

Philadelphia's Changing Neighborhoods

Gentrification and other shifts since 2000

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About this report

This report was researched and written by Emily Dowdall, an officer with The Pew Charitable Trusts' Philadelphia research initiative. Additional research and analysis was provided by the Policy Solutions team at Reinvestment Fund, a national community development financial institution based in Philadelphia. Assistance by Pew colleagues included an extensive methodology review by Alan van der Hilst and analytic support by Michelle Schmitt. The report was edited by Larry Eichel, director of the Philadelphia research initiative, along with Elizabeth Lowe, Daniel LeDuc, and Bernard Ohanian. Kodi Seaton was the designer, and Bradley Maule and Katye Martens provided photographs.

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About the Philadelphia research initiative

Pew's Philadelphia research initiative provides timely, impartial research and analysis on key issues facing Philadelphia for the benefit of the city's residents and leaders.

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The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and invigorate civic life.



Overview

In recent years, a number of Philadelphia neighborhoods have undergone significant transformation, with higher-income residents moving in, real estate prices rising, new businesses replacing old ones, and racial and ethnic compositions changing. Such shifts, often seen as part of a trend known as gentrification, have received a great deal of attention from government officials, residents, and community leaders. For that reason, The Pew Charitable Trusts set out to determine the incidence of gentrification in Philadelphia and place it in the context of other forms of neighborhood change.

This report uses a definition of gentrification that identifies sections of the city that shifted from a predominantly low-income population to a significantly higher-income one. Our standard has three elements: In order to be considered gentrified, a census tract needed a median household income in 2000 below 80 percent of regional median income, \$53,992, the threshold set by the federal government to determine eligibility for housing assistance and other programs aimed at low-income households; the tract's median income had to have increased at least 10 percent in inflation-adjusted dollars from 2000 to 2014, a period in which the median income of the city as a whole actually fell by about 10 percent; and its 2014 median household income figure had to exceed the citywide median of \$37,460.

Using this definition, we found that only 15 of Philadelphia's 372 residential census tracts gentrified from 2000 to 2014, the last year for which data were available. These tracts were mostly in South Philadelphia and in, or just north of, Center City. More than 10 times that many census tracts—164 in all—experienced statistically significant drops in median household income during the period studied, a time span in which the estimated number of Philadelphians living in poverty grew by more than 60,000. Beyond the 15 tracts that gentrified,

several other parts of the city underwent changes sometimes associated with gentrification—such as rising real estate prices, increases in education levels, and changing racial and ethnic composition—but without increases in income, and thus did not meet our definition.

The areas where gentrification did occur, according to this report’s income-based definition, fall into four distinct categories, based largely on what the neighborhoods were like in 2000. One set was characterized primarily by working-class, African-American populations, another by mixed-income, mostly white ones. A third group consisted of old industrial areas with relatively few residents. The final category comprised nonaffluent sections of Center City and adjacent neighborhoods. The pace and scope of change were different in each of the neighborhood categories.

Other important findings about gentrification include the following:

- The neighborhoods that ultimately gentrified were not among Philadelphia’s lowest-income areas in 2000. None of the 15 was in the bottom quarter of the city’s census tracts that year when ranked by income.
- Twelve of the 15 gentrified neighborhoods had higher percentages of white residents in 2000 than the city as a whole, and all 15 had larger proportions of whites in 2014. There were modest increases in the share of Hispanic and Asian residents as well.
- The three predominantly working-class African-American tracts that gentrified, all of which are located in the neighborhood known as Graduate Hospital, experienced the most dramatic changes in racial composition. Their total black population fell from 7,793 in 2000 to 3,450 in 2014. During the same period, the number of white residents more than tripled in the neighborhood.
- Home prices rose the most (more than 1,000 percent in one tract) in gentrified areas where there had been relatively high numbers of investor-owned and vacant properties in 2000 and where many of the neighborhoods’ housing units have been built in the years since: the old industrial and working-class African-American tracts. Median home prices in the mixed-income white neighborhoods—which had few investor-owned and vacant properties—all remained below \$300,000 in 2013-14.

As the data indicate, gentrification is a relatively small part of the recent story of Philadelphia’s neighborhoods. But the phenomenon, and indeed the very word, can stir intense feelings. Some residents view it as bringing vibrancy to the affected neighborhoods and much-needed tax revenue to the city. Others worry that longtime residents are being forced to leave and that those who stay no longer feel they belong. For those reasons, what happens in the areas that have gentrified—or are in the process of doing so—can have an outsize impact in terms of enhancing the city’s economic future and raising concerns about fairness and civic harmony.

Gentrification in Philadelphia

Defining gentrification

Neighborhoods are in a constant state of flux. According to census estimates, 65 percent of the people living in Philadelphia in 2014 had moved at least once since 2000, indicating that many neighborhoods experienced significant residential turnover during this time.¹ Gentrification, however, involves new arrivals who differ from longtime residents in notable ways. Although definitions of the term have varied since it was coined in the 1960s, the underlying meaning is the shift in a neighborhood's population from predominantly low income or working class to predominantly middle or upper class.



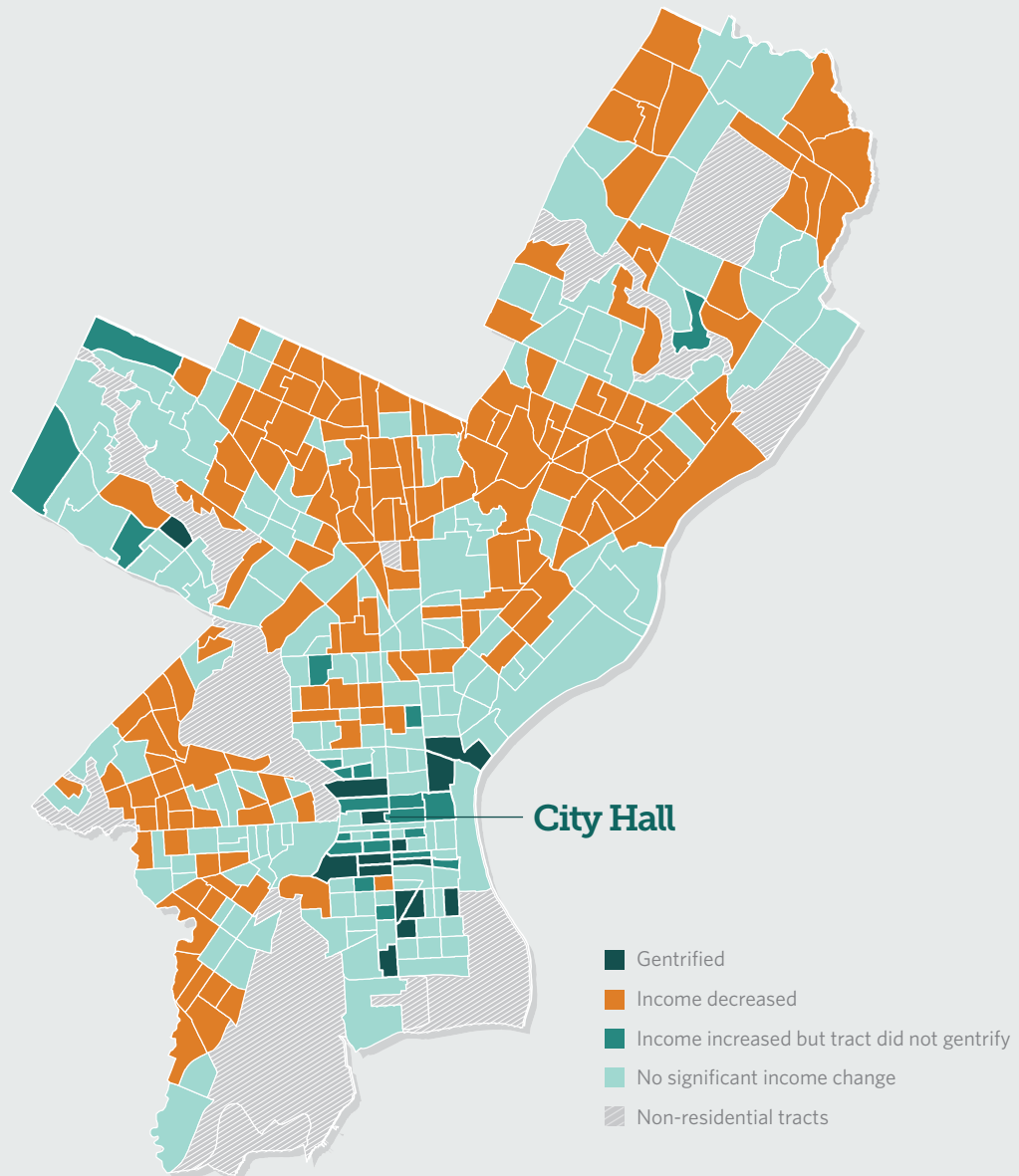
Northern Liberties, 2003 and 2016.

Efforts to identify gentrification typically begin with housing costs or income levels. We chose to work with income because the numbers, available from the U.S. Census Bureau, were more reliable than those for home sale prices or rental rates over time. This report looks at how neighborhoods changed from 2000, a decennial census year, through the 2014 five-year estimates from the Census Bureau's American Community Survey, the most recent source of tract-level data.²

Our definition has three elements. First, to be considered eligible for gentrification, a census tract had to have a relatively low median household income in 2000.³ We set the threshold at \$53,992, which was 80 percent of the regional median of \$67,490 in inflation-adjusted dollars; this is the standard that the federal government uses to designate low income and determine eligibility for housing assistance and other funding programs.⁴ Second, the median income for the tract had to have a statistically significant increase of at least 10 percent in inflation-adjusted dollars from 2000 to 2014—a notable change, given the city's overall income declines. Third, the tract's 2014 household income figure had to exceed the citywide median of \$37,460.⁵ Here, we used the city median rather than the regional one⁶ because the large number of low-income households in the city has the effect of lowering median incomes even in some tracts widely viewed as middle or mixed income; using a higher initial threshold and a lower outcome threshold expanded the range of tracts that could qualify as gentrified.⁷

Because of the nature of the 2014 tract data, which is based on information gathered and averaged over a five-year period, this analysis may not have captured some of the most recent neighborhood changes. Nor does it identify areas that may be beginning to gentrify. In addition, this analysis does not capture areas where the shift from moderate to high income played out over a period longer than 2000 to 2014.

Figure 1
Income Change in Philadelphia Census Tracts, 2000-14



Out of 372 residential tracts in the city, 15 gentrified from 2000 to 2014, according to our income-based definition. Median household income declined in more than 10 times as many tracts, 164 in all. There was no significant income change for 171 tracts.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14 five-year estimate
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The descriptions of gentrification in Philadelphia in this report, though rooted in income, also include other indicators often associated with neighborhood change. Among them are housing prices, educational attainment, and racial and ethnic composition.

Gentrified neighborhoods

Using our income-based definition, we found that gentrification in Philadelphia was a limited phenomenon: Only 15 of the city's 372 residential census tracts gentrified during the period studied. The 59,747 people living in these tracts represented 4 percent of the city's population in 2014. All of the tracts, with the exception of one in the Roxborough section, were located near or in Center City.⁸ (See Figure 1.)

During the period studied, the population of the 15 tracts grew by 7,071, or about 13 percent, while the population of the city as a whole grew by about 2 percent. Most of the population increase in the tracts was due to a rise in the number of white residents while there was a net loss of blacks. (See Figure 2.) In 2000, 12 of the 15 tracts had higher percentages of white residents than the city as a whole. In 2014, all of them had a higher percentage of white residents than the city, and eight had more white residents in percentage terms than they had in 2000. There were modest increases in the share of Hispanic and Asian residents across the gentrified tracts.

Figure 2

Changes in Philadelphia's Gentrified Neighborhoods by Type, 2000-14

	Working-class African-American	Old industrial	Mixed-income white	Center City and adjacent	Philadelphia
Change in median household income*	\$31,098	\$32,803	\$14,363	\$15,824	-\$6,199
Population growth	18%	57%	6%	10%	2%
Percentage point change in white population	35	20	-8	7	-6
Percentage point change in African-American population	-46	-19	-1	-7	-1
Percentage point change in residents with bachelor's degrees	43	33	18	19	7
Percentage of housing units built since 2000	16%	32%	2%	8%	4%
Average affordability index value, 2013-14**	6.36	3.13	1.09	1.34	2.14

* 2000 figures adjusted to 2014 dollars for calculation.

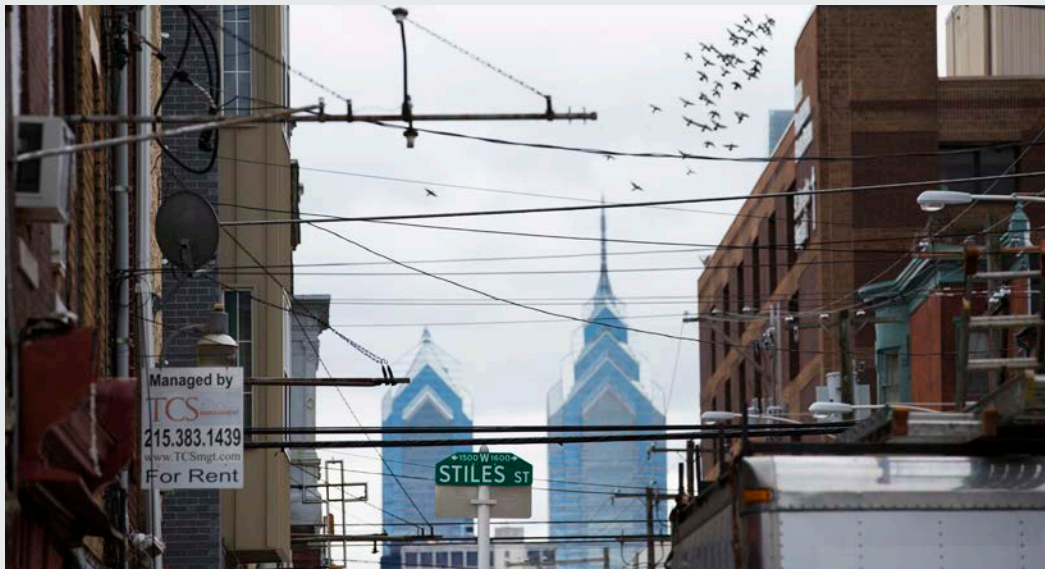
** Index compares 2013-14 housing prices with residents' incomes in 2000. A score over 3.0 is considered unaffordable for a household earning the median income for the neighborhood in 2000, adjusted for inflation.

Sources: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate; Reinvestment Fund, 2015

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In 2000, before gentrification, these tracts were not among the lowest-income areas of the city. Even after gentrification, seven of the tracts had median incomes below the 2014 regional median of \$62,169; they were more middle income than upper income.

All of the gentrified tracts improved more in terms of educational attainment than the city as a whole. Citywide, the share of residents over age 25 who had at least a bachelor's degree rose 7 percentage points, from 18 percent to 25 percent, from 2000 to 2014. Increases in the gentrified areas ranged from 9 percentage points to 49 percentage points.



Economic Forces That Spur Gentrification

Gentrification is a function of real estate cycles, according to many urban economists.

Often, a neighborhood's housing stock deteriorates over time and is occupied by people of lesser and lesser means. Home values, rents, and land prices fall.

Gentrification is said to begin in such neighborhoods when the difference between the current real estate prices, which are low, and the potential prices, which are higher, becomes large enough to attract a wave of new investment and higher-income residents.

According to this theory, what happened in some of the Philadelphia tracts that gentrified from 2000 to 2014 was the result of the revitalization of Center City in the 1990s, when luxury apartment towers and new restaurants replaced aging office space and surface parking lots. By the 2000s, these developments had increased the appeal of some nearby neighborhoods, which looked like bargains compared with pricier Center City. As a result, higher-income people started moving in, housing prices rose, and gentrification occurred.



Although housing prices rose in all of the 15 tracts, the relative affordability of housing over time varied widely from one place to another. This conclusion is based on a price-to-income index developed by the policy analysis division of Reinvestment Fund, a national community development financial institution based in Philadelphia. The index compares changing residential sales prices over time with the inflation-adjusted median income of residents at the starting point. For this report, that is the year 2000.⁹ Reinvestment Fund estimates that an index value at 3 or below in 2013-14 would mean that homes in a neighborhood remained within reach for the people who had been living there in 2000; a value above 3 would indicate that they were out of reach. Index values in the 15 tracts ranged from close to zero to over 7.¹⁰

A Note About Neighborhood Names

Neighborhood names and boundaries are subject to debate in any city, and this is particularly true in areas undergoing change. Our use of neighborhood names was further complicated because our analysis relied on census tracts, which have borders that do not always line up with residents' perception of local geography. We sought to identify places clearly and accurately but recognize that opinions about names may differ.



Displacement

In gentrifying areas, some longtime residents of modest means leave as neighborhoods change. Those departures are often classified as “displacement.” But it is hard to know how many people choose to leave, as opposed to those who feel they are being forced out.

For instance, when property values rise, there are a number of reasons why a homeowner may decide to sell: to cash in on the increased value of the property, to avoid higher real estate taxes, to leave a neighborhood where he or she no longer feels comfortable, or for unrelated personal reasons. Experts say renters are more likely than homeowners to feel forced to move, but the lack of rent regulation in Philadelphia—and the record-keeping that comes with it—makes that hard to measure. This study does not attempt to provide a definitive analysis as to how much displacement has taken place.

Nationally, the results of efforts to measure and understand displacement are mixed. One Columbia University study found that poor households left gentrifying areas of New York City for the same varied reasons that they left other neighborhoods; they were not more likely to be forced out by rent increases or other pressure from landlords.*

A 2015 study of Philadelphia by the local Federal Reserve Bank looked at moves made by residents with low credit scores or no credit scores—an indication that they probably had low incomes. It found these individuals were no more likely to move out of neighborhoods identified by the study as gentrified than out of nongentrified areas. But those who did leave gentrified areas tended to go to neighborhoods that were somewhat worse off than the areas they had left, as measured by several quality of life indicators.

* Lance Freeman, “Displacement or Succession? Residential Mobility in Gentrifying Neighborhoods,” *Urban Affairs Review* 40, no. 4 (March 2005): 463-91.

Types of neighborhoods that gentrified in Philadelphia

Our research found four categories of neighborhoods that gentrified in Philadelphia from 2000 to 2014, distinguished by demographic characteristics and the nature of their real estate markets in 2000. The history and makeup of these communities affected the form and degree of change that each area experienced, as well as the reaction of longtime residents. The categories were:

- Predominantly working-class African-American neighborhoods, three tracts, in Graduate Hospital, south of Center City.
- Old industrial areas, two tracts, just north of Center City.
- Mixed-income, mostly white neighborhoods, six tracts, largely in South Philadelphia.
- Center City and adjacent areas, four tracts.

Predominantly working-class African-American neighborhoods

Graduate Hospital West (Tract 13), Upper Graduate Hospital (Tract 14), Lower Graduate Hospital (Tract 19)

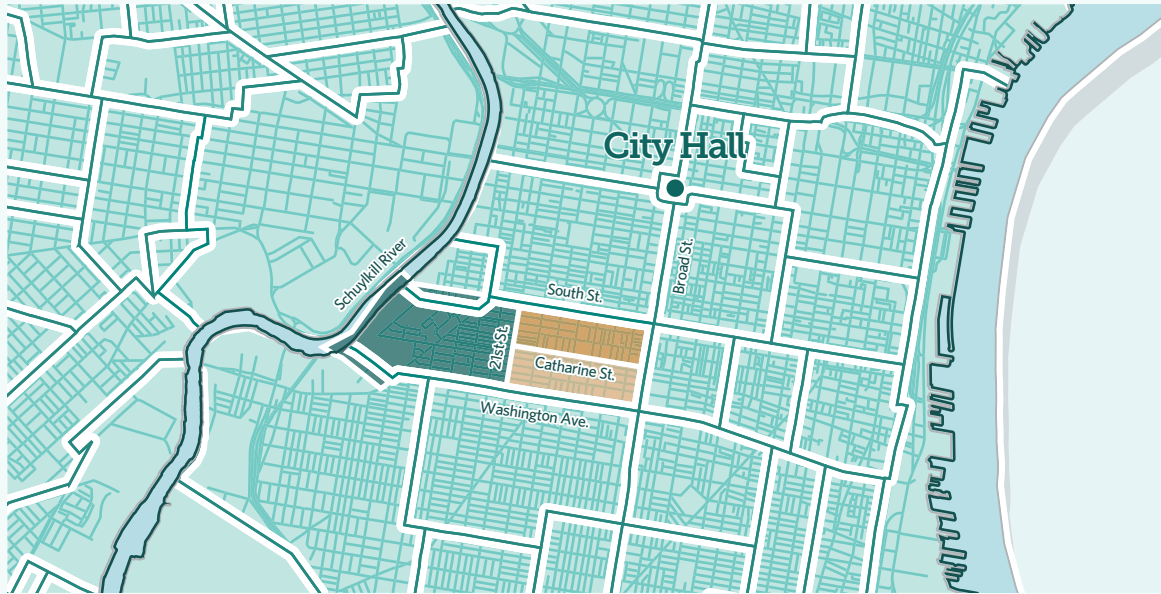
In these three adjacent tracts, located west of Broad Street and just south of South Street, gentrification was swift and sweeping. The area has gone by various names as it has changed, including Graduate Hospital, the name used in this report. The increases in incomes during the study period were steeper in this area than in other neighborhoods that gentrified, and the changes in home prices, racial composition, and educational attainment were more striking.



Graduate Hospital, 2006 and 2016.

In one of the three tracts, Graduate Hospital West, median income climbed by 111 percent—from \$34,801 in 2000 to \$73,472 in 2014—when adjusted for inflation. That was the biggest increase among the city’s gentrified neighborhoods. Income was also up sharply in the other two tracts—98 percent in Lower Graduate Hospital and 64 percent in Upper Graduate Hospital. Across the three tracts, the share of households earning at least \$100,000 in 2014 dollars grew from one-tenth to one-third. (See Figure 4.)

Figure 3
 Predominantly Working-Class African-American
 Neighborhoods that Gentrified, 2000-14



■ Graduate Hospital West (Tract 13) ■ Upper Graduate Hospital (Tract 14) ■ Lower Graduate Hospital (Tract 19)

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Figure 4
 Income Change, 2000-14
 In working-class African-American neighborhoods that gentrified

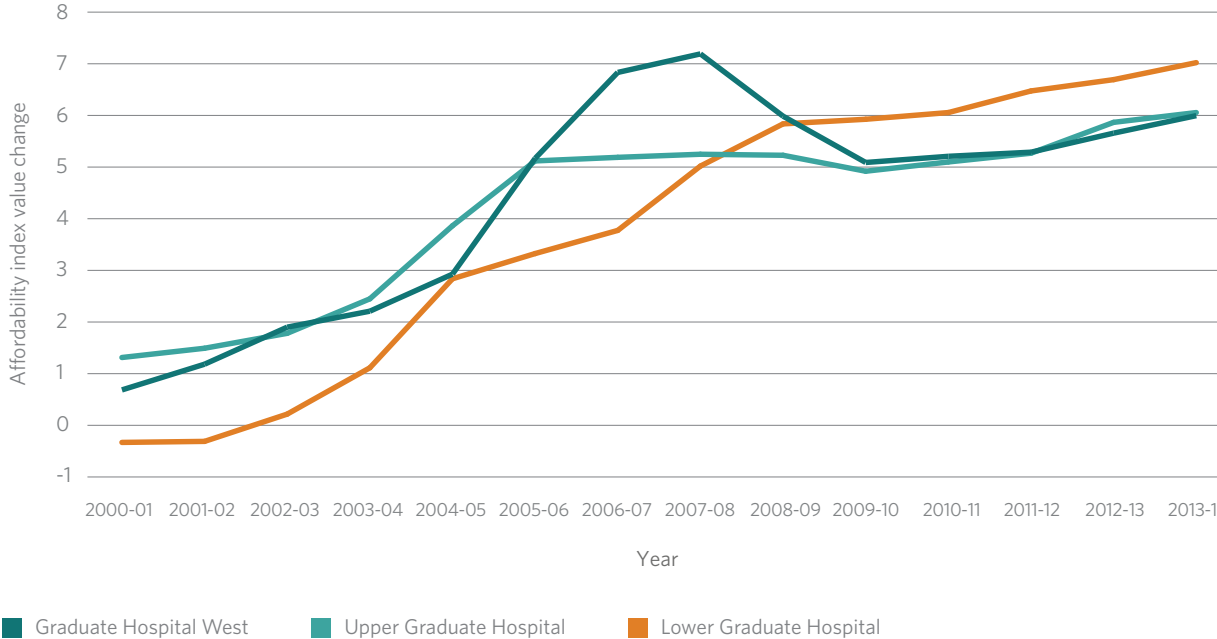
Census tract	Neighborhood	Median household income, 2000	Median household income, 2010-14	Percentage increase
13	Graduate Hospital West	\$34,801	\$73,472	111%
14	Upper Graduate Hospital	\$38,194	\$62,475	64%
19	Lower Graduate Hospital	\$30,908	\$61,250	98%

Note: All income figures are in 2014 dollars, adjusted for inflation.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate
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Among all of the gentrified tracts in this study, Lower Graduate Hospital also had the biggest growth in median home sale price.¹¹ The figure increased from \$25,500 in 2000-01 to \$311,250 in 2013-14, up 1,120 percent. Median sales price increased by 332 percent in Upper Graduate Hospital and by 457 percent in the area's western tract. Analysts said several conditions in 2000 probably contributed to those outcomes. One was the relatively low homeownership rate (39 percent for the three tracts combined, compared with the city's 59 percent at the time). Another was the high level of investor ownership of single-family homes (42 percent versus 21 percent citywide). And a third was the high number of vacant properties; of the 15 gentrified tracts, these three had the highest rates of property being converted from vacant to residential from 2000 to 2014, according to city data. This allowed for construction of large numbers of new units, which tend to garner higher prices than existing ones.¹² They also make streetscapes look different: Three- and four-story townhouses were built on streets once characterized by two-story row houses.

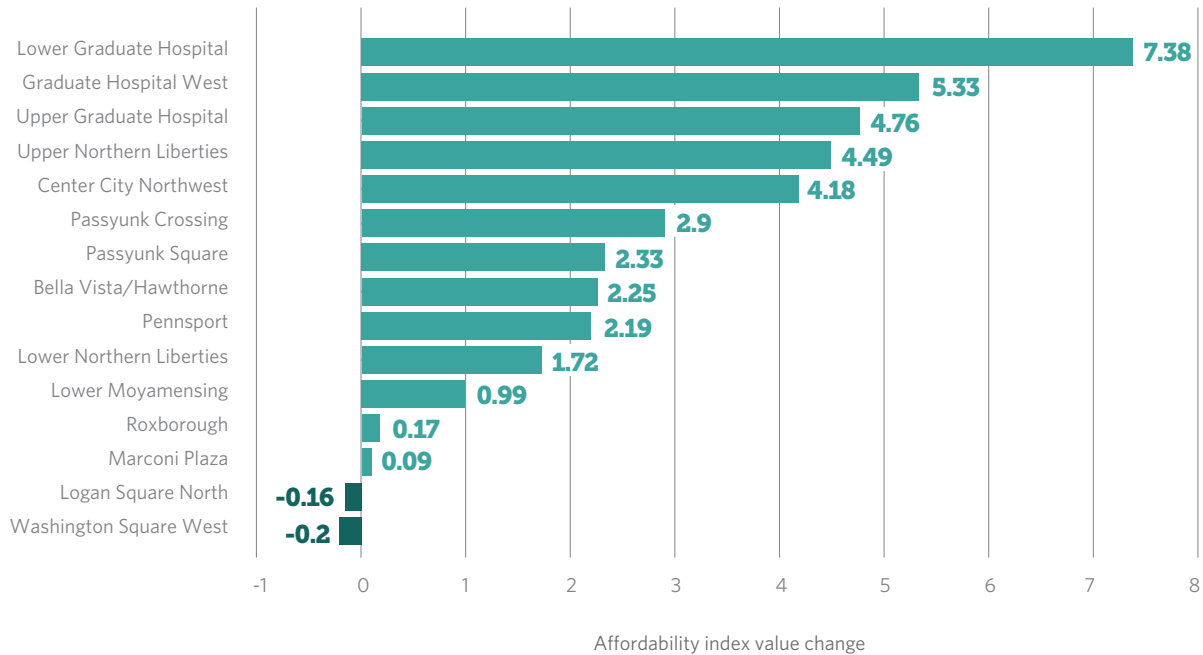
Figure 5
Change in Housing Affordability, 2000-14
 In working-class African-American neighborhoods that gentrified



In all three Graduate Hospital tracts, home prices grew largely out of reach for the residents who had been living there in 2000. The affordability index compares the median residential sales price in a census tract over time to the median household income (inflation-adjusted) in that tract in the year 2000. A score over 3.0 is considered unaffordable for the typical household living there prior to gentrification. A negative value can result from the index calculation's accounting for citywide price trends, and indicates deep affordability.

Note: Index compares 2013-14 housing prices with residents' incomes in 2000. All figures are adjusted for inflation.
 Sources: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate; Reinvestment Fund, 2015
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Figure 6
Change in Housing Affordability, 2000-14
 In Philadelphia neighborhoods that gentrified



The affordability index compares the median residential sales price in a census tract over time to the median household income (inflation-adjusted) in that tract in the year 2000. The difference in the index value from 2000-01 to 2013-14 is a measure of how affordability changed from the point of view of residents living there prior to gentrification. A negative change indicates that home prices have become more affordable relative to the median income in 2000.

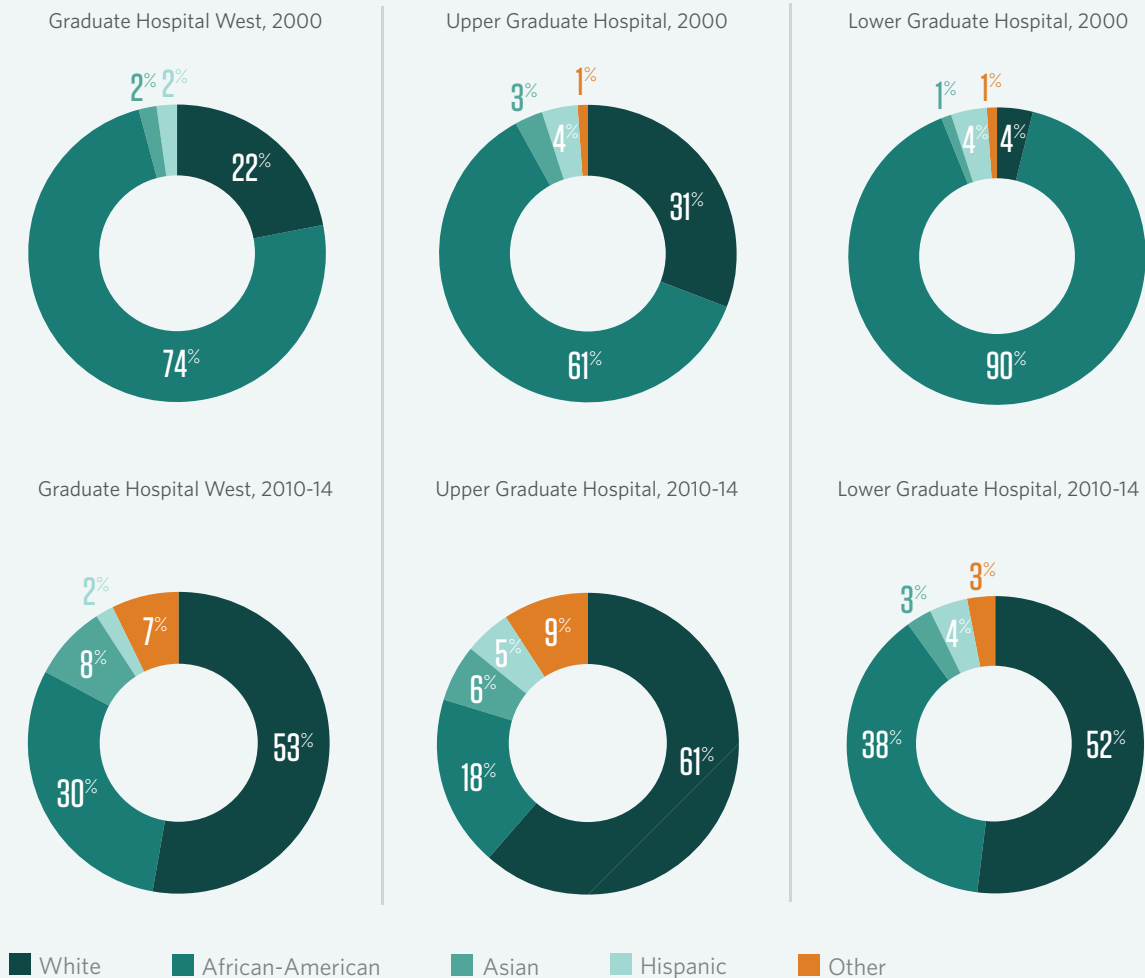
Source: Reinvestment Fund, 2015
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Living in these tracts became largely unaffordable for the people who had been living there in 2000, as measured by Reinvestment Fund’s affordability index. (See Figure 5.) According to that index, the home price-income ratio rose more in Graduate Hospital than in any of the other gentrified areas. (See Figure 6.)

Beyond income and home prices, there were big shifts in other characteristics often associated with social class. Among all of the city’s gentrified areas, the three Graduate Hospital tracts had the largest gains in educational attainment. The share of residents with at least a bachelor’s degree grew by 40 percentage points or more in each of the tracts. There also were gains, of 22 to 42 percentage points, in the portion of workers with professional occupations.

The racial change in Graduate Hospital was pronounced as well. In one tract, the percentage of whites in the overall population rose from 4 percent to 52 percent from 2000 to 2014; in the same tract, the percentage of blacks dropped from 90 percent to 38 percent. (See Figure 7.) The number of whites in the three tracts grew from 2,156 to 7,007, and the number of African-Americans dropped from 7,793 to 3,450. The loss of African-

Figure 7
Racial and Ethnic Composition, 2000-14
 In working-class African-American neighborhoods that gentrified



Note: Some totals may not add up to 100 percent due to rounding.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate

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Americans from this historically black neighborhood actually began decades earlier—hastened by urban renewal-era planning for the never-built crosstown expressway—which is one reason why there were numerous vacant parcels in the area in 2000. The more recent changes were different; for every black resident who left, one white resident arrived. (See Figure 8.)

UCLA sociologist Marcus Anthony Hunter and other observers have noted that gentrification can feel more extreme in areas such as Graduate Hospital, particularly to longtime residents, because few of the gentrifiers



Philadelphia's African-American Communities and the Legacy of Discrimination and Displacement

Some African-American residents say that gentrification in Philadelphia must be seen in the context of other events that have disrupted and displaced local black communities over the years.

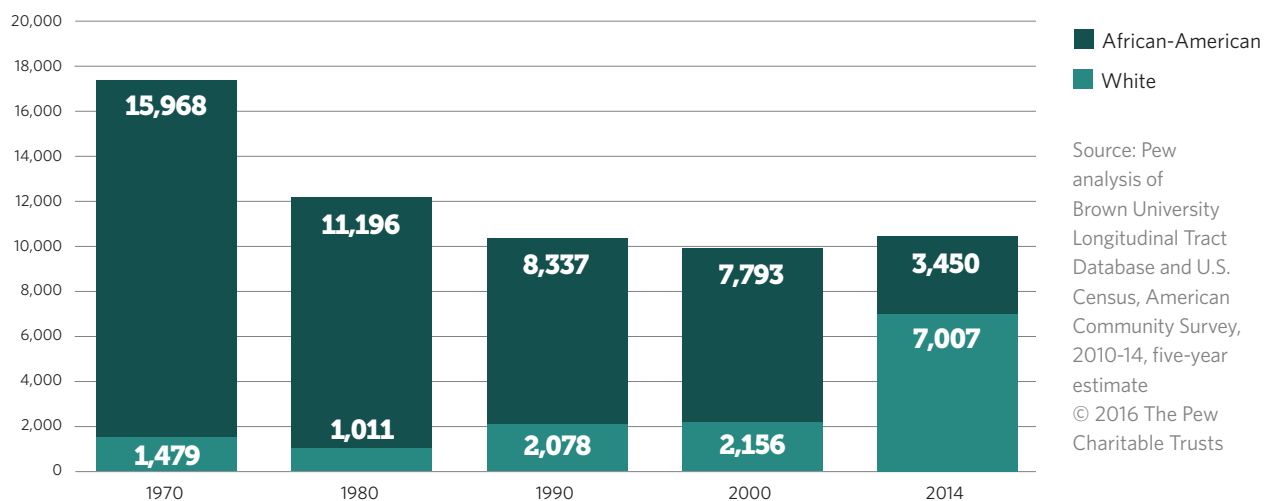
Historically, African-Americans in Philadelphia were limited in where they could live. And in the middle of the 20th century, the federal urban renewal program and the planning and construction of interstate highways, together with the expansion of hospitals and universities, displaced established black communities in central, South, and West Philadelphia. During the housing crisis of the 2000s, subprime loans and foreclosures had a powerful impact on residents of Philadelphia's black neighborhoods, further reinforcing a sense that their status was precarious and vulnerable to outside forces.¹³

Walter D. Palmer, an attorney and activist, grew up in a black neighborhood that was razed to create what is now called University City. He said many black Philadelphians are skeptical about neighborhood change "because people feel so threatened because of their past experience." That sentiment frequently surfaces at neighborhood meetings as anger about new, market-rate housing developments.

Continued on next page

Although urban renewal, the subprime crisis, and gentrification are very different phenomena, many black Philadelphians remain skeptical that new residents and investment, whether public or private, will improve their lives. In Pew's 2015 citywide poll, 72 percent of black Philadelphians, as opposed to 57 percent of whites, said the city should focus on helping longtime residents stay put rather than trying to attract new residents. "There is a belief that improvements are meant not for people who currently live there but [for] abstract newcomers," Andrew Goodman, who has developed programming for Philadelphia's Citizens Planning Institute, the education and outreach arm of the City Planning Commission, said in an interview for this report.

Figure 8
African-American and White Populations, 1970-2014
 In working-class African-American neighborhoods that gentrified



have been African-Americans. Most middle- and upper-income African-Americans have chosen to live in the suburbs or in outlying city neighborhoods, Hunter said. According to the most recent census data, there were 207 tracts in the Philadelphia metropolitan area where median household income for African-Americans was higher than the citywide median.¹⁴ Just 29 of those tracts were in Philadelphia proper, and nearly all of them were on the city's fringes, far from the gentrifying areas.

Community development experts have said that gentrification in a neighborhood that starts off majority black and winds up minority black can make longtime residents feel they no longer belong. The changes in Graduate Hospital have fueled development-related tensions in Point Breeze, the mostly African-American neighborhood directly to the south, which did not gentrify during our study period but has undergone substantial change in the past few years. Objections there have focused on the scale, speed, and price point of new construction and the target audience of new businesses.



The Rev. Edward Sparkman of Shiloh Baptist Church.

Institutions in a Changing Neighborhood

Gentrification can affect neighborhood institutions, weakening them, strengthening them, or simply causing them to change. Those institutions can serve as points of continuity in a changing neighborhood and as links between new and old residents.

Consider Shiloh Baptist Church. Located at 21st and Christian streets in gentrified Graduate Hospital, the church has served an African-American congregation at the site since 1945. According to its pastor, the Rev. Edward Sparkman, most congregation members no longer live in the neighborhood; the children or grandchildren of former residents, they now live in West Philadelphia, Mount Airy, or other areas that have become home to the city's black middle class. Still, the church has sought to serve its home area through support for the local elementary school and other initiatives.*

Sparkman said recent changes in the neighborhood, which has become wealthier with an increased white population, "hit fast," making some congregants wary. But the church has opened its doors to the newcomers for community meetings, theatrical performances, and other programming. As a result, older members have become more accepting of new residents, because all the activity "makes the church feel alive again," he said. And the congregation has given little thought to leaving, even though it received a buyout offer. Sparkman tore it up to applause during a Sunday service, declaring: "We are an instrument, we are here, and we are staying."

* Interview with the Rev. Edward Sparkman, Oct. 1, 2014.

Old industrial areas

Lower Northern Liberties (Tract 367) and Upper Northern Liberties (Tract 142)

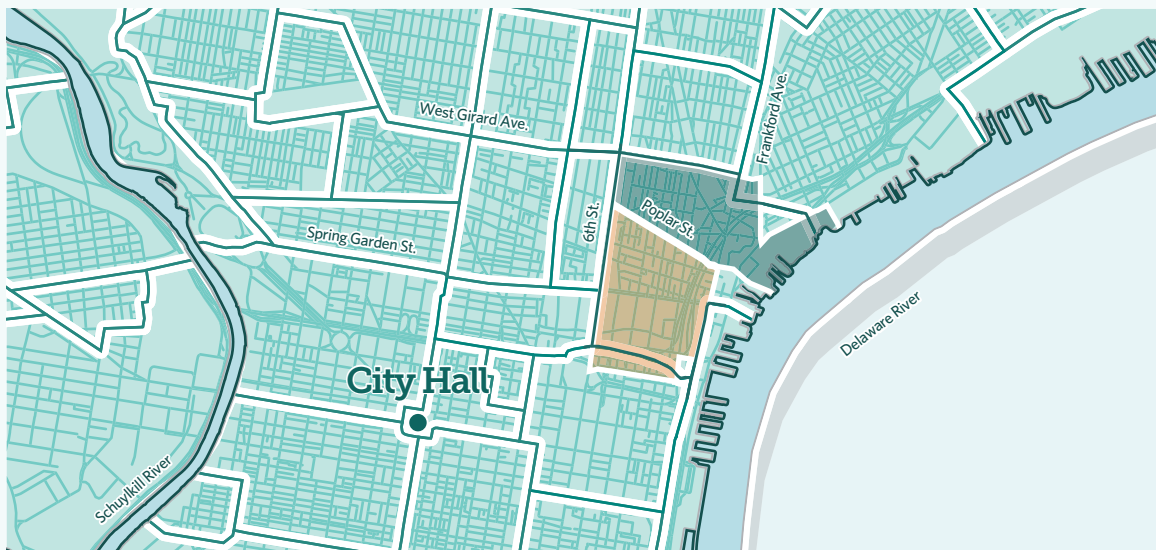
These tracts, located north of Center City Philadelphia, were dominated for decades by industrial uses, including a cigar factory, breweries, a tannery, and printing presses. The people who lived there were concentrated in a relatively small portion of each tract. In recent years, development has intensified, establishing residential markets where none existed before.



Northern Liberties, 2004 and 2016.

Figure 9

Old Industrial Areas That Gentrified, 2000-14



■ Upper Northern Liberties (Tract 142) ■ Lower Northern Liberties (Tract 367)

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New residential construction (left) in Northern Liberties, 2016.

In 2014, the two Northern Liberties tracts had the highest median household incomes of the 15 tracts that gentrified. Lower Northern Liberties began with the highest median income, at \$53,809 in 2000 (adjusted for inflation), and it grew to \$83,086 in 2014. In Upper Northern Liberties, the median income rose from \$43,824 to \$80,154. (See Figure 10.)

Figure 10
Income Change, 2000-14
 In old industrial neighborhoods that gentrified

Census tract	Neighborhood	Median household income, 2000	Median household income, 2010-14	Percentage increase
142	Upper Northern Liberties	\$43,824	\$80,154	83%
367	Lower Northern Liberties	\$53,809	\$83,086	54%

Note: All income figures are in 2014 dollars, adjusted for inflation.

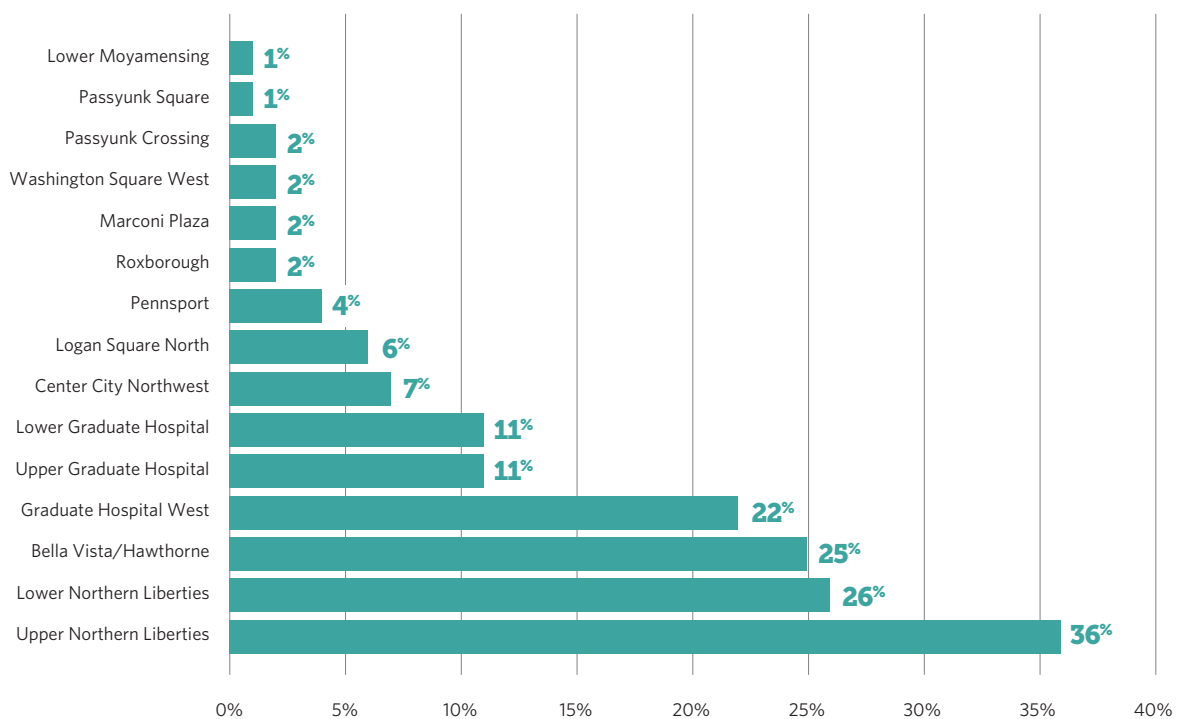
Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate © 2016 The Pew Charitable Trusts

From 2000 to 2014, the median home sale price rose 660 percent in Upper Northern Liberties (from \$42,500 to \$323,000), the second-highest percentage increase among the gentrified tracts, and 255 percent in Lower Northern Liberties. The percentage of residents who were renters jumped from 47 percent to 63 percent in the upper tract and from 33 percent to 50 percent in the lower one, reflecting the construction of apartment buildings on former industrial sites.

Among all of the gentrified tracts in Philadelphia, these had the most new construction. Thirty-six percent of all units in Upper Northern Liberties and 26 percent in the lower tract were built since 2000, compared with 12 percent for the gentrified tracts as a group and 4 percent citywide. (See Figure 11.)

Figure 11

Share of Housing Units Built Since 2000 in Philadelphia's Gentrified Neighborhoods



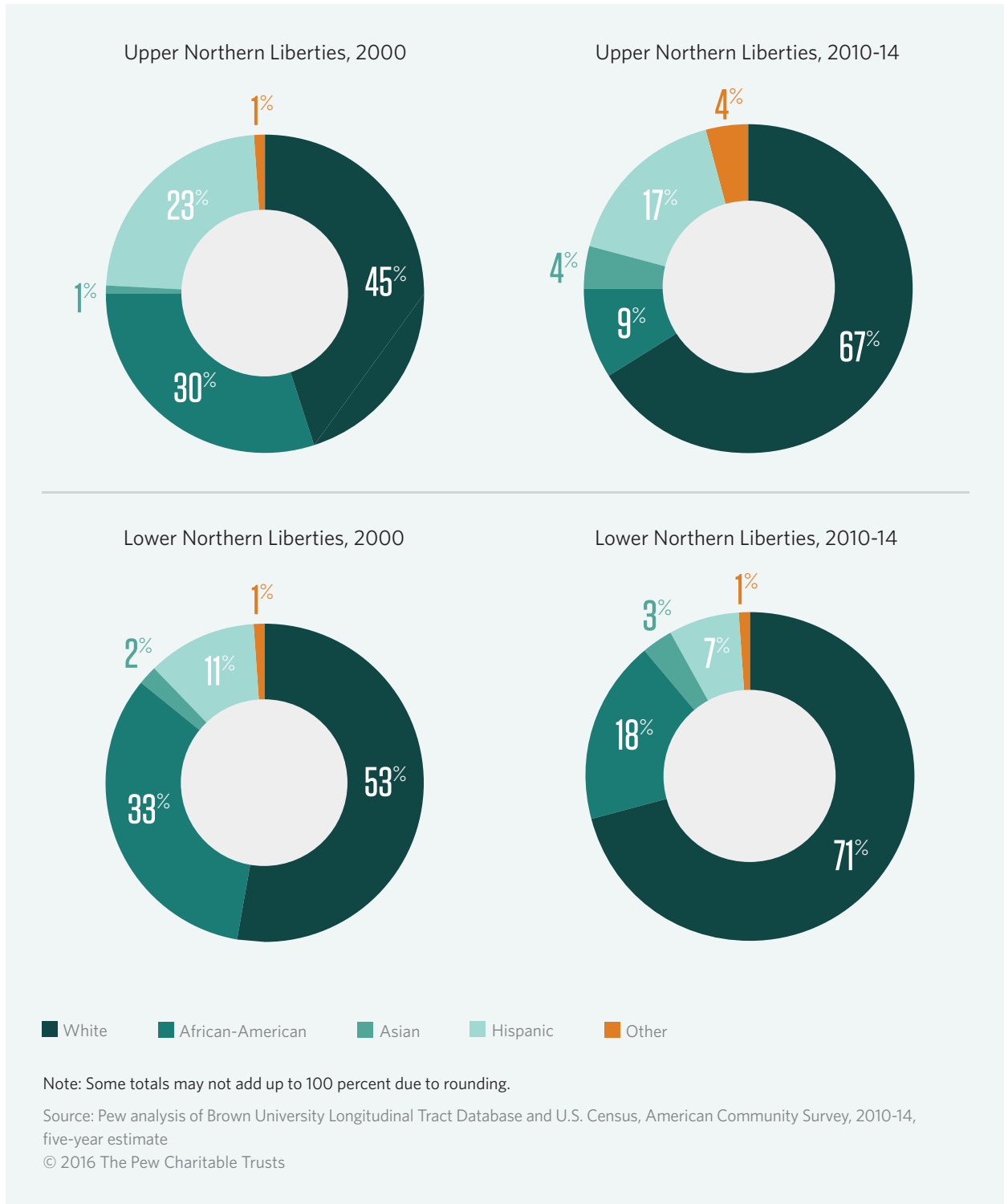
Source: Pew analysis of U.S. Census, American Community Survey, 2010-14, five-year estimate
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According to Reinvestment Fund's income-to-price index ratings, Upper Northern Liberties became unaffordable by 2013-14 from the perspective of residents who lived there in 2000. The tract's affordability index stood at 4.3. In Lower Northern Liberties, which started with a relatively high median income, the index was an affordable 1.9.

These tracts had the largest population growth by far among the gentrified tracts from 2000 to 2014: 46 percent in Lower Northern Liberties and 67 percent in Upper Northern Liberties.

On educational attainment rates, both tracts were well above the city median in 2000 and had above-average rates of improvement from 2000 to 2014. They also started out with higher shares of workers in professional occupations than the citywide percentage, and those proportions grew.

Figure 12
Racial and Ethnic Composition, 2000-14
 In old industrial neighborhoods that gentrified





Painter and sculptor Jennifer Baker.

Artists in Northern Liberties

A common gentrification narrative begins with artists. In search of large live-work spaces at low prices, they move into a neighborhood full of vacant industrial buildings. They are followed by wealthier arrivals, who are drawn by the renovated lofts and cultural buzz. And then the rising costs threaten to drive out the artists.

In Philadelphia's Northern Liberties, a version of this story has been playing out. Painter and sculptor Jennifer Baker set up her studio at Third and Green streets in 1978, taking over an industrial building with no heat or plumbing. At the time, she said, the neighborhood was "emptying out." Some of the longtime residents, who were working to stop the city-led razing of historic buildings, were happy to have newcomers join their cause.

As buildings disappeared, Baker watched the old Northern Liberties, "a place where people made things," fade away. Now that the pace and scale of development has accelerated, she finds herself part of a dwindling community of working artists. She worries that the speed of change, and "relentless demolition of old buildings to make way for luxury townhouses and condos," threatens to destroy the neighborhood's lingering sense of self, leaving few connections with the past.



New construction on the site of the old Ortlieb's brewery in Northern Liberties, 2016.

In the two Northern Liberties tracts, the percentage of blacks in the overall population fell, the result of African-Americans leaving and members of other groups arriving. In Upper Northern Liberties, the percentage of blacks fell from 30 percent in 2000 to 9 percent in 2014. Whites, who had accounted for 45 percent of the population in 2000, made up 67 percent in 2014. Lower Northern Liberties had similar shifts. (See Figure 12.) Overall, the white population in the two tracts more than doubled, from 1,926 to 4,258.

Given the relatively small population in Northern Liberties before gentrification, and the fact that much of the growth took place in areas that had not been residential, less controversy regarding development has occurred there than in other neighborhoods. But some concerns persist, particularly about the loss of a diverse working-class community that had been home to Puerto Ricans, African-Americans, and immigrants—and of the neighborhood's artistic identity.

Mixed-income, mostly white neighborhoods

Lower Moyamensing (Tract 40.01), Marconi Plaza (Tract 39.02), Passyunk Square (Tract 29), Passyunk Crossing (Tract 28.02), Pennsport (Tract 27.02), Roxborough (Tract 212)

These tracts, five in South Philadelphia and one in the Northwest (Roxborough), were mixed-income neighborhoods in 2000, with high homeownership rates and majority-white populations. Of the 15 gentrified tracts, these are located the farthest from Center City. Throughout the 20th century, the five in South Philadelphia had heavily Italian- and Irish-American identities. According to census data on reported ancestry, that was still true in 2000 and remained so in 2014, despite some increases in ethnic diversity. Many residents of these areas still identify their neighborhoods by Catholic parish boundaries rather than other neighborhood demarcations. Although increases in median income qualified these tracts as gentrified, they experienced less change than the other gentrified neighborhoods in terms of housing market conditions, race, and income. (See Figure 14.)

Figure 13
 Mixed-Income, Mostly White Neighborhoods That Gentrified,
 2000-14



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Figure 14
Income Change, 2000-14
 In mixed-income neighborhoods that gentrified

Tract	Neighborhood	Median household income, 2000	Median household income, 2010-14	Percentage increase
27.02	Pennsport	\$33,725	\$61,366	82%
28.02	Passyunk Crossing	\$32,318	\$49,635	54%
29	Passyunk Square	\$37,976	\$50,813	34%
39.02	Marconi Plaza	\$51,790	\$59,625	15%
40.01	Lower Moyamensing	\$36,713	\$46,309	26%
212	Roxborough	\$52,872	\$63,827	21%

Note: All income figures are in 2014 dollars, adjusted for inflation.

Sources: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate
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Household incomes went up, but not as dramatically as in some of the other areas. Marconi Plaza, Roxborough, and Lower Moyamensing experienced the smallest increases of the 15 gentrified tracts, at 15, 21, and 26 percent. From 2000 to 2014, the share of residents with household incomes over \$100,000 (adjusted for inflation) was flat in Marconi Plaza and rose 3 percentage points in Lower Moyamensing, 7 points in Passyunk Crossing, 9 points in Roxborough, 15 points in Passyunk Square, and 16 points in Pennsport.¹⁵ (See Figure 15.)

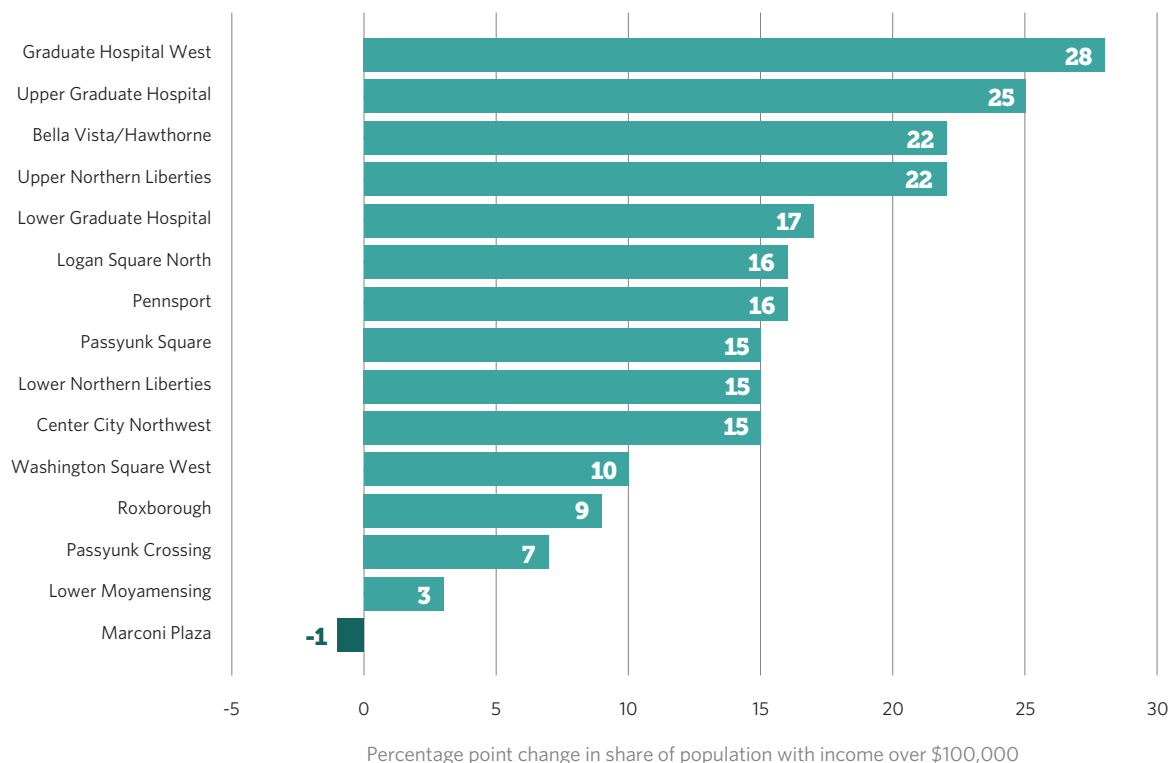
These six tracts also had the lowest median home sales prices in 2013-14 among the 15 gentrified tracts, ranging from \$151,900 in Lower Moyamensing to \$260,000 in Passyunk Square. And they had the highest rates of homeownership in 2000. This may have reduced the opportunities for sale, renovation, and rapid resale of properties and kept home prices relatively modest.

These tracts did not experience much new housing development; only 2 percent of units in existence in 2014 were built since 2000. This happened because these neighborhoods had few empty lots for new construction and few large, vacant nonresidential buildings suitable for conversion. The lack of new housing stock kept the neighborhoods looking much as they had appeared for decades.

Figure 15

Change in Share of Population With Household Incomes Over \$100,000

In Philadelphia's gentrified neighborhoods, 2000-14



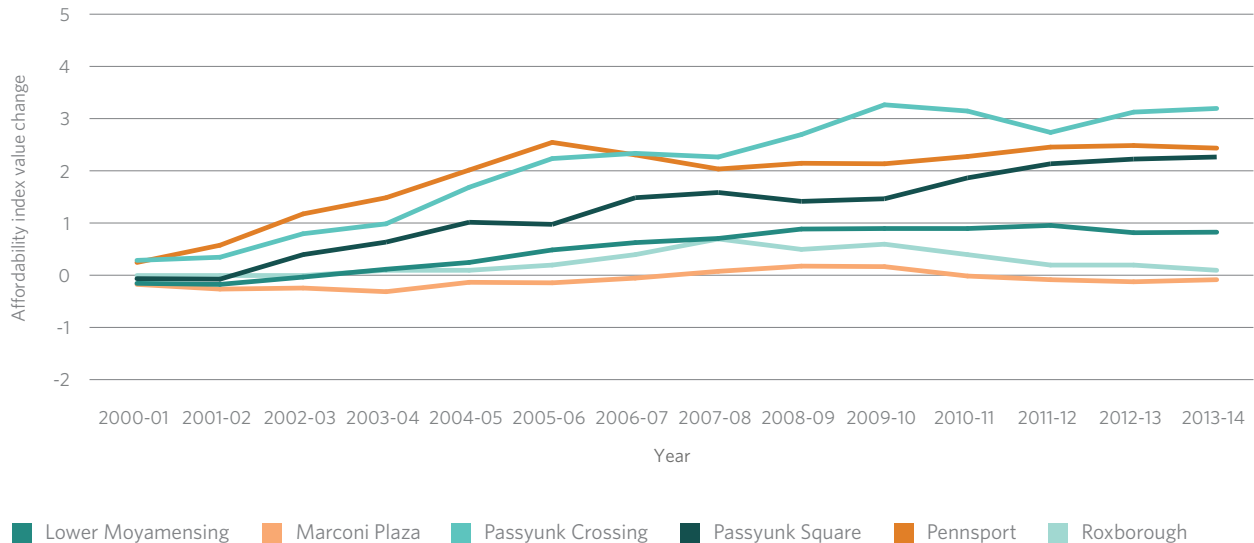
Note: 2000 figures adjusted to 2014 dollars for calculation.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate
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Throughout the period studied, the Reinvestment Fund affordability index level never exceeded 3 in five of the six mixed-income tracts; it was just over the line, at 3.2, in Passyunk Crossing in 2013-14. So purchasing a home in these neighborhoods remained relatively affordable for the residents who had lived there in 2000. Among block groups, which are smaller than tracts, there were some notable differences within Pennsport and Passyunk Square, indicating that price appreciation was concentrated in a few parts of the neighborhoods. (See Figure 16.)

As for educational attainment, four of the six tracts had lower percentages of four-year college graduates in 2000 than the city as a whole. The levels had increased by 2014, rising from 9 to 33 percent in Passyunk Crossing, from 11 to 32 percent in Lower Moyamensing, from 13 percent to 32 percent in Pennsport, and from 10 percent to 21 percent in Marconi Plaza. The percentages of college graduates also rose in Passyunk Square and Roxborough, from 25 to 45 percent and from 25 to 35 percent of adults, respectively. The citywide percentage in 2014 was 25 percent.

Figure 16
 Change in Housing Affordability, 2000-14
 In mixed-income neighborhoods that gentrified



Home prices remained mostly affordable in the mixed-income neighborhoods that gentrified. The affordability index compares the median residential sales price in a census tract over time to the median household income (inflation-adjusted) in that tract in the year 2000. A score over 3.0 is considered unaffordable for the typical household living there prior to gentrification. A negative value can result from the index calculation's accounting for citywide price trends, and indicates deep affordability.

Source: Reinvestment Fund, 2015
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Compared with the 15 gentrified tracts as a group, these six had relatively little population growth, averaging 6 percent. In 2000, each of the six tracts was at least three-quarters white, and that share dropped in five of them as Asian and Hispanic populations grew. In Pennsport, the white share was unchanged at 86 percent. (See Figure 17.)

In these tracts, the overall reaction to the arrival of higher-income residents has been more positive than in other gentrified areas, although there have been some complaints that the new arrivals did not understand neighborhood traditions and were willing to pay far too much for housing, driving up prices. In addition, perceptions of change in the South Philadelphia tracts have been complicated by an influx of Latino and Asian immigrants as well as the gentrifiers.

Tina DeJesse, a Realtor and lifelong Passyunk Square resident, has been surprised by how well the gentrifiers have fit in. "They're sitting out on their stoop and their kids are playing in the street just like I did as a kid," she said. DeJesse also said that fewer of the new families than she expected have been "five and out," referring to people who stay for five years before moving to the suburbs when their kids reach school age.

Figure 17
 Racial and Ethnic Composition, 2000-14
 In mixed-income neighborhoods that gentrified



Note: 2000 figures for Pennsport and Passyunk Crossing were calculated from census block groups due to changed tract boundaries. Some totals may not add up to 100 percent due to rounding.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate

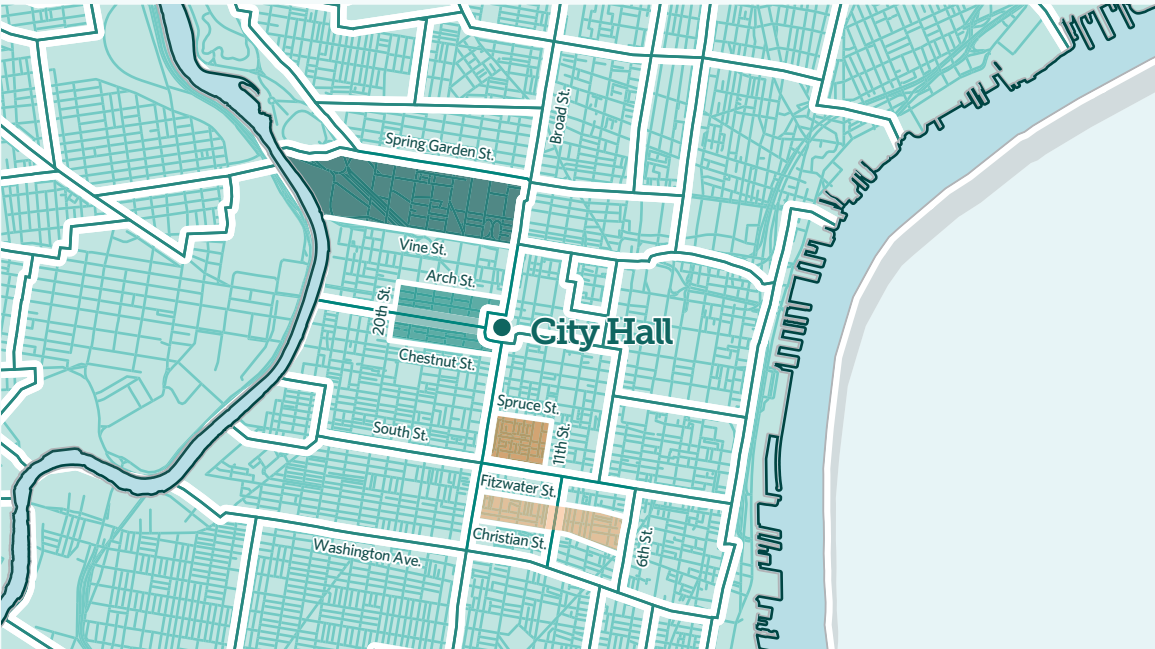
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Center City and adjacent areas

Center City Northwest (Tract 4.02), Washington Square West (Tract 11.01), Bella Vista/Hawthorne (Tract 18), Logan Square North (Tract 125)

These four tracts, two in Center City Philadelphia and two just outside, are all adjacent to tracts that were already high income in 2000. In some ways, both Logan Square North and Bella Vista/Hawthorne already resembled, and were considered, Center City neighborhoods at the outset of our study, although they are located just outside the area's traditional borders. The four tracts all had relatively expensive housing prices and a high level of educational attainment, and their populations were two-thirds or more white in 2000.

Figure 18
Center City and Adjacent Areas That Gentrified, 2000-14



- Center City Northwest (Tract 4.02)
- Washington Square West (Tract 11.01)
- Bella Vista/Hawthorne (Tract 18)
- Logan Square North (Tract 125)

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The tracts in this group began with relatively high incomes, and the changes during the period studied were neither the smallest nor the largest of the 15 gentrified tracts. From 2000 to 2014, inflation-adjusted median income was up 27 percent in both Washington Square West and Logan Square North, 33 percent in Center City Northwest, and 45 percent in Bella Vista/Hawthorne. (See Figure 19.)

Figure 19

Income Change, 2000-14

In Center City and adjacent neighborhoods that gentrified

Tract	Neighborhood	Median household income, 2000	Median household income, 2010-14	Percentage increase
4.02	Center City Northwest	\$38,908	\$51,559	33%
11.01	Washington Square West	\$51,921	\$66,105	27%
125	Logan Square North	\$49,149	\$62,381	27%
18	Bella Vista/Hawthorne	\$51,770	\$75,000	45%

Note: All income figures are in 2014 dollars, adjusted for inflation.

Sources: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate
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Among the gentrified areas, the four tracts had the highest median home sale prices in 2000-01; they were the only tracts out of the 15 in which the prices started out higher than \$100,000.¹⁶ The median home price increased 83 percent in Logan Square North, 88 percent in Washington Square West, and 227 percent in Bella Vista/Hawthorne during the study period. In Center City Northwest, the median rose from \$200,000 to \$612,500, the highest values of all 15 tracts at both the start and the end of the period.

Three of the four tracts had relatively little housing construction during the period. The exception was Bella Vista/Hawthorne, where 25 percent of housing was built after 2000, in large part because of the redevelopment of a public housing site.

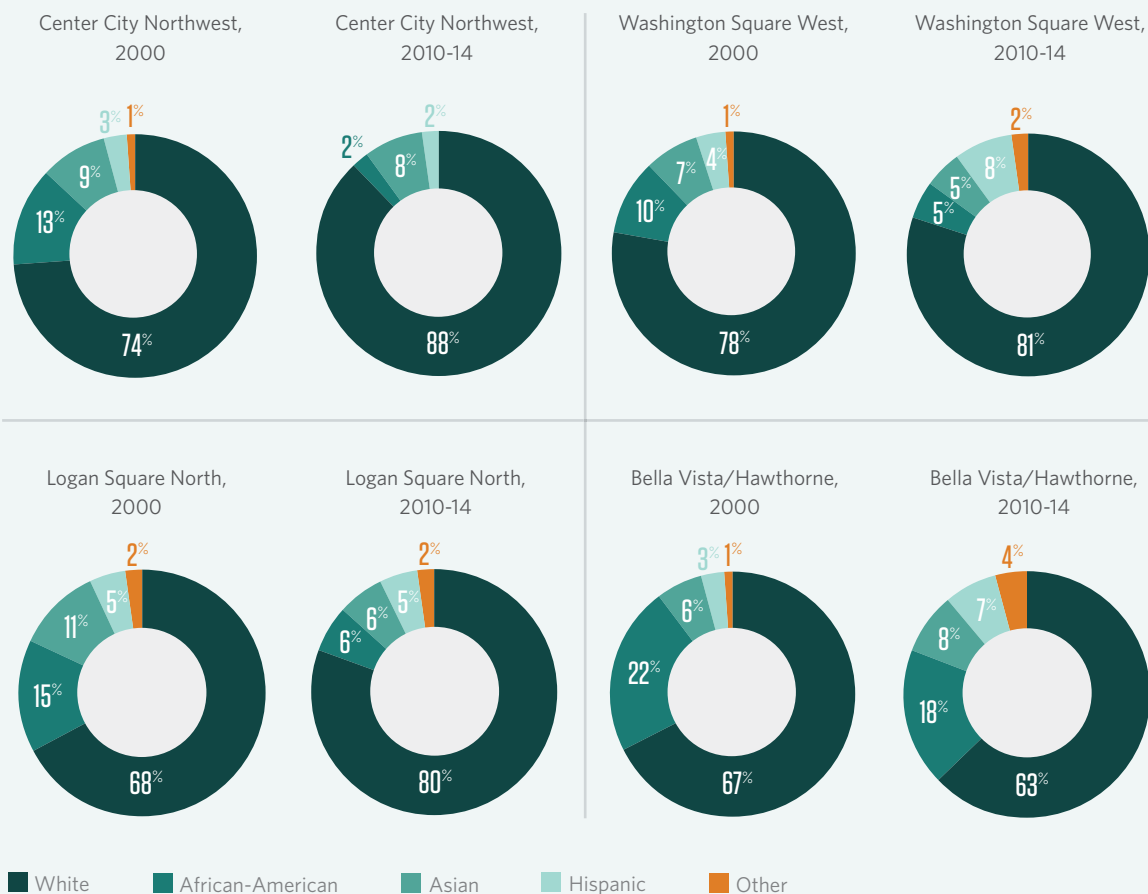
Reinvestment Fund's affordability index showed that Logan Square North and Washington Square West stayed affordable to the typical household living there in 2000, whereas Bella Vista/Hawthorne and Center City Northwest, with much larger price increases, did not.

As for the population, there were differences between the tracts in Center City and those adjacent. Center City Northwest had no population growth from 2000 to 2014, and the number of residents in Washington Square West fell by 4 percent. The population grew by 19 percent in Logan Square North and by 25 percent in Bella Vista/Hawthorne.

Logan Square North and Washington Square West had the highest shares of college graduates, at 65 percent and 61 percent, and residents with professional occupations, at 64 percent in both, among the 15 tracts in 2000. The other two tracts were close behind. All four tracts had increases in both measures from 2000 to 2014.

In terms of racial composition, Washington Square West, Logan Square North, and Center City Northwest all started out at least two-thirds white, and that share grew to 80 percent or higher. In Bella Vista/Hawthorne, the share of whites dipped from 67 to 63 percent, and the share of blacks dropped as well, while there were increases for Hispanics and Asians. (See Figure 20.)

Figure 20
Racial and Ethnic Composition, 2000-14
 In Center City and adjacent neighborhoods that gentrified



Note: 2000 figures for Pennsport and Passyunk Crossing were calculated from census block groups due to changed tract boundaries. Some totals may not add up to 100 percent due to rounding.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate

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The 1900 block of Webster Street, 2016.

Block-Level Patterns of Change

Pew commissioned Reinvestment Fund to take a close look at single blocks chosen at random in three gentrified areas: Northern Liberties, Hawthorne, and Graduate Hospital. This ground-level analysis illustrates how the process of gentrification can vary even within a tract, and how certain factors, such as investor activity, homeownership, and public subsidy, can be associated with different degrees of change.

The 1900 block of Webster Street in Graduate Hospital. This is a block transformed: All but one property here changed hands between 2000 and 2014. The block began the period with 23 percent owner occupancy and ended it with 74 percent. Of the three blocks, Webster Street experienced the most “flipping”—a property changing hands within two years of purchase—and investor-involved sales overall.* Remarkably, the median sales price rose from \$6,500 in 2000-03

Continued on next page

* Because of the small number of properties on each block, this analysis aggregated data in four-year intervals, beginning with 2000-03 and ending with 2011-14. Elsewhere in this report, analysis by Reinvestment Fund uses two-year periods for tract-level data.

to \$404,500 for 2011-14. The block, which started out with numerous vacant lots, today is dominated by recently built three-story townhouses and a handful of older two-story houses.

The 400 block of West George Street in Northern Liberties. This block experienced less dramatic change, even though it is part of an old industrial tract where the real estate market as a whole was transformed. It began and ended the study period with 80 percent owner occupancy. Transactions were mostly between owner occupants, which tended to result in less price appreciation than sales involving nonresident investors. The median sales price climbed from \$73,500 during the 2000-03 period to \$232,500 in 2011-14, less than in blocks that had significant flipping.

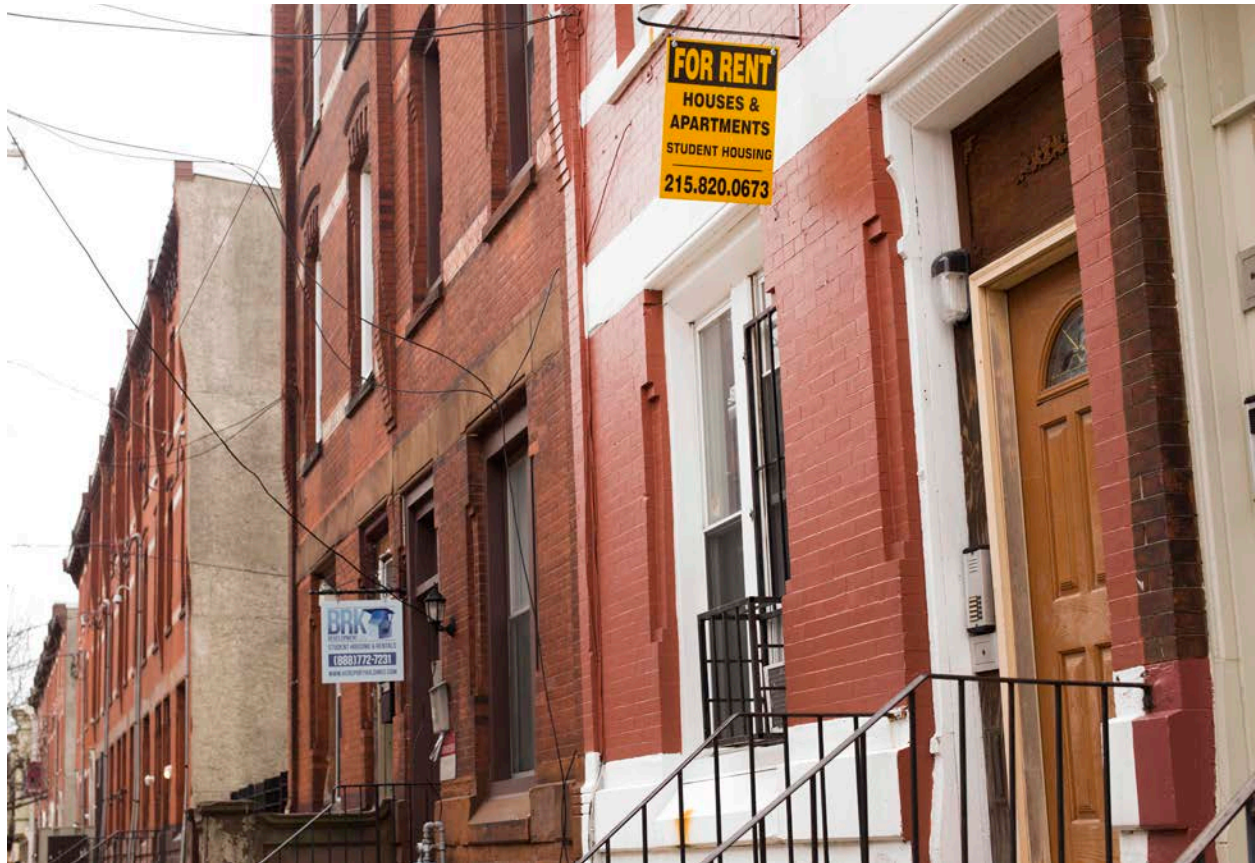
The 1200 block of Christian Street in Hawthorne. On this block, publicly owned property played a significant role. The Philadelphia Housing Authority has redeveloped nine of the 31 parcels on the block, eight of which are subsidized for rent to low-income tenants. The subsidies have helped keep the block economically diverse even as the median home sales price climbed from \$48,000 to \$322,500.

Reinvestment Fund made an effort to determine the current whereabouts of the 97 homeowners on the three blocks who sold their homes during the study period, to get a sense of how they have fared. The search located only individuals who subsequently purchased homes in Philadelphia or its suburban Pennsylvania counties.

Researchers found 49 of them: Eight had moved within their original census tract, five had gone to the suburbs, and the rest had stayed in the city. Over half (31 of the 49) were living in tracts with lower 2014 median incomes than their previous homes in the gentrified tracts. Overall, their new tracts represented a much broader economic range than the old blocks, from a median income of \$12,931 in one North Philadelphia tract to \$126,771 for one in Montgomery County.

Other types of neighborhood change

Other kinds of neighborhood transformation have been taking place in Philadelphia that do not meet our definition of gentrification. In some neighborhoods, particularly those where whites have replaced African-Americans, longtime residents have expressed fears about rising housing prices and a changing sense of place. Other areas have experienced drops in median income since 2000.



Signs advertise off-campus student housing near Temple University.

University areas that are no longer majority African-American

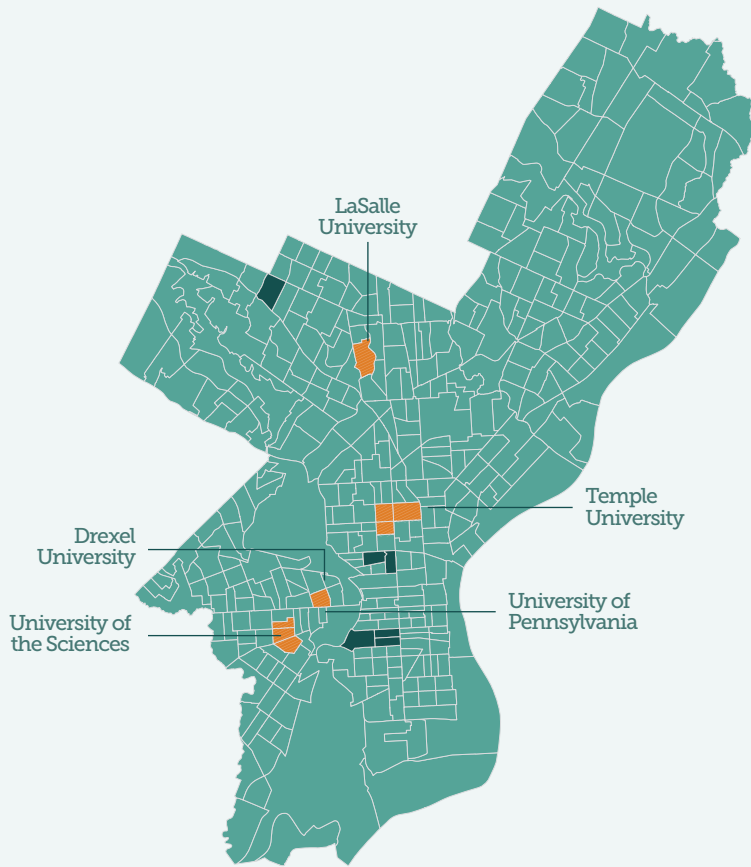
According to census estimates, there were 14 tracts in the city that were majority black in 2000 but not in 2014.¹⁷ Three were the gentrified tracts in Graduate Hospital; one was in East Mount Airy; two were the adjacent tracts of Francisville and Spring Garden, which are North Philadelphia neighborhoods where incomes were up but not enough to meet our gentrification standard; and eight were close to institutions of higher education: three near the University of Pennsylvania and the University of the Sciences (Cedar Park, Spruce Hill, and Walnut Hill), three that included parts of Temple University's main campus, one in West Powelton next to Drexel University, and one adjacent to La Salle University. (See Figure 21.) Some residents and city officials consider a few of these tracts to be successfully integrated neighborhoods in terms of race and income, but such change has been cast more often as gentrification with the potential for displacement.

Figure 21
**Census Tracts
 Over 50% African-
 American in 2000
 and Less Than
 50% in 2014**

Of the 14 census tracts that ceased to be majority African-American, eight were near university campuses.

- University-area tracts
- Other tracts

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14 five-year estimate
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Philadelphia’s universities undertook several initiatives that shaped their surrounding neighborhoods during our study period. The University of Pennsylvania, facing growing concerns about crime in the area, expanded public safety patrols and encouraged staff members to settle in the neighborhood with a mortgage assistance program, retail development, and the opening of a new, highly regarded elementary school. Drexel and Temple recruited more out-of-state and international undergraduate students, many of whom chose to live in the neighborhood. Temple, historically a commuter school, was so successful at recruiting resident students that in 2004 the university announced it had enough dormitory space only for freshmen and sophomores, causing upperclassmen to look for accommodation elsewhere.¹⁸

Of the eight formerly black-majority, university-area tracts, three had white majorities in 2014, one had a white plurality, and four had African-American pluralities. In four of the tracts (La Salle, Spruce Hill, and two in the Temple University area), there was a drop in median household income; in the rest there was no statistically significant change. (See Figure 22.) Income alone, however, does not tell the entire story. Although the undergraduate and graduate students who have moved in often have little income, their access to student loans or family wealth can help them afford relatively expensive housing. For those reasons and others, their presence can have a dramatic impact on a neighborhood’s real estate market.

Figure 22

University Areas With Changing Demographics, 2000-14

Racial and ethnic composition

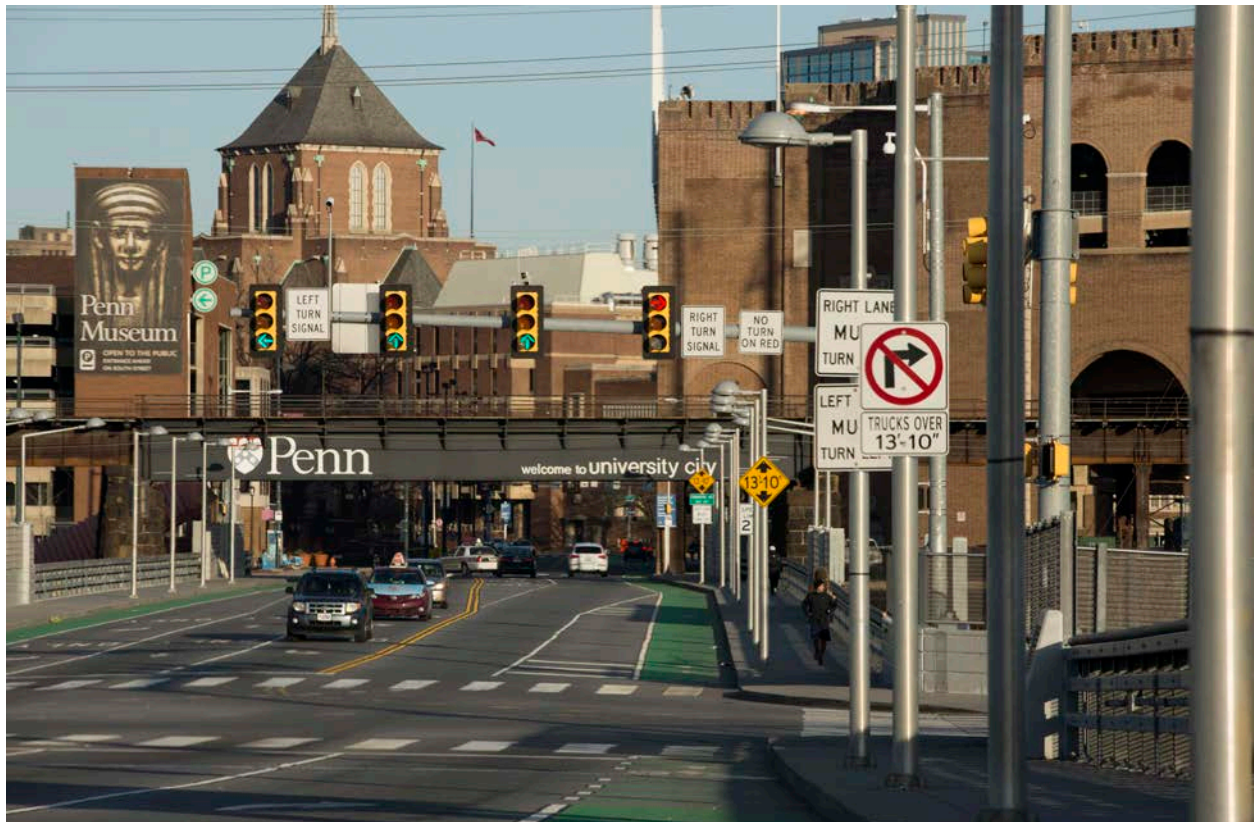
Tract	Neighborhood	White		African-American		Asian		Hispanic	
		2000	2014	2000	2014	2000	2014	2000	2014
78	Cedar Park	28%	53%	65%	27%	4%	5%	3%	5%
79	Spruce Hill	27%	49%	65%	33%	5%	6%	3%	4%
86.01	Walnut Hill	14%	54%	77%	34%	5%	5%	3%	1%
91	West Powelton	29%	30%	55%	46%	11%	20%	3%	2%
147	North Phila./Temple area (south)	1%	38%	96%	48%	1%	10%	2%	2%
153	North Phila./Temple area (west)	8%	55%	88%	36%	3%	4%	1%	2%
377	North Phila./Temple area (east)	16%	31%	64%	41%	3%	7%	15%	19%
279.02	LaSalle area	23%	38%	74%	49%	1%	2%	2%	7%

Income change

Tract	Neighborhood	Median household income 2000, adjusted	Median household income 2010-14
78	Cedar Park*	\$41,017	\$38,214
79	Spruce Hill	\$45,980	\$41,440
86.01	Walnut Hill*	\$27,849	\$35,341
91	West Powelton*	\$24,850	\$19,732
147	North Phila./Temple area (south)	\$23,304	\$11,578
153	North Phila./Temple area (west)	\$21,053	\$15,609
377	North Phila./Temple area (east)*	\$22,051	\$22,181
279.02	LaSalle area	\$37,664	\$27,604

* Income change not statistically significant given margin of error for 2010-14 estimate.

Source: Pew analysis of Brown University Longitudinal Tract Database and U.S. Census, American Community Survey, 2010-14, five-year estimate
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A view of University City from Philadelphia's South Street Bridge, 2016.

The population gains on the western side of Temple's campus—54 percent to the south of Montgomery Avenue and 14 percent to the north—also help explain why those areas felt transformed. The other university-area tracts experienced either population decreases or marginal gains.

In terms of educational attainment, the four tracts in West Philadelphia had an average of 56 percent of residents over the age of 25 with at least a bachelor's degree in 2014, more than double the city's 25 percent and up 23 percentage points since 2000. The tracts near Temple and La Salle, however, began and ended with lower shares of college graduates than the city as a whole, reflecting the rental market's focus on undergraduates in those tracts.

Around some campuses, investors have converted owner-occupied single-family homes into rental housing aimed at students. New multistory apartment buildings have risen in both West Philadelphia and North Philadelphia, making those streetscapes look very different. Reinvestment Fund's index showed that most of the university-area tracts became less affordable, at least for home sales. The most extreme property appreciation was west of Temple, where the median sale price rose from \$11,250 in 2000-01 to \$140,000 in 2013-14.

Longtime residents of these neighborhoods have mixed feelings about the changes. Some have been pleased with the improved amenities—such as safety patrols and grocery stores near La Salle and the University of Pennsylvania—but they also complain about rowdy parties and a general lack of respect or understanding from the students. Although the universities have sought to smooth “town-gown” relations, residents say the constant turnover in population makes permanent headway difficult. In 2014, Drexel established the Dornsife Center for Neighborhood Partnerships in part to support longtime residents through offerings that include a law clinic, public computer lab, and tax preparation assistance.

Neighborhoods with other demographic shifts and real estate market change

A few other neighborhoods that did not meet our definition of gentrification often have been included in discussions about the phenomenon in Philadelphia—and for good reason.

Fishtown, located north of Northern Liberties, looks very different from a few years ago, when it was primarily known as a blue-collar enclave. Its main commercial corridor, Frankford Avenue, is lined with new bars and restaurants and has become a nightlife destination for the city and region. Contemporary townhouses are popping up on side streets. Of the two Fishtown census tracts, the southern tract had too high a median income in 2000 to be considered a candidate for gentrification by our standards. The northern Fishtown tract did not qualify because its median income did not show enough of a change from 2000 to 2014. The racial and ethnic makeup of the tracts did not change much, either.

Other indicators illustrate what did occur: The percentage of residents in professional occupations in Fishtown increased from 30 percent in 2000 to 52 percent in 2014. Citywide, the share of professionals rose from 32 to 36 percent. The share of residents with at least a bachelor's degree more than tripled in one Fishtown tract and more than doubled in the other. Home prices started to rise in the middle of the past decade and, as was the case in many of the gentrified neighborhoods, did not decline during the Great Recession.

Another example is the Point Breeze section of South Philadelphia, near Graduate Hospital and Passyunk Square. In the recent census data, income levels in three of the four Point Breeze tracts were little changed in 2014 compared with 2000. The median was starting to rise in the northeastern tract, which runs from 18th to 22nd streets and from Washington Avenue to Wharton Street, and the increases were concentrated in the block groups along the northern edge of the neighborhood, indicating that gentrification might be underway.



Point Breeze, 2004 and 2016.

Reinvestment Fund's index analysis showed that, on the whole, the area remained affordable to longtime residents but that prices in some block groups within the northeastern tract were not. In that tract, the median sale price rose from \$12,000 in 2000-01 to \$160,000 in 2013-14, with the increase beginning around 2010. Point Breeze's white population grew between 2000 and 2014, most notably in the two northern tracts, which also had the biggest increases in the portion of people with college degrees.

Public housing redevelopment areas

Some parts of Philadelphia have been transformed over the past two decades by the redevelopment of public housing complexes, endeavors funded largely with federal dollars as part of the HOPE VI program, which encouraged the replacement of “distressed” subsidized housing with low-density, mixed-income development. The idea was to reduce concentrated poverty and thereby improve quality of life.

These changes have been especially apparent in neighborhoods where public housing sat next to high-income neighborhoods, as was the case with the site of Martin Luther King Plaza in the gentrified Bella Vista/Hawthorne tract, and Southwark Plaza in Queen Village. Most of the residents of old public housing complexes were African-American. As a result, from 1990 to 2000, the number of black residents in the Bella Vista/Hawthorne tract fell from 1,425 to 536 as the Martin Luther King towers were cleared out and then demolished. But the number has held relatively stable since 2000, indicating that the continued presence of subsidized housing may have helped the neighborhood retain some black residents.

Daryl Jones, who lives in the Courtyard Apartments, which replaced the Southwark Plaza towers, said most of his neighbors lived in the plaza for “generations and generations.” He knows that he and they could not afford the neighborhood today without being subsidized—homes across the street are selling for \$500,000, he said—but he worries that eventually government will eliminate the affordable housing units to make way for wealthier residents.



Scottish Rite House, a subsidized housing facility for seniors in Graduate Hospital (left), and new public housing in north Philadelphia.

Areas that are losing ground economically

From 2000 through 2014, the primary form of change in Philadelphia neighborhoods was not gentrification; it was a decline in residents’ economic well-being. Adjusted for inflation, the city’s median household income fell from \$43,659 to \$37,460, and the number of Philadelphia residents living in poverty grew by more than 60,000.¹⁹ Of 372 residential tracts in the city, median income fell significantly in 164—44 percent of the total—120 of which already had incomes below 80 percent of the regional median in 2000, qualifying them as low income by federal standards. Only 10 percent of the city’s census tracts experienced income increases: the 15 that gentrified; seven low-income tracts that stayed low income; and 15 higher-income tracts.

In studying the 70 largest U.S. metropolitan areas between 1990 and 2010, John Landis, a professor of city and regional planning at the University of Pennsylvania, observed: “Popular fascination with gentrification

What Philadelphians Think About Gentrification

In a 2015 poll commissioned by Pew's Philadelphia research initiative, city residents were asked two questions about gentrification. Neither question used the word.

By a margin of 63 percent to 23 percent, Philadelphians said having higher-income people move into lower-income neighborhoods was a good thing. Renters were nearly as supportive as homeowners of the idea. Having higher-income people move in was viewed favorably by 74 percent of whites, 65 percent of Hispanics, and 55 percent of blacks. (See Figure 23.)

At the same time, 67 percent of Philadelphians said they favored doing more to keep longtime residents in their neighborhoods. Seventy-two percent of residents who had lived in the city for at least 30 years also expressed that view, compared with 56 percent of residents who had been in the city 10 years or less.

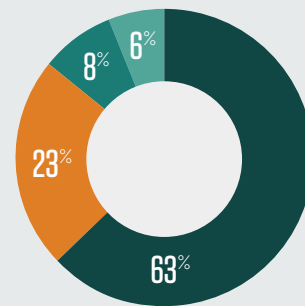
In response to another question, only 5 percent of poll respondents said gentrification or neighborhood revitalization is the biggest issue facing the city, putting it far behind schools, public safety, and the need for more jobs.

Figure 23

What Philadelphians Think About Changing Neighborhoods

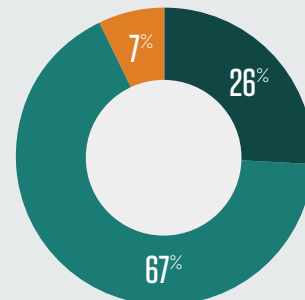
In some parts of Philadelphia, higher-income people have been moving into what had been lower-income neighborhoods. Is this more of a good thing or a bad thing?

- Good thing
- Bad thing
- Both/can't choose
- Don't know



The city should do more to ...

- Attract middle- and upper-income people to struggling neighborhoods
- Help longtime residents stay in their neighborhoods when housing costs rise
- Don't know/can't choose



Source: The Pew Philadelphia Poll, 2015
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notwithstanding, the dominant form of substantial neighborhood change continues to be decline, not upgrading.”²⁰ Said Beth McConnell, policy director of the Philadelphia Association of Community Development Corporations: “This gentrification stuff is happening in very few places, affecting a small number of people. We have many more poor neighborhoods where there is no change; we need policies that will also benefit those neighborhoods.”

Shaping neighborhood change through public policy

Philadelphia’s public officials are virtually unanimous in their belief that increased private development that brings higher-income households into city neighborhoods has numerous benefits when done thoughtfully. It generates tax revenue for critical services; provides customers for stores, restaurants, and other businesses; and enhances the quality of city life. For longtime homeowners in these neighborhoods, new construction and rehabilitation create increased wealth in the resale value of their homes. Some experts see the movement of higher-income households into moderate-income neighborhoods as a step toward building the diverse, mixed-income communities that many Philadelphians say they want—as long as some lower-income households are able to stay put.

“We can’t be against all development,” said Nora Lichtash, executive director of the Women’s Community Revitalization Project, a nonprofit that does community organizing and produces affordable housing in eastern North Philadelphia. “We can be against the negative impacts of development.”

The goal of many officials and advocates dealing with gentrification is what they call “equitable development.” In general, the term means trying to ensure that new investment in neighborhoods includes some benefits for lower-income individuals and that higher home prices do not force longtime residents to move to areas that might be less safe or less accessible to jobs, services, or other amenities. “Some neighborhoods have suffered from disinvestment for 50 years and need investment,” said Deborah McColloch, former director of Philadelphia’s Office of Housing and Community Development. “But how we manage change in a way that promotes neighborhoods, honors long-term residents, and helps people feel it’s still their neighborhood is a huge challenge.”

From a government perspective, there are questions about when, where, how, and whether to intervene as neighborhood real estate values rise; whether rental or ownership housing is more desirable; and whether imposing legal requirements or offering incentives is the most effective way to produce affordable housing without stifling new investment. There’s also the question of how to pay for any government action.

Cities across the country have tried a range of approaches. In Los Angeles, neighborhood advocates have secured community-benefit agreements from developers of market-rate housing and other large projects that include affordable housing. But this approach comes into play only when public funds are involved, zoning variances are sought, and local community groups are organized and focused. Municipalities and counties in four states and the District of Columbia have applied controls that guide how much and how quickly landlords can raise rents, but Pennsylvania has not allowed its local governments to enact rent controls.²¹

Programs already in place

Philadelphia has a number of policies and programs that are relevant to the changes taking place in gentrified and other changing neighborhoods, even if not all of them were put in place with those changes in mind.



Philadelphia's Graduate Hospital neighborhood, 2016.

Property tax abatement

Philadelphia's property tax abatement program, introduced in 1997 and expanded in 2000, is seen by supporters and critics alike as having helped to make gentrification happen. It exempts buildings, though not the land on which they sit, from all property taxes for 10 years after completion of new construction or substantial rehabilitation. The program's backers say the abatement promotes revitalization throughout the city and benefits a diverse set of residents; they note that the biggest single user of the abatement has been the Philadelphia Housing Authority.²² Critics say that the tax break is no longer necessary to spur development, especially in "hot" neighborhoods; that it gives buyers tax savings at the expense of long-term residents; and that it raises sales prices and assessments, thereby accelerating gentrification by making it harder for lower-income residents to pay their taxes. Members of City Council have periodically discussed restructuring or limiting the program.

Property tax reform and relief programs

For homeowners who meet certain eligibility tests, the Longtime Owner Occupants Program (LOOP) caps a property's taxable value until the home is sold or the homeowner dies. It was created to address the more extreme effects of Philadelphia's 2013 property tax overhaul, known as the Actual Value Initiative (AVI), and growing discontent among some longtime residents regarding the 10-year property tax abatement, which they see as giving an unfair break to recent arrivals.

In addition to meeting income limits and a 10-year residency requirement, a LOOP applicant must own and occupy a home that has undergone a property assessment increase of at least 300 percent in one year. Such steep increases happened to thousands of properties in 2013 because of AVI, mostly in neighborhoods where home prices had risen rapidly.

Lawmakers have called LOOP an anti-gentrification program, and, in fact, the 17,812 households that enrolled were concentrated in neighborhoods where there are concerns about displacement. Other programs designed to help keep housing affordable for homeowners are the senior tax freeze, the deferral program, and the homestead exemption, which reduces the taxable value of all owner-occupied homes by \$30,000.²³

Housing counseling

Housing advocates worry that real estate speculators in gentrifying and other changing neighborhoods are exploiting longtime residents, particularly the elderly, who do not know the full value of their homes. Officials say counseling agencies, though set up primarily to assist would-be home buyers, can help homeowners understand the value of their properties and how to benefit from rising prices without taking out risky loans that could lead to foreclosure.

Philadelphia's Office of Housing and Community Development, using federal funds, supports 30 organizations that serve as housing counseling agencies, most of which also are engaged in other work in community development, advocacy, or social services. Those organizations offer free counseling on first-time home buying, foreclosure prevention, predatory lending, and more. In fiscal year 2014, housing counselors served 12,288 Philadelphians at a cost of about \$5 million.

Basic systems repair

City officials say the basic systems repair program is essential in a city with thousands of low-income homeowners and an aging housing stock. The program, which has a two-year waiting list and is limited to low-income owners of single-family homes, provides free repairs for plumbing, electrical, and heating systems and, in some cases, pays for roof replacements as well. Using a mix of federal and local Housing Trust Fund resources, the city spent \$11 million on the program in fiscal 2014, covering repairs for 1,303 homes, which experts say represent a fraction of the homes in dire need of maintenance.

Subsidized units in gentrified neighborhoods

Although the public discussion is often focused on how to fund new subsidized units and where they should go, hundreds of these units already exist in the tracts that have gentrified since 2000 and in other neighborhoods in or around Center City. Many of those units are for seniors, such as the 288 apartments in the Casa Farnese complex in Washington Square West. Although housing advocates say the need greatly exceeds the supply, the existing units have prevented the displacement of at least some longtime residents of modest means.

Empowering residents, old and new

City officials and others would like to do more to make longtime residents feel more welcome in gentrified areas. In 2007, the Francisville Neighborhood Development Corp., which serves a changing North Philadelphia community, gathered public comment to create a plan promoting greater economic diversity in the neighborhood. Implementation has involved ongoing outreach and programming work to convince people of all incomes that sharing a neighborhood with one another is mutually beneficial.

Another approach is to enhance the ability of individuals and local civic groups to actively shape change in their communities through funding or training. Philadelphia's Citizens Planning Institute, the education

and outreach arm of the City Planning Commission, has launched Neighbors Helping Neighbors, a program designed to encourage new and long-term residents to solve problems together by educating them about how they can influence development and investment decisions and make themselves feel more in control of their neighborhoods' futures.

Strategies in development or under discussion

In Philadelphia, a range of new strategies to address issues related to gentrification and other types of change is under discussion. Advocates say the city needs a strategy to guarantee some amount of affordable housing in neighborhoods that are receiving large amounts of private investment. They see the nascent Philadelphia Land Bank, created by City Council in 2013, as a means to that end. Land banks are governmental entities tasked with making vacant and blighted properties available for sale or lease to return them to productive use.

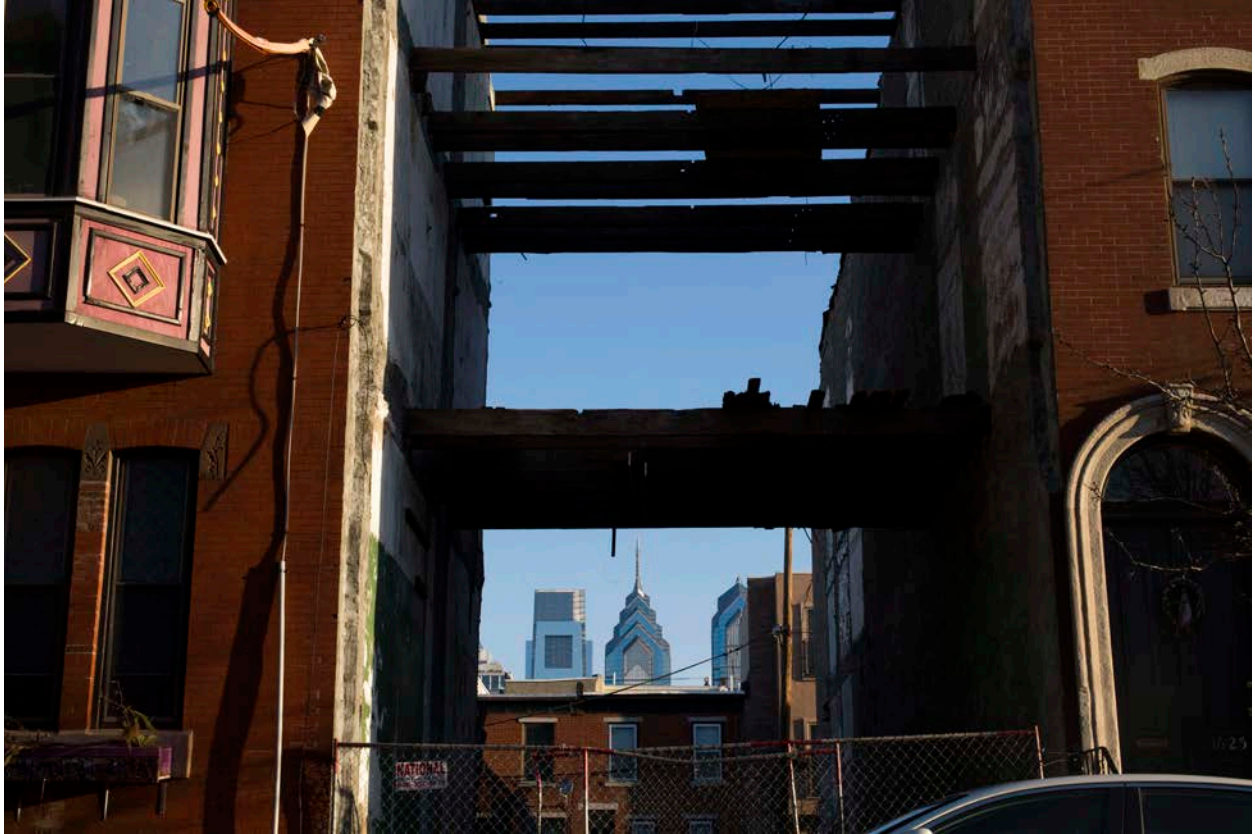
The strategic plan for the Philadelphia Land Bank calls for transferring publicly owned parcels in changing neighborhoods to community development corporations and other builders of subsidized housing to “preserve and enhance affordability.” Some developers and housing advocates say, however, that it makes little sense to provide affordable units in these areas when units can be developed less expensively elsewhere; they say that the proceeds from selling city properties in desirable neighborhoods at high prices could be used to finance development in struggling areas. In addition, much of the funding for affordable housing in Philadelphia and elsewhere comes from the U.S. Department of Housing and Urban Development, which has not favored investment in gentrifying neighborhoods. Rather, it has encouraged development in low-income census tracts and helping low-income households move to mixed-income tracts.

Philadelphia is also in the early stages of a plan devised by City Council President Darrell Clarke to use existing local, state, and federal revenue sources to build 2,000 new homes, half of them rentals, for households earning between 80 and 120 percent of area median income.

An option favored by some housing experts is to adjust the city's little-used inclusionary zoning incentives, which are intended to induce builders of market-rate housing to incorporate affordable units into their projects. Philadelphia's program permits developers to build more units on a parcel than would otherwise be allowed if they commit to keeping a certain number of units affordable for 15 years. In other cities, inclusionary zoning has produced more units through richer incentives, such as greater height allowances, or tougher mandates, such as requiring developers of buildings over a certain size to subsidize units or contribute to an affordable housing fund.

Additional strategies proposed for managing gentrification in Philadelphia include ending the property tax abatement in certain areas in order to lessen development pressure and instituting a “flip tax” on owners who sell properties less than two years after purchase—based on the theory that such behavior encourages rapid price appreciation—and using the proceeds to help fund affordable housing programs.

Another approach is to focus on retaining existing affordable housing, which the National Housing Trust and other organizations have concluded is more cost-effective than building new units. Advocates also see such efforts as essential in neighborhoods that have experienced income declines, which are far more widespread than gentrified areas in Philadelphia.²⁴ An advocacy coalition called the Healthy Rowhouse Project sees improving housing stock as helping low-income homeowners in gentrifying neighborhoods resist the pressure to sell when their homes fall into disrepair, and preventing property abandonment and homelessness in areas where increasing levels of poverty and continued disinvestment are a bigger concern. The coalition has called for an expansion of the Office of Housing and Community Development's Basic Systems Repair Program and announced a new effort in December 2015 to raise \$50 million to fund major repairs for 5,000 homes.



Conclusion

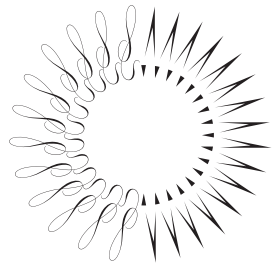
Although public policy can have some impact on how—and how quickly—neighborhoods change, the forces of the marketplace are largely outside the control of government, especially at the local level. Those forces have been working in favor of gentrification in certain parts of Philadelphia, particularly in areas within a few miles of Center City. How widespread the phenomenon and other forms of neighborhood change become in the years ahead remains to be seen, particularly in areas more distant from downtown in a city where far more neighborhoods have been losing ground than gaining economically. Neighborhood characteristics—such as homeownership rates, the amount of vacant and investor-owned property, and demographic makeup—are likely to influence whether the changes are rapid and stark, or slower and more comfortable. And the actions and perspectives of neighborhood residents, new and old, will also affect who feels at home in these areas and for how long.

For additional exploration of gentrification and neighborhood change in Philadelphia, including supplemental analyses and perspectives of city residents featured in this report, please visit: www.pewtrusts.org/PhillyGentrification

Endnotes

- 1 U.S. Census Bureau, American Community Survey, five-year estimates, 2010-14, <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>.
- 2 It is important to note that all data from the American Community Survey are based on estimates and not on counts, as in the decennial census. Margins of error vary by tract and topic. In this report, we accounted for margins of error in our determination of which tracts gentrified, but the figures and calculations of the scope of change referenced throughout are based on the estimates alone.
- 3 To account for changing census tract boundaries, this report used Brown University's Longitudinal Tract Database, which estimates values for standardized tracts. Data are available at <http://www.s4.brown.edu/us2010/Researcher/LTDB.htm>.
- 4 U.S. Department of Housing and Urban Development, public housing eligibility guidelines, http://portal.hud.gov/hudportal/HUD?src=/topics/rental_assistance/phprog.
- 5 All 2000 income numbers are adjusted for inflation to 2014 dollar values. Of 372 residential tracts, 267 had median incomes in 2000 below \$53,992 in inflation-adjusted dollars. Of those, 24 tracts experienced 10 percent increases in median income from 2000 to 2014 that were statistically significant. Only 15 of the 24 had median incomes higher than the citywide figure in 2014.
- 6 The Philadelphia regional median income was \$62,169 in 2014.
- 7 Some definitions of gentrification recently used by other researchers include: tracts with median household income below the citywide median in the beginning of the study period and a percentage increase in median gross rent or home value above the citywide median increase, and an above-citywide median increase in share of college-educated residents—Lei Ding, Jackelyn Hwang, and Eileen Divringi, *Gentrification and Residential Mobility in Philadelphia* (Federal Reserve Bank of Philadelphia, 2015); tracts that moved up at least two deciles when a region's tracts were sorted into 10 deciles by income—John D. Landis, "Tracking and Explaining Neighborhood Socioeconomic Change in U.S. Metropolitan Areas Between 1990 and 2010," *Housing Policy Debate* 25, no. 1 (2015): 1-51; tracts in the bottom 40th percentile by ratio of the average household income in the tract to the metropolitan area average income that experienced a positive gain in the relative income ratio over time—Ingrid Gould Ellen and Katherine M. O'Regan, "Gentrification and Low Income Neighborhoods: Entry, Exit, and Enhancement," *Regional Science and Urban Economics* 41, no. 2 (March 2011): 89-97, <http://journalistsresource.org/studies/government/municipal/low-income-neighborhoods-gentrification-entry-exit-enhancement#sthash.Ye5KxVNA.dpuf>; tracts in the bottom quarter of a region by income with an increase of at least \$10,000 in median income—Terra McKinnish, Randall Walsh, and Kirk White, *Who Gentrifies Low-Income Neighborhoods?* (National Bureau of Economic Research, 2008).
- 8 For purposes of this report, Center City Philadelphia is defined by the traditional boundaries of Vine Street on the north, South Street on the south, the Delaware River to the east, and the Schuylkill River to the west.
- 9 To calculate the index, Reinvestment Fund tracks changing residential sales prices in an area over time in relation to the inflation-adjusted median income of area residents at the starting point, the year 2000 in this case. The citywide values are then subtracted to remove the influence of broader trends, resulting in index values for some tracts that were less than zero. In real estate economics, there is a rule of thumb that buyers can afford homes priced at 2.5 to three times their annual incomes.
- 10 Reinvestment Fund analysis used sale price data from the Philadelphia Board of Revision of Taxes and Office of Property Assessment and aggregated values into two-year periods beginning with 2000-01 and ending with 2013-14 to create larger sample sizes. Income data were obtained from the U.S. Census.
- 11 From analysis conducted by Reinvestment Fund, which aggregated sales prices in each tract by two-year periods to increase sample sizes.
- 12 Reinvestment Fund analysis of Board of Revision of Taxes and Office of Property Assessment data.
- 13 Ira Goldstein, *Subprime Lending, Mortgage Foreclosures and Race: How Far Have We Come and How Far Have We to Go?* (Philadelphia: Reinvestment Fund, 2015), https://www.reinvestment.com/wp-content/uploads/2015/12/Subprime_Mortgage_Foreclosure_and_Race-Paper_2008.pdf.
- 14 There are 1,477 tracts in the metropolitan area, and African-Americans make up at least 1 percent of the population in 908 of them.
- 15 Year 2000 income data adjusted for inflation.
- 16 Year 2000 sale price from Philadelphia Board of Revision of Taxes.
- 17 This analysis uses the American Community Survey estimate for the non-Hispanic black population in 2010-14.
- 18 Vernon Clark, "New Temple Student Housing Stirs a Renaissance West of Broad Street," *The Philadelphia Inquirer*, Oct. 15, 2010, http://articles.philly.com/2010-10-15/news/24983050_1_student-housing-main-campus-foreign-students.

- 19 This compares median household income in 1999, as reported in the 2000 decennial census, with income estimated by the ACS 2010-14 five-year estimates.
- 20 John Landis, "Tracking and Explaining Neighborhood Socio-economic Change in U.S. Metropolitan Areas Between 1990 and 2010," *Housing Policy Debate* 25, no. 1 (2015): 1-51.
- 21 The four states are California, Maryland, New Jersey, and New York.
- 22 Kevin Gillen, "Philadelphia's 10-Year Property Tax Abatement," presentation at BIA Housing Conference, April 2013, http://www.biaofphiladelphia.com/ufiles/abatement_report.pdf.
- 23 More information about the Actual Value Initiative and programs for taxpayers are available in previous reports released by Pew's Philadelphia research initiative: *The Actual Value Initiative: Overhauling Property Taxes in Philadelphia* (2012) and *Philadelphia's Progress on Its Property Tax Overhaul: The Actual Value Initiative* (2015).
- 24 National Housing Trust, "Affordable Housing Preservation FAQs," accessed Oct. 16, 2015, http://www.nhtinc.org/preservation_faq.php.



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