistically, elucidating the role of both profit and public good. Profit is not necessarily incompatible with social goals and this text serves as a guide to attend to financial and investment concerns, but not at the expense of social ones.<sup>1</sup>

This book provides an introduction to the major components of mainstream and progressive real estate development and their connections to urban planning. We will convey key technical and substantive knowledge, as well as situating the subject within a broader political, economic, and social context. Beginning with some historical and theoretical context on real estate development and planning, then moving to basic financial analysis, site selection, site improvement, architecture, landscape architecture, site planning, construction, and evaluation, this book explores key theories and methods of professional practice. We maintain a critical focus on the role of real estate in the reproduction of social, spatial, and economic inequalities and consider how alternative models function theoretically and practically in the market. We both introduce important players in the development and planning process, including urban planners, lawyers, real estate developers, bankers, community organizers, and others as well as make visible how the built environment is a reflection of the power dynamics between them. The story of real estate development and planning is told here through a multi-level lens, where the systemic factors that govern (and are governed by) the real estate process will be closely examined and interrogated, allowing you to understand how key societal trends like gentrification, affordable housing, inequality, and homelessness are intertwined with the business of real estate development and planning. Through the use of real-world examples, you will become familiar with the nomenclature and skills needed to influence and impact the physical shaping of human settlements, while understanding social, economic, and political dimensions of that work.

When you read this book, you will master new knowledge and develop new skills. This book will help you understand: (1) the historical context of real estate development, (2) what models exist to address a range of social and community goals, and (3) the basic steps of the real estate development process. Readers will master these skills: (1) ability to critically examine the real estate development and planning process, while exploring systematic factors that

shape the industry, (2) determine and calculate the contextual financial and economic factors that frame any real estate development project, (3) conduct a pro forma analysis, and (4) basic site selection, site analysis, planning, design, and evaluation.

The book begins here with an overview of the history of real estate development and planning, how these two fields first professionalized, and were employed to address a range of public problems, including affordable housing. We dive deeper into these questions in Chapter 2 with an exploration of alternative models which consider the role of the public sector as collaborators in development, an Indigenous view of land, defense, and military family housing, and community development corporations (CDCs). Chapters 3 and 4 return to conventional methodologies by reviewing the capitalist perspective on real estate as a commodity, to be bought, sold, and invested in. In the subsequent five chapters, we take on each of the real estate development processes: site selection, site analysis/planning, architecture/landscape architecture, urban design and planning, and construction. For each, we review the key considerations for that process and emphasize what it means to take a people-centered approach. We also include an illustrative case study for each chapter where we examine how the lessons of the chapter come to life in the real world of professional real estate development practice. We made an effort to align the cases with each of the five development processes mentioned above, with some being true exemplars of best practices and others offering broader lessons for practice outside of a single development process. For details on our methodology for conducting these case studies, see Appendix 1.

## **History and Context of the Real Estate Development and Planning Process**

Historically, real estate development and planning were activities that happened at all levels of society, from highly centralized monarchies looking to erect public works to individual farms wanting to build a barn. The early civilizations in Africa and Asia were renowned for their monumental structures like the Great Pyramids in Giza, Egypt that still stand today, thousands of years later (See Figures 1.1–1.3). Likewise, the decentralized building efforts of individual farmers, craftspeople, or merchants have throughout history shaped urbanized communities and continue to shape the paths of roads, locations of parks, and the structure of settlements (Reps 1965). Between those autocratic developments and the pioneers settlers of the Great Plains and the dug-out cliffs of the Anasazi people, there is a rich historical record of a middle ground of formal plans, organized platting of land, and even the equivalent of today's homeowner associations that appears to have shaped much of the planet's built environment (Platt 2014).



**Figure 1.1** Example of ancient planning in the Indus Valley civilization. Archeological site of the ancient city Dholavira in modern day Gujarat, India. Courtesy of Uma Edulbehram.



**Figure 1.2** Archeological site where the ancient city Dholavira once stood, in modern day Gujarat, India. Courtesy of Uma Edulbehram.



**Figure 1.3** Instance of planning in Dholavira. One of 16 water baths surrounding the city perimeter that served as both storage and protection. Courtesy of Uma Edulbehram.

The choice of a despot or an independent pioneer to build or not to build is of little relevance today, but meditating on that space between offers valuable insight. When people have voluntarily come together to develop land and build, but have restricted themselves by social laws or regulations, amazing results have come: the Spanish pueblo (See Figure 1.4), the Italian plaza, the New England village, the Israeli kibbutz (See Figure 1.5), and many others.

The remainder of this chapter considers recent history in greater depth, beginning with the birth of modern urban planning and real estate development practice in the nineteenth century and major milestones in the twentieth century that brought broader public purpose with the advent in the United States of the 1949 Housing Act and subsequent federal and state legislation that sought to position the development process as a tool to solve urban and subsequently, broader societal problems. We will then discuss the historical development of alternative housing models globally, with a focus on examples in the United States and their current role in the US housing market (exploring these models in more depth in the next chapter). This review will conclude with the present-day debates around the role of real estate development and planning in shaping public and private spaces, focusing on affordable housing, gentrification, alternative models like the Yes In My BackYard movement (YIMBY).



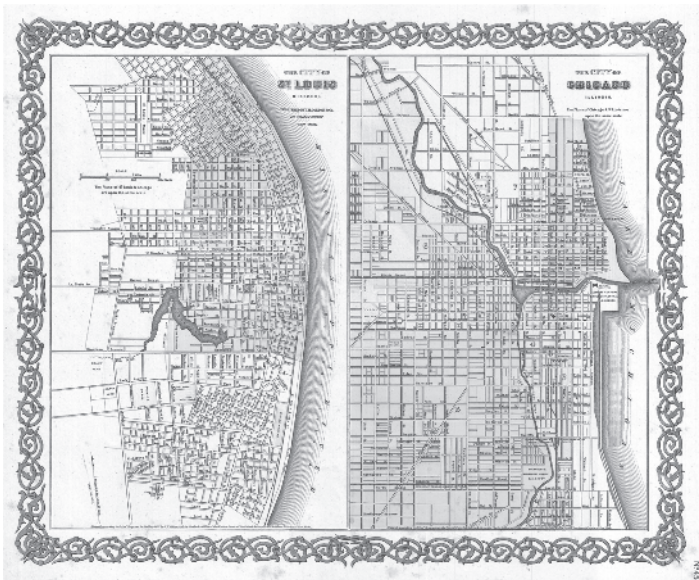
**Figure 1.4** Spanish Pueblo. ZC.Marbella / Wikimedia Commons / CC BY-SA 4.0.



**Figure 1.5** Aerial view of Kibbutz Nir David near the Amal River in Israel. STOCKSTUDIO / Adobe Stock.

## The Birth of Professional Real Estate and Planning in the Nineteenth Century

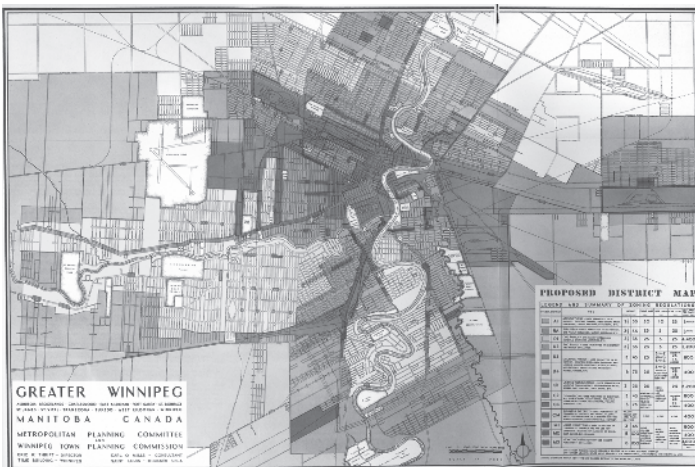
While we have much to learn from ancient real estate development and planning, like so many other contemporary scholars (see Hall's *Cities of Tomorrow*) we begin this historical review with the birth of modernity. It was at the dawn of the nineteenth century that humanity underwent a profound shift with the onset of the Industrial Revolution. Machines and the scientific method surely brought a lot of good to the world, but they also brought the horrors of the Great War, urbanization and its problems at a mass scale, and a wholesale rejection of many of the traditions and practices of architecture and planning of the past (Gomis and Turón 2015). In many ways, the Columbian Exposition of 1893 marked a clean break from the past and launched the birth of the urban planning profession, which was quickly followed by professionalization in scores of other cognate fields like real estate development (Fairfield 2018). Daniel Burnham and his early followers formed national professional city planning bodies in the United States and promoted model municipal regulations (See Figure 1.6).



**Figure 1.6** Example of professional city planning in St. Louis, Missouri and Chicago, Illinois. Hand colored maps detail city wards that demonstrate uniformity in the modern American city. J. H. Colton / Wikimedia Commons / Public domain.

While widely celebrated as a progressive advancement in the application of science and social science to solving community problems, the plainer view is that the birth of professional planning was a conduit for real estate development to acquire faster, easier, and more profitable opportunities for growth. The advent of zoning at the beginning of the twentieth century is an excellent example of this.

Zoning was first introduced ostensibly to manage the ill effects of growth, as justified in the model zoning regulations promulgated in the early 1900s (Peterson 2003). By dividing a community into zones and establishing use, density, bulk, form, and access minimums and maximums in each, the Courts generally found that zoning was a legitimate exercise of local police power (Peterson 2003). What was not explicitly argued in these seminal court cases was the invisible power of zoning in advancing the interests of real estate development. By formalizing rules of development, just about every locality in the United States and many countries around the world essentially made it much easier to grow. Sonia Hirt's (2015) *Zoned in the USA* offers a compelling comparative analysis of the ways that zoning, when used in the US, Canada, and a few other countries, removes avenues for opposition to new development projects by eliminating discretion on the part of local officials. Hirt notes that in most of the rest of the democratic world, that local discretion is preserved, and property owners (and their real estate developer partners) have few by-right opportunities to build. In North America, that right to build was enshrined by zoning. Zoning sets the ground rules for new development, which if followed precisely permits a real estate developer to be able to build. People set the rules of zoning, but once they are set in place property owners and developers have much latitude (See Figure 1.7).



**Figure 1.7** 1947 proposed zoning in map in Greater Winnipeg, Manitoba Canada created by municipal and state planning committees. Manitoba Historical Maps / Flickr / CC BY 2.0.

With the widespread adoption of modern planning functions like zoning, master planning, and subdivision control, the certainty of real estate development increased drastically. This led to the formation of professional real estate organizations and societies like the National Association of Realtors (1908) and the Urban Land Institute (1936). Where pre-modern era real estate development was governed by despot, a pioneer, or some collective organization in between, modern real estate is universally governed by a professional class of planners, working for locally elected political leaders in each community. These planners implement legal frameworks, like zoning mentioned earlier, that respond to the political desires of their bosses. If the people of a community want large industrial districts established on the outskirts of their downtown, then those political leaders ensure that the zoning and other regulations make that possible. Now highly professionalized by the twentieth century, real estate developers could then simply look at what is allowable by local codes and then build. (Later in the book, we will explore the creativity that tends to come along with the decision about what actually gets built.) In this context, hand-in-hand with local political leaders and professional planners, the real estate development function becomes a highly profitable business, and on an industrial-sized scale teams of financial analysts and construction experts identify allowable uses, acquire properties, build, and either lease or sell to generate profit.

## **Mid-twentieth Century Federal Intervention to Address Societal Problems**

The end of World War II brought millions of soldiers back from the battlefield and a baby boom in America drove enormous demand for new housing. The timing coincided with the vast growth in innovation around automobile manufacturing, also a byproduct of the war (Nicolaidis and Wiese 2017). With people beginning to drive more, new limited access roadways and highways being laid out, and an explosion in the number of households forming, the mid-twentieth century witnessed a wholesale transformation of the American landscape as real estate developers, working again with local leaders and professional planners, saw housing starts increase from 142,000 in 1944 to approximately 1.5 million per year by the 1950s (Nicolaidis and Wiese 2017). The quintessential Levittown development on Long Island, New York was begun in 1947 and eventually consisted of 17,500 houses across 1,200 acres (Kelly 1988), followed by similar Levittowns and other comparably sized developments across the country (Beauregard 2006) (See Figure 1.8).

During this same time, discriminatory lending practices, racial zoning, and racial and religious covenants embedded in the real estate development process created unfair and unjust residential segregation across the country (Rothstein 2017). These practices will be explored in depth in Chapter 2.



**Figure 1.8** Example of street in Levittown development on Long Island, New York. Library of Congress / Wikimedia Commons / Public Domain.

Federal veterans support and housing programs provided additional insurance and capital to support this building boom, with many of those programs still in effect in various forms. As previewed earlier, many of these programs were designed to largely help White families and have been criticized as discriminatory toward Black and Latino applicants (Rothstein 2017).

For those Americans lucky enough to benefit from these federal programs, innovation around lending made a big difference. One agency, the Federal Housing Administration (FHA) introduced the 30 year fixed rate mortgage, making it much easier for low to moderate income individuals to purchase a home. These FHA programs continue to be a key stimulant to residential real estate development today.

The 1949 Housing Act provided a range of federal supports for both real estate development and public housing, staking new ground in government support for intervention in the private real estate market. These programs brought a new level of public purpose to real estate development, arguing that the social and economic problems of society could be addressed through development. Here we begin to see a sense in American society that pure profit might be balanced with broader public purpose.

Upheaval in cities and growing urban poverty in the 1950s and 1960s led to further federal intervention with the 1954 Housing Act, which built upon the 1949 Act's slum clearance provisions by introducing the concept of "urban renewal" (Stafford 1976). These urban renewal programs were built on the assumption that some real estate markets fail when disinvestment and stigma are too strong and the only possible remedy is public intervention in the form of demolition and rebuilding (a rejection of that traditional Adam Smith view of the hidden hand of the market always setting prices and correcting market failures).

Across the country, federal money was and to some extent is still used by local governments to essentially condemn entire neighborhoods (always low-income and usually occupied by Black and Latino residents) and partner with real estate developers to build something new. Herbert Gans' (1965) seminal treatment of this process in Boston told the story of the West End and how it was demolished to make room for an expansion of Massachusetts General Hospital and new housing (See Figure 1.9). Gans reports on the ways that people were essentially evicted from their fully functioning homes and their personal religious, educational, and community networks were destroyed. Countless other accounts of the devastating impacts of urban renewal eventually led to its decline in popularity and increasingly more targeted use (Stafford 1976).

While these mid-century federal programs enriched many a real estate developer, they came with restrictions and limitations. The unintended consequences of urban renewal have led many scholars to question whether they were unintended in the first place (Hirsch 2000). Some have argued that the pursuit of social goals in "improving" cities was all just code for racist and discriminatory policies (Hirsch 2000). Whatever the motivation, these programs redefined the relationship between the for-profit real estate industry and the outcomes they created in building places. New real estate projects were no longer considered outside of a social and economic context.



**Figure 1.9** North east view of West End urban renewal project in Boston. Boston Housing Authority / Wikimedia Commons / CC BY 2.0.

## Historical Development of Alternative Housing Models

The Industrial Revolution brought more than just the professionalization of real estate and planning practice; it also brought a major wave of urbanization across the globe. In the nineteenth century, new urban slums emerged across Europe and North America, where rural migrants came pouring into packed tenements, with poor ventilation and scant natural light (Hall and Tewdwr-Jones 2010). These neighborhoods, like the Lower East Side in New York or Lombard Street in Philadelphia (Logan and Bellman 2016) were largely characterized by overcrowding, low-quality housing, poor infrastructure (water, sewerage, and electricity), and high crime (Hall and Tewdwr-Jones 2010). Photojournalist Jacob Riis (1890) is widely credited with bringing these conditions to the broader attention of the American public with his renowned *How the Other Half Lives*. In his book of photographs, Riis depicts the inhumane housing conditions among the poor in the Lower East Side of New York City (See Figure 1.10). The response was profound,



**Figure 1.10** The Bandit's Roost photograph by Jacob Riis capturing urban poverty of the late nineteenth century at 59 Mulberry Street, New York City. Courtesy of the Preus Museum.

politicians responded over the coming decades by fundamentally rearranging the traditional private, for-profit real estate development model. It is not an accident that Marx (1867) wrote *Das Kapital* during this same era, critiques of capitalism were widespread and by the early twentieth century the theoretical ideas were put into practice with the Russian Revolution and the establishment of the world's first major communist state.

Within the United States, the struggle between capitalist and communist models for real estate and housing resulted in the development of many configurations which exhibited characteristics of both ideologies. Public housing became the most visible, involving the building and maintenance of subsidized homes for (at first) veterans and senior citizens, and later the poor and disabled (Vale and Freemark 2012). These twentieth century public housing developments generally replaced what was termed “slum housing,” high-density, poor quality construction, but privately owned units, with modern, multi-story, homes that had a range of amenities often absent from the replaced homes, like electricity, bathrooms, running water, and sunlight (Wallace 2004) (See Figure 1.11). Over time, the lack of public support for public housing resulted in slashed budgets and disinvestment. Local public housing authorities lacked the funds, expertise, or both to adequately maintain these buildings and most fell into disrepair. As the physical plant of most public housing in America diminished, vermin, interrupted heat and hot water, and filth overwhelmed many units making these buildings housing



**Figure 1.11** Slum area in early twentieth century Washington D.C. primarily housing Black residents. New York Public Library / Flickr / wikimedia Commons / Public domain.

of last resort and acceptable to only the poorest Americans (Vale and Freemark 2012). As the population of public housing became increasingly poor, crime began to rise and this intense concentration of poverty became widely scorned in popular culture and society (Freeman 2011; Harris 2018).

With the descendance of public housing in the American imagination, alternative models rose, including the subsidization of private housing. The Housing Act of 1937 first offered a provision in Section 8 of the law for federal subsidies to be used to ease the rent burden of low-income Americans, but it wasn't until the 1970s that the program gained steam in the face of declining support for public housing (Sazama 2000). Through this subsidy model, private, for-profit real estate owners could make apartments available at a discounted rate to qualified low-income residents, with the difference between the market rate and the rent received made up by the federal government (Sazama 2000).

The following chapter offers a more in-depth examination of the alternative models that have arisen in recent decades to extract greater public benefits of real estate development.

## Development and Redevelopment in Shaping Affordability

When people build and rebuild places there will always be winners and losers. When a real estate developer successfully navigates the regulatory process to purchase a corn field and build a shopping center on a city's outskirts, the investors win, the developer wins, any tenants in the new building wins, and the farmer who sold the land wins. But what about others? What about the fiscal health of the community? That farmer was paying taxes, but we can expect that the sale of their land and construction of a commercial building will yield drastically higher taxes. On a five-acre farm, in a typical small Midwestern US city the farmer might pay \$5,000 per year in taxes. After the land is sold and improved with buildings, roads, and other infrastructure, that tax bill could be \$20,000 per year.

From the perspective of the local tax collector, this was a good project for the local government. But wait, there's more to consider. Does this new shopping center mean any additional costs to the town? In most cases, the answer is yes. The shopping center's location outside of the main center of the city may bring shoppers down largely unused streets, requiring more regular resurfacing and rebuilding of those roads (at a cost of what could be thousands per year, on average). Excessive traffic may even require the installation of new traffic lights in front of the shopping center (costing tens of thousands of dollars). Then there is the matter of the existing businesses in the downtown who now have to compete with the shopping center, if any fail, that could lead to long-term vacancy and in

severe cases building foreclosure and tax delinquency. Lost revenue for the city can result from such competition, as has been widely documented when big box stores and malls locate outside of downtowns (Salkin 2005).

In sum, the net fiscal impact may still be positive for this hypothetical city, but what if the new development was housing? The costs to the local government to educate additional children can reach as high as \$10,000 per pupil, with growing cities and towns needing new and expanded school buildings, new teachers, new staff, etc. Researchers have been documenting the environmental, social, and fiscal impacts of growth since the White House's first Costs of Sprawl report in 1974. From the deleterious impact on food systems to water supply to obesity rates, the kind of sprawling pattern of new growth described above has been shown to generate many losers. What becomes tricky here is that each loser only loses a marginal amount, where the winners we listed above win big.

The clearest alternative to this kind of sprawling new development is the reuse and redevelopment of existing built areas. Through the rehabilitation of historic properties or the demolition of older building and rebuilding of new structures, this approach is much more costly to the real estate developer. The greenfield site described earlier is in contrast to what might be considered a brownfield site in an existing built-up neighborhood. The US Environmental Protection Agency defined brownfields as "a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant" (EPA). While much of the built environment may not fall into this category, the very concept of brownfield hints at the unknowns and risks for real estate developers doing redevelopment. Rehabilitating a historic nineteenth century hospital might be a worthy endeavor, but modern hospitals have drastically different room size and floor configuration needs than they did centuries ago. Even if a new use can be imagined for an old hospital, for example housing, the conversion process is rife with uncertainties and unknowns, what conditions is the electrical wiring, how stable is the foundation, was lead-based paint used in the interior (See Figure 1.12). The questions that arise for a greenfield site are miniscule in comparison, making it naturally more attractive for any potential investors.

Urban planners have been attuned to neighborhood resistance to these kinds of redevelopment projects through a phenomenon called Not-in-my-backyard (NIMBY) (Greenberg et al. 1990). Critics of a proposed real estate development project seek to stall or cancel construction in response to elevated pollution, noise, traffic, or aesthetic impacts. In more recent decades, a counter-movement has grown that promotes new development that is viewed as beneficial to a neighborhood. These advocates embrace a play on the NIMBY acronym: Yes-in-my-backyard (YIMBY) and fight to approve real estate development projects that enhance their communities by providing housing, jobs, and environmental benefits (Lake 1993).



**Figure 1.12** Suffolk County Jail in Boston, Massachusetts converted into high-end Liberty Hotel.

For redevelopment projects, whether a developer is facing NIMBYs or YIMBYs will certainly impact on their ability to successfully advance their project. In addition, there are generally higher risks in a redevelopment project that are associated with higher rewards. Redevelopment has been a feature of human settlements since antiquity, developers have always been willing to shoulder the risks of rebuilding in existing areas in exchange for higher rents and higher profits.

As with the greenfield example, a redevelopment can be a winner for the real estate developer, investors, the existing property owner, and others. Because existing, previously developed land already tends to have infrastructure, the local government costs tend to be low, making the overall fiscal impact positive for many cases (with the big exception being for residential development that may bring high numbers of new students into public schools). Often redevelopment requires some level of public support or subsidy, for example deferral of property taxes or construction of nearby parks or gardens – in which case the overall fiscal impact can be expected to be negative in the short term.

Losers in a redevelopment might be renters or commercial lessees who have enjoyed an affordable neighborhood and face the prospect of rising prices in the face of redevelopment. In a process known as gentrification, increasing redevelopment activities generate enhancements to a neighborhood through new amenities and often additional public facilities (Smith and Williams 2013).

The natural degradation of the materials that comprise structures means that, most buildings need to be completely rebuilt every 30 years (Lucy and Phillips 2000). Housing scholars describe a process called filtering where new buildings

attract high rents and a high-income strata of society, where without regular maintenance and rebuilding, these buildings tend to filter to lower and lower income groups as they become increasingly less desirable (Bier 2001). Because there are such a multitude of factors that drive rent prices in any given locale, the role of filtering is somewhat ambiguous relative to other drivers.

Take the example of the North End of Boston. First platted in the 1600s, this neighborhood grew and reached its fully built out form approximately 100 years later (Goldfeld 2009). Since then, buildings have been built and rebuilt many times. Some structures have been demolished (due to fire, obsolescence, or dereliction) and new ones have replaced them, sometimes at a higher or lower density. At any given time, the relative quality of an apartment compared to others in the neighborhood will impact rents or sales price, but only to a point. The overall desirability of the North End relative to other neighborhood in Boston and the region's overall economic stature will all play a role in shaping prices.

Strolling through the neighborhood's legendary Hanover Street (See Figure 1.13), alive with Italian restaurants, bakeries, cafes, and shops, we can expect that any nearby building in need of another round of repair or rebuilding will eventually receive such investment due to the profit opportunities for doing so. Neglecting to do so would be ruinous for any property owner in the long-term.

This gentrification process, from the perspective of these property owners, can simply be the expression of their self-interest in preserving valuable real estate through its repair or rebuilding. Each individual owner, making such investments in a timetable that tends to correspond to rising demand, can over time transform



**Figure 1.13** Looking northeast along Hanover Street in Boston's North End. Courtesy of Rodhullandemu, CC BY-SA 4.0. <https://creativecommons.org/licenses/by-sa/4.0>, via Wikimedia Commons.

a neighborhood. Such transformation has indeed occurred in the North End at least a dozen times. This cycle which enables real estate development is primarily driven by fiscal goals. During economic downturns, the incentive and ability for property owners to repair or rebuild is low, so they maintain their buildings in moderate to poor condition. When the economy goes up, along with demand for living or working in the North End, the incentive for reinvestment returns and these same owners now are motivated to make those long-delayed repairs. What had been a neighborhood of older and worn homes and offices, with concomitant low rents and low sales prices, affordable to even the poorest of the region's residents, suddenly becomes a hot market. Hence: gentrification!

The sweeping sight of cranes and construction vehicles across the neighborhood does more than increase prices for the impacted buildings, it also sends a broader message to investors that prices are going up in the North End. Such a message can then mean higher rents even for those buildings which have not been renovated, a pattern nicely documented by Harris (2018) around gentrification in Brooklyn, New York. For longtime low-income residents and businesses, the comforts of their older, worn, and, perhaps, run-down abode is now under threat – their landlord may see an opportunity for raising the rent.

This possibility of displacement is a reality for many and has been well-documented (Harris 2018). But displacement from gentrification is not universal, as Freeman (2011) showed in the gentrification of Harlem that widespread evictions were less common and that low to moderate income property owners benefited greatly from gentrification as their wealth rose with property values. While the percentage of homes in a gentrifying location that are affordable to the average income household will fall, other areas of a metropolis may become less desirable and thus offer alternate opportunities for affordable housing.

This free market system allocates people to live in certain areas, at certain times. Concerns do rise about ghettoization, both in terms of concentration of poor people or rich people in certain neighborhoods. This is an outcome the free market fails at addressing and the public and subsidized housing solutions discussed earlier offer a remedy. In fact, much of redevelopment planning focuses on neighborhood-scale local government solutions to neighborhood where market failure appears evident. For a neighborhood that might be expected to experience an infusion of investment during an economic boom time but instead continues to be overlooked by investors and abandoned by property owners, planners have used redevelopment to provide subsidies and artificial incentives for owners, have condemned poorly maintained structures and acquired them through eminent domain, and have created new special purpose government authorities to manage and streamline repair and rebuilding efforts (Dardia 1998).

Take the Carriage Town neighborhood of Flint, Michigan as an example. While a drinking water contamination crisis has made Flint well-known for public mismanagement, the city has approached reuse and redevelopment of neighborhoods

in a fairly typical fashion (Hollander 2011). After decades of decline and disinvestment, the city targeted the Carriage Town neighborhood for redevelopment. While 56.9% of homes were owner-occupied (US Census Bureau 2016–2020), the remainder were landlord-owned and generally in poor condition. Today, according to a scan of renter websites, the monthly rent for a typical two-bedroom apartment in Carriage Town is about \$827, where the city-wide average is \$819. The redevelopment plan sought to pressure landlords to improve their properties, but demand was low and rents they were collecting barely covered taxes, water, and sewer bills. While Carriage Town benefited from city investments, our own research found that the influx of new people also changed the neighborhood’s character (Hollander 2011). With the neighborhood now a reasonably attractive place to live within Flint, questions abound about how public investments were spent and what those outcomes mean for people living there and in surrounding neighborhoods that might not have seen those public dollars and attention.

The development and redevelopment process described here can vary widely from place to place, but this introduction is presented with the aim of getting you comfortable with some of the nomenclature of redevelopment, affordable housing, and gentrification, all themes we will return to regularly in this book.

## Note

- 1 The recent growth of the impact investing field suggests that focusing on people is a broad trend in finance.

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