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## Gentrification and HOPE VI in Chicago: Turning Points and Responses to Economic Crisis

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# Gentrification and HOPE VI in Chicago: Turning Points and Responses to Economic Crisis

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## Abstract

Public housing in Chicago, like many cities nationwide, has a history of poverty, crime, and disinvestments. In 1992 the HOPE VI program was created to change the development path of these neighborhoods. The objective of the program is to deconcentrate poverty and enrich prospects for gentrification and urban renewal in targeted neighborhoods by tearing down and replacing project-based public housing with mixed-income apartments. In the process condominium developments often arise on empty parcels of land that further accelerate neighborhood gentrification. Using data made available under the Home Mortgaged Disclosure Act of 1975 the study investigates gentrification in neighborhoods targeted by HOPE VI policy in Chicago from 1990-2007. We examine the following: (1) the extent to which mortgage financing is improving; (2) if changes vary at the intra-urban scale and; (3) the effect, if any, of the recent foreclosure crisis on areas of poverty and subsidized housing. It is found that housing investment was improving in HOPE VI neighborhoods prior to the foreclosure crisis. In these neighborhoods the rate of growth in housing investment was greater than in non-targeted HOPE VI neighborhoods and Chicago combined. The onset of the foreclosure crisis curtailed housing investment in both targeted and non-targeted HOPE VI neighborhoods. Yet, evidence suggests that targeted neighborhoods were most affected, especially those near the downtown where gentrification is more intense. Furthermore, results show that the intra-urban scale is important to consider in examining gentrification in HOPE VI neighborhoods.

## Introduction

The inception of the HOPE VI program in 1992 gives local housing authorities the legal and financial resources to redevelop high density, project-based public housing into low-density, mixed-income apartments. HOPE VI redevelopment is based on an assumption that integrating low, middle, and high income housing will improve the quality of life for urban poor (Joseph et al. 2007). However, there are concerns that HOPE VI does more to further gentrification in the inner city than to aid the plight of the neighborhoods poor population (Fraser and Kick 2007). Expectations for gentrification in HOPE VI neighborhoods are greatest for those near already gentrified and/or gentrifying areas (Wylie and Hammel 1999; Cunningham 2001). If gentrification in surrounding HOPE VI neighborhoods is unlikely, there are expectations that the program will facilitate the process by opening up new markets for housing investment and mortgage lending. Nationwide local housing authorities are using HOPE VI to help transform areas of concentrated poverty, as more than 500 grants have been awarded since the programs inception. The extent to which HOPE VI is helping gentrification is unclear.

This research explores the following research questions for Chicago: *First*, when did HOPE VI neighborhoods begin to gentrify and to what extent has the process unfolded since then? While the relocation outcomes of displaced urban poor as part of HOPE VI are well documented (Corney 2007; Kingsley et al. 2003), few studies have examined the changes that are taking place in neighborhoods targeted by HOPE VI, especially in the context of gentrification (Abt Associates 2003; Holin et al. 2003). *Second*, does gentrification in HOPE VI neighborhoods vary at the citywide scale? The extent and process of gentrification will vary at international, national, and localized scales (Lees 1994; Wylie and Hammel 2004; Butler and Robson 2001), however, the impact HOPE VI has on gentrification at the local and particularly, intra-urban scale, is not fully understood. Third, how has gentrification responded to the recent foreclosure crisis and recession that began to unfold in late 2006. It is known that gentrification shifts with macro-economic cycles (Hackworth 2002), but little is known about how the process in HOPE VI neighborhoods responds to a fluctuating economy.

## Method

Eleven public housing projects in Chicago are being targeted by HOPE VI policy. Collectively, the projects occupy seventeen census tracts. The locations of targeted neighborhoods, or tracts, are identified in Figure 1. We use mortgage financing as a measure of gentrification, which can assist with establishing the year these neighborhoods began to gentrify (Smith, Duncan, and Reid 1989). Home loan data are collected for 1990 and 1995-2007.

To cast light on the timing, extent, and geography of gentrification in HOPE VI neighborhoods in Chicago we employ a variety of techniques. Dependent means t tests help uncover the economic turning point for gentrification in targeted neighborhoods by analyzing changes in mortgage financing frequency since 1990, four years prior to the activation of HOPE VI in Chicago. Independent means t tests are used to compare mortgage financing between HOPE VI neighborhoods and neighborhoods that are not being targeted by the program. Descriptive measures reveal the geography of gentrification and how the process is responding to the recent economic downturn that began in late 2006.

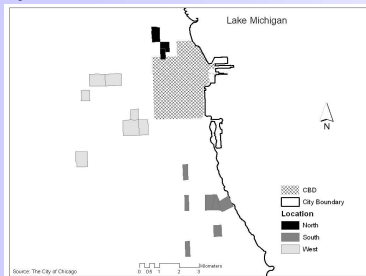
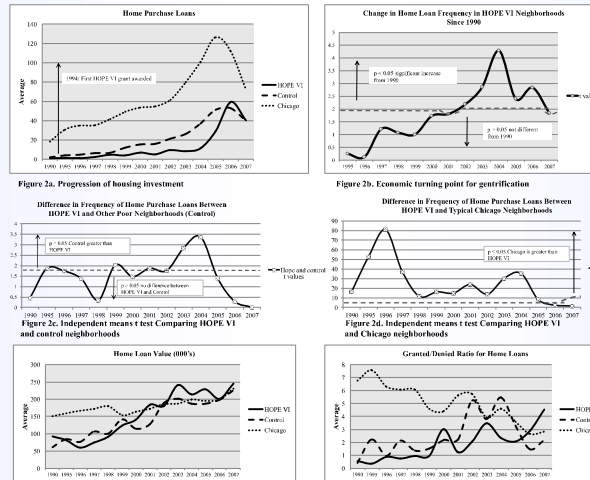


Figure 1. Chicago Study Area: HOPE VI Census Tract Locations

## Early Stages of Gentrification

Gentrification began to slowly unfold in targeted neighborhoods soon after the first HOPE VI grant was awarded in 1994 (Figure 2a). Following the implementation of HOPE VI a dramatic transformation of the housing market began to take place, allowing wealthy residents and investors access to these neighborhoods. For example, in 1990 there were twenty-four rental housing units for every housing unit that was owned. By 2000, there were only ten rental housing units for every owned housing unit. One year later, in 2001, significant signs of housing investment emerged in HOPE VI neighborhoods (Figure 2b), indicating that an economic turning point from disinvestment to reinvestment had been reached (Smith, Duncan, and Reid 1989). Since then there has been significant and sustained increases in mortgage financing (Figure 2b). Even before 2001, when an economic turning point for gentrification is detectable, there are signs that the gentrification process was near as properties gradually appreciated during the 1990s (Figure 2c). Nonetheless, it should be noted that housing investment in HOPE VI neighborhoods has been outpaced by similar growth in other Chicago neighborhoods (Figure 2a, c, d) which can be largely attributed to improvements in mortgage lending in recent years. HOPE VI neighborhoods are benefiting from recent improvements in lending as well as it appears that historic processes of redlining in public housing areas are in route of being reversed as lenders are becoming more willing to provide mortgage financing (Figure 2f).



## Geography of Gentrification

Application of the geography of gentrification framework provides valuable insight into the dynamics of gentrification in HOPE VI neighborhoods. By sector location there are noticeable differences in the frequency of mortgage financing and accessibility (Figure 3a, b). Gentrification in North areas has outpaced the process in West and South sectors. Several geographical and policy aspects are important to consider. For example, although highly impoverished, locations near the downtown, the presence of economic stability and ethnic diversity in surrounding neighborhoods, and efforts by the Chicago Housing Authority (CHA) to replace public housing with private market housing are helping North areas to gentrify (Table 1). The original residents in North HOPE VI locations, those displaced to allow for redevelopment, that want to return to the neighborhoods will likely be excluded due to a shortage of public housing and an appreciation of private market properties (Table 1; Figure 3f). Of the original public housing units available in 1996 in North areas, only 5.9 percent of them will be available after on-site HOPE VI projects are completed (Table 1). In North areas, only 26 percent of the housing units planned in the HOPE VI developments are reserved for public housing residents, compared to 47 percent in West areas and 38 percent in South areas (Table 1).

Noticeable gains in mortgage financing in West and South areas are evident however, and they become even more apparent when each targeted neighborhood is assessed (Figure 3d, e). In South Chicago, the pace and intensity of gentrification has been slowest, despite the fact that \$155 million in HOPE VI grants are being used to transform these neighborhoods. HOPE VI neighborhoods in the South are not afforded the same prospects for gentrification as those in the North. For example, South neighborhoods are located further from the downtown and the surrounding neighborhoods are not ethnically diverse and wealthy, but rather are home to predominantly minority and poor populations (Table 1). Therefore, gentrification spread from surrounding neighborhoods is not likely in the South HOPE VI neighborhoods. HOPE VI does appear to be facilitating gentrification in South Chicago however, especially in the Washington Park neighborhood (Figure 3e). The fact that efforts to achieve a mix of incomes in HOPE VI housing are greater in the South may be another reason for lagging housing investment in these neighborhoods. On the other hand, efforts to preserve public housing are greatest in West HOPE VI locations (Table 1). Despite closer locations to the downtown, surrounding neighborhoods with populations that have moderate incomes and are somewhat more ethnically diverse, mortgage financing in West HOPE VI locations has lagged in a manner similar to targeted neighborhoods located in the South part of Chicago (Figure 3d). The onset of the foreclosure crisis has affected HOPE VI neighborhoods more than other neighborhoods in Chicago (Figure 4). Declines in mortgage financing in particular have been more profound in North HOPE VI areas. Borrower and/or lender uncertainty, and building cycles are possible explanations.

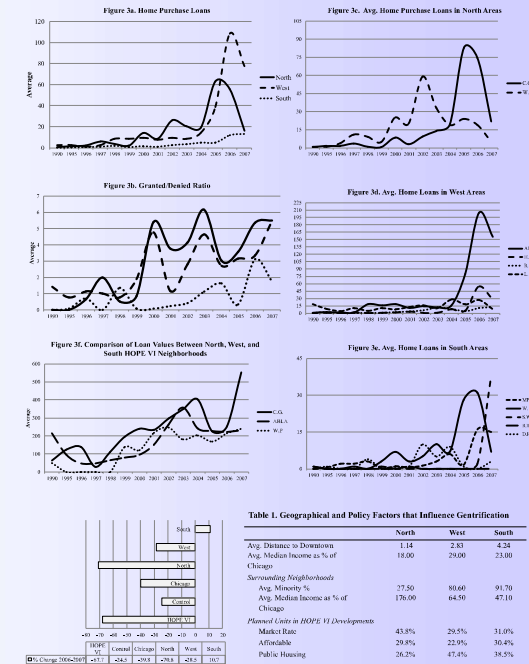


Figure 3. Geographical and Policy Factors that Influence Gentrification

	North	West	South
Avg. Distance to Downtown	1.14	2.83	4.28
Avg. Median Income as % of Chicago	18.00	29.00	23.80
Surrounding Neighborhoods			
Avg. Minority as % of Chicago	77.50	80.60	91.70
Avg. Median Income as % of Chicago	176.00	64.50	45.10
Planned Units in HOPE VI Developments			
Market Rate	45.8%	26.5%	31.0%
Affordable	29.8%	22.9%	36.4%
Public Housing	26.2%	47.4%	38.5%
Grants \$600k			
Demolition	116,625	116,668	15,508
Reconstruction	50,000	112,919	115,000
% Public Housing Units Planned for Demolition	72.90	41.80	68.00
% Original Public Housing Units	5.90	29.70	14.20

Available Upon Completion of HOPE VI

## Conclusion

Research on gentrification as an outcome of HOPE VI policy has shown itself to be a valuable area of research. We evaluate the turning point for gentrification, the extent and geography of the process, and how it has responded to the recent economic downturn. This study confirms that the HOPE VI program helped gentrification in some of the more impoverished public housing neighborhoods in Chicago. Negative stigmas attached to public housing neighborhoods have traditionally deterred lenders and investors. But with the implementation of HOPE VI in Chicago these historic processes of institutionalized lending discrimination are weakening. Following the programs inception in Chicago in 1994 private housing markets in targeted neighborhoods began to expand, prompting a transition from a point of disinvestment to reinvestment.

Gentrification unfolded differently among HOPE VI neighborhoods. Policy strategies, socio-economic environments in neighborhoods surrounding targeted areas, and geographical proximity to the downtown are contextual aspects that have shaped the progression of gentrification. The pace and intensity of the process has been more profound in North neighborhoods than in West and South neighborhoods. And as the recent economic crisis began to unfold in late 2006, gentrification slowed down, for the most part, as mortgage capital markets began to tighten.

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