

INTERPRETING GENTRIFICATION CASE STUDIES: A PERSPECTIVE

ROGER MONTGOMERY*

For nearly a generation the phrase "urban crisis" has, in its most common usage, stood for the many-sided conflicts between real property as commodity and real property as human environment.¹ Although the specific manifestations of crisis change with time, the underlying contradiction remains a permanent structural feature of modern urban society.² The urban crisis in one form or another drones on.

The two case studies in this volume and one in the previous volume of this journal treat a current manifestation of urban crisis that carries the catchy and now familiar name gentrification.³ The term refers to

* Professor, Department of City and Regional Planning, University of California at Berkeley.

1. For a time, mainly in the 1960s during the period marked by the package of Johnson administration social policies known as the "Great Society" programs, the term urban crisis came into common usage as a code word for general societal problems such as poverty, racism, and crime. This usage obviously confused, rather than clarified, issues. This usage is mistaken, and has since become much less prevalent. In this Article, the term urban crisis refers to urban matters that are causally tied to geographical concentrations of people and their built environment.

2. The contradiction is particularly characteristic of capitalist economics. A parallel contradiction, however, probably exists in socialist economies despite the orthodox Marxist view that eradicating private property should eliminate the commodity versus human environment conflict; but this author given his limitations cannot demonstrate this. For now, it remains an undeveloped hunch.

3. Hornick & O'Keefe, *Reusing Industrial Buildings for Housing: Experiences of New York City in Loft Revitalization and Misuse*, 27 WASH. U.J. URB. & CONTEMP. L. 157 (1985). Marcuse, *Gentrification, Abandonment, and Displacement: Connections, Causes, and Policy Responses in New York City*, 28 WASH. U. J. URB. & CONTEMP. L. 195 (1985); Keating, *The Elmwood Experiment: The Use of Commercial Rent Stabiliza-*

the process by which relatively wealthier occupants take up residence in a neighborhood occupied by relatively poorer residents and, in doing so, displace former occupants. On another level, gentrification denotes a process in which property interests concerned with the value of real estate as commodity act in ways that others with a concurrent interest in the same real property for use as their own living environment may find harmful. Karl Marx observed that it is the duty of owners who can benefit from the higher bid prices or rents that richer occupants can pay to act accordingly: "the house-owner in his capacity as capitalist has not only the right but . . . the duty of ruthlessly making as much out of his property in house rent as he possibly can."⁴ Manuel Castells, in his revision of traditional Marxism in order to deal better with the modern city, holds that the occupants of houses, as consumers of urban space, have an equal duty to oppose the maximization of rents and prices. Based on this idea, he has erected an impressive theory of urban social movements that pits politically organized city residents against property owners.⁵

In the urban context, conflicts that revolve around the inherent contradictions between the exchange value and the use value of urban space or real property lie at the roots of the urban crisis. Land use conflicts, problems of slums and blight, central business district development issues, and battles between developers and environmentalists over suburban sprawl stem from these roots. This Article on gentrification as one aspect of the continuing urban crisis or "permacrisis"⁶ provides a context in which to understand the three case studies and the problems on which they focus.

In Volume 27 of this journal, Hornick and O'Keefe dealt with the evolution of the loft conversion problem in New York City, a problem that involves the displacement of small manufacturing businesses by

tion to Preserve a Diverse Neighborhood Shopping District, 28 WASH. U. J. URB. & CONTEMP. L. 107 (1985).

4. M. CASTELLS, *THE URBAN QUESTION: A MARXIST APPROACH* 146 (1977) (citing 2 MARX AND ENGLES, *SELECTED WORKS* 327).

5. M. CASTELLS, *supra* note 4; M. CASTELLS, *THE CITY AND THE GRASSROOTS* (1983).

6. To emphasize the intractability of a similar facet of a modern, post-industrial, political economy, Stephen Cohen coined the term "permacrisis." Cohen & Goldfinger, *From Permacrisis to Real Crisis in French Social Security; the Limits to Normal Politics*, in L. LINDBERG, R. ALFORD, C. CROUCH, & C. OFFE, *STRESS AND CONTRADICTION IN MODERN CAPITALISM: PUBLIC POLICY AND THE THEORY OF THE STATE* 57-98 (1975).

high rent paying residential occupants who use the industrial loft space as now fashionable studio dwellings. In this volume, Marcuse's study of gentrification in New York City presents a theoretical introduction linking the gentrification process to the phenomenon of housing and neighborhood abandonment. It then provides empirical support for the link with case material on selected New York City census tracts and concludes by discussing some policy options for halting or slowing these linked processes. Keating's case study offers a thorough legal analysis of the issues involving unique and path-breaking legislation designed to control commercial gentrification through rent control in a Berkeley, California neighborhood shopping district. This study illustrates the extraordinary power of American legal institutions when employed in appropriately limited but sophisticated ways by strong local constituencies. Although in Berkeley, unlike New York, the property users, rather than the property owners, won the conflict between the exchange values and the use values of property, all three case studies illuminate interesting elements of the permacrisis.

Marcuse quite properly emphasizes the critical role of exogenous factors and general forces in the economy and society in triggering gentrification. Over the last decade, the voluminous literature treating gentrification indicates a broad consensus that demographic and macroeconomic factors operating on a national scale determine the local gentrification process, including the occurrence and degree of second order effects such as displacement.⁷ The particular contribution of Marcuse's case study is its contention that gentrification and abandonment are linked and interacting processes; that both cause displacement; and that through their interaction they may actually intensify each other's destructive effects.

Much of the literature on gentrification and displacement emphasizes the salience of particular submarkets within an overall metropolitan housing economy, and focuses on the factors that define these submarkets. Phillip Clay, among the pioneering researchers on the topic, emphasized that housing preferences of upper income newcomers influence their locational choice for gentrification activities. Clay later established the difference between gentrification, with its attend-

7. See, e.g., NEIGHBORHOOD POLICY AND PLANNING (P. Clay & R. Hollister, eds. 1983); D. GALE, NEIGHBORHOOD REVITALIZATION AND THE POSTINDUSTRIAL CITY: A MULTINATIONAL PERSPECTIVE (1984); D. GALE, GENTRIFICATION, DISPLACEMENT AND NEIGHBORHOOD REVITALIZATION (1984); M. SCHILL & R. NATHAN, REVITALIZING AMERICA'S CITIES: NEIGHBORHOOD REINVESTMENT AND DISPLACEMENT (1983).

ant displacement, and what he called incumbent upgrading, which occurs when a resident population improves the quality of a neighborhood without displacement.⁸ These submarket factors do not appear in the schematic picture Marcuse sets forth in which abandonment and revitalization appear as two sides of the same coin. Rolf Goetz also has articulated this view, though not in a way that causally connects abandonment to gentrification along the lines presented by Marcuse.⁹ Marcuse's study makes a useful contribution in its empirical examination of recent New York City census tract data, which provides some preliminary confirmation for the abandonment-gentrification connection. This idea merits further study.

The voluminous gentrification literature, like Marcuse, concentrates almost exclusively on residential succession or change. While other forms of occupancy change can be seen in any gentrifying neighborhood, little scholarly or professional attention has been given to shifts in nonresidential uses. Because the case studies by Hornick and O'Keefe and by Keating discuss nonresidential changes, these studies are especially valuable. As noted above, Hornick and O'Keefe deal with the rather unusual situation in New York City's Borough of Manhattan where industrial loft structures have been converted to dwellings. The authors, practitioners with a long involvement in the process, emphasize the problems generated by such occupancy changes with respect to housing and building code compliance. The authors, however, extend their analysis to the critical public policy conflict between small-scale industrial entrepreneurship and blue collar employment on one hand, and the high income demand for inner-city dwelling space on the other hand. In cities such as New York that have substantial working class unemployment and a declining manufacturing sector, one can make a strong case for using the law and other public policy institutions to slow or halt industrial loft conversions. Allied against such antigentrification action are rent-maximizing building owners and the long-standing, central city interest in maintaining and expanding a resident, upper income population. The authors correctly observe that policy in support of these interests will tend to conform city development to the postindustrial shift from production to services

8. P. CLAY, *NEIGHBORHOOD REVITALIZATION: ISSUES, TRENDS AND STRATEGIES* (1978); P. CLAY, *NEIGHBORHOOD RENEWAL: MIDDLE-CLASS RESETTLEMENT AND INCUMBENT UPGRADING IN AMERICAN NEIGHBORHOODS* (1979).

9. R. GOETZ, *UNDERSTANDING NEIGHBORHOOD CHANGE, THE ROLE OF EXPECTATIONS IN URBAN REVITALIZATION* (1979).

in the larger economy.¹⁰ This case study provocatively ties the daily drudgery of code enforcement to the dramatic transformations now underway in the society and the economy.

The Keating case study offers several striking dimensions. It reports on a completely nonresidential gentrification episode involving a small neighborhood retail business district. Additionally, it provides an exhaustive legal analysis of a unique, but quite modest, ordinance establishing rent control in this commercial district. Finally, and most interesting to this reader, the study illuminates a particularly interesting aspect of the broad socio-economic transformations now underway in the United States as they relate to the urban permacrisis. The interpretations presented here derive in large part from this author's nearly twenty-year residence less than a block away from Berkeley's Elmwood commercial district, the subject of Keating's fine study.

Berkeley and its Elmwood district represent a very different urban environment than that of the New York City areas treated in the other case studies. This small California city is an older, inner-ring suburb composed mainly of single-family houses and small apartment buildings. The University of California dominates the local economy and employment, though a substantial part of the city's workforce commutes to nearby San Francisco. Like Santa Monica, that other West Coast citadel of rent control mentioned by Keating, Berkeley's population consists mainly of relatively wealthy homeowners plus a larger group of economically secure renters. With respect to the renter population, Berkeley differs importantly from Santa Monica in that students,¹¹ rather than the retired and elderly, constitute the dominant element among the renters. Equally crucial, the usually politically dominant courthouse and city hall crowd of real estate industry functionaries have little power in either town.¹² In contrast, in San Fran-

10. T. STANBACK, P. BEARSE, T. NOYELLE, & R. KARASEK, *SERVICES: THE NEW ECONOMY* (1981).

11. Although the students would object strenuously to being called economically secure, in fact, they are secure. Most will soon join the ranks of the burgeoning young urban professionals or Yuppies.

12. Inexplicably the literature on this point is sparse. Among the best of the limited bibliography are, with respect to the developing suburban fringe: M. GOTTDIENER, *PLANNED SPRAWL: PRIVATE AND PUBLIC INTERESTS IN SUBURBIA* (1977); and with respect to already built up areas such as Berkeley, a study of Cambridge, Ma., see Molenkopf & Pynoos, *Boardwalk and Park Place: Property Ownership, Political Structure, and Housing Policy at the Local Level*, in *HOUSING IN URBAN AMERICA* (J. Pynoos, R. Schafer, & C. Hartman, eds. 1973).

cisco a far larger and better organized Yuppie presence has proved singularly powerless to derail the international corporate power behind the redevelopment (gentrification?) of that city's central business district.

Much of Berkeley's population, both the homeowners and renters, belong to the category sociologist Alvin Gouldner has called the New Class.¹³ From an employment perspective, this is essentially the same group that labor economist Stanback and his colleagues have called the advanced corporate services or the producer services sector of the labor market, a category that includes lawyers, accountants, architects, professors, and the like.¹⁴ Gouldner offers a clue to the relationship between Elmwood's representatives of the New Class and their response to commercial gentrification in that neighborhood. He suggests that: "The special privileges and powers of the New Class are grounded in the individual control of special cultures, languages, techniques, and of the skills resulting from these. The New Class is a cultural bourgeoisie who appropriates privately the advantages of an historically and collectively produced cultural capital."¹⁵ Elmwood's representatives of the New Class, through the effective use of their skills, have responded to commercial gentrification by appropriating for its own use values, that part of the urban territory where it has established local political dominance. Using their organizational, political, and legal expertise, they successfully put in place a strong rent control law that effectively has halted commercial occupancy change. On its own limited turf, Elmwood's New Class overcame the usually dominant interests in the exchange value of real estate.

In the Berkeley context, members of the New Class value neighborhoods served by "traditional," small scale, local retail and service business in contrast to the supermarkets and shopping malls that characterize the newer suburbs. This, however, poses a contradiction. Many characteristics of the New Class increase the commodity or exchange value of their own turf. This in turn stimulates conflict between landlords interested in exchange values and maximizing rents, and the New Class residents concerned with environmental use values. Some

13. A. GOULDNER, *THE FUTURE OF THE INTELLECTUALS AND THE RISE OF THE NEW CLASS* (1979).

14. T. STANBACK, *supra* note 10. Stanback gives some data for the extraordinary relative growth of this part of the population and offers insights about the origins of this growth that has so affected Berkeley and places like it.

15. A. GOULDNER, *supra* note 13, at 19.

features of the New Class members that raise exchange values are their relatively high incomes, their position in the culture as the leaders of fashion and taste in commodities,¹⁶ and their willingness to pay extra for environmental amenities. These and similar characteristics of the New Class make their turf a choice target for potential commercial gentrification because high rent businesses that benefit from these characteristics can easily outbid the traditional local stores for available shopfront space.

As Keating reports, the political campaign that led to Berkeley's unprecedented commercial rent control initiative emerged with an almost poetic aptness from the threat to displace the Elmwood district's, and the city's, last remaining traditional soda fountain. Representatives of the district's articulate, highly competent, activist New Class population actually hatched and directed their successful campaign from the traditional—and not very comfortable—stools of Ozzie's soda fountain. Traditionally, only the very wealthy have enjoyed the capacity to put use values above exchange values in the control of their own neighborhoods. What is new in America, and what the Keating case study so well illustrates, is the capacity of a growing and favored New Class to use its expertise, an alternative to wealth, as a source of power to define and protect—or “appropriate”¹⁷—its home environment.

The literature on urban social movements demonstrates that the New Class frequently has won such struggles as the one in the Elmwood district.¹⁸ The striking new point made by Keating's legal analysis lies in its confirmation of Gouldner's thesis that it is the skills of the New Class that make winning possible. And Keating's reading of the legal situation recently has been further reinforced by the California Supreme Court's reversal of the appeals court in *Fisher v. City of Berkeley*.¹⁹ In other settings one easily can imagine other locally dominant neighborhood groups in which the New Class is heavily represented using Keating's work as a template for halting commercial gentrification on their turf. Buried within the “Elmwood experiment,”²⁰ and its astonishing reversal of the usual winners and losers in

16. This is confirmed by people who come from all over the Bay Area to shop in Berkeley's boutiques and to eat in its restaurants, which include the internationally famous Chez Panisse.

17. A. GOULDNER, *supra* note 13, at 19.

18. See, e.g., M. CASTELLS, *supra* note 4, at 330 *passim*.

19. — Cal. 3d —, 693 P.2d 261, 209 Cal. Rptr. 682 (1984).

20. Keating, *supra* note 3.

the urban permacrisis' conflicts, may lie an indication that new and emergent forces will play a critical role in the future of the urban crisis in America. Although the crisis may drone on in all its outward banality, the burgeoning professional class often may successfully oppose traditionally dominant property owners, whose interests are in the exchange value of the urban environment.

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