

Minimizing Gentrification in Tech Hubs

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On my honor as a University Student, I have neither given nor received unauthorized aid on this assignment as defined by the Honor Guidelines for Thesis-Related Assignments

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Abstract

Gentrification in major tech hubs such as San Francisco is a growing issue that needs further study in order to counteract its negative effects. Gentrification is a social and economic dilemma that involves many different actors in cities such as San Francisco which include the city government, large technology corporations, current residents, and incoming residents. In order to fully understand gentrification, it is necessary to identify the different wants and needs of each of these actors which in turn will help create potential solutions to minimize displacement. The manner in which this paper will do this is by utilizing Actor Network Theory to analyze the different actors within the gentrified cities such as San Francisco. This paper will involve understanding each actor in the system and can be used as a case study for further research in studying gentrification and how to minimize its harmful effects.

Introduction

Ever since the arrival of major technology companies in San Francisco at the end of the 1990s, tensions continue to grow within these cities as costs of living reach all time highs. The arrival of large technology corporations resulted in an “influx of tech capital and wealthy tech workers” which has “precipitated spectacular increases in rental and housing prices throughout the region” (Hou, 2017). This has led to the process known as gentrification where previous inhabitants of an area are pushed out due to increasing rent and living expenses. Gentrification can be more accurately described as a “process through which lower-income neighborhoods experience capital investments and an influx of wealthier residents” (Mujahid, 2019). I will dissect this issue by analyzing the different factors at play in order to create an assessment on how gentrification and big tech are related and what measures can be taken to minimize its effects.

In this paper, I will be presenting the different factors that contribute to gentrification of major cities and how the introduction of large technology companies play a role in the process. The paper will go in depth about the different actors in the dilemma and how they interact with one another to create larger social and economic problems. The paper’s main purpose is to analyze the situation of gentrified cities and in order to do this Actor Network Theory will be used to inspect each actor in the network and how they relate to each other.

As demonstrated above, gentrification is an ever-growing problem and it is important to discuss how the effects of gentrification can be minimized through the cooperation of the city and the companies at play. I believe that there are a lot of misconceptions regarding gentrification and in order to better understand this issue, a deeper analysis of the subject must be conducted. Furthermore, gentrification has the potential to affect numerous cities across the

United States especially as technology companies grow in profitability. It is important to understand the factors that contribute to gentrification to minimize its effects as early as possible. I believe that a great starting point for this is to understand the motives and situations of each actor in the network and how their actions and relationships with each other contribute to the overall problem.

Why Does Gentrification Happen?

We have already touched on how gentrification happens due to increased investment in a certain city as a result of an influx of new residents that are highly skilled, wealthy, and single, often caused by the arrival of a large technology company “At the time, entrepreneurs and computer software designers rushed to the city with the goal of making easy money by starting an Internet company” (Opillard, 2015). The question remains why these companies choose to move into these specific areas. Oftentimes, these areas are underdeveloped and have low real estate value which make them very enticing opportunities for individuals who suspect the real estate value to increase. Sometimes these individuals are companies who will directly be contributing to increasing the property value in the city they move into. By purchasing these properties, the companies can ensure that the value of their investment will increase once they begin operations in the area. This is why it is in these companies best interest to locate their new location in areas of low property value for cheap estate and high potential for that estate to grow. From an economic standpoint, gentrification first began due to “supply and demand, gentrifiers first came to the area because of a high supply of housing” (Redfern, 2003).

Displacement then begins to happen when the influx of highly skilled individuals arrive in the area. From here on, the landlords can afford to increase their rent as the number of renters increase while the supply of available housing units stays the same. The new arrivals are capable

of affording the newly priced houses while the current tenants are no longer able to keep up with increasing rent and are inevitably evicted. It is important to remember that these areas were originally underdeveloped which means the current inhabitants are often low wage workers and as result the rent prices matched their wages to support a functioning economic system. The sudden influx of high earning individuals is what led to the economy in the area rising too fast for the current inhabitants to keep up with and thus leaving them behind and over time resulting in displacement.

Gentrification and displacement is not only an economic problem as there are social aspects that contribute to displacement specifically. When gentrifiers enter a city undergoing gentrification, their cultures and lifestyles are oftentimes different from the current inhabitants. Naturally, the gentrifiers then “In fulfilling a need for themselves, to create meaning in their lives under conditions of modernity” create cafes, stores, and restaurants and in doing so “they deny the population they displace the ability to fulfill the same need” (Redfern, 2003). This not only raises the property value of the area but it also has a social impact where the current inhabitants no longer feel that they belong in the city due to the large cultural changes. This leads to voluntary evictions where the displaced choose to leave as they feel they no longer belong to the community they once called home. This easily happened because the gentrifiers had more economical and social power and “did not want to face its“ugly side. By focusing on the new restaurants, bars, the dotcom parties, and the new work/live lofts, it was easy for those moving into the neighborhood to rationalize the large numbers of evictions” (Mirabal, 2009).

In the end, the city becomes more economically prosperous and more modernized at the expense of those that were displaced. There are a lot of motives for the city, the companies, and the landlords to support gentrification as it results in overall economic growth. Given this

analysis it is not hard to believe that a large contributing factor to gentrification is the capitalistic society we live in here in the United States. It seems that the price that the displaced need to pay in having to relocate is justified in the viewpoints of these other actors in an effort to achieve economic prosperity. Because of this, it is important to consider ways to minimize the negative outcomes of gentrification to protect the families that are in danger of displacement.

How Racism is Tied to Gentrification

Likewise, there is often a racial aspect to gentrification as described by the differing social lives and cultures between the gentrifiers and the current residents. In a survey that was conducted in Milwaukee “they found that 8 percent of white renters, 15 percent of black renters, and 29 percent of Hispanic renters experienced forced moves” (Zuk, 2017). In order to make the gentrifiers, who are often high class and white feel more comfortable moving into the new area, it incentivizes the local government to enforce heavy policing and create laws that make it harder for minorities to develop their own enterprises. As a result, this not only shapes the economic situation in the area but gentrification also massively changes the social and cultural landscape of the new city.

Why is Gentrification Allowed to Happen?

Gentrification has positive economical effects for a city which are heavily influenced by the city law and the large technology corporations that move into the area. There is a lot of incentive for a city government to encourage large corporations to move into their cities and the mutual relationship the 2 entities have heavily contribute to gentrification and displacement. A big example of this is the “Twitter tax-break approved in 2011” which “exempts Twitter from paying about 22 million dollars payroll tax over six years on the condition that the corporation settles its office space in Mid-Market” (Opillard, 2015). From a business standpoint, this was an

investment that the city made as they essentially lost 22 million dollars worth of tax money in exchange for allowing Twitter to spend more capital into developing their infrastructure and raising the real estate value in their city. This eventually happened over the next 3 years in Mid-Market which resulted in the residents having to pay more taxes and succumb to the negative effects of gentrification.

It is important to note that government entities have the legal right to create tax breaks to promote certain purchasing/financial decisions that individuals or companies make. Many will argue that the city choosing to provide Twitter with a tax break is an investment decision that can positively impact the city's economy and provide a long term positive change to the city. Though this is true, it is important to consider the ethical implications of this decision specifically in regards to the role of the government in relation to the citizens it governs. This is an example of the ethical lens of deontology which seeks to identify actions in order for a particular entity to perform a duty. The government has 2 major functions in this situation, to protect the residents of the city and to improve the well being of the city. When considering the moral decision in this situation with Twitter, it is morally appropriate for the government to make decisions based on the needs of the current residents, but rather it chose to fulfill the other function which is to improve the well being of the city and forsaking the citizens it governs. I believe that it is possible for governments to fulfill all their moral duties especially in this situation where the city could have elected to not give Twitter a tax break. This would have slowed down the economic boom that comes with gentrification; however, it would have been a better alternative for the current residents to adapt to a new economic and social environment.

The Ellis Act

Another proponent of pro-tech law making is the Ellis Act, a law created in California which gives the landlord the right to evict all their tenants if the landlord decides to sell their property. This law was created to help landlords who are at risk of bankruptcy so they can get out of the market. However, in times of gentrification where property values are at all time highs, landlords have the ability to invoke the Ellis Act to sell their property at a higher value than they initially paid for. As a result, the property is either renovated or rebuilt to appeal to a growing market of wealthy, skilled laborers and of course, the previous residents are involuntarily displaced. Something to note here is that the property, once modernized, increases the real estate value further which creates a positive feedback loop of growing gentrification. This act is often criticized by the anti-eviction movement for this reason and “in 1999, 16 percent of San Francisco’s evictions were attributed to the Ellis Act” (Mirabal, 2009). A lot of times, the big technology companies buy these apartments to create their campuses to provide housing for their workers. Not only will the prices of these units increase, but the units will be completely unavailable for rent to the common citizen in the area regardless of their financial situation. The act has seen a lot of amendments over the past years to prevent this type of situation however, the damage has been done and it is important that future cities learn from this experience before creating similar laws.

The Response of the Public

For every action there is a response that comes to challenge it. Gentrification has become a hot topic in major technology hubs such as San Francisco which has garnered the attention of the general public to fight for their sense of belonging. In 2014, the residents of San Francisco rallied behind an anti-eviction protest aimed at the Board of Directors of the San Francisco

Municipal Transportation Agency (MUNI) which was voting on a pilot program that day in regards to the large tech companies creating shuttles for their employees that would use public bus stops to pick up their workers. This was a large concern for the general public as the MUNI is a publicly funded transit system however, large tech companies are getting away with using the bus stops for free to provide exclusive transportation for their employees. The protest involved stopping Facebook and Google buses while marching to the San Francisco Association of Realtors office. The pilot program eventually was approved and now the city would “charge \$1 every time a private shuttle bus used a public bus stop, to cover the cost of bus stop maintenance” (Maharawal 2014). Though the protest was a success in invoking change, many protestors felt that the change was not enough especially since “According to the protesters’ calculations, if the buses were charged the same \$271 mandated fine that car drivers face for stopping in a bus lane, they would owe the city around \$1 billion” (Maharawal 2014). This especially was concerning given that the residents still had to pay \$2 to ride the MUNI while the large tech companies such as Google and Facebook would only be paying \$1 to provide transportation for their workers. Many similar protests have been conducted under the anti-eviction movement and it is important to understand that the public opinion has some sort of impact on the issue of gentrification rather than just being a financial actor in the network.

Actor Network Theory

Gentrification in tech hubs can be described as a network using Actor Network Theory, where the actors within the system which include, the original inhabitants, gentrifiers, landlords, government, and large tech corporations make up the actors. It is the relationship between the actors that create the social network which I believe makes up gentrification as a whole. I believe that every actor is integral for gentrification to occur and no aspect of gentrification can be

discussed in a vacuum without considering at least two of the actors and how they relate to one another. For example, the relationship between the gentrifiers and the large tech companies is that the companies provide jobs and amenities such as transit and housing to incentivize gentrifiers to come into the area which is supported by the laws of the local government by providing tax cuts and benefits for these actors which leads to the displacement of the original inhabitants. The actions of each actor in the network directly or indirectly affects the other actors which is why I chose to use Actor Network Theory to describe how important it is to examine the social and economical makeup of gentrification. By examining this network and how it works, then potential solutions can be created to minimize the effects of gentrification.

Potential Mitigations to Gentrification

Having understood the different actors that make up a gentrified city, it is now necessary to examine different paths that can be taken to minimize displacement. A big proponent of displacements as discussed earlier is the Ellis Act, for this reason, I believe that a potential solution should be aimed at making amendments to this act. One way to accomplish this is to implement the tenant's first right to purchase which "obliges the owner to offer the property to the tenant before putting it on the market" (Ghaffari 2017). This is a tool that is already implemented in Washington DC and often comes with financial assistance. This is a solution that provides the tenants more control over the situation rather than getting evicted without any say. One way the government can offer financial assistance to these tenants interested in the property is by having the government finance part of the housing price in the form of a down payment subsidy (Ghaffari 2017).

A common counterargument for this solution is where would the funds for this assistance come from? During the Twitter tax break in 2013, "1,600 new millionaires" were immediately

created within the organization (Maharawal 2014). This was money that could have gone to the government in the form of tax dollars. A lot of this lost capital could have easily gone to funding the housing assistance program. Others will also argue that this program would only work if the tenant is capable or willing to own the property and it also does not affect the social change that gentrification brings. This is true, however, the idea does give the tenants greater control over the situation and at the very least more time before they are evicted. It also does not directly counter the effects of social gentrification however, it does allow the few tenants that do choose to own the property to stay in the area and uphold their cultures and slow down the effects of social gentrification.

Another avenue to tackle the issues of gentrification is to examine what the large technology corporations can do in order to minimize the displacement of the local population. I believe that the simplest way for large corporations to do this is by fully embracing working from home. During the COVID-19 pandemic “As of May 2020, about 35% of the US workforce was remote, with whitecollar, higher-educated positions being the first to transition in large numbers” (Russell 2021) which demonstrates that large technology corporations are fully capable of remote work as demonstrated by “A recent survey found that not only is remote work surging, but that it is also improving employees’ productivity, work-life integration, and accessibility” (Russell 2021). By providing more work from home opportunities, less employees would have to move into gentrifying areas which would increase the supply of housing which in turn would lower the prices of rent allowing more residents to be able to afford housing. An argument against this idea is that the developers would move to rural areas where rent is cheaper and then rural gentrification would occur. This a potential downside to this solution however, it provides the developers with more choice rather than being forced to contribute to gentrification in a large

tech hub. The difference here is a situation where gentrification is inevitable compared to where gentrification can be more of a choice. I also think this is a more preferable outcome rather than having all high paying workers concentrated in one spot and can rather result in these rural areas being given a boost in economy through the arrival of these workers in smaller quantities. There is also a financial incentive for technology companies such as Google and Facebook to adopt this new work option as they would have to pay less for their campuses and transportation for their workers. Also, if the city were to increase property taxes for these corporations, the companies would be further incentivized to reduce the real estate they consume and resort to remote work instead.

Conclusion

Gentrification is a term that has been thrown around loosely over the past few years however, it is a very complex topic that encompasses both economic and social issues and therefore it is important to understand the factors and parties that affect the growth of gentrification in order to arrive at solutions to minimize displacement. In this paper, the different actors involved with gentrification were observed including their motives, goals, and responsibilities. This was done using Actor Network Theory where each actor in the network was analyzed to understand their relationship with each other and how these relationships contribute to gentrification. It is important to understand how gentrification works and to identify ways to minimize its harmful effects as technology continues to grow and companies begin to move into new areas. This is a phenomenon that can potentially affect millions of people in this country and therefore it is important to understand the events of what happened in large technology hubs such as San Francisco as a case study to slow down this growing dilemma.

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