

Economic Revitalization & Involuntary Displacement in North-Northeast Portland An Issues Analysis

Executive Summary

Gentrification and displacement have been at the forefront of all discussions related to economic development and revitalization in North and Northeast Portland, whether it be the Interstate Corridor Urban Renewal Area, construction of Interstate MAX light rail line, or other public investments. Despite the difficulty in disentangling the relationship of these public investments, private market activity, and resident choices that fuel gentrification, the Portland Development Commission is often asked to quantify the impacts of urban renewal on gentrification and involuntary displacement.

Gentrification is most commonly used to describe the process whereby middle and upper-class households move into and rehabilitate historically low-income neighborhoods. The results are both positive and negative to the existing community. Homeowners are able to capitalize on the increased value of their homes, and all residents reap the benefits of increased safety and availability of services. But, the dark side of gentrification is the resulting involuntary displacement which takes a number of forms. In Portland, the impacts are felt most heavily by low-income renters. Homes that were once rented are sold to purchasers who plan on living in the home, displacing the former tenants. New people coming into the neighborhood are willing to pay greater amounts for the homes, rents increase displacing those unable to bear the increase. Residents are forced to look elsewhere for housing they can afford.

Neighborhoods of North and Northeast Portland are experiencing signs of gentrification, although the closer-in neighborhoods are at a different stage than many of the neighborhoods in the Interstate Corridor. There are a number of factors that suggest the Interstate Corridor is already experiencing the impacts of gentrification and that it will likely progress into the later stages.

- Residents have low-incomes, high poverty rates, unstable employment, and already have a high housing cost burden.
- Homes are selling quickly, at higher and higher prices, while rents are increasing.
- Homes are converting from investment rental property to owner-occupied, increasing the homeownership rate.
- The population continues to increase with new higher educated residents, there are more non-family and non-traditional households, fewer seniors and children.

While the traditional risk factors for gentrification and involuntary displacement are present in the Interstate Corridor, the primary problem continues to be the low and unstable incomes of existing residents.

Urban renewal alone cannot shelter residents from the effects of gentrification. PDC resources will continue to be used to provide long-term affordable housing in the community for those in need of stable housing. PDC will focus on providing opportunities for low and moderate income renters to become homeowners, so they too can reap the positive benefits of increased investment. But, most importantly, there must be adequate strategies and resources directed at increasing the incomes of existing residents by providing stable employment and education opportunities for existing residents so they can better compete in the private market and have choices to remain in their community. To have a substantial impact in the community, PDC will need to continue to secure additional resources that can effectively address the needs of existing residents while balancing the broader revitalization and economic development needs of the community.

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Introduction: Overview, Scope and Methodology

Over the last several years, at least since planning began in 1999 for the creation of the Interstate Corridor Urban Renewal Area in North and Northeast Portland, the inter-related issues of economic revitalization, gentrification and displacement have been at the forefront of many people's minds. At least anecdotally, it appears that as these communities experience an economic resurgence, many long-time low-income residents, especially renters including many people of color, have felt compelled for a variety of reasons to leave. Young, middle class predominantly white households have been attracted to the area, and modest homes that served as an affordable rental housing stock have been converted to ownership housing to fill the demand of the more upscale new residents.

Statistics discussed in this report tend to bear out the anecdotal evidence—at least to a point. It is extremely difficult to measure the movement of people except in broad demographic terms. Even if we could isolate individual low-income renters who have left the area in the last few years (which would be an extremely daunting task), could we truly gauge the full range of reasons for their move out of the area? People's housing choices are not based solely on economic considerations; a move outside of the neighborhood may be due to such factors as new employment opportunities, desire for better schools, a need to be near aging relatives, or any of a number of factors in addition to the perception of rising rents and decreased affordability in the former neighborhood.

This report attempts to address the issues of gentrification and displacement by examining the issue from a statistical level—so that policy makers may rely on something more than anecdote as they make decisions that affect the north/northeast community. This report summarizes the extensive literature and studies available on both a national and a local level. It looks specifically at the demographics and risk factors in the neighborhoods of the Interstate Corridor Urban Renewal Area (ICURA) to better frame the scope of the issue in Inner North and Northeast Portland. It also attempts to address the ancillary but significant question of the relationship between urban renewal, gentrification and displacement.

Finally the report concludes with some observations about policy direction in light of the challenges facing residents of North and Northeast Portland, including suggested measures that will allow low-income residents to rise out of poverty and be able to increase their housing choices.

Most of the statistics in this report are gleaned from comparing the 1990 census with the 1996 American Community Survey. This information was used extensively and formed the basis for many of the recommendations in the Interstate Corridor Housing Implementation Strategy. For the most part, demographic data from the 2000 census is not yet available although the Bureau of Census is expected to release local figures within the next month.

What is Gentrification? What are its benefits?

Ruth Glass coined the term "*gentrification*" to describe how the aristocracy, or "landed gentry," were moving into working class neighborhoods in the central city of London, England during the 1960s. Gentrification is used in this paper to describe the process whereby middle and upper-class households move into and rehabilitate historically low-income neighborhoods.

It is important to note that gentrification has many positive impacts on central city neighborhoods. It brings increased private investment in the form of renovated properties and new development, as well as increased resident income to support neighborhood retail and commercial businesses. It results in increased or stabilized property tax revenues to support the schools and other services of the city. It is also an important wealth creation tool for existing homeowners, as it can substantially increase home equity. In a sense, gentrification brings revitalization.

For decades, it has been a deliberate public policy in most American cities to attract middle- and upper-income households to the central city to fight the challenges of urban flight. Indeed, the 1993 Albina Community Plan (which encompasses most of the Interstate Corridor URA) identified the need to spur reinvestment in North and Northeast Portland. At the time of the Albina Community Plan, there were many abandoned or nuisance properties which posed a threat to the health and safety, as well as economic vitality of the community. In the years since adoption of the Plan, there has been a marked decrease in such properties.

What is Involuntary Displacement?

If gentrification is beneficial to inner city communities, it also must be recognized that gentrification can bring pressures that result in the displacement of existing residents. In literature and community dialogue the term displacement is used to describe a wide variety of experiences ranging from a person evicted from his rental unit because it's being converted to condominiums to a long-time resident who sells his home because he no longer likes the changes that are occurring in the neighborhood. Displacement can be deemed voluntary or involuntary depending on the level of choice a households has in the decision.

Involuntary displacement has three main features. As a neighborhood becomes more attractive to higher-income residents, homes that were once rented are sold to purchasers who plan on living in the home, displacing the former tenants. Secondly, as new people coming into the neighborhood are willing to pay greater amounts for their home, rents increase displacing those with incomes unable to bear the increase. Lastly, in most communities, as property values and house prices increase property taxes rise, homeowners are faced with increased taxes that they may not be able to afford or the increased burden is shifted to the renters resulting in higher rents.

In Oregon, property owners are less at risk of gentrification-related involuntary displacement because of the cap on assessed value increases (per Measure 50). Renter households are most susceptible to the impact of increased property values and potential displacement. Rent increases may come incrementally throughout the years, or households may see drastic increases in a very short time. In other instances, the property owner may evict the existing tenant and renovate the property so he can obtain greater rents.

Stages of Gentrification

Literature and studies on neighborhood change describe how gentrification typically occurs in stages, with different types of people moving into the neighborhood and varying degrees of involuntary displacement. This has made it difficult to truly quantify the impact of gentrification in many North and Northeast Portland neighborhoods. It is also important to note that the Interstate Corridor is comprised of many diverse neighborhoods with individual submarkets, therefore varying levels of change are being experienced throughout the district.

The first stage of gentrification is often typified by "rogue gentrifiers" who may themselves be only marginally middle-class, but who often have a higher earning potential. These tend to be people

who would traditionally choose to live in inner city neighborhoods: young, highly-educated, single persons, childless couples, unmarried couples, artists, and gays and lesbians. These people are drawn to the low-cost housing opportunities in the neighborhood, as well as the neighborhood diversity. This stage is hard to quantify using traditional economic and demographic analysis.

- The second stage sees the middle-class households moving into the neighborhood once it has been established as "up and coming." In this stage, property values are increasing rapidly as new residents feel certain they will see a return on their investment. Realtors, private developers and outside investors become more interested in the neighborhood and new sales, renovation and new development increase dramatically.
- The last stage represents the critical transformation of the neighborhood. The neighborhood is no longer identified as a low-income or working-class neighborhood, but rather is defined by its new middle- and upper-class residents and the new businesses that serve them.

Many inner city neighborhoods in Portland are at varying stages of gentrification. Northwest 23rd Avenue has completed the gentrification process and is now viewed as an upper- and middle-class neighborhood, with home prices and businesses to match. The same is true of such established northeast neighborhoods as Alameda and Irvington. The Southeast neighborhoods around Hawthorne and Belmont are probably best described as in the later periods of the second stage, while portions of the Inner Northeast neighborhoods around Alberta (specifically Concordia) have recently transitioned into stage two with many new residents and businesses. Most of the neighborhood transformations throughout Portland that are most commonly identified as gentrified have occurred outside of urban renewal areas.

While Inner North Portland is a neighborhood that has seen ongoing disinvestment, evidence suggests that some of the neighborhoods in and around the Interstate Corridor are seeing signs of the "rogue gentrifier." Concerns about displacement are heightened when a neighborhood moves from the first stage of gentrification to the second. Many believe this is already occurring in many of the close-in neighborhoods of the Interstate Corridor as new, younger and non-traditional households are purchasing and renting homes in the district.

Neighborhood Indicators of Gentrification

Neighborhoods viewed as prime for gentrification include those close-in areas that have good access to central city jobs and amenities, have seen a high level of disinvestment over the years, but have a solid stock of quality housing. When there is a high demand for housing in the city and region and a scarcity of affordable options, residents seek out housing opportunities in these relatively low-cost neighborhoods where high returns on investment are likely.

Depending on the stage of a neighborhood, gentrification and displacement can be difficult to quantify. Gross economic and demographic analyses often miss many of the nuances of gentrification and displacement, making it difficult to distinguish between changes related to normal neighborhood turnover versus gentrification.

The following economic and demographic variables are traditionally identified as indicators of neighborhood change and gentrification:

- *Household Composition*—decrease in family household size, with fewer children, and an increase in single person and unmarried households

- *Education*—increase in college-educated persons
- *Income*—increases in family, household and per capita income, decrease in the number of persons in poverty households
- *Rents*—increase in rents at a rate greater than the larger market
- *Home Sales*—increase in home sales, and increase in home sales price at a rate greater than the larger market
- *Tenure*—conversion of rental units to owner-occupied units

Interstate Corridor Neighborhood Indicators

The North and Inner Northeast neighborhoods that comprise the Interstate Corridor Urban Renewal Area fit the profile for being susceptible to gentrification and resulting involuntary displacement. These neighborhoods have seen high levels of private disinvestment throughout the years that have resulted in stagnant commercial development and blight. These factors were outlined in the Report on the Interstate Corridor Urban Renewal Plan supporting the formation of the urban renewal area.

The Corridor also continues to have some of the most affordable single family housing stock in the city, making it a prime investment area for young, up-and-coming homebuyers. According to Real Estate Multiple Listing Services, the median sales price in North Portland during the month of June 2002 was \$135,300, the lowest in the region. In comparison, median sales on the west side and in Washington County ranged between \$178,000 and \$282,000, and southeast and Clackamas County sales were between \$160,000 and \$206,000 for the same time period. But, at the same time, North Portland has experienced the most dramatic increases in home prices in the last decade.

While the Interstate Corridor has not seen the level of investment that bordering neighborhoods to the east have, there are indications that the first stages of gentrification are fully underway.

Household Composition

The trends of population decline in the 1970's and 1980s have reversed in the Interstate Corridor. Between 1990 and 2000, neighborhoods in the Interstate Corridor saw an increase of the total population by 7.2% and an increase of 8.7% in the total number of households. By contrast, the population dropped by 9.4% from 1970 to 1990, and there was a 3.0% drop in the total number of households. While these recent increases are less than the city as a whole, they are significant for a mostly built-out inner city neighborhood.

While the area saw increases in the total population, the number of children and seniors declined slightly. The number of one- and two-person households increased by 14%, while the number of households with three or more people remained constant. The number of non-family households (unrelated members) increased by 26% between 1990 and 2000, while the number of family households decreased by 2% during this same time.

Education

The number of residents receiving bachelor's and graduate degrees increased between 1990 and 1996 (2000 figures unavailable) by over 50%. This rate of change was twice the rate in the City of Portland as a whole. But, even with this great increase, the educational attainment rates of the entire Interstate population remains significantly lower than the rest of the city, with a higher percent of the population not graduating from high school.

Income

Unfortunately, income data is not yet available for the 2000 Census (some information is expected to be released later this summer), so we must rely on information from the 1996 American Community Survey. Income measurements provided by the U.S. Census provide less concrete evidence of gentrification because the information is not compiled in a manner that allows the household size or the number of wage earners to be taken into account.

While the City of Portland saw an increase in the poverty rate between 1990 and 1996 from 12.9% to 15.1%, Interstate Corridor neighborhoods saw a decline in the poverty rate from 25.5% to 23.2%. As the total population was increasing in Interstate, the number of persons living in poverty households decreased by over 400 people—a 3.9% decrease. It is anticipated that the 2000 Census will show further declines in poverty in this area and an overall increase in poverty throughout the city as a whole—illustrating a deconcentration of poverty from the historically low-income neighborhoods of Inner North and Northeast Portland.

In 1996, the median household income for the City of Portland was \$31,396 and the median family income was \$40,314 (using U.S. Census figures). Many of the neighborhoods within the Interstate Corridor saw household and family incomes increase by over 50% between 1990 and 1996, but overall they still remained significantly lower than the city as a whole.

Estimates project that in 2000, 28% of the households in the Interstate Corridor made less than \$15,000 per year, while over 45% made less than \$25,000 per year.

Household Income Range	Interstate URA		City of Portland	
	2000		2000	
	1990	Projections	1990	Projections
Less than \$15,000	42.0%	27.7%	28.0%	15.7%
\$15,000 to \$24,999	21.4%	18.0%	20.9%	14.8%
\$25,000 to \$34,999	14.8%	16.2%	17.3%	15.6%
\$35,000 to \$49,999	13.5%	17.2%	16.5%	19.8%
\$50,000 to \$74,999	6.3%	14.2%	11.2%	18.2%
\$75,000 to \$99,999	1.3%	4.3%	3.2%	8.0%
\$100,000 to \$149,999	0.3%	2.0%	1.8%	5.7%
\$150,000 and greater	0.3%	0.4%	1.2%	2.1%
Median Household Income	\$18,604	\$27,810	\$25,592	\$37,363
% of City Median	72.7%	74.4%		

Source: E.D. Hovee; 2000

Rents

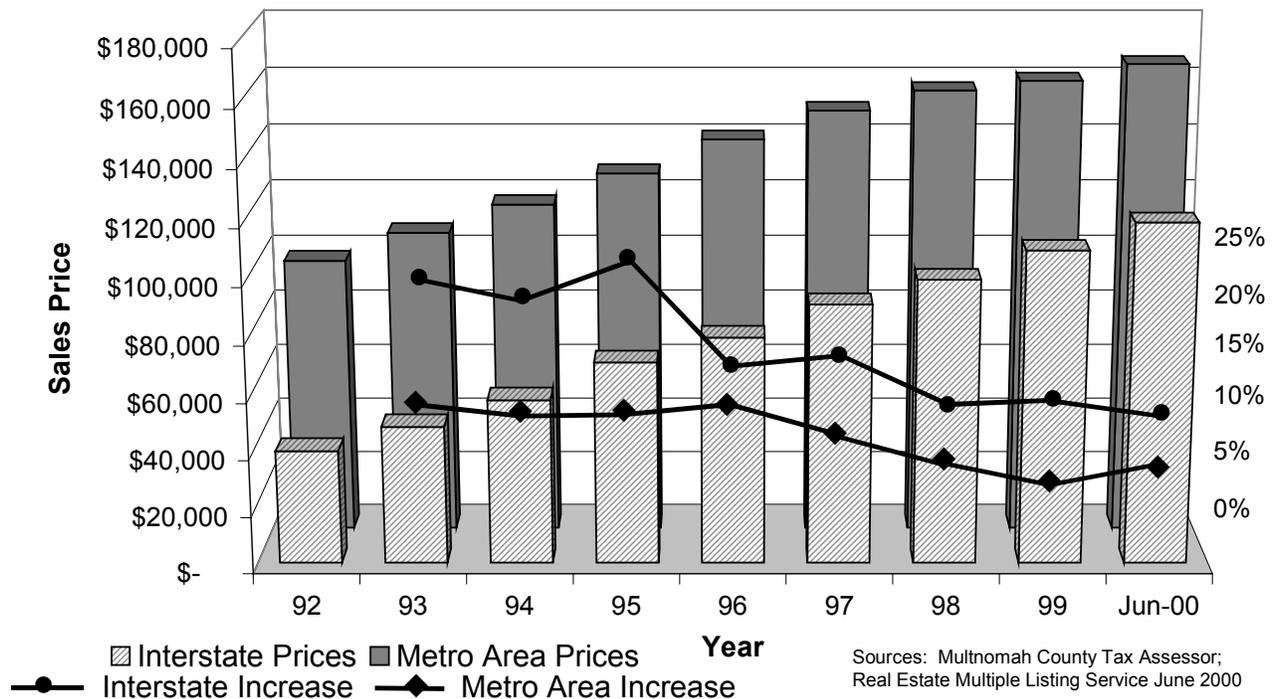
Based on a small sample of rents collected as part of the PDC Interstate Housing Inventory, median rents in the ICURA in 2001 were estimated as \$560. These rental rates remain well below other inner city averages (such as Southeast, Northwest, Downtown, and areas of Northeast). An analysis of rent changes will not be available until 2000 Census gross rent information is released.

Home Sales

The median sales price of homes in the Interstate Corridor have steadily increased in the 1990s, increasing annually at a rate of 8.6% and greater and peaking in 1995 at 22.6%. During the same time period, home prices for the City as a whole were appreciating between 2% and 9.35% annually.

While the sales prices were increasing at a greater rate than the city as a whole, the median sales price between 1999 and 2000 within the Interstate Corridor urban renewal boundary was \$115,500—well below the metropolitan regional median of \$165,000.

**Median Sales Price and Annual Increase
Interstate Corridor Urban Renewal Area and Portland Metro Area
1992 - June 2000**



Overall, the homeownership rate in the Interstate Corridor increased by 5% between 1990 and 2000, nearly double the 2.8% increase citywide. White and Asian households saw a greater increase in their rate of homeownership than Black households.

The number of loans made for either refinancing, improvement or purchasing of properties in the Interstate Corridor more than doubled between 1992 and 1996, where Multnomah County as a whole only saw an increase of 24%. The rate of denial in Interstate decreased during this time period, while it increased County-wide. In 1996, the distribution of loans by race did not reflect the resident population. While minority households represented 36.6% of the population of Interstate neighborhoods, they represented only 20.5% of the total number of home loans. Staff are under-taking further analysis of home loan information to better understand recent activity in the district.

Tenure

The increased homeownership rate of 5% was achieved through the conversion of existing rental housing stock to ownership. This is evidenced by a small amount of new construction of ownership housing, and the decline in the number of single family homes that were rented. In 1990, 31% of all single family homes were renter occupied, where in 1996 the number of single family rentals decreased to 26%. It is anticipated this downward trend will continue through to 2000, resulting in a net loss of rental housing in the Interstate Corridor.

Involuntary Displacement Risk Factors

Gentrification, by itself, is good for neighborhood revitalization. As noted earlier, it brings positive private investment into a community, resulting in increased commercial services, increased public services (such as safety), and even neighborhood diversity. At the same time, the benefits of economic revitalization associated with a gentrifying market may also bring with them the involuntary displacement of some existing residents. Anecdotal evidence suggests that those most at risk of involuntary displacement often have strong ties and longevity in the community, but have fewer choices.

As mentioned earlier, it is difficult to distinguish between normal turnover, in which it is commonly accepted that 20% of all households move each year, and involuntary displacement in which households have no other choice but to move. But information does exist that helps frame the risk of displacement. The Interstate Corridor and its current residents have some key characteristics that suggest the risk of involuntary displacement is greater than other general areas in Portland:

Hot Housing Market—increase in sales, increase in sales prices, attractive properties, limited new construction

- *Low-Income Residents*—poverty rate, paying high percentage of income on housing
- *Employment Instability*—unemployment, underemployment, work disability
- *Demographic characteristics*—single parent households, senior households, and family renter households

Hot Housing Market

The housing market in the Interstate Corridor and the larger North/Northeast area has seen some of the greatest rates of appreciation in the entire region. The conversion of rental housing into owner-occupied illustrates the increased pressure on the housing market, more specifically increased, sales in single family homes and reduction in the overall rental housing stock.

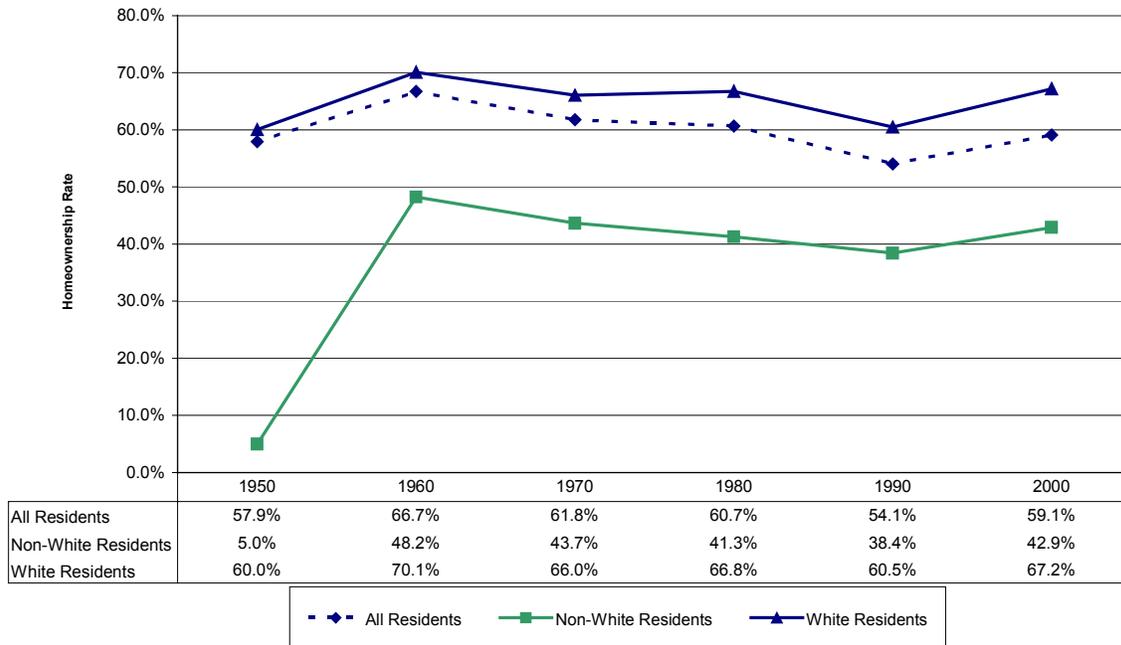
As the economy worsened over the last year, new residential listings dropped by 15.1% in the metropolitan region and appreciation rates in some areas of Portland were actually negative. At the same time, while the number of listings did decline in North and Northeast Portland, they declined at a lesser rate, appreciation rates remained the highest in the region, and homes sold more quickly than homes in the rest of the region. According to the June 2002 RMLS Market Trends Report, appreciation rates over the last 12 months were 9.6% in North Portland and 7.6% in Northeast Portland with homes selling in 42 days on average. This compares with a region wide appreciation rate of 1.8%, and an average of 64 days on the market.

It is expected that the Interstate Corridor will continue to see active housing sales at a rate greater than seen region-wide due to the relative affordability of the existing housing stock, making it an appealing investment for first-time homebuyers.

Early analyses from the 2000 Census suggest that the household characteristics of homeowners in the Interstate Corridor are actually opposite general citywide characteristics—small households with one or two persons are more likely to own than rent, and larger family households with four or more persons are more likely to rent than own. This suggests that the family households with children have less stable housing situation in the Interstate Corridor than is experienced citywide, and that the newer nonfamily households moving into the district are more likely to have the benefits of homeownership.

These characteristics vary according to race. White households, regardless of size, are far more likely to own than Black households. In 2000, less than 43% of all Black households owned their homes, compared with more than 67% of all White households owning their homes.

**Homeownership Trends in Interstate
1950-2000**



Low-Income Residents

While there is evidence that gentrification is occurring in the Interstate Corridor, it is in its beginning stages. The neighborhoods have not seen a wholesale shift in the economic strata of the residents, making it much more difficult to assess the degree to which residents have experienced involuntary displacement. The Interstate Corridor is still a predominantly low-income community.

The poverty rate remains one of the highest in the city, and incomes in most of the district are far below the city's median income. Families with children in the Interstate Corridor are twice as likely to live in poverty than families citywide (based on 1996 ACS). Interstate residents are almost twice as likely to receive public assistance as residents citywide, with 30% of the households receiving some form of public assistance in 1996. In 1990, different minority populations in the Interstate Corridor had poverty rates that were 17% to 23% greater than White households, and significantly higher than the citywide poverty rates for the same populations.

Also, the unemployment rate of Interstate Corridor residents deemed "in the labor force" is greater than the citywide rate, and the number considered "not in the labor force" increased by 9.5% between 1990 and 1996. Of those working, a larger percentage of Interstate residents had traditionally lower wage occupations—such as manual labor, service and administrative support positions—than residents citywide. Interstate also had a higher percentage of work-age persons between the ages of 16 and 64 that had disabilities that prevented them from working.

Available data from the 1990 Census and the 1996 American Community Survey show that a large number of Interstate Corridor residents are paying a high percentage of their total income on housing

costs, even in a low rent market. "Affordable" housing is commonly defined as housing which costs 30% or less of a household's gross income. In 1990, 46.3% of Interstate renters were paying 30% or more of their income on housing, compared to 40.2% citywide. In 1996, this increased to 54.5% in the Interstate Corridor and 47.5% citywide. 2000 Census information will likely confirm this trend.

Rent as a Percentage of Income

Geographic Area	1990		1996			
	Renter Costs 30% & More of Income	% of Total Renter Households	Renter Costs 30% & More of Income	% of Total Renter Households	Renter Costs 50% & More of Income	% of Total Renter Households
Interstate	3,596	46.3%	4,220	54.5%	2,246	29.0%
North/Inner Northeast	6,466	46.4%	7,298	52.7%	3,774	27.3%
City of Portland	32,561	40.2%	40,852	47.5%	19,886	23.1%

Sources: 1990 Census and 1996 American Community Survey

* Information not available for 1990; renter households with costs more than 50% of income are included in the total with costs more than 30% of income

Of even greater concern is the number of renter households paying 50% or more of their total income on housing in 1996—29% in Interstate versus 23% citywide. These figures are somewhat surprising given that nearly one-quarter of the total rental housing stock in the Interstate Corridor is either non-profit-owned, publicly-owned or rent restricted, and that one-quarter of all tenant-based Section 8 vouchers issued in Multnomah County are used in the North and Inner Northeast areas of Portland.

Comments on the Relationship between Urban Renewal and Involuntary Displacement

We now turn to a specific question that has arisen over the last three years in the course of planning efforts for the Interstate Corridor URA (the URA was officially created in August 2000). Specifically, what is the relationship or interplay between urban renewal and the forces of gentrification and involuntary displacement?

This relationship is extremely difficult to determine, especially in this particular urban renewal area. Earlier sections of this report set forth the broad market trends at work in many Interstate neighborhoods, trends that were at play long before the Interstate Corridor URA was even conceived, and even before significant urban renewal activities were taking place along Martin Luther King, Jr. Blvd. in the older Oregon Convention Center Urban Renewal Area. As noted above, the median home sales price in the Interstate Corridor increased by 22.6% in 1995 alone. The weight of statistical data in this report strongly suggest that gentrification has clearly been a market force in Interstate, quite unrelated to the formation of the URA.

Gentrification and involuntary displacement in Portland has generally been unrelated to urban renewal. One only need think of NW 23rd Avenue, SE Hawthorne, SE Belmont, Irvington, Alameda and almost any other gentrifying area to realize that the force of gentrification occurs without relation to urban renewal. The early 1990s saw home prices sky-rocket in the neighborhoods surrounding Hawthorne and Belmont. The median home values in these neighborhoods increased nearly 150% between 1990 and 1996, from \$50,000 to \$125,000, while the county-wide rate of appreciation was closer to 100% during the same period. Inner southeast Portland continues to see steady increases, with the current median sales price at \$218,000.

It bears noting that Interstate is somewhat of an anomaly among Portland's urban renewal areas. Typical urban renewal areas such as the River District are witnessing significant new investment, with urban renewal expenditures representing a considerable leverage tool in that investment. Interstate is growing much more modestly, reflecting the fact that this is a largely built out area, where urban renewal investment for the foreseeable future will represent a small fraction of the total public or private real estate investment. Virtually no direct displacement from urban renewal projects or activities is

occurring. In instances when residents must move from their home because of direct PDC activity (i.e. acquisition or demolition of their property, or substantial renovation of a property), assistance is provided to ensure replacement housing is found.

Interstate and the surrounding neighborhoods have seen a high level of investment by PDC and the City of Portland over the years. Since the 1970s, PDC and the Bureau of Housing and Community Development have invested millions of dollars into affordable housing, community and economic development. Resources have been almost exclusively for housing and services for low- and moderate-income persons. During this period PDC provided financial assistance to help residents—especially low-income seniors—maintain their homes, and help residents purchase homes. Federal and city resources have invested in community development corporations to revitalize the neighborhoods and address problems associated with long-term disinvestment, abandonment, and vacant lots. But, as illustrated in this report, these efforts may be over shadowed by the larger forces of the city and regional economy resulting in market pressures that were once absent in North and Northeast Portland.

Given these considerations, it is almost impossible to disentangle the impact of urban renewal from the other market forces that were well underway prior to the discussion of urban renewal and light rail. Any investment in a community such as Interstate is likely to influence the factors associated with gentrification, whether public or private, transportation improvements/light rail, individual home remodeling, investments in parks, etc.

Conclusions & Solutions

The low and unstable incomes of many Interstate Corridor residents, coupled with a hot housing market—driven primarily by small, predominantly white households—creates an environment where involuntary displacement is likely to occur. The downward turn in the economy has probably slowed the rate in which people are experiencing the pressures of displacement, but it isn't likely to have dissipated these pressures. Renters are more likely to be susceptible to the threat of involuntary displacement, especially low-income households and families renting single-family homes.

Ultimately, the question of involuntary displacement in Interstate comes down to the question of income. How can people increase their personal wealth, so that they can *choose* where they live, choose whether they stay in the neighborhood or live elsewhere. Any possible set of solutions to the displacement challenge must pro-actively incorporate measures to increase people's economic status, as much as bolstering the supply of long term affordable housing. In light of these considerations, PDC staff offers the following suggestions regarding how to face the challenge of gentrification and displacement. It is extremely important to note that PDC can not meet this challenge by itself—it will require the sustained efforts of a host of agencies, private companies, and individuals.

- PDC must continue to investment in projects and programs that assist low- and moderate-income households achieve greater housing stability. PDC has been administering federal CDBG and HOME funds, as well as other citywide resources. These funds have been used to development a range of long-term affordable rental housing throughout the district, as well as assist low- and moderate-homeowners make repairs to their houses. There resources will continued to be available in the Interstate Corridor until urban renewal resources are sufficient to support existing programs for affordable housing.
- Implement community-endorsed plans which are grounded in the facts around these issues. For instance, the Housing Strategy (components of which are listed in more detail below) has received strong endorsement from both the Interstate Corridor URA Advisory Committee as well as its

Housing Subcommittee. Addressing the challenge of involuntary displacement is a major focus of the strategy, which rests on many of the facts discussed earlier in this report.

Assist low- and moderate-income households in purchasing homes in the community, to build wealth in the form of home equity. This assistance can take many forms—down payment assistance programs, individual development accounts, employee assistance programs, shared appreciation mortgages, community land trust, etc. It also requires the coordinated efforts of the agencies (public and non-profit) to furnish information to those who are not currently benefiting from these programs due to lack of awareness or lack of communication. PDC, in conjunction with Commissioner Erik Sten's Office and the Bureau of Housing and Community Development, is developing a plan for transitioning 200-300 existing residents into homeownership by the end of 2004. This plan will include leveraging \$15 million of Oregon Residential Loan funds currently committed to Portland with existing city resources, developing new homebuyer resources, and seeking new methods for preparing residents for homeownership.

- Focus housing resources on the preservation and development of long-term or permanently affordable rental housing to ensure that existing and new low-income residents have affordable housing in the community irrespective of surrounding market pressures. The Interstate Corridor Housing Strategy establishes a goal of increasing the number of units with long-term or permanent affordability by 2,000 units, while also maintaining the existing 1,400 restricted affordable units over the twenty year life of the district. The Strategy further prioritizes preservation and development of affordable housing during the first five years of the district, recognizing the importance of making an impact during the critical early years.
- Integrate the affordable housing challenge into the City's Economic Development Strategy. Portland's economic competitiveness has suffered as the housing market rose sharply during the 1990s, pricing many residents out of the home-ownership market. PDC, the City, Metro, and other regional partners should work together to ensure housing development better addresses workforce needs in terms of housing location, amenities, and affordability. Another aspect of Portland's economic competitiveness relates to workforce development. PDC and its partners must develop strategies to leverage affordable housing investment with opportunities to link residents to income and asset building resources, increasing resident options and decreasing a reliance on publicly subsidized housing.
- Given the extremely limited funding situation for the Interstate Corridor URA for the foreseeable future, this effort will require the utilization of non-tax increment finance sources. PDC is currently in negotiation with Fannie Mae to develop a new resource pool for the development of housing in Portland—the Portland Communities Fund. It is anticipated these funds will be available for construction financing with below-market interest rates for all types of housing throughout Portland, including both rental and ownership housing. This specific loan fund will have unique benefits for affordable rental housing projects, providing a greater capability to leverage tax credit investments and resulting reduction of gap financing necessary to make projects financially feasible.

The Portland Development Commission and staff remain committed to taking whatever reasonable measures are available to forestall involuntary displacement caused by urban renewal activities.

The Interstate Corridor Base Data and Trends Report, Interstate Corridor Housing Strategy and Interstate Corridor Urban Renewal Plan and Report referenced in this paper are available on the Portland Development Commission website at www.pdc.us/interstate/publications and www.pdc.us/interstate/strategy. The Base Data and Trends Report will be updated with 2000 Census information and posted on the website later this year.