

Evaluating Gentrification in Newark, New Jersey: Would gentrification as a model for economic development be positive for Newark, New Jersey?

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Gentrification refers to a model of development in which affluent residents are encouraged to move to previously impoverished areas associated with lowering crime rates¹ and an increased standard of living. This model has been positive throughout American cities² such as the Bay Area in California, as cities have aimed to increase their wealth by encouraging an increase in luxury housing and high-end retail. However, this approach has been criticized, as an increased standard of living has only been experienced by the wealthy. Hence, this paper will seek to evaluate gentrification as a model for development by considering possible economic benefits and by evaluating the practice's impact on native Newarkers. To examine this topic, I partook in a series of interviews with individuals who interact with gentrification daily — Kikis advocates for this model of development, whereas Wharton and Monterossa warn against the practice's effects— allowing me to widen the scope of my research by taking in opposing perspectives.

Proponents argue gentrification is the only way in which a city can experience economic development. My engagement with Nicholas Kikis, Vice President of the New Jersey Apartment Association representing 50% of homeowners and developers across New Jersey, allowed exploration into the neoliberal model for development. Kikis explained that bringing wealth into a city allows wealth to trickle down to positively affect residents. He explained that the goal is never displacement, but rather that gentrification functions as an investment to attain sustainable

¹Linke, Rebecca. "New study: Gentrification triggered 16 percent drop in city crime." *MIT Sloan*, 21 December 2017, <https://mitsloan.mit.edu/ideas-made-to-matter/new-study-gentrification-triggered-16-percent-drop-city-crime>. Accessed 20 March 2023.

²"Gentrification and Neighborhood Revitalization: WHAT'S THE DIFFERENCE?" *National Low Income Housing Coalition*, 5 April 2019, <https://nlihc.org/resource/gentrification-and-neighborhood-revitalization-whats-difference>. Accessed 20 March 2023.

economic growth. If displacement does occur, Kikis argues that increasing the supply of housing would bring down its demand, translating to more affordable rents.

To further evaluate gentrification, it is important to consider recent economic data within Newark. As a result of recent development, “crime was down by 13 percent, the lowest level in 50 years; more than 3,000 additional Newark residents became employed; and the city attracted more than \$2 billion in commercial investments”³. These figures indicate the city is certainly attracting further direct investment while ensuring the well-being of its residents through reduced crime and higher employment rates, suggesting that gentrification may be positive.

Opposingly, this position fails to fully assess the implications of displacement. Through gentrification, the gentry, high-income professionals, are encouraged to enter and take over cities. Wharton describes that this process is fostered by cooperation between corporations and local governments, as both groups benefit financially. Wharton established the “Gentrification Profiteer Paradigm”⁴; politicians provide tax abatements, and spearhead policy to encourage development; investors recognize opportunities to profit and invest; realtors look to bring in “desirable” and financially “independent” residents. There is further quantitative support for this paradigm: from 2000 to 2012, an estimated 135,000 people⁵ were displaced nationally directly due to an increase in housing costs.

³Reddy, Lata. “Newark – A Model of Inclusive Economic Growth.” *Prudential Financial*, <https://www.prudential.com/links/about/corporate-social-responsibility/thought-leadership-perspectives/newark-model-economic-growth>. Accessed 20 March 2023.

⁴L. Wharton, Johnathon. “Gentrification: The New Colonialism in the Modern Era ” *Stevens Institute of Technology*, 2008, <https://web.stevens.edu/ses/documents/fileadmin/documents/pdf/Oxford%20Journal.pdf>. Accessed 18 November 2022.

⁵Richardson, Jason, et al. “Shifting Neighborhoods Gentrification and Cultural Displacement in American Cities.” National Community Reinvestment Coalition, 19 March 2019, <https://ncrc.org/wp-content/uploads/2019/03/NCRC-Research-Gentrification-FINAL.pdf>.

One important aspect of gentrification that is necessary to understand is the role of local governance. Newark has had to look for external investment as there are social and economic factors hindering its development. The federal government has cut funding for the city in multiple cases⁶, forcing the city to look to privatization as a solution. The trend of “white flight” in the 60s and 70s also caused the city to face waves of disinvestment, as the Newark riots drove up racial tensions in the city motivating businesses to leave the city⁷. Having to search for new ways to foster economic growth, the city emphasized and prioritized gentrifying projects as they cause an increase in surrounding rents, making the area contain more wealth— a common practice amongst cities in the last 30-40 years⁸.

Early phases of gentrification in Newark began when the James administration (1986-2006) focused on renovating the city’s downtown. James used his decision-making power and political capital to publicly support the building of the New Jersey Performing Arts Center, the Light Rail, and the Prudential Center. He also used “federal and state funds to pursue the demolition of ... public housing”⁹, destroying Scudder Homes, Columbus Homes, Walsh Homes, Stella Homes, and Brick Towers. Later, the Booker Administration (2006-2013) maximized development opportunities leading to investment near the waterfront. Booker was also known for selling city-owned land to create competition between investors, causing corporations such as “Audible, Pitney Bowes, Manischewitz, and Panasonic”¹⁰ to come to Newark. Recently, the

⁶Morel, D., Drake Rodriguez, A., Sidney, M., Garay, N. B., & Straub, A. (2022). “Measuring and Explaining Stalled Gentrification in Newark, New Jersey: The Role of Racial Politics”. *Urban Affairs Review*, 58(6), 1585–1621. <https://doi.org/10.1177/10780874211046340>

⁷Mumford, Kevin. “Newark: A History of Race, Rights, and Riots in America.” New York University Press, 2007, https://books.google.je/books?id=_NkVCgAAQBAJ&printsec=frontcover&source=gbs_vpt_read#v=onepage&q&f=false.

⁸Morel, “Measuring and Explaining Stalled Gentrification in Newark, New Jersey: The Role of Racial Politics”

⁹ Ibid.

¹⁰ Ibid.

Baraka administration (2014-present) followed in the footsteps of the previous administrations¹¹. Baraka used up-zoning ordinances, allowing properties to be sold at higher values, and tax abatements to generate waterfront luxury developments and even the Halo building.

However, this administration differentiates itself, having attempted to maintain housing affordability. This models development through a paradigm of distributive justice: dealing with questions of affordable and equitable housing. Baraka has used tax abatements and has partnered with minority-owned businesses in attempts to be inclusive. More notably, he spearheaded the Inclusionary Zoning Ordinance, which forced developments greater than 30 units to maintain at least 20% of their units affordable¹².

But from my discussion with Victor Monterossa, a housing attorney and a community organizer, I learned of the failures of Baraka's attempts. Monterossa pointed out that rent-control ordinances were not enforced, as the city desired to appease developers. This willingness demonstrates the city's desire for investment, as they are willing to go to great lengths to generate markets. Monterossa also argued that while Baraka's motivations may be well-intentioned on a theoretical level, they are oftentimes carried out too late to mitigate existing problems. This argument aligns with Morel's critique of current governance, as cities only act when they recognize that gentrification happened, and at that point, it is too late to reverse the larger effects of gentrification.

As a result of local governance, more than half of Newark is now susceptible to gentrification. As of 2000, approximately half of "Newark's census tracts were vulnerable to gentrification"¹³, meaning that the areas were susceptible to gentrification, given their financial

¹¹Ibid.

¹²Ibid.

¹³Ibid.

desirability. Towards the end of 2017, it was found that “66% of the vulnerable tracts”¹⁴ were successfully gentrified. The areas in which gentrification is predominantly occurring are the areas with the highest number of Black, Latino, and impoverished residents¹⁵— proving a correlation between the social position of those displaced and the rates at which gentrification is occurring.

Another problem raised by gentrification, a model which discourages regulation, is that Newark has become oligopolized. Adar Capital, Harness Homes Group, and Lexington Property Group currently own 47% of Newark’s residential assets¹⁶. Adar Capital owns \$42.5 million in properties, Lexington Property Group owns \$38.8 million in properties, Harness Home Group owns \$17.2 million in properties, and various anonymous corporations account for \$138.7 million in properties¹⁷. Wharton argues this amount of economic power serves as non-decision-making power, a form of power in which an entity does not have direct access to government structures but can rather influence government action. Since these corporations have significant capital, they are effectively responsible for the lives of thousands — making it difficult for the government to regulate their business, as regulations would have political and material consequences. Thus, oligopolies provide these corporations with substantial political influence, allowing gentrification to go unchecked.

¹⁴Ibid.

¹⁵Ibid.

¹⁶Troutt, David D., and Rutgers Center on Law, Inequality, and Metropolitan Equality. “WHO OWNS NEWARK?” *Squarespace*, May 2022, <https://static1.squarespace.com/static/5b996f553917ee5e584ba742/t/626fd98bb8357d201cb8dcb5/1651497359130/Who+Owns+Newark+Final+1.pdf>. Accessed 18 November 2022.

¹⁷Ibid.

As a result of this top-level economic activity, the renter population in Newark has been burdened economically. The cost of living increased by 1.6% in the last year¹⁸, primarily due to an increase in transportation, food, and housing all fueled by gentrification¹⁹. And, when evaluating rent prices, “...the typical Newark renter pays annual rent that is 34 percent of its income, with 56 percent of the population spending more than 30 percent of their income on rent. Thirty-two percent... spending 50 percent or more of their household income on rent”²⁰, demonstrating that as a form of economic development, gentrification burdens a city’s inhabitants.

Upon further interviewing Monterossa, I learned of limitations preventing successful action toward reforming this model of development. From his time being a community organizer, Monterossa described that securing housing affordability was restricted by a lack of financial resources. Despite this, he has used his ideological power to successfully stop numerous demolitions of buildings in Newark. This application of ideological power has occurred both through grass-roots organizing and by making appeals with policy-makers, to ensure success. And, as an attorney, Monterossa detailed that while there exists legal ground to sue landlords, bourgeoisies’ rights claims tend to be overwhelmingly favored in courts of law. Courts are more persuaded by property rights claims by the bourgeoisie²¹, as they are thought to be taking an economic risk rather than the individual tenant, suggesting there exist barriers to rights protection.

¹⁸“Cost of Living Calculator | Cost of Living in Newark, New Jersey.” *Salary.com*, <https://www.salary.com/research/cost-of-living/newark-nj>. Accessed 20 March 2023.

¹⁹Morel, “Measuring and Explaining Stalled Gentrification in Newark, New Jersey: The Role of Racial Politics”

²⁰Neal, Michael, and Daniel Pang. “Newark Housing Pulse.” *Urban Institute*, https://www.urban.org/sites/default/files/publication/103878/newark-housing-pulse_1.pdf. Accessed 20 March 2023.

²¹Whitlow, John. “Gentrification and Countermovement: The Right to Counsel.” *Fordham Urban Law Journal*, 2019, <https://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=2773&context=ulj>.

To evaluate gentrification on a theoretical level, I interviewed Urban Affairs and Political Science Professor Johnathon Wharton. Approaching the issue from a Marxist anti-colonial perspective, he explained that gentrification functions close to modern forms of colonialism, both being fueled implicitly by colonialism and having similar effects. He points out that the landed gentry was able to dominate judicial and financial systems since the colonial era and is still able to control these institutions today, as can be seen with rights claims. This historical dynamic sets the conditions for neo-colonialism, illustrating that regardless of who is in control of property, the landed class will have more control over the political economy, consequently having more political leadership than the proletariat class. This allows governments to use tax abatements and exemptions, suggesting that the interests of the bourgeoisie are often intertwined with the state.

From this, it can be concluded that gentrification as a form of development functions closely to Galtung's Core-Periphery Model, in which downtown Newark is the economic core, and the East, West, North, and South wards are the periphery. Galtung outlines that the core holds the largest concentration of economic power, holding explanatory power over the actions of local government and the monopolization of the housing industry. Hence, as a form of development, gentrification may be dangerous, as it exacerbates unequal distributions of power, allowing the core to further expand through new developments. As the core expands, other areas are forced to take in the displaced, consequently becoming more burdened and poor, showing further support for the periphery model.

A larger parallel to globalization can be drawn from gentrification through Galtung's model²². Just as Newark's downtown has been the economic center, the Global North has

²²Davidson Mark. "Gentrification as Global Habitat: A Process of Class Formation or Corporate Creation?" *Transactions of the Institute of British Geographers*, vol. 32, no. 4, 2007, pp. 490–506. *JSTOR*, <http://www.jstor.org/stable/4626267>. Accessed 15 Mar. 2023.

functioned as the center. Likewise, the Global North now seeks to expand its political and economic control not by direct colonization, but rather through models of globalization. Rather than reaching for the “Atlantic New World”²³, the bourgeoisie now seeks to establish their “urban frontier”²⁴. The same displacement seen in Newark on a block-to-block basis can be seen through cultural homogenization, as globalization dominates many non-western forms of knowledge. When considering this parallel, just as globalization runs the risk of homogenizing over previously existing cultures, gentrification would be dangerous as it displaces Newark residents.

Therefore, gentrification as a form of economic development is not beneficial for Newark. While there have been increased employment opportunities and decreased crime rates, this approach is unsuccessful insofar as it does not distribute wealth. Instead, gentrification has forced populations to become displaced as they have been burdened by the rising cost of living and has further concentrated wealth in the form of land ownership. This problem is supercharged by the monopoly on the housing market, as three developers can drastically dictate the markets, ensuring their profit quotas are met. And, when adopting this form of economic development, it becomes difficult to fight back against injustices such as evictions or drastic rent increases due to structural inequalities; the current legal system tends to favor poverty rights over claims of positive rights. The flaws within the gentrification model can be explained by the neo-colonial dependence model and Galtung’s Core-Periphery model, in which the economic and political power possessed by the economic core allows the bourgeoisie to take over the periphery, serving as a microcosm of globalization.

²³L. Wharton, “Gentrification: The New Colonialism in the Modern Era ”.

²⁴Ibid.

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<https://static1.squarespace.com/static/5b996f553917ee5e584ba742/t/626fd98bb8357d201cb8dcb5/1651497359130/Who+Owns+Newark+Final+1.pdf>. Accessed 18 November 2022.

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