

Gentrification and Urban Bohemia.

One of the complaints or talking points around urbanism and inequality is *gentrification*¹ but it's never clear to me that those using the term really understand it. We know that it disrupts neighborhoods and displaces people from their homes but how does it actually work? A news report will claim that a storm forced people to leave their homes, but we need to read further to learn that their homes blew down or were flooded. With gentrification, what's actually happening to force people from their homes and neighborhoods?

Consider an in-town/urban neighborhood that has been

bypassed by development and progress. Many cities have them and they often become havens for those who are happy to be bypassed, if it means low rents and tolerant neighbors. The housing stock will be old, and the shops not as well-fitted as in the malls but they have what people need.

These neighborhoods will often attract artists who are drawn to the low rents and flexible housing options (warehouses or lofts or older homes with larger rooms). Galleries or performance spaces may follow, along with restaurants and other amenities that attract visitors. And some of

¹ This was based on a model using cake but subsequent readings made clear that didn't work, so this example, unappetizing as it is by comparison, will have to do.

those visitors will want to stay, buying a house or building and updating/renovating it. This makes that property more valuable but also raises the value of nearby properties, pushing the property tax up, little by little. And as the values rise, others will want to buy in before prices go too high, which will push up prices and taxes even further. Eventually, the very things that made that neighborhood valuable — the low cost housing, the funky shops and restaurants — are all gone, priced out by the new people buying in, either to stay or as investment property.

Gentrification comes in where the cost to hold a piece of land, through property taxes, exceeds what someone can pay to keep it. Someone who bought their home 40 years ago for \$10,000 may now find they own land worth

fifty times that, with a commensurate rise in taxes. Same house, same lot, but a steady (or steep) rise in value. At 1%, that's \$5,000 a year where it might have been \$500 or less when they first took possession. If their income is not rising as fast as land values — and by extension, property taxes — they are going to be squeezed out. This is why retirees often figure in stories about gentrification, as they are often on fixed incomes and most likely to be priced out. They might make a windfall on the sale but they lose much more, as they will not be able to maintain their existing relationships and routines — medical, social, etc. — wherever they can afford to move to.

As more people move to a city, the cost to use the land under it, to make a living, no matter the

trade or profession, will rise and with it the cost of living. As soon as the number of prospective buyers exceeds the available parcels of land, the price bid per parcel will rise. Some low-margin businesses — groceries, for example — will find it too expensive to stay and many homeowners will also be forced to move elsewhere or to rent at ever-rising rates. Rents rise to capture rising wages, just as they reflect scarcity.

The value of land as a finite commodity and how the unearned value is captured by speculators is what should be addressed. *That's* the core of gentrification. There is only so much land to be developed, the value rises as more people seek to make their living on it, and those who own it will sell to capture value they never created.

It must be understood that the value of land rises, not due to the efforts of the owner, but due to the investment of effort of those nearby. If we have two identical lots, and I build on mine, yours will rise in value as mine attracts development and investment, even if you leave yours unimproved.

Whether I open a factory, shop, or restaurant, someone will want to do likewise and needs your land to do it. If neighboring land is developed, mine will increase in value, as will undeveloped or unsold land nearby. But that value is created in common, even as the proceeds from the eventual sale will go to the owner.

Returning that value to those who created it — everyone who lived and works on that land — is the real challenge.

