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**PROFESSOR** : Dr. Neroli Austin

**STUDENT** : Rita E. Brooks

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Push and Pull of Institutional Investments and Community Interests

**Perspectives on Urban Development: A Qualitative Study of the Push and Pull of  
Institutional Investments and Community Interests**

Rita E. Brooks

Finance & Real Estate Department, University of Michigan Ross School of Business

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**Reviewed by:**

Dr. Neroli Austin

Professor of Finance

**Abstract**

**This study dives into the relationship dynamic of real estate investment professionals and residents of communities in which they invest. This topic aims to unpack the social responsibility aspects of real estate investing. This paper seeks to answer the questions of how investment professionals' and community members' perspectives shape their engagement with each other, how institutional investments in urban development impact community stability and identity, and what roles public policies play in mitigating these impacts.**

## **Perspectives on Urban Development: A Qualitative Study of the Push and Pull of Institutional Investments and Community Interests**

### **1. Introduction**

Often, there is a notable misalignment of interests between developers/investors and the residents of communities undergoing development or experiencing the institutionalization of residential homes. What might be an exciting acquisition for a real estate firm could signify gentrification and its associated challenges for community stakeholders. This misalignment is vividly illustrated by the transition of single-family rentals from "mom-and-pop" investors to large Real Estate Investment Trusts (REITs) and investment firms, which has led to market fluctuations impacting the communities where these transactions occur. While previous studies take more of a quantitative approach focusing on the use of statistics to assess the effects of gentrification, in this paper, I adopt more of a qualitative approach for this discussion.

Specifically, I explore the following main questions:

1. How do residents' perceptions of urban development and conversely, developers' perceptions of the misconceptions about urban development, shape their engagement and interactions with each other?
2. How do institutional investments in urban development impact community stability and identity, and what roles does public policy play in mitigating these impacts?

In this paper, I use Metro Detroit as a case to examine how developers and residents consider the role of institutional investors as it pertains to neighborhood change. I conducted surveys sampling 96 residents primarily in the Metro Detroit area and interviewed 4 real estate executive-level investment professionals. These interviews included discussions with a Metro

Detroit economic developer, a Metro Detroit developer, an East Coast real estate investment professional, and a Metro Detroit student housing investment professional. Moreover, utilizing observations from the interviews and survey responses, I collected and assessed tract-level data from Detroit's Brush Park neighborhood. This assessment focused on factors such as changes in neighborhood composition, tax rates, and property values to identify indicators of displacement.

In answering the questions presented in the study, I found that most survey respondents believe developers owe a responsibility to the community. I also found that most respondents are optimistic about gentrification's potential to lead to positive change. The perceptions of investors and residents call for an interdependent relationship, necessitating the community's engagement, and developers who will listen to the perspectives of residents. Ultimately, this study finds public policy to be a tool that can be used to bridge the gap between developers' challenges and residents' concerns. Public policy tools that function to reduce costs to developers, encourage constant engagement with the community, and provide economic empowerment tools to existing residents, will aid in urban development while addressing community concerns and facilitating developers' goals.

The goal of this research is to deepen our understanding of how gentrification influences community dynamics and to identify strategies that mitigate its detrimental effects, such as displacement. By exploring the nuanced experiences of those impacted by urban development, this study contributes to a more equitable understanding of urban investment and its effects on community sustainability.

This research analyzes the impact of institutional investment and gentrification on communities from various dimensions. It factors in areas such as homeownership, the cost of rent, and beyond—where community members are most affected by gentrification. The paper

defines gentrification as the significant increase in market value following institutional investments that reshape the socio-spatial structure of the areas involved.

This study does not seek to prescribe how institutions should invest; rather, it aims to explore the balance between profitability and the "do no harm" principle from a social impact perspective.

To guide the reader, the remainder of this paper is divided into the following sections: Section 2 provides an overview of the real estate industry. Section 3 includes the literature review. Section 4 dives into the methodology used for this study. Section 5 covers the results with a thematic analysis and assessment of Detroit's Brush Park neighborhood. Section 6 explores the key findings and public policy implications. Section 7 concludes the paper with key takeaways.

## **2. Real Estate Industry Overview**

Real estate encompasses a variety of activities related to the transaction of property interests, including but not limited to, development, leasing, sales and marketing, brokerage, property management, lending, and professional services (Real Estate, n.d.). Real estate can be segmented into the following asset classes: residential, commercial, industrial, and land. With a market cap of \$43.5 trillion, in the United States as of June 2023, residential real estate is said to be the largest asset class in the United States (Malone 2023). However, historically, residential properties were not always part of institutional investors' portfolios. Following the Great Financial Crisis, there was notably increased interest in residential real estate due to the attractive investment opportunities it presented. As a result of heightened investments from institutional

investors into residential real estate, there has been increased public and policy awareness of its impacts on communities.

Part of the concern stems from the effects institutional investments have on families' abilities to purchase homes in areas where institutional investments are occurring. While many consider real estate a robust method for wealth generation (Ermev, 2022), homeownership is becoming unattainable for millennials-- who find themselves priced out of the market (Mielke, Newman, & Pereira, 2023). This issue is compounded by the high property values and the high cost of borrowing.

Along with the investment of residential properties, commercial and industrial investments can also have effects on communities. Commercial leasing decisions typically influence the type of retailers and professional services that are available to residents. This, in turn, can alter the desirability of neighborhoods. An example of this would be food deserts often affecting low-income communities. In many cases, grocery stores have used restrictive covenants as a tool to drive out competition by preventing new grocery stores from entering a space once occupied by a former grocery retailer (Nargi, 2022). This affects the desirability of the communities and requires residents to drive farther to access quality grocery stores. This presents legal concerns over potential violation of antitrust laws.

Commercial and industrial real estate involves even more complex considerations, where investors factor in market fundamentals and industry trends when making investment decisions. Investment strategies in these sectors vary significantly as they relate to risk and potential returns, often influencing the rental rates imposed on tenants. A critical component of investing in real estate is the financial modeling process. The scenarios generated, and estimated returns

achieved from performing a financial analysis, help investors assess opportunity costs associated with pursuing one investment over another. This further allows investors to compare potential returns and risks to inform their decision-making process for capital allocation and often impacts rental rates charged to residents.

For this paper, it is crucial to define a few key terms that will be referenced throughout the discussion:

- **Gentrification:** “process in which a poor area (as of a city) experiences an influx of middle-class or wealthy people who renovate and rebuild homes and businesses and which often results in an increase in property values and the displacement of earlier, usually poorer residents” (Merriam-Webster, n.d.-a).
- **NIMBY (Not In My Back Yard):** is the “opposition to the locating of something considered undesirable (such as a prison or incinerator) in one's neighborhood (Merriam-Webster, n.d.-b).
- **Real Estate Financial Modeling:** defined as the process by which “you analyze a property from the perspective of an Equity Investor (owner) or Debt Investor (lender) in the property and determine whether or not the Equity or Debt Investor should invest, based on the risks and potential returns” (DeChesare, n.d.)

Understanding these terms and their implications within the real estate sector provides insights that are essential to analyzing the dynamics and impacts of real estate activities on various communities. Further, this awareness aids in assessing how various strategies and market conditions can affect both the economic landscape and the social fabric of neighborhoods.

### 3. Literature Review

#### *Privatization & Free Markets*

In 2018, Timbercreek Communities alongside its parent company, Timbercreek Asset Management initiated a contentious eviction of the remaining Timbercreek Communities' tenants in Ottawa Canada. This event was thoroughly examined in a study that assessed the dynamics within the Herongate Tenant Coalition and how Timbercreek employed strategies to counteract residents' resistance against demoviction (Crosby, 2020). The article emphasizes the impact of neoliberal forces and technology, a term from a bureaucratic perspective that describes policies that are in favor of “liberalization, deregulation, privatization, depoliticization and monetarism” (Mudge, 2008). Crosby argues that demoviction, when used for "creative destruction" (referred to as a neoliberal technology) serves as a signal for the socio-spatial restructuring of communities (Crosby, 2020). The study found that examining gentrification from a localized processes standpoint offers a lens through which to comprehend the globalizing processes behind the "financialization of rental housing and opposition" (Crosby, 2020).

This study is pivotal for understanding the dichotomy between investor interests and community welfare, setting a critical precedent for evaluating displacement and the responsiveness of investors to both community resistance and regulatory frameworks.

#### *Insights into Gentrification's Impacts*

Austin (2022) delves into the complexities of concentrated and institutional ownership on gentrification and the community, unveiling two-pronged effects resulting from shocks to institutional ownership, characterized by increased home values and rents alongside neighborhood diversity. The study finds that this stems from a combination of the opportunities



gentrification provides for minority homeowners to take out mortgages for home improvements due to higher home values, as well as from the move of minorities into rental properties.

Similarly, Brummet and Reed (2019) analyze the effects of gentrification on original residents using longitudinal census microdata. They find that while many original homeowners benefit from neighborhood improvements, gentrification also catalyzes out-migration, though without making those who move 'observably worse off.' This raises critical questions about how 'worse off' is defined and measured, and could potentially tie in with the idea of gentrification extending beyond just the physical displacement and relocation (Bloch & Meyer, 2023). Versey, et al. (2019) present the idea that although there is little research on indirect displacement, its effects may have considerable negative implications especially when looking at the ability of aging populations to stay in their homes.

Freeman and Braconi (2007) argue for a reevaluation of the common association of gentrification with displacement. Their research found the following:

A neighborhood can gentrify without direct displacement as long as in-movers are of a higher socioeconomic status than out-movers. Given the typical pattern of low-income renter mobility in New York City, a neighborhood could go from a 30% poverty population to 12% in as few as 10 years without any displacement whatsoever, providing that all vacated units are rented by non-poor households (Freeman and Braconi, 2007. p.50).

This perspective supports the idea of decoupling the concepts of gentrification and displacement. Utilizing data from the New York City Housing and Vacancy Survey, Freeman and Braconi (2007) conducted a longitudinal analysis that revealed an intriguing counterintuitive finding: rent increases were associated with a lower probability of residents moving from gentrified

neighborhoods (Freeman & Braconi, 2007, p.48). The implications of Freeman and Braconi's research, alongside insights from Brummet and Reed (2019) and Austin (2022), collectively enrich our understanding that gentrification can offer benefits to those who remain, potentially through enhanced neighborhood appreciation. The studies differ in that Austin (2022) focuses on the benefits of the increased diversity and ability for current homeowners in gentrified areas to take out mortgages for home improvements, while Brummet and Reed (2019) dive into gentrification's effects on children and adults.

### *Property Taxes and their Implications*

The study conducted by Dr. Neroli Austin revealed that in addition to the value extracted from increased home market values, institutional investors also extract value when they challenge valuations from tax assessors to lower their tax payments (Austin, 2022). To conduct these findings, Austin (2022) assessed tax assessor valuations for acquirer-owned properties and analyzed realized sales to show misalignment of taxable valuation and market price. When thinking about the seemingly paradoxical idea that institutional investors can reap the benefits of increased home value while lowering tax payments, it is important to note that lower tax payments were not the result of lower valuations. From the homeowner's standpoint, this paradox does not necessarily exist. With a 16.8% appeal rate, more than 18 times the rate of appeals by owner-occupiers, the research established that institutional investors are more successful at appealing property taxes when compared to the success rate of much smaller property owners (Austin, 2022, p. 29).

This critical examination raises profound questions regarding the long-term implications of such strategies on community funding and the equitable distribution of tax burdens. This disparity underscores a significant inequity in tax policy applications, with potential

ramifications for community stability and the sustainability of public services. If institutional investors fail to make tax payments, what will that mean for the communities in which these investors are executing transactions? If institutional investors achieve lower tax payments from homes in gentrified neighborhoods, what does this mean for those communities? What are the long-term implications?

While it seems that there would be a connection between property taxes and services to the community, a book published in 2013, exploring the relationship between property taxes and home values, argued against the idea that changes in property taxes due to assessment errors or revaluation were connected to changes in service quality (Yinger, Bloom, & Boersch-Supan, 2013, p. 5). The book contextualizes this with a few examples:

In fact, some communities with relatively high service quality also have relatively low property taxes because they have a large industrial tax base to share the tax burden. All else equal, the low taxes and high service quality both lead to relatively high property values in these communities. Other communities with relatively high property taxes may have relatively low service quality because their cost for providing services is relatively high; for example, they may have to pay higher wages than other communities to attract employees away from private business. The high taxes and low service quality both lead to relatively low property values in these communities (Yinger, Bloom, & Boersch-Supan, 2013, p. 5).

One of the limitations of this book in modern contextualization is that it was published in 2013. Does our current economic environment reflect these same sentiments? Though the researchers argue that there is not a strong connection between changes in property taxes and service quality, the text provides an example where low property taxes coincide with relatively

high service quality, which may be possibly due to a larger industrial tax base. Further, if the cost of providing services is equal across communities, would higher property taxes then result in relatively higher service quality if tax revenues are allocated efficiently?

Avenancio-León and Howard (2019) highlight the disparities in U.S. tax burdens, finding that Black or Hispanic homeowners pay significantly higher effective property tax rates in comparison to White non-Hispanic homeowners, identifying an estimated assessment gap of 9.7 percent. The study revealed that Black and Hispanic homeowners have an additional tax burden of \$300 to \$390 per year (Avenancio-León and Howard, 2019, p. 15). Black and Hispanic homeowners were found to be less likely to appeal their property tax assessments, and have lower-likelihoods of winning appeals when they do appeal the tax assessments. Furthering these disparities, with the condition that the appeal is successful, Black and Hispanic homeowners tend to receive smaller reductions in tax rates than White non-Hispanic homeowners (Avenancio-León and Howard, 2019, p. 34). This exposes a need for more equitable and transparent policies in the tax appeals process alongside educational programs on property taxation and appeals.

Given the findings of Yinger, Bloom, & Boersch-Supan (2013) and the evolving dynamics of urban development, it is important to reassess whether the sentiments expressed almost a decade ago still hold today. After speaking with Ann Arbor, Michigan's tax assessor's office, they informed me that because the amount of tax appeals (which was described to be in the hundreds) is very small relative to the overall number of parcels (which is approximately 40,000), the tax appeals of residential properties do not necessarily have a large impact on the quality of services in the city of Ann Arbor. However, the representative acknowledged that in terms of commercial properties and appeals for reassessing taxes on those properties, there is

potential for the quality of services to be affected. This calls for additional localized research on the impacts tax appeals have on the quality of services.

### *Key Takeaways*

This research adopts a holistic and multi-layered approach to dissect the multifaceted phenomenon of gentrification. It recognizes displacement as a complex idea that transcends mere physical relocation, encompassing both the observable physical movement and displacement that extends beyond physical dislocation. As articulated by Bloch and Meyer (2023), the discourse surrounding displacement necessitates a broader perspective that integrates physical, economic, and psychological dimensions. The research conducted for this study, comprising both informational interviews of investment professionals and quantitative surveys of community members, aims to explain the nuanced experiences of communities undergoing gentrification. This will not only bridge the gap between observed and unobserved impacts but also refine our understanding of the roles that investors, public policies, and even residents play in shaping urban landscapes.

## **4. Methodology**

To explore the investor and community sentiments that influence the dynamic interactions between residents and developers/investors, I conducted qualitative primary research from both perspectives. This research included an in-depth survey (Figure 2) with an initial sample size of 96 community members. After filtering through the survey responses, it was determined that 63 residents completed the survey, resulting in a 66% completion rate. The research also involved four informational interviews with real estate investment professionals (Figure 3). These findings will be used to assess the differing viewpoints and expectations of community members compared to those of real estate investment and development professionals.

For this study, it was important to conduct the survey of community members organically, rather than facilitating a paid study. Focused on Metro Detroit, the research aimed to gather insights from two potentially vulnerable populations: residents in Detroit and Ann Arbor (with a heavy concentration of college students). However, the scope was not exclusive to these areas. In constructing the research questions, I created a few parallel questions for the investment professionals and residents to allow for a clear look at either potential alignment or misalignment. For example, the investors were asked to share their thoughts on misconceptions when it comes to urban development and to discuss their views and definitions of gentrification. Similarly, community members were asked to also define gentrification. In posing these questions to both sides, it creates a clear lens through which to identify connections.

To engage real estate investment professionals, I sent emails outlining the details of the independent study, as well as my background, and extended invitations for interviews (see Figure 1). This resulted in a 50% response rate from investment professionals. To connect with students in Ann Arbor, I implemented various strategies including sharing information through student forums, communications sent to student organizations, word of mouth, and a mini-class presentation about this research study.

To reach Detroit residents, I contacted active community members, providing information about the research and requesting their assistance in spreading awareness of the survey. With their help, the surveys were then distributed within neighborhood associations and community groups in which they were affiliated with throughout the city of Detroit. This approach ensures an inclusive collection of data, reflecting the diverse viewpoints within the studied communities. On the other hand, there was the potential for sample size bias.

To contextualize the sentiments from the data collected from interviews with investors and survey results of residents and assess potential indicators of displacement, I obtained Census tract-level data of the Brush Park neighborhood in Detroit ((U.S. Census Bureau, 2012, 2017, 2022). As seen in Table 1 in the Appendix, this assesses changes to the Brush Park neighborhood from 2007 to 2022.

## 5. Results

### *Introduction of Thematic Analysis*

This analysis explores the interplay between real estate professionals' strategies and community perceptions regarding urban development and gentrification. It integrates responses from four distinct real estate professionals with complete survey data from 63 community members (out of 96 surveys) to assess alignment and discrepancies in perspectives and experiences. For the study and privacy consideration, the real estate executives will be referred to under the following aliases: Metro Detroit Economic Developer, Metro Detroit Developer, East Coast Real Estate Investment Professional, and Metro Detroit Student Housing Investment Professional. The constraints in this study include the limited number of interviews from investment professionals and the potential of location overconcentration among community members.

### **Thematic Analysis**

#### ***Community Engagement***

##### *Real Estate Professional Perspectives:*

One major theme from all of the interviews with the real estate professionals was the necessity of community engagement. The Metro Detroit Economic Developer emphasized the importance of community support and highlighted that developers and investors should be the

first to inform community members about developments before they receive a notice from the city. The developer noted that this proactive approach makes the developer the “go-to person” and helps mitigate the initial NIMBY sentiments that may arise when residents receive unexpected notices about new projects.

In conversations with other investment professionals, I found a consensus on the importance of engagement. The East Coast Investment Professional I spoke with emphasized the value of development and public hearings to gather residents' input. They noted, ‘local people might be willing to share if you’re willing to work with them,’ adding that there are often reasonable and rational community members who want to optimize a deal and will provide valuable suggestions. The Metro Detroit Student Housing Investment Professional mentioned that incentive programs for these hearings are crucial in capturing localized knowledge of how an investment fits in a particular community. The idea of securing community buy-in was echoed by the Metro Detroit Developer, who acknowledged that resident feedback helps their firm sustain investments by revealing market gaps not shown in market surveys.

*Community Feedback (Survey Responses):*

While 94% of survey respondents expresses the belief that developers owe a responsibility to the community as detailed in Figure 5, there are varying degrees of satisfaction with how developers engage with communities, highlighting a gap between expectations and experiences. Some respondents noted positive interactions, praising developers for incorporating the community and demonstrating transparency and enthusiasm. Conversely, others reported negative experiences, describing interactions as cold and lacking empathy, with a focus on profit over the quality of life for existing residents. These mixed feelings underscore the complexity of interactions between developers and the community.



## **Gentrification and Its Impacts and Misconceptions**

### *Real Estate Professional Perspectives:*

The Metro Detroit-based Developer explained that while gentrification and displacement are often used synonymously, they are not the same. This sentiment was echoed by the other investment professionals. The East Coast-based Investment Professional noted that urban development is frequently seen as displacing people or is associated with affordable housing that is of a lower quality. However, the Metro Detroit-based Developer acknowledged that often, the misconceptions about urban development are not unwarranted, due to people's varying experiences with developers and developments. This developer explained that gentrification is often viewed negatively, as it is commonly associated with 'the transformation of communities into more of a middle-class and white-leaning community.'

The Economic Developer sees gentrification in areas that are being reinvested in and views gentrification as more of a policy matter that requires local governments to not solely focus on new developments, but also on equipping existing residents with the tools to unlock value from owning properties. This approach would allow the residents to participate in the value appreciation associated with gentrification when individuals or firms, for example, with a quick turnaround or home-flipping investment strategy, enter their communities.

Similarly, the Student Housing Investment Professional highlighted the idea that development is not a zero-sum game, suggesting that 'there's potential for the entire neighborhood to prosper by doing development correctly.' This perspective directly counters the misconception they mentioned, where there is often an "us-versus-them mentality" among residents who feel pitted against investment professionals. Due to these misconceptions, the

Economic Developer stresses the importance of starting conversations with the community about these developments before they discover them from the city or another source.

*Community Feedback (Survey Responses):*

Gentrification is predominantly associated with displacement, rising costs, and cultural erosion. The majority of survey respondents expressed concerns about being priced out and the transformation of their neighborhoods. I found alignment between the community members' perceptions of gentrification and the interviewees' thoughts on residents' misconceptions of gentrification. One example is the perceived misconception involving residents that think gentrification means 'the transformation of communities into more of a middle-class and white-leaning community,' as touched on by the Metro Detroit Developer. In the survey, in response to the question asking residents to define gentrification, many residents defined it as the movement of white and/or higher-income households into the neighborhood, displacing Black households from the community (Figure 4). One respondent defined gentrification as “people from a majority population pushing out people of a minority population from homes or businesses by making it unaffordable for the current residents.” Another defined it as “pushing minorities out of neighborhoods to renovate and attract white buyers/ renters or raising prices above what the median homeowner/ renter can afford.” These sentiments are visualized in Figure 4 with a word cloud, highlighting repeated themes from residents' responses including “composition change”, “high prices”, “priced-out”, and “displacement”. The size of each circle or word indicates the higher prevalence of these sentiments in residents' responses.

While the survey results point to areas of concern that residents have about urban development, the results also present a sense of optimism regarding the opportunities gentrification may present. For example, as shown in Figure 6, when residents were asked if they

believed that gentrification could lead to positive change, 35% responded affirmatively, 54% expressed maybe, and only 11% did not see gentrification as a potential to be a positive force. These sentiments underscore the critical role of public policy in shaping the outcomes of gentrification and thus community perception.

### **Detroit's Brush Park Case**

In examining the sentiments shared by survey respondents and comparing them with those of investors and developers, it is crucial to understand the implications of current developments in Detroit. This study aims to discern how the perspectives of community members and investment professionals manifest, particularly concerning whether gentrification inevitably leads to displacement. A relevant study on Detroit's Livernois-6 Mile neighborhoods demonstrated that despite increased investments, displacement of residents did not occur (Perry & Stephens, 2024). I adopted elements of their methodology to assess changes in Brush Park, one of Detroit's oldest neighborhoods. The Brush Park Community Development Corporation reports approximately 36 past and present development projects in the area (Development Projects, n.d.). My research explores the importance of examining the impact of city investments on factors such as neighborhood composition, home values, and taxes, and it investigates the possibility of gentrification occurring without displacement.

For context, I utilized the American Community Survey 5-Year Data from 2012, 2017, and 2022. The findings indicate that from 2012-2017 to 2017-2022, home values nearly doubled, which corresponds with tax increases during those periods (U.S. Census Bureau, 2012, 2017, 2022). This trend is a potential indicator of gentrification in Brush Park and coincides with the

period of intensified investment in the city. Notably, in 2015, Bedrock announced a \$70 million proposal to revitalize a section of Brush Park (Helms & Reindl, 2015).

Additionally, there was a significant rise in median household income between the 2012-2017 and 2017-2022 periods, which may imply an influx of higher-income households or general economic growth in the area. Median monthly housing costs decreased in the second period but rose in the third. This fluctuation may reflect the economic aftermath and subsequent recovery from the Great Financial Crisis. The initial decrease might be attributed to a downturn in the housing market post-crisis, possibly due to diminished demand and economic stressors. The rise in median monthly housing costs observed later, may suggest a revitalization and potential growth in the housing market as the economy recovered. Nonetheless, these interpretations require caution and further research to establish a definitive link between these trends.

The data reveals notable changes in the racial makeup of the community over the observed periods. From the first period to the second period, there was a significant increase in White, Black, and Asian populations moving into the area. However, while there continued to be an uptick in the White and Asian populations, there was a sharp decline in the Black or African American populations between the 2012-2017 and 2017-2022 periods. This trend, as expressed in the residents' survey responses, could be indicative of demographic shifts that often accompany gentrification. Demographic shifts involve instances where the original population might be replaced by newer residents with potentially higher incomes, which aligns with the broader patterns of urban redevelopment.

Examining the occupancy trends revealed a decline in owner-occupied housing units coupled with an increase in renter-occupied units. This pattern was particularly pronounced from 2007-

2012 to 2012-2017. This points to possible shifts in the housing market dynamics, where owning a home becomes less attainable, and renting becomes a more prevalent mode of housing for residents. This shift has implications for community stability and the nature of neighborhood engagement, as homeownership is often associated with long-term investment in a community's well-being and cohesiveness.

## **6. Findings**

### **Challenges Identified**

Among the challenges faced is the need to bridge developers' and investors' intentions of placemaking and listening to community feedback with the actual experiences of residents in gentrified communities. Further exploring the path of perceived versus actual impacts, there is a discrepancy between the community's perceptions of the impacts new developments have on affordability and the cultural landscape and the actual results. This discrepancy was frequently discussed during interviews with industry professionals and is often tied to NIMBYism. Along with this idea is the importance of combatting both direct but also indirect displacement.

Faced with escalating construction costs due to increasing material prices, labor shortages, and limited housing stock, which leads to increased rents and home prices (Lawrence, 2022), investment professionals have stressed the necessity of reducing costs for developers to alleviate the financial burden placed on residents. Survey respondents noted that developers often prioritize financial returns and profits. During my interview with a Student Housing Investment Professional, they highlighted a common misconception among residents: the belief that developers shouldn't profit economically from a development. Comparing this misconception with sentiments shared in my interviews with the executives, it is clear that a project's ability to generate returns is crucial. The real estate executives expressed that they

would not invest in a property or development if it would not achieve profitability. This further exposes a disconnect between real estate professionals' investment strategies and the opinions of residents. This concept is echoed in the earlier discussion on real estate financial modeling in this paper. Such modeling is employed to forecast cash flows and evaluate a project's feasibility, often resulting in the dismissal of unprofitable projects.

While trends seen in the transformation of Brush Park may signal a sense of caution regarding the implications of displacement, one similarity between the Brush Park neighborhood and the success of Detroit's Livernois-6 Mile neighborhoods, is the presence of a community association. The Livernois-6 Mile neighborhoods achieved strong community engagement through "block clubs, housing stock, and community identities" (Perry & Stephens, 2024). This aligns with investor sentiments from the interviews about the importance of community engagement and involvement as tool for encouraging community in the face of institutional investment. Another positive signal is the Brush Park Community Development Corporation's website which informs visitors about development projects, development guidelines, the zoning code, and other relevant information. This may point to the neighborhood's ability to build resilience against further displacement. However, there must be further research into areas such as the community's resilience and past history of out-migration in order to determine this.

### **Policy Implications**

One of the key findings from the research is that gentrification often carries negative connotations, even when residents are not physically displaced. This sentiment arises from existing residents feeling disregarded and expressing that their opinions were not heard by developers. Many survey respondents perceived gentrification as catering to an often different

racial and socio-economic demographic, thus creating a sense of exclusion. Additionally, the high costs associated with new developments tend to favor wealthier demographics, exacerbating feelings of displacement and inequality.

In interviews, investment professionals highlighted the challenge of increasing labor and construction costs, which necessitate higher rents to recoup expenses. These professionals suggested that better policies could help alleviate the costs incurred by developers, thereby allowing them to offer more affordable housing options to residents. This leads to one of the more notable findings from this research: in the face of gentrification, public policy acts as a bridge that can simultaneously address developers' challenges and residents' concerns. By fostering an interconnectedness between these two parties, effective public policy can promote balanced, inclusive, and sustainable urban development. This can be achieved through incentives and grants, community engagement initiatives, and equitable zoning laws, all aimed at ensuring that the benefits of gentrification are shared widely across the community.

To effectively bridge the gap between developers' challenges and residents' concerns, public policy should concentrate on the following areas:

1. Cost Reduction Strategies:

Cities often alleviate some of the development costs through incentives and grants. Recently, the City of Detroit awarded the Detroit Economic Growth Corporation with \$14.5 million to provide gap financing for five mixed-use developments which account for over \$255 million in investments (Detroit Economic Growth Corporation, 2024). This is part of the City of Detroit's commitment to advancing placemaking and revitalization. Initiatives like this not only provide

the necessary gap financing for developers but also serve to beautify these communities, increasing their desirability and ultimately raising property values.

In addition to gap financing, other cost-reduction strategies include Tax Increment Financing (TIF), public-private partnerships, low-interest loans and grants, streamlined permitting processes, land value taxation, and density bonuses. An impact fee deferral option could also provide greater convenience for developers, as many fees associated with development projects are typically due around the same time (Phillips, 2021). This is often when developers are most financially constrained. By deferring these costs, developers can better manage their cash flow, making it easier to invest in ongoing community engagement and other project needs.

## 2. Community Engagement:

While local governments often require developers to engage with the community in the initial stages of development, it is crucial to encourage continued engagement throughout the life of the property. As discussed in interviews, sustained community engagement not only helps in gaining community trust but also supports long-term investment. This approach ensures that residents feel included in the growth of their communities and allows them to share valuable insights with developers as individuals "on the ground." This, while obvious, means that community members must also be active participants in the process so that their voices are heard. This includes participation in areas such as neighborhood associations, local forums, and community benefit agreements. Sustained engagement leads to better outcomes for both parties, as developers will receive continuous feedback and residents will feel part of the changes occurring in their neighborhoods. Trust can lead to a smoother implementation process by aiding in obtaining community "buy-in" and financial incentives for future projects.



### 3. Economic Empowerment Tools:

Based on my research, I would argue that one of the first steps to empowering existing residents in gentrified areas and helping them realize the benefits of property appreciation, is to address historical discriminatory practices. This includes tackling the higher tax burden experienced by Black and Hispanic homeowners, who are also less likely to appeal their property tax assessments (Avenancio-León & Howard, 2019). Again, the literature reveals that these two groups of homeowners are more likely to be unsuccessful when appealing their property tax assessments. Furthermore, in the cases where Black or Hispanic homeowners win their appeals, they receive notably lower reductions in their taxes compared to White homeowners. This underscores the need for a more equitable and transparent tax appeals process. Additionally, there is a broader necessity for anti-displacement toolkits that include financial literacy programs to economically empower residents and prevent displacement due to being priced out of the market.

Local anti-displacement toolkits should encompass educational resources and workshops to teach homeowners about the tax appeals process and equip them with the knowledge needed to appeal their property tax assessments. This is especially relevant to Detroit, as a Detroit News investigation revealed that between 2010 and 2016, 92% of the investigated 173,000 homes were overtaxed, resulting in Detroit homeowners being overtaxed by \$600 million (MacDonald, 2020a). While the City of Detroit claims to have a strong tax appeals system, local tools are available to inform homeowners about how to appeal tax assessments. One recent tool is the "Search and Compare" app (Hermes, 2023). Additionally, in 2020, Quicken Loans announced four free workshop sessions to educate residents about the tax appeals process (MacDonald,

2020b). These workshops and tools are critical for empowering homeowners and preventing displacement.

Notably, cities must address restrictive covenants that lead to disparities in access to necessities such as fresh groceries. Local governments should tackle these issues by implementing proactive zoning measures and addressing restrictive covenants to mitigate inequities in both gentrifying and non-gentrifying areas. Based on findings from this research, residents feel that urban development seems to target and cater to a different demographic, disregarding original residents. However, if local governments proactively address the needs of residents before institutional investment enters an area, incoming investments will enhance existing amenities rather than introducing necessities that previous residents lacked.

## **7. Conclusion**

This analysis highlights the complexities of urban development and gentrification, underscoring the need to align developer strategies with community needs and enhance engagement practices to mitigate risks to communities associated with urban development. Based on surveys of 63 residents, interviews with four real estate investment professionals, an analysis of Brush Park using tract-level data, and public policy considerations, this research illuminates the dynamics of gentrification and its multifaceted impacts. Although gentrification can increase property values and bring economic benefits, it often leads to feelings of cultural displacement and increased economic burdens for residents.

The findings from this research emphasize that fostering sustainable urban growth that benefits all stakeholders is not solely the responsibility of investment professionals. Future policies and practices should balance these interests with inclusive and transparent engagement

processes that prioritize community welfare alongside profitability. Residents must also be actively engaged with developers and participate in neighborhood associations and community groups to ensure their voices are heard, thus minimizing cultural displacement. Moreover, by identifying opportunities for alignment in the varying perceptions of community members and real estate investment professionals, this paper brings attention to the need for an interdependent relationship between both parties.

Effective public policies can ensure inclusive growth, protect vulnerable populations from displacement, and provide equitable access to improved infrastructure and resources. By involving the community in the policy-making process and learning from successful case studies, Metro Detroit can harness the benefits of gentrification while minimizing its adverse effects.

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**Appendix**

**Table 1**

*Brush Park Over the Years*

|  | <b>2007-2012</b> | <b>2012-2017</b> | <b>2017-2022</b> |
|--|------------------|------------------|------------------|
| Median Home Value  | \$196,500        | \$224,200        | \$455,700        |
| Median Taxes   | \$2,631          | \$1,788          | \$4,500          |
| Median HH Income<br>(Inflation Adjusted)                       | \$21,521         | \$26,159         | \$36,071         |
| Median Monthly<br>Housing Cost of<br>Occupied Housing<br>Units | \$833            | \$572            | \$976            |
| White  | 288              | 629              | 666              |
| Black or African<br>American                                   | 1212             | 1726             | 1430             |
| American Indian and<br>Alaska Native                           | 6                | 8                | 0                |
| Asian  | 7                | 35               | 52               |
| Native Hawaiian and<br>Other Pacific Islander                  | 0                | 0                | 0                |
| Some other race  | 0                | 12               | 11               |
| Owner-occupied<br>housing units                                | 31%              | 23%              | 25%              |
| Renter-occupied<br>housing units                               | 69.2%            | 77%              | 75%              |

*Note.* Data retrieved from American Community Survey, 5-Year Estimates.

This table shows the changes undergone in Brush Park (a historic neighborhood in Detroit) from 2007 to 2022, with neighborhood demographics changes signaling the possibility of gentrification. "Median HH Income" refers to the median house household income of the area.



**Figure 1**

*Sample Email Sent to Real Estate Investment Professionals*



*Note.* This figure displays an example of the emails sent to real estate investment executives, extending an invitation for informational interviews to obtain insights on their perspectives on urban development. These emails resulted in a 50% response rate.

**Figure 2***Interview Questions for Discussions with Real Estate Professionals*

**\*Disclosure: For legal and compliance reasons, your name and identity along with the names and identities of other investors/developers will remain confidential. Do you consent to being identified as your investment style and region?**

1. In a deal what are the attributes that you value the most? (will be helpful to see if they mention the community)
2. Do you think that there are misconceptions when it comes to urban development? Where do these misconceptions originate from?
3. How would you describe the dynamic/relationship between your role as an investor and residents of a community ?
  - Have you utilized any specific government/local program that facilitates community engagement? (may relate to tax incentives)
4. How do you define/view the idea of gentrification?
5. What are your views on institutional ownership of single family rentals?
6. When thinking about the composition of your development, do you incorporate original owners or do you typically look for new residents?
7. What duties do you think investors and developers owe to stakeholders (including existing residents of a community)?
8. How have you seen displacement in the industry? How has that been exaggerated by rent bumps and other factors in the industry?
9. To what extent can the cons of urban development or institutional investment be mitigated?

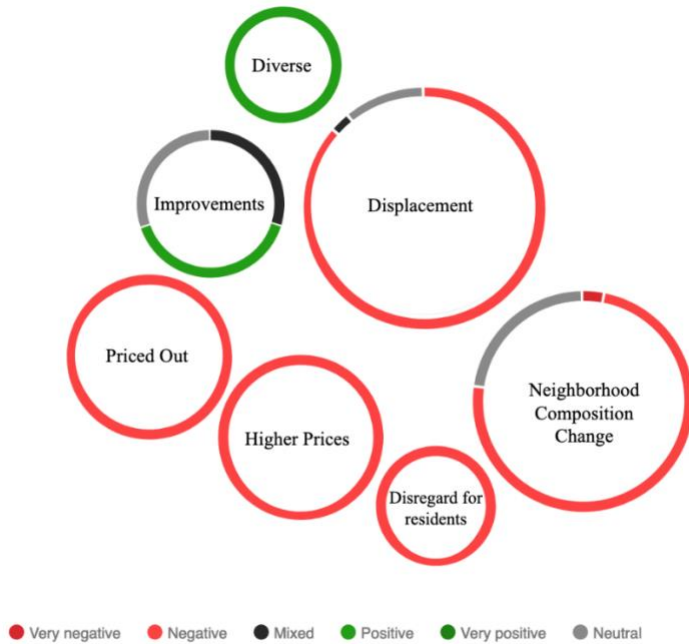
*Note.* This figure lists the questions the real estate executives were asked during the informational interviews. The interviews began with obtaining permission from the investors and developers to identify them in this study under aliases. Some of the questions are parallel questions asked to community members to understand misalignment and identify areas of opportunity to bridge the varying perspectives.

**Figure 3***Survey Questions for Community Members***Community Members' Perspectives on Urban Development**

1. Age
2. Ethnic background
3. Income
4. City, state
5. How long have you been residing in the city you're currently in?
6. What city, state did you grow up?
7. Have you experienced living in an area that was being gentrified?
8. On a scale of 1-5 (1 being a negative perception and 5 being a very positive perception) how do you feel about urban development?
9. How would you define gentrification?
10. Do you think investors or developers owe a responsibility to already existing residents in a community they're developing or investing in?
11. Do you think gentrification has the opportunity to lead to positive change.?
12. In a community, what are the things you value and look for?
13. Have you ever engaged with developers on potential developments?
  - a. Was it a positive or negative experience?
14. If you've experienced living in a gentrified area, did you feel included in that community and that you were part of the intended community?

*Note.* This displays the questions asked to community members in the surveys to understand their views on urban development and gentrification. Some questions were also posed to investment professionals to compare and contrast their sentiments with those of the residents.

**Figure 4**  
*Sentiments & Notable Quotes from the Community Members' Survey*



How would you define gentrification?

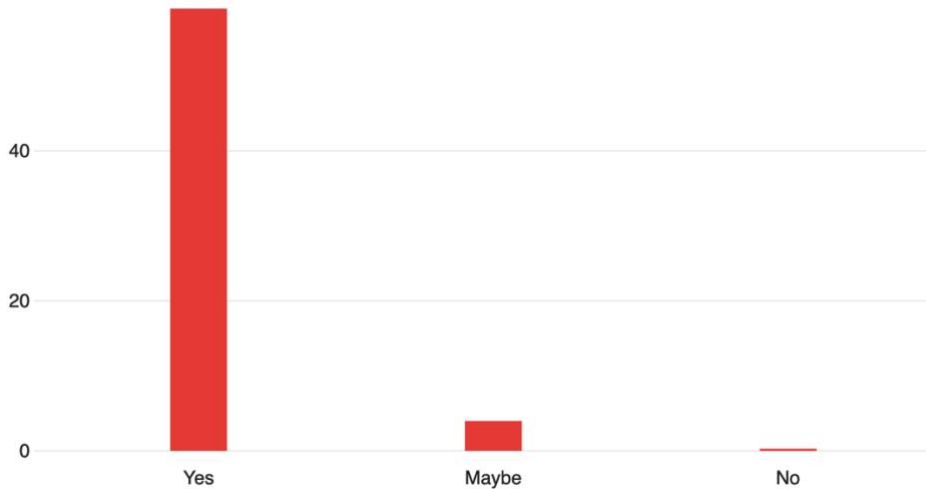


*Note.* These visuals represent the recurring themes from responses to the survey question asking residents to define gentrification. The first visual depicts general themes, associating each with positive or negative connotations, while the second visual highlights common words used to describe gentrification. Larger circles or words indicate a higher prevalence of specific sentiments, while smaller circles or words represent less common responses.

**Figure 5**

*From Qualtrics Survey*

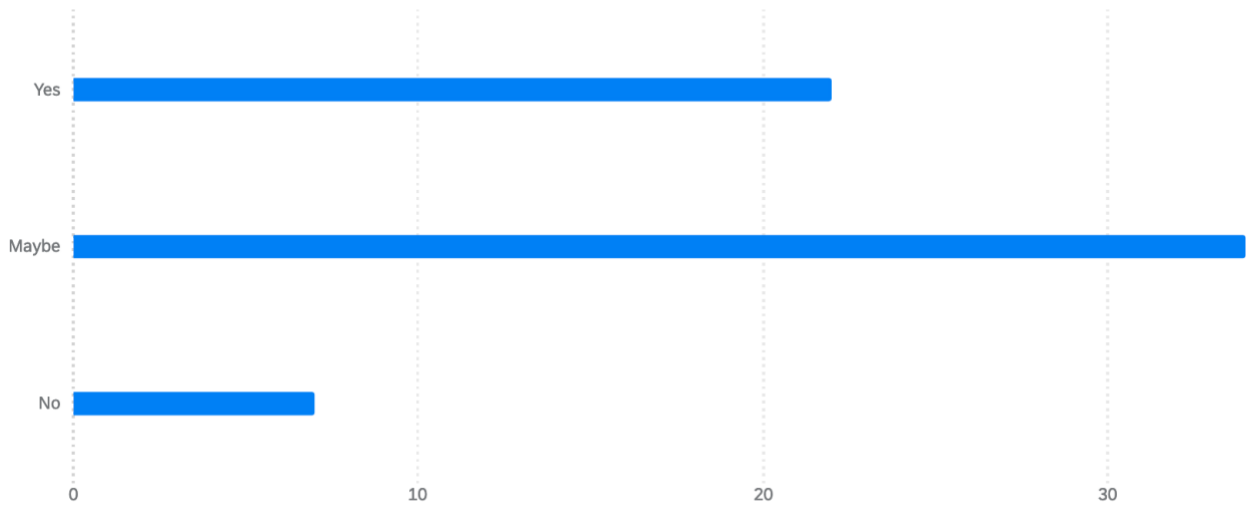
Do you think investors or developers owe a responsibility to already existing residents in a community they are developing or investing in?



*Note.* This shows the responses to the question of whether residents believe investors or developers owe a responsibility to communities impacted by their investments. 94% of community members believe that investment professionals have this obligation, while 6% expressed uncertainty.

**Figure 6**  
*From Qualtrics Survey*

Do you think gentrification has the potential to lead to positive change? 63 ⓘ >



*Note.* Depicting the responses to the question of whether gentrification has the potential to be a positive force, this figure shows a mix of optimism and uncertainty. 35% responded 'yes,' 54% expressed 'maybe,' and 11% responded 'no.' While investors may perceive that the general public views gentrification negatively, these responses reveal an opportunity for developers to foster interdependent relationships with community members and leverage development for positive outcomes for both parties.