HOUSING IN THE DISTRICT OF COLUMBIA:

STRATEGIES FOR THE FUTURE

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The Urban Institute

September 2003

Prepared for the District of Columbia Office of Planning

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This paper was commissioned by the District of Columbia's Office of Planning as part of its preparations to update the city's Comprehensive Plan. It provides an overview of current housing market conditions and trends, highlights key challenges for the city's housing policy, outlines the regulatory and programmatic tools currently available, and proposes a citywide strategy for targeted neighborhood action over the next decade or more.

I. Housing Market Conditions and Trends

The District of Columbia is enjoying a resurgence of growth and economic vitality that creates new opportunities as well as new challenges for the local housing market. Anticipating and managing these challenges requires a clear understanding of basic market conditions and trends, not only within the city, but across the region as a whole. Therefore, we begin by providing an overview of regional economic and demographic forces shaping the local housing market, key aspects of housing supply and demand in the city, trends in housing costs and affordability, the availability of subsidized housing for very low-income residents, and critical non-housing factors of particular importance to housing policy.[1]

Economic and demographic context. For more than two decades, growth and economic prosperity in the Washington region as a whole have fueled a booming housing market. Between 1980 and 2000, employment increased 63 percent, despite a marked decline in public sector employment. Private employment expanded 90 percent over this period, with growth concentrated in high-value service sectors that are related to the region's special role as the nation's capital, such as information technology, international finances, hospitality and tourism, and legal and other business services. Over the same two decades, the region's population grew by 42 percent, resulting in high rates of housing construction, along with tighter market conditions, and rising rents and house prices. Although employment growth leveled off after 2000, the Washington area has continued to out-perform the U.S. economy as a whole, and the housing market remains strong.

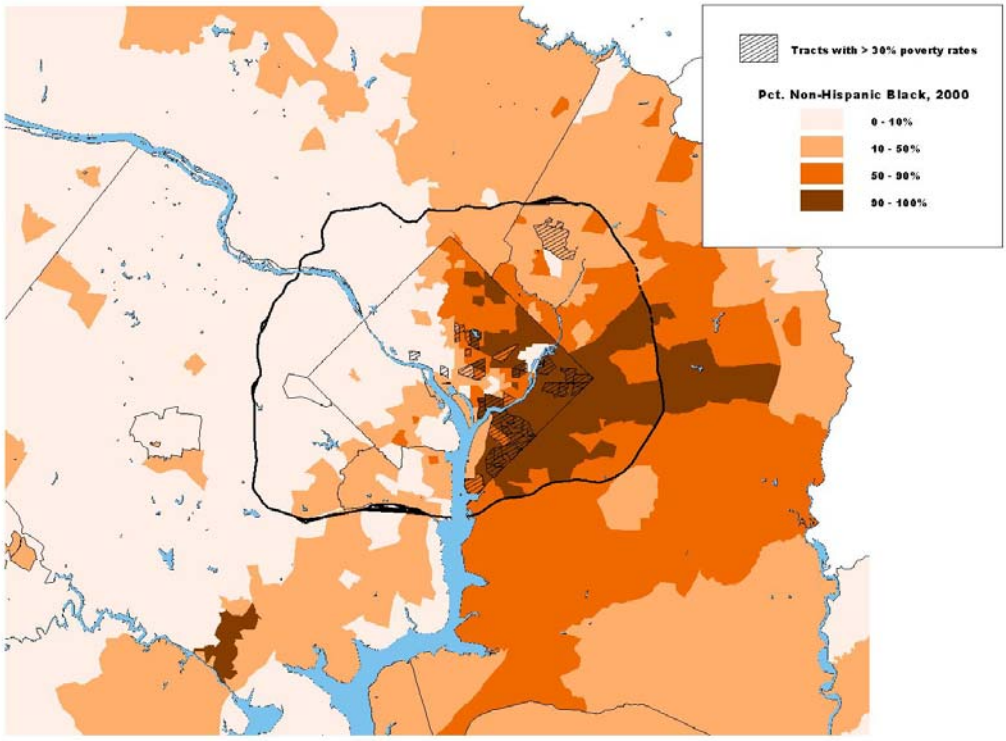
By national standards, the Washington region is tremendously diverse, well-educated, highly skilled, and mobile. The area has been classified as one of America's "melting pot metros" because it has such a large, diverse, and rapidly growing minority population. As of 2000, minorities accounted for 43 percent of the population, with Hispanic and Asian populations growing particularly rapidly during the 1990s. More than four of every ten Washingtonian-area adults hold four-year college degrees, and a third work in professional and

[1] The material presented in this section is drawn from Turner et al. 2002. *Housing in the Nation's Capital: 2002.* Washington, DC: Fannie Mae Foundation; and Turner et al. 2003. *Housing in the Nation's Capital: 2003.* Washington, DC: Fannie Mae Foundation.

managerial occupations. Not surprisingly, the region's residents move frequently; half of its 2000 households had moved since 1995, and 17 percent came to the U.S. from another country.

Despite its economic strengths, prosperity, and diversity, our region is profoundly divided in terms of race, ethnicity, income, and economic growth. The District of Columbia remains poorer and more predominantly minority than its suburbs, but the stereotype of a poor black city surrounded by rich white suburbs no longer applies in the Washington region. Instead, stark differences have emerged between the region's predominantly white and rapidly expanding western side (including DC neighborhoods west of Rock Creek Park) and the majority black communities on the region's east side (including DC neighborhoods east of the Anacostia River), where jobs and population are growing more slowly and where more neighborhoods face social and economic distress (see Exhibit 1).[2]

Exhibit 1: The Washington Region is Starkly Divided



Source: US Census Bureau

[2] Brookings Institution, Center on Urban and Metropolitan Policy. 1997. *A Region Divided: The State of Growth in Greater Washington, DC. Washington, DC.*

In recent years, the District of Columbia has experienced a surge in housing demand, after decades of population loss and disinvestment. The strong regional economy, along with renewed confidence in the city's safety and public services, has led growing numbers of people to move into (or remain living in) DC. As a consequence, many parts of the city are enjoying high levels of new housing production, rising home sales and house values, and improvements to the existing housing stock. For the first time in decades, it seems realistic to imagine that the District can share more fully in the region's growth and prosperity. But, as discussed further below, renewed demand for DC housing also creates challenges for the city and its residents.

The city's existing housing supply. As of 2000, the District of Columbia's housing stock totaled about 275 thousand units. For several decades, the city's housing stock had been shrinking, due to the combination of low production levels and high rates of abandonment, conversion, and demolition. This trend continued for most of the 1990s, with a net loss of about 3,600 units between 1990 and 2000. But since 2000, the District of Columbia has been experiencing high levels of housing production, with over 30,000 units recently completed, under construction, planned, or proposed. New housing is being built throughout the city, including neighborhoods east of the Anacostia River.

A majority of the city's housing is in multi-unit buildings, unlike suburban jurisdictions, where single-family detached housing predominates. Just under half of the District's housing stock is composed of single-family homes, and most of these are row houses. About one in four DC housing units are in large, multi-unit properties, with 20 or more units. Most of the city's existing housing stock is in good condition; American Housing Survey data from 1998 indicated that only 1.4 percent of all housing units in DC were severely deteriorated, although the rate of severe deficiencies is much higher among low-cost rental units.[3]

The number of vacant or abandoned residential properties in the District appears to be declining, but this remains a significant problem for some neighborhoods. The total number of vacant properties recorded in the city's 2001-2002 survey came to over 3,400, about 500 fewer than in 1999.[4] Nevertheless, of the 4,000 properties identified as vacant in the first survey, nearly half (1,800) were still vacant two to three years later. And in some neighborhoods east of

[3] Severe physical deficiencies include problems such as: lack of complete plumbing (with hot and cold running water), dangerous or unreliable heating and electrical systems, dangerous conditions (such as broken stairs and railings) in building hallways and stairways, serious maintenance or repair problems (such as leaks or holes and cracks in the walls or ceilings), and the frequent presence of rats or mice.

[4] These surveys are based on lists of properties with utilities cut off, and validated by inspectors visiting the properties to be sure they are still unoccupied. However, not all properties included can be said to be abandoned, if for example, their owners are paying their property taxes and keeping the properties legally sealed (including boarded up).

the Anacostia River, as many as one in ten properties are classified as vacant or abandoned (see Exhibit 2).

Demand for housing in the District of Columbia. The most recent Census Bureau estimates place the city's population at 570 thousand -- about 248 thousand households. As discussed earlier, the District of Columbia has been losing population and households for decades, despite the region's vigorous growth. But this trend seems to have turned around in recent years. Although the number of households living in the District was lower in 2000 than in 1990, the evidence suggests that the city's population began to grow at the end of the 1990s, and is either growing or holding steady now.

Increased demand for housing in the city is reflected in declining vacancy rates in many but not all neighborhoods. As of 2000, citywide vacancy rates remained well above reqional averages. Specifically, 3.4 percent of homeowner units and 6.2 percent of rental units were vacant (but available for occupancy) in DC, compared to only 1.6 percent of homeowner units and 4.3 percent of rental units regionwide. But vacancy rates in many parts of the city dropped precipitously during the 1990s, as pressure on the existing housing supply began to grow. For example, in the Logan Circle cluster, the homeowner vacancy rate dropped from 12 percent to 3.7 percent between 1990 and 2000, while the rental vacancy rate dropped from 10 percent to 4.6 percent.

People who choose to live in the District of Columbia are less likely to be families with children and more likely to be racial or ethnic minorities than those who live in the region's suburbs. As Exhibit 3 shows, about eight of every ten DC households are childless singles or couples, compared to two thirds of all households regionwide. And only slightly over one in four DC residents are non-Hispanic whites, compared to 57 percent regionwide. On average, city residents are less affluent than their suburban neighbors, but wages and incomes are high in the District compared to many other central cities nationwide, while poverty and unemployment are relatively low. Finally, given the city's resident profile, it is not surprising that more households rent than own their homes. Nonetheless, two of every five DC households (41 percent) are homeowners, and homeownership rates are comparatively high for minorities and lower income households.

Housing costs and affordability. The recent resurgence of interest in DC living has put considerable upward pressure on the city's housing market. Prices for homes in the District of Columbia are now rising twice as fast as the regional average, climbing to an average of $348,000 in 2002. The city has also experienced above-average rent increases in recent years, with average rents rising 29 percent during the 1990s. Rising rents and house prices make it more difficult for low- and moderate-income households to find housing they can afford in the District of Columbia. As of 2000, the income required to afford the city's average-valued home was about $63 thousand, while the income required to afford the median rental unit was about

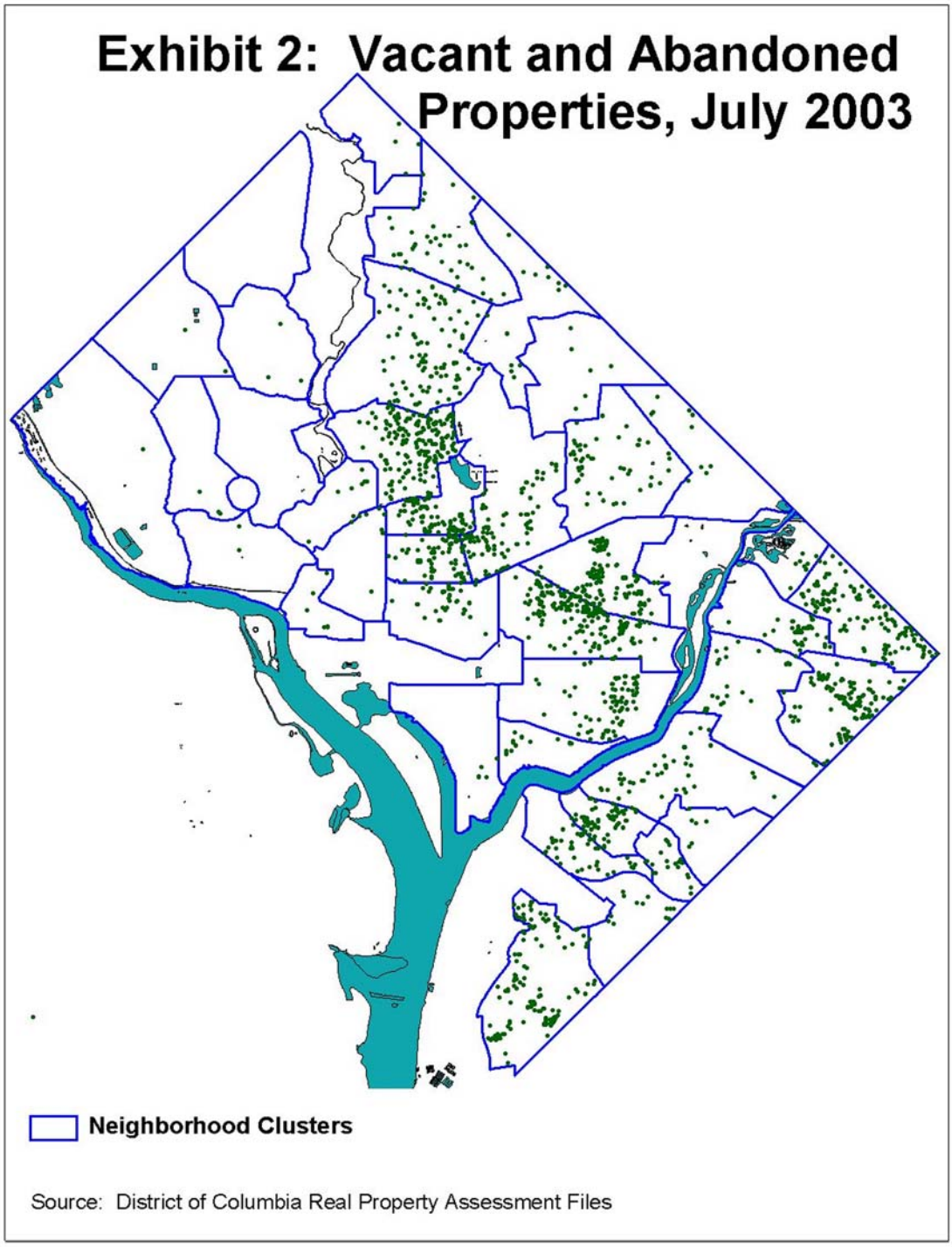
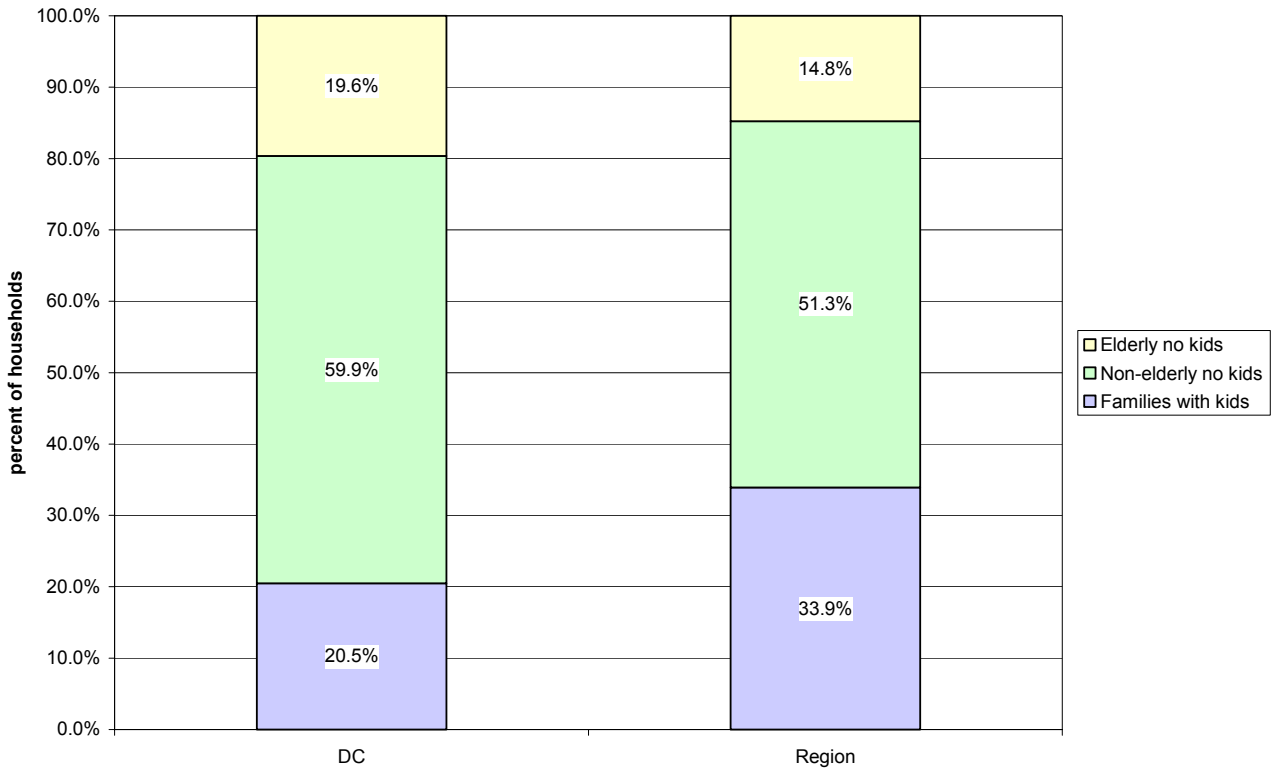


Exhibit 2: Vacant and Abandoned Properties, July 2003
Neighborhood Clusters
Source: District of Columbia Real Property Assessment Files

Exhibit 3: Relatively Few DC Households are Families with Children



$25 thousand. The income required to purchase the average house sold in DC in 2003 is even higher – about $85,000.

The District of Columbia is home to a disproportionate share of the region's very low-income households, and these families and individuals face significant challenges in today's booming housing market.[5] Housing affordability problems are by no means new (or unique to DC), but the city's growing prosperity is exacerbating problems for the poor. As of 2000, six of every ten DC households with incomes below $35,000 and eight of ten of those at the lowest income levels (below $10,000) pay unaffordable housing costs.

[5] HUD defines four income eligibility categories on the basis of the regional median income. As of 2000, these categories were defined as follows for the Washington area: extremely low-income (less than 30% of median) -- $24,800; very low-income (less than 50% of median) -- $41,400; low-income (less than 80% of median) $66,200; and moderate income (less than 120% of area median) -- $99,400. Throughout this report, references to very low-income category include both extremely low- and very low-income households.

In addition to the thousands of very low-income DC residents who are precariously housed, an estimated 7,400 are homeless on any given night, according to the most recent enumeration. Most homeless people are single individuals, and more than half are men. However, children accounted for more than one in four of the homeless people who could be counted. Other research on the characteristics of homeless people has found that many face multiple problems, including mental illness, drug or alcohol addiction, or a history of domestic abuse.[6]

Subsidized housing. In the District of Columbia, as in every other city nationwide, federal rental housing programs provide the primary resources for meeting housing needs among the poorest households. As of 2000, the federal government's three major rental subsidy programs assisted about 19,000 housing units citywide or about 7 percent of the city's housing stock. Public housing accounts for the largest share of the city's federally subsidized housing (41 percent of subsidized units), followed by privately-owned developments built and maintained with federal subsidies (34 percent of subsidized units), and finally by the Housing Choice Voucher program (25 percent of subsidized units). However, federal assistance falls far short of needs, and the number of federally subsidized units is on the decline, due to the demolition of distressed public housing projects and the expiration of subsidy contracts for privately-owned developments. Between 1998 and 2000, the District lost almost 8 percent of its federally subsidized housing.

In recent years, the DC government has been playing an active role in subsidizing housing for low- and moderate-income residents, helping to produce or rehabilitate thousands of units annually. In Fiscal Year 2002, the District government closed financing on almost 3,200 new and rehabilitated housing units, with total development budgets totaling $312 million. Most of these units (84 percent) will be rental accommodations, with the rest available for sale to homeowners. The city estimates that just under half will be affordable for families with annual incomes below $42,000, and another 40 percent will be affordable at incomes between $42,000 and $51,360.

Non-housing factors. In order to anticipate and guide future housing market conditions and trends, city policymakers need to look beyond housing *per se*. People's decisions about whether (and where) to live in the District of Columbia are primarily influenced by factors other than housing costs and conditions. In general, perceptions about the quality of

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[6] See Givens, Gary J. 2002. *2002 Homeless Enumeration for the Washington Area.* Washington, DC Metropolitan Washington Council of Governments. These counts include both sheltered and unsheltered persons who were identified in a regional point-in-time enumeration conducted on January 24, 2002. Martha R. Burt, Laudan Y. Aron, and Edgar Lee. 2001. *Helping America's Homeless: Emergency Shelter or Affordable Housing?* Washington, DC: Urban Institute Press.

city services and responsiveness of public agencies have improved dramatically since the start of the1990s. Moreover, crime rates dropped during the 1990s, and most parts of the city are perceived to be safer than they were 10 years ago. These trends need to be maintained if the city's housing market is to remain vibrant. In addition, however, the availability of reasonably priced grocery stores, restaurants, and other basic retail services varies widely across District neighborhoods, discouraging some households from moving to the city or remaining here over the long-term. And of course, public school quality remains a serious concern for families with children, particularly those who cannot afford private school alternatives.

II. Regulatory and Programmatic Context

The DC government possesses a wide array of tools for influencing the local housing market in order to achieve its policy goals. Regulatory mechanisms, funding sources, and local housing programs all shape the behavior of housing developers (including both for-profit and non-profit organizations), landlords, homebuyers, and tenants. Some of these tools limit where certain types of housing can be built or impose requirements that may raise housing costs, in order to advance other important policy goals, such as health and safety, historic preservation, or tenants' rights. This section provides a basic overview of the District's housing regulations and programs, as background for considering future policy and programmatic priorities.

Regulations governing the housing market. The most basic regulatory structure governing new housing construction is the city's zoning code, which defines allowable uses of property by private developers and owners. Zoning variances, which are granted on a case-by-case basis, introduce flexibility into development plans and zoning density bonuses provide benefits to developers in exchange for affordable housing or housing built in priority areas. In addition, today, the city has a number of opportunities to create whole new neighborhoods, with new zoning, on large swaths of public land that are to be redeveloped, such as through public land sales or HOPE VI projects.

Historic preservation regulations, which protect the historic character of designated neighborhoods and buildings, also influence new housing construction to the degree that they restrict the demolition of historic buildings for site clearance. This does not appear to be a major problem in the District, although scattered examples do exist. Historic preservation requirements may also affect the adaptive reuse of historic buildings, and raise rehabilitation costs, not only due to substantive requirements, but also because of the extra time added to the development review and permitting process. In the extreme, historic preservation mandates can lock in functional obsolescence or raise the costs of rehabilitation above economic feasibility, resulting in building abandonment. More likely, in the current market, is that they raise the costs of rehabilitation, so that only high-end uses are financially feasible.

The city's building codes constitute another basic regulatory structure affecting both new construction and rehabilitation projects. In new construction, building code enforcement, especially delays in the issuance of permits, can cause project delays, significantly raising costs. In recent years, the Department of Consumer and Regulatory Affairs (DCRA) has made great strides toward permit streamlining, through one-stop permitting, contract inspectors, and a general sense of urgency, but developers believe there is still room for improvement. Moreover, the new pace has produced some notable errors, causing frustration for developers and neighbors when projects were approved without all required reviews.

Another critical set of city regulations influencing the city's housing market is its rent control program, which includes not only limits on rent levels, but also eviction protections, tenants' first right of refusal, and tenants' right to lease renewal. Although new construction (and most substantial rehabilitation) is exempt from DC rent control, these regulations can affect the profitability of existing rental housing, the feasibility of rehabilitation, and the transaction costs associated with rehabilitation or sale of rental housing. But they also protect DC residents from rapid rent increases and arbitrary lease terminations, and give them the opportunity to purchase their units when a property owner wants to sell. Research on the impacts of the District's rent control regime indicate that the limits on rent levels have had little impact on profitability, but do moderate housing affordability problems for households who remain in the same rental unit over several years. It appears that property owners and managers may find the constraints on evictions, lease termination, and sale more constraining than rent regulation, per se, although these provisions all offer important protections to renters.[7]

Apart from development projects, the level of building code enforcement affects the cost of maintaining housing, the health and welfare of residents, especially tenants, and the value of surrounding properties. Inadequate enforcement of health and safety building codes has been a sore spot between the community and DCRA for a number of years. However, new resources and new programs have been provided in recent years to address these issues. New housing inspection positions have been created and inspectors hired to fill them. A new, electronic system has been developed to track complaints and the actions taken to resolve them. And the 'Clean or Lien' Program has been created to deal with persistent code violations that owners are unwilling or unable to abate in a timely manner.

For some housing development proposals, the actual regulatory requirements outlined above are less of a barrier than the use of various regulatory hurdles by interest groups opposed to new development. Both the zoning process and historic preservation regulations allow for public and political input, which even where unsuccessful can pose significant risks for

[7] Turner, Margery A. 1990. *Housing Market Impacts of Rent Control: The Washington, DC Experience.* Washington, DC: The Urban Institute Press.

the developer and extend development time. Examples of recent projects successfully opposed by neighbors include plans for a cluster of middle-income rowhouses in Tenleytown, which resulted instead in the development of million-dollar detached homes; and a proposal for a large condominium building on Capitol Hill, which resulted instead in a smaller number of very large luxury townhouses. Political opposition of this type reduces the effectiveness of zoning bonus programs and other incentives and limits the locations in which greater densities and more affordable housing can be produced.

Resources to promote local housing goals. The city government has several different kinds of resources that it can use to advance particular housing goals by providing either indirect or direct subsidies. Indirect subsidies, which provide value to property owners or developers without a direct monetary contribution, include: zoning density bonuses, which increase the value of a property to its owner or developer by allowing more units to be developed than would be authorized by right under the zoning code; tax credits and tax exemptions, which will reduce the long-term operating expenses for a development project; and public land sales or grants, which can provide a developer with a large tract of land for new housing development. All of these indirect subsidies can be conditioned on meeting specific goals, such as including housing units in downtown development projects, creating higher densities around Metro stations, or including a share of moderately priced units in a new housing development.

The District also has access to funding for direct subsidies, including both low-interest loans and grants, which are needed to make some development projects – particularly those that are affordable for low- and moderate-income households -- financially feasible. The major sources of subsidy funds available to the city today include: the federal Community Development Block Grant (CDBG) and HOME programs, which provide flexible funding in support of a wide range of housing and community development activities; tax exempt bonds (issued by the DC Housing Finance Agency), which generate funds for low-interest project financing; and the DC Housing Production Trust Fund, capitalized by recordation fees, and providing a local pool of resources for both grants and low-interest loans.

Programmatic tools. Over time, the District has established numerous housing programs and tools that use indirect and direct subsidy resources to encourage the development of housing that meets local goals. These programmatic tools fall broadly into four categories: 1) producing market rate housing to attract new taxpayers and strengthen the city's tax base; 2) producing and preserving affordable housing for both rental and homeownership; 3) helping low and moderate income renters become homeowners and existing low and moderate income homeowners remain in the city; and 4) improving the quality of existing rental housing for those not ready for homeownership.

The city's first group of tools adds zoning value through density bonuses and other incentives to **promote residential development**, regardless of price level. Transferable Development Rights (TDRs) award one or two square feet of valuable commercial development rights for each square foot of housing constructed in Housing Priority Areas. These TDRs may be sold, providing a source of additional revenue to housing developers. The value of TDRs is currently limited by the restricted 'receiving zones' which may either be built-out or undesirable for commercial development. Moreover, their value declines when there is an oversupply (when one or more large-residential projects come on-line) or a softening commercial market. Other programs which award TDRs include the Downtown Development District Overlay Program, which requires that half of all development within the overlay area must be for housing and awards TDRs to anything over half. This program is also weakened by the decline in the value of TDRs, and by the ease developers have had in securing exemptions to the housing requirement from the Zoning Commission. These tools were designed when the market for high-end housing in the District was relatively weak. In today's hot market, they are used primarily to affect the location of housing development and ensure a mix of uses in high cost or predominately commercial areas, especially downtown.

Both indirect and direct subsidies are deployed to encourage and support the **production and preservation of affordable housing units**. Planned Unit Development (PUDs) provide for zoning flexibility within a single large development, which can allow for income generating uses or higher density development than would normally be permitted by the zoning code. Under the District's PUD program, PUDs which add commercial space must build housing (a portion of which must be affordable) as well, or contribute to the Housing Production Trust Fund. Although this requirement has the potential to promote economic integration and avoid over-concentrations of low-cost housing, developers also have the option of contributing to the Housing Production Trust Fund, building the housing off-site, or entering into agreements with community development corporations that promise to build the required housing units (off-site) in exchange for gap-filling financial contributions.

In addition to these zoning incentives, the city offers developer tax abatements to promote the development of affordable housing downtown and in the area north of Massachusetts Avenue. Tax abatements can also be offered to developers who produce mixed-income housing in high rent neighborhoods and to owners of properties with expiring federal housing subsidy contracts.

Direct subsidies for affordable housing include low-interest loans and grants to both for-profit and nonprofit developers to support either rehabilitation or construction of affordable multifamily housing. These grants and loans are available for both construction financing and low-cost permanent financing. Often they are provided in conjunction with Low-Income Housing Tax Credits, which are federally funded but locally administered, to make affordable housing

development more financially feasible. Finally, some of the city's low-interest loans and grants go directly to tenant organizations to provide both financing and technical assistance to enable them to exercise their first right to purchase option and to convert their buildings to condominiums or cooperatives.

The District of Columbia also provides low-interest loans and downpayment assistance to individual homebuyers in order to encourage **low- and moderate-Income homeownership** in the city. This assistance can help families and individuals buy homes or rehabilitate their existing homes. In addition, the city provides tax relief to low- and moderate-income homeowners, including a cap on annual assessment increases (which applies to all homeowners), an income tax credit for the housing costs of low-income owners and renters, and a new income tax credit to offset rising property taxes for seniors and low- and moderate-income homeowners living in historic neighborhoods and neighborhoods with rapidly rising assessments.

Finally, the city's programmatic tool-kit includes several initiatives designed to **improving the quality of the existing housing stock**. One is the Distressed Property Improvement and Tax Abatement and Incentives Program, which provides tax relief and other financial incentives, such as lien forgiveness, to owners who are willing to make property repairs while retaining very low- or low-income occupancy. Another is the Home Again Initiative, which transfers publicly-held vacant and abandoned houses to developers in return for a commitment to rehabilitate them and make 30 percent of the units affordable to moderate-income buyers. And finally, under the 'Clean or Lien' Program, the City abates persistent health and safety violations directly and places a lien on the property for twice the cost of the improvements.

III. Trends and Challenges

For many years, the primary problems facing DC housing policymakers related to the city's declining population and low levels of residential investment. The resurgence in housing demand discussed in the first section of this paper promises to bring renewed growth and investment to many neighborhoods, along with more fiscal, economic, and social resources for the city as a whole. Thus, it is critically important for the city to continue to grow, both by attracting new residents and by retaining those who already live here.

But if population growth outpaces the capacity of the housing stock, it has the potential to create dislocation and hardship. And unless the city's growth is properly managed, it may not yield benefits for the city's most vulnerable residents or neighborhoods. This section highlights six major challenges confronting housing policy in the District of Columbia today – housing shortages and the threat of displacement in some neighborhoods, weak market conditions in other parts of the city, limited housing options for moderate- and middle-income homebuyers,

severe housing hardship among very low-income residents, and the geographic concentration of low-cost housing and very low-income households.

Housing shortages and potential displacement. As the population of the District begins to expand, demand for existing housing exceeds the available supply in some neighborhoods. The city clearly needs more residents in order to thrive, but when population growth is concentrated in a relatively small group of neighborhoods and the stock of housing in these neighborhoods is limited, the influx of wealthier households is likely to push rents and house prices up very rapidly. For example, between 1996 and 2002, sales prices more than doubled in neighborhoods around Capitol Hill, Columbia Heights, Logan Circle, and Shaw (see Exhibit 4). As property owners and developers see the prospect of higher income buyers or tenants, they are renovating long-neglected properties, and bringing them back on the market at much higher prices.

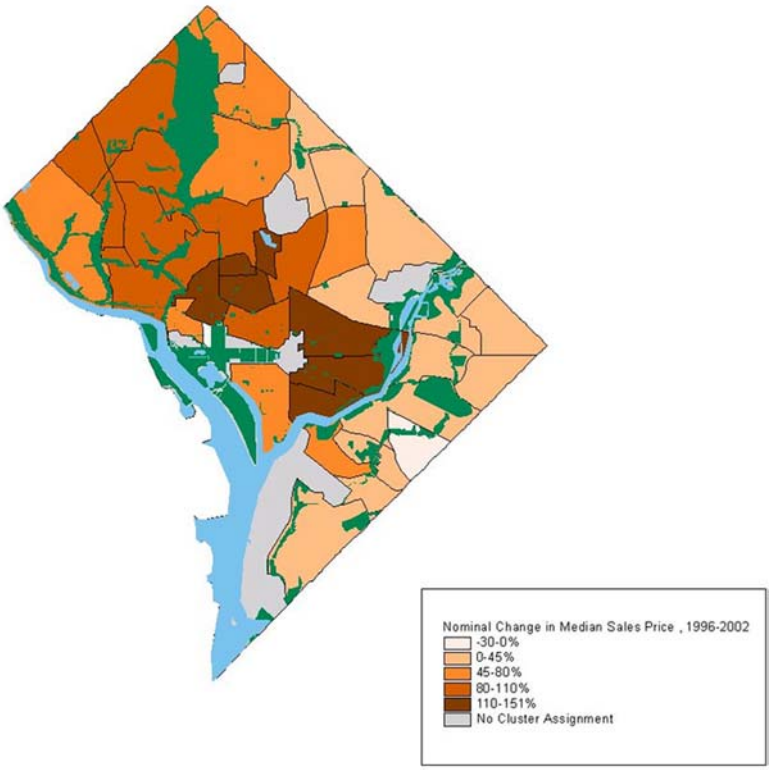
There is little solid evidence on the extent of displacement occurring in the District today. But some of the neighborhoods experiencing high levels of investment activity have, until recently, provided significant amounts of affordable housing. For example, in the Mount Pleasant cluster, the number of rental units affordable for households earning less than $10,000 dropped by almost 500 between 1990 and 2000. Low- and moderate-income families may be unable to remain in these neighborhoods, or feel that they are no longer welcome in some parts of the city. If so, residents who suffered through the city's years of decline may suffer again from the city's renewal.

Moreover, as the city's most severely distressed public housing developments are demolished and replaced with mixed-income communities, not all of the original residents have been eligible to return. The HOPE VI program requires that all residents receive relocation assistance in order to move to another public housing unit, or into private rental housing with a Section 8 voucher. National research indicates that most of the original residents of HOPE VI developments end up in better housing and safer neighborhoods, but some "fall through the cracks," or face serious housing instability. And in a hot housing market like the District's, it may be difficult to find a landlord in a good neighborhood who will accept a Section 8 voucher.[8]

The city has opportunities to significantly expand its housing stock and create desirable new neighborhoods to accommodate continued growth. A recent analysis of DC land capacity estimates that the city has the potential for 58,600 new housing units, including projects currently underway or planned, projects that could be developed on large, publicly-owned sites, and opportunities created by smaller vacant or underutilized sites and vacant or abandoned

[8] See Popkin, Susan J. 2002. *The HOPE VI Program – What About the Residents*. Washington, D.C; and Kingsley, G. Thomas, Jennifer Johnson, and Kathryn Pettit. 2000. *HOPE VI and Section 8: Spatial Patterns in Relocation.* Washington, D.C.: The Urban Institute.

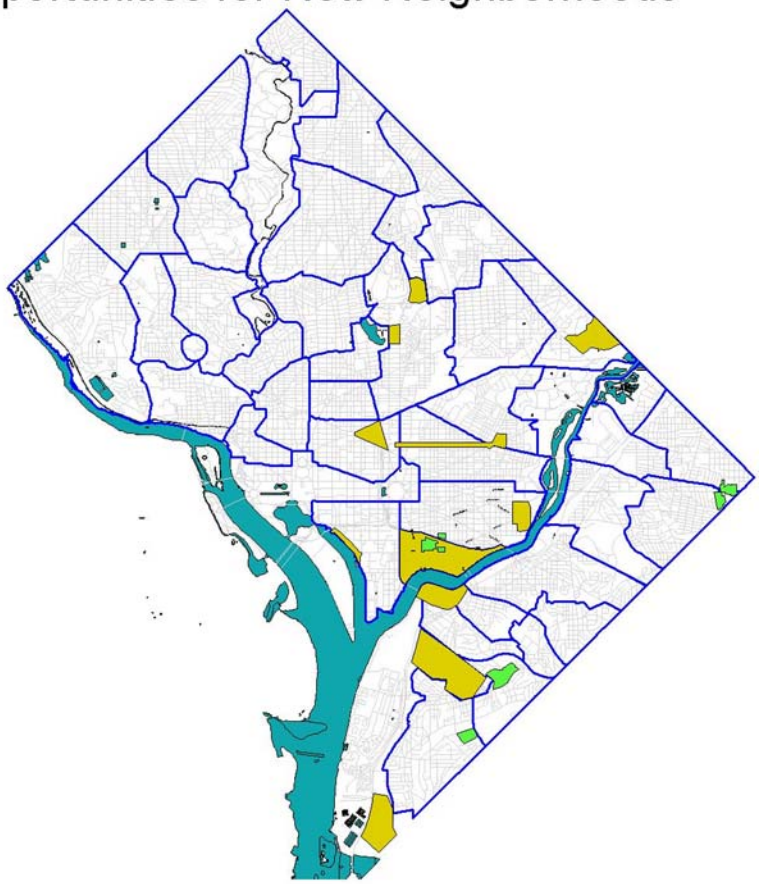
Exhibit 4:
Sales Prices Are Rising Rapidly in High-Demand Neighborhoods



Source: District of Columbia Real Property Assessment Files

properties. Ten large sites account for about 30 percent of this development potential – an estimated 16,000 units (see Exhibit 5).[9]

Exhibit 5:
Opportunities for New Neighborhoods



HOPE VI Developments
Large Developable Sites
Neighborhood Clusters

Source: District of Columbia Office of Planning

[9] Note that the city need use all of these sites exclusively (or even primarily) for housing. Given the continued high vacancy rates in some parts of the city, a substantial inventory of vacant and abandoned properties, and the capacity of available land, 100,000 additional residents can be accommodated even if some of the major publicly-owned sites are developed to address other city priorities.

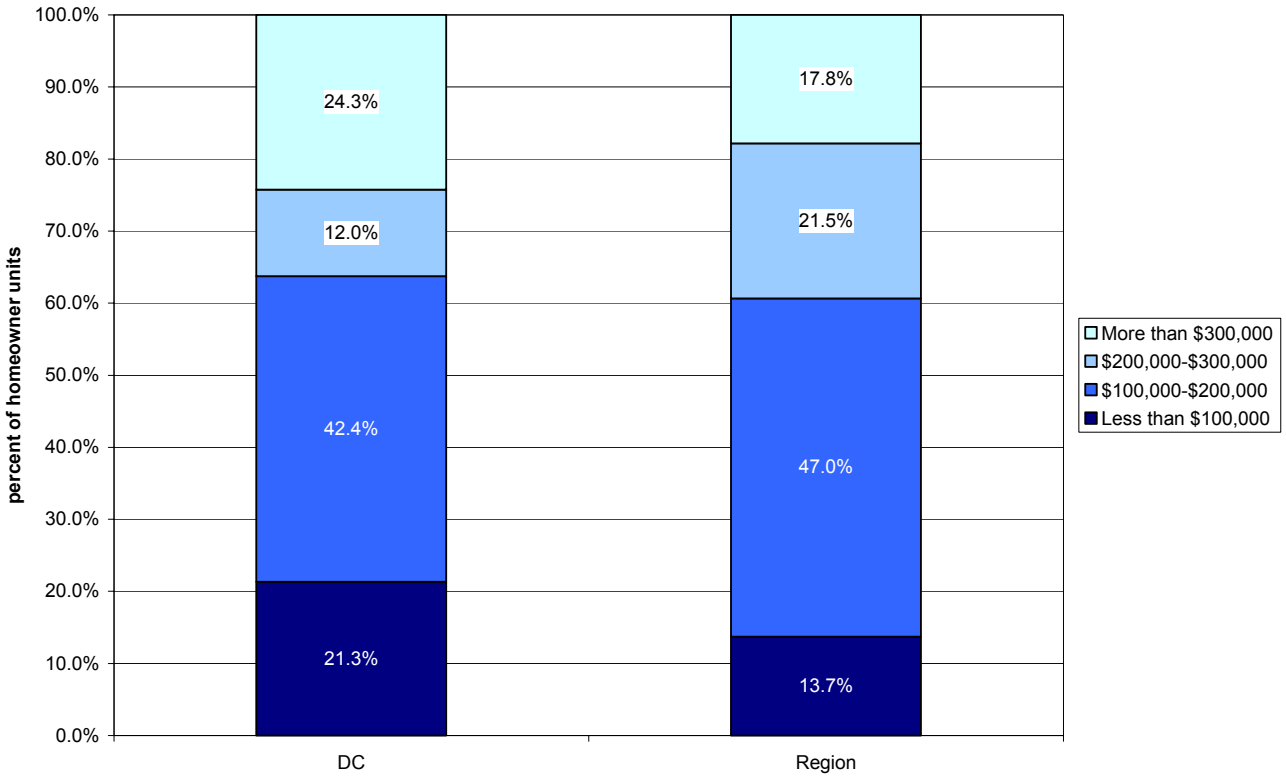
Weak market conditions in other parts of the city. While some DC neighborhoods are experiencing intense demand pressure, others have more than enough affordable homes and apartments available for sale or rent, and desperately need growth and investment. Population continues to decline and vacancy rates remain high in many of the city's neighborhood clusters, especially east of the Anacostia River. Large numbers of properties in these neighborhoods are classified as vacant or abandoned, and a substantial share of residential properties show signs of physical or financial distress.

Moreover, the number of census tracts in the District of Columbia with high poverty rates climbed from 36 in 1990 to 43 in 2000, despite the city's overall prosperity. Thus, at the same time that some parts of the city are thriving, other parts are becoming more severely distressed. Although it is not possible to trace the flow of households into and out of the city's high-poverty neighborhoods, census data suggest that a substantial share of households living in high-poverty neighborhoods moved there from other parts of the city within the last five years. Thus, it appears that displacement may be a contributing factor in the city's worsening poverty concentration. In other words, as rents and house prices rise in the city's high-demand neighborhoods, the poorest households are becoming increasingly concentrated and the poorest neighborhoods are becoming more distressed.

Limited housing options for middle-income homebuyers. During the decades when its population was shrinking, the District of Columbia primarily lost moderate- and middle-income homeowners. Lower-income households, whose options were limited, and higher-income households, who could afford to compensate for problems with city schools and services, were more likely to remain. Thus, over a long period of time, there was relatively little market for homes with prices in the intermediate range. The distribution of values for owner-occupied housing in 2000 reveals the resulting lack of middle-range homes compared to the region as a whole (see Exhibit 6). Over 20 percent of the homeowner units in DC were valued at less than $100,000, compared to only 14 percent for the region. At the other extreme, 24 percent of DC homes were valued above $300,000, compared to the region's 18 percent.

It seems likely that this problem has worsened in the years since 2000, given the intense demand pressures (and price increases) occurring in some neighborhoods, combined with weak market conditions in others. For example, between 1996 and 2002, the median home sales price in the Logan Circle cluster climbed 137 percent. And in twelve of the District's 39 neighborhood clusters, median sales prices doubled during this period. But as discussed earlier, home prices remain very low in other parts of the city. For example, in 2002 the Fairfax Village cluster had a median sales price of only $72,500, and the Sheridan cluster had a median sale price of $78,000. The limited stock in the $100 to $300 thousand range means households

Exhibit 6: DC Offers Relatively Few Mid-Range Homeowenrship Opportunities



earning roughly $40,000 to $120,000 have fewer options in the city than in the surrounding counties.

Severe housing hardship among very low-income residents. The District of Columbia needs to attract and retain more residents at moderate- and middle-income levels in order to fully regain its fiscal, social, and economic stability. However, housing subsidy resources are limited, and the people facing the most widespread and severe housing hardship are those at the bottom of the income distribution. Although the majority of the region's very low-income households live in the suburbs, the District of Columbia accounts for a disproportionate share. In all, almost half of the District's households (47 percent) have annual incomes below $35,000, and 16 percent have incomes below $10,000.

As discussed earlier, a majority of very low-income households pay unaffordable housing cost burdens. And in addition, an estimated 7,400 individuals are homeless in DC.

Rough estimates indicate that, in order to eliminate excess cost burdens and homelessness in the District of Columbia, the housing needs of at least 3,600 households with incomes below $50,000 (about 2,900 renters and 700 homeowners) would have to be addressed annually over the next two decades.

The District, like most jurisdictions nationwide, has primarily relied upon federal rental assistance programs to address the housing needs of its poorest residents. Indeed, most of the region's federally subsidized housing is located within the District, and the combination of public housing, Section 8 vouchers, and privately-owned subsidized housing plays an essential role in the city's housing inventory. But, as discussed earlier, the total number of federally subsidized units available falls far short of needs, and due to the expiration of long-term subsidy commitments to private developers and the demolition of distressed public housing, the number of federally subsidized housing units is declining.

Some of the city's very low-income households need housing combined with supportive services in order to achieve stability or live independently. The special needs population is extremely diverse, including frail elderly people, persons with physical and mental disabilities, individuals and families who are or have been homeless, people recovering from drug and alcohol addiction, and returning ex-offenders. Each of these groups needs different housing solutions as well as different combinations of services in order to achieve stability. The need for transitional and supportive housing options is likely to expand as the city tears down its most distressed public housing developments. Research indicates that a significant share of the residents remaining in these developments may need some form of supportive housing as they are relocated.[10]

Geographic concentration of lower-cost housing and very low-income households. Not only is low-cost housing in short supply in DC, but it is geographically clustered, limiting neighborhood options for very low-income people and contributing to neighborhood distress and decline. Four of every ten rental units that are affordable for very low-income households are located east of the Anacostia River, while almost half of the units affordable at higher incomes are located west of Rock Creek Park, where there is almost no very low-income rental housing.

The geographic concentration of federally subsidized rental housing has played a major role in this outcome. Beginning in the 1960s, when low-income households were relocated from urban renewal areas of Southwest Washington, subsidized housing has been heavily concentrated. Although only 12 percent of the citywide rental stock is federally subsidized, in a

[10] Popkin, Susan J. 2002. *The HOPE VI Program – What About the Residents*. Washington, DC: The Urban Institute.

few of the District's neighborhood clusters, subsidized housing predominates. For example, the Eastland Gardens cluster consists entirely of public housing projects and households receiving tenant-based assistance, so all rental units are subsidized. And 60 percent of all rental units in the Near Southeast cluster are federally subsidized—almost all in public housing.

The geographic concentration of low-cost and subsidized rental housing in the District has led to the concentration of low-income households. In some parts of the city, including the neighborhood clusters of Ivy City, Near Southeast, Sheridan, and Douglass, almost three out of four households have annual incomes below $35,000. Consequently, poverty rates in these parts of the city far exceed the city average, reaching a high of 50 percent in the Near Southeast neighborhood cluster (see Exhibit 7). This pattern is changing as HOPE VI projects replace some of the city's largest and most distressed public housing complexes with mixed-income housing developments, but more affordable housing needs to be built in other parts of the city to effectively address the problem of concentrated poverty.

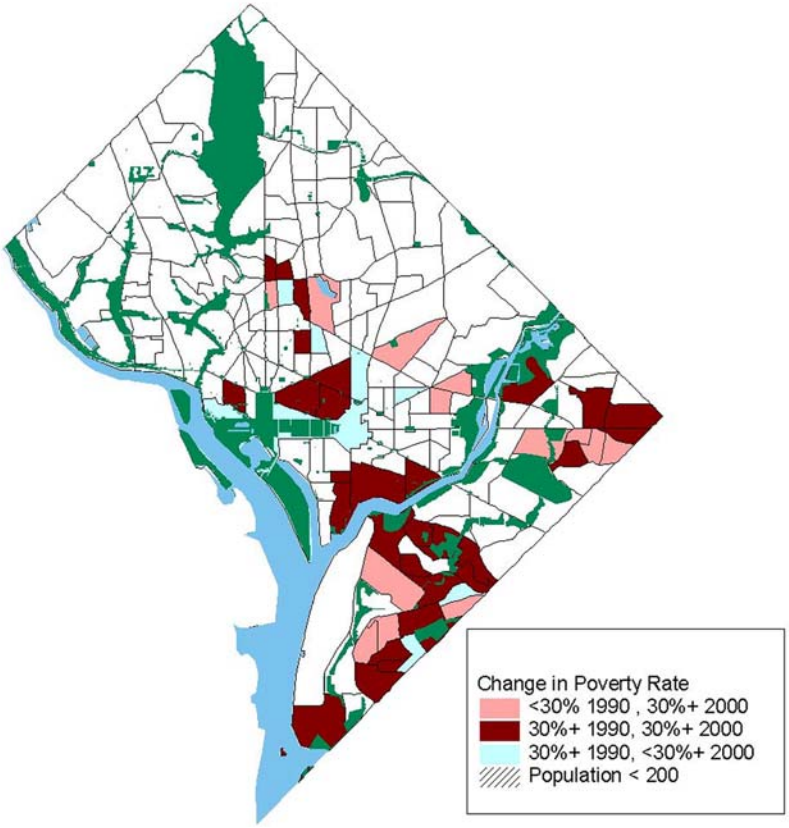
Neighborhoods with high poverty rates (more than 30 percent of households below the poverty line) face daunting challenges. In these high-poverty neighborhoods, the problems of poor education, discrimination, joblessness, single parenthood, and crime all reinforce one another, undermining the well-being of families and children who live there. And few high-poverty neighborhoods can support the businesses and civic institutions necessary for a healthy community.[11] Despite the Washington region's overall prosperity, the number of high-poverty tracts in DC rose during the1990s, their population increased, and their poverty deepened. These high-poverty neighborhoods all showed serious signs of distress, including very high rates of unemployment, poor education, and single-parenting.

IV. Consequences of Inaction

Predicting future market trends and their consequences is fraught with uncertainty. Over the next decade or two, the District's fortunes could shift again, creating a new set of policy challenges. Nonetheless, this section imagines what the city might be like twenty years from now, if population growth were to continue on its current path. Unless the city's stock of housing expands substantially, and unless the distribution of growth and investment across neighborhoods is managed effectively, the District of Columbia could become more deeply polarized along racial, ethnic, economic, and geographic lines than it is today; home primarily

[11] Research on high-poverty neighborhoods has focused both on census tracts that are more than 30 percent poor and on those that are more than 40 percent poor. Both thresholds clearly define high levels of distress. In most cities, the number of tracts with poverty rates above 40 percent is very small. See Jargowsky 1997, Turner and Hayes 1997, Jargowsky 2003, Kingsley and Pettit 2003.

Exhibit 7:
The Number of High-Poverty Neighborhoods in DC Grew Between 1990 and 2000



for the very rich and the very poor, with relatively few families with children; and even higher levels of housing hardship among very low-income families and individuals and people with special needs.

A deeply polarized city. Today, the District's neighborhoods are quite starkly segregated along racial, ethnic, and economic lines. Most neighborhoods west of Rock Creek Park are majority white, while those east of the Anacostia River are almost exclusively black. Although the city's population became more ethnically diverse during the 1990s, with significant growth in Hispanic and Asian populations, it remained profoundly segregated.[12] Moreover, as discussed earlier, poverty became more intensely concentrated during the 1990s, with a growing share of poor residents clustered in high-poverty neighborhoods.

These geographic divisions are mirrored by profound fears, misperceptions, and distrust between segments of the city's population. Although many long-time residents welcome newcomers and the investment they are bringing, they also fear that DC will become unaffordable and unwelcoming to them, and that familiar communities will disappear. New residents, eager to see continued investment and improvements in their neighborhoods, sometimes fear existing residents or fail to appreciate and preserve valued community assets.

In many ways, current trends in the city's growth are confirming people's worst fears about each other, even though these fears do not necessarily reflect the intentions of either long-time residents or newcomers. Unless the city is able to manage its growth more effectively, minimizing displacement and preserving neighborhood diversity, it risks becoming more segregated and more deeply polarized along racial, ethnic, and economic lines.

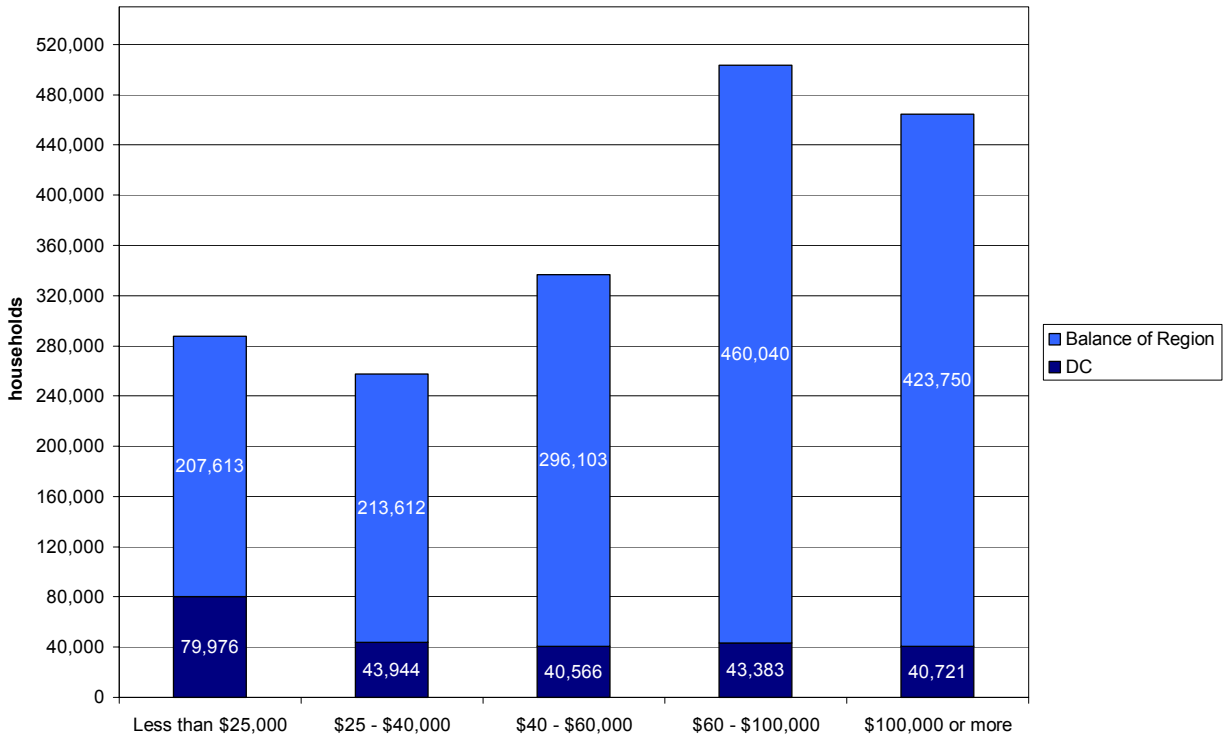
A city inhabited by the very rich and the very poor. Many people fail to recognize that a majority of the region's poor people live in the suburbs. Nonetheless, like most central city jurisdictions, the District is home to a disproportionate share of the region's very low-income households. Because most of the region's federally subsidized housing is also concentrated in the city, and because affordable housing is scarce in the suburbs, many poor people are likely to remain, even as market rents and prices rise.

However, moderate- and middle-income households have more options about where in the region to live. If current pressures on the city's housing market continue, they may find it increasingly difficult to find housing in the city that they can afford. As discussed earlier, the city's housing stock is already short of homes in the $100,000 to $300,000 range, relative to

[12] "Segregation Patterns in the District of Columbia: 1980 to 2000", Noah Sawyer and Peter A. Tatian. DC Data Warehouse Discussion Brief (forthcoming).

suburban jurisdictions, and sales prices in many neighborhoods are rising rapidly. Correspondingly, income levels among new homebuyers in DC are rising rapidly and now exceed the regional average. Unless the District can expand the availability of middle-range homeownership opportunities (like those being developed with HOPE VI funding at Henson Ridge and East Capitol Gateway), it may continue to lose its relative share of the region's middle-income households (see Exhibit 8). Alternatively, if the city's share of households in the $40,000 to $1000,000 income range simply increased to match its current share of all households in the region, DC could grow by almost 29,000 moderate- to middle-income households.

Exhibit 8: The Region Offers A Large Pool of Potential Middle-Income Residents



A city with few families. Most of the District's recent population growth is attributable to childless individuals and couples. There are many reasons why city living is particularly attractive for younger people (who have not yet started families), for older people (whose children have grown up), and for singles and couples who choose not to have children. There is no reason to expect a city like DC to attract the same share of families with children as the surrounding suburbs. But DC is unlikely to attract or retain *any* middle-income families with children, until the quality of the public schools improves. Today, families with school-aged children are unlikely to move to the District unless they can afford private schools, and families who live in the District begin to think about moving as their children approach school age.

The lack of moderate- and middle-income families with children creates a "catch-22" for the city's public school system and hence, for its low-income children. Schools that serve primarily poor children have great difficulty attracting and retaining good teachers, sustaining strong educational programs, and achieving good outcomes for students.[13] The DC public schools need moderate- and middle-income families in order to recover fully, but as long as their performance remains poor, they will have tremendous difficulty convincing these families to return. Over the long-term, therefore, the city needs to link its housing policies to strategic investments in school quality in order to attract and retain more families with children.

A city of severe housing hardship. If today's housing demand pressures are sustained over time, rents and house prices in the District will continue to climb, vacancy rates will decline further, and the remaining stock of low-cost, dilapidated housing will be rehabilitated and returned to the market at much higher prices. Some very low- and low-income households may move out of the city in search of moderate-cost housing in the inner suburbs. But affordable housing is in short supply in the region's suburban jurisdictions, and other barriers – including the persistence of discrimination – are likely to keep a disproportionate share of the region's very low-income households in the city.

Over time, it seems likely that the availability of federally subsidized rental housing for the poor will remain static at best, and may continue to decline. Although the city is currently devoting significant resources to affordable housing, the level of assistance for very low-income households would need to expand substantially to meet current and future needs. Thus, we can only expect the incidence of unaffordable housing costs, overcrowding, and homelessness to rise.

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[13] O'Cleireacain, Carol and Alice M. Rivlin. 2001. *Envisioning a Future Washington*. Washington, DC: The Brookings Institution.

V. Strategies for Action

The District of Columbia has the capacity to take advantage of the resurgence in housing demand that it has been experiencing, to continue growing over the next 20 years, and to capitalize on this growth and manage it more strategically so that all of the city's residents and neighborhoods can benefit. This section outlines a long-term housing strategy for DC that would pursue six basic, citywide goals. The investments and programmatic activities required to promote these goals vary across different types of neighborhoods in the city. Therefore, we propose a program of targeted neighborhood action that would respond to the specific needs and circumstances of the city's neighborhoods within the framework of citywide goals and strategies.

Strategic goals. The obvious first step in developing a strategy that can guide the city's housing policy is to be explicit about goals for the future. Drawing upon the analysis of market conditions and critical challenges discussed earlier, we recommend six basic citywide goals:

1. **Expand the city's housing supply.** DC needs more residents; they pay taxes, fund public services, invest in the housing stock, and frequent neighborhood businesses. In order to accommodate more residents, the city's housing stock needs to grow. Moreover, making more units available for occupancy will help moderate upward pressures on prices and rents, and help make the city's housing more affordable.
2. **Preserve and produce more affordable housing.** Regardless of whether or not its population grows, the city needs to preserve and expand the stock of housing units that are affordable for very low-, low- and moderate-income households. This should include housing that receives public subsidies, but also privately-owned properties (such as older row houses and apartment buildings) that provide moderately priced housing.
3. **Minimize displacement and housing hardship in revitalizing neighborhoods.** In order to ensure that long-time residents of the city do not have to suffer from its revitalization, the city needs to moderate the market pressures in neighborhoods where prices are rising particularly fast, by expanding the stock of housing in this neighborhoods, preserving affordable housing that already exists, and diverting some of the demand pressure to other parts of the city.
4. **Catalyze neighborhood renewal in weaker areas.** At the same time that the city works to moderate demand pressures in its hottest markets, it needs to attract housing investment to neighborhoods where demand remains weak, making them "neighborhoods of choice" for families and individuals at a range of income levels.

5. **Promote equitable development in high-demand areas.** The term "equitable development" refers to strategies for city and neighborhood revitalization that benefit existing as well as new residents, preserve options for very low- and low-income households, and build incomes among existing households.
6. **Nurture racially, ethnically, and economically diverse communities.** Although the District as a whole is very diverse, encouraging and preserving diversity at the neighborhood level requires real effort. The city needs to focus explicitly on the goal of making all of its neighborhoods open and welcoming to a wide range of residents, and helping neighbors with different backgrounds work together to strengthen their communities.

Not everyone in the District of Columbia may give the same priority to all six of these goals, and in practice they are likely to require difficult political choices or trade-offs. But, in combination, these goals offer a possible common ground for differing interests to come together to craft a balanced and workable housing strategy for the District of Columbia.

A citywide strategy for targeted neighborhood action. In order to effectively pursue these goals, DC needs a citywide strategy that allows for different actions and approaches in different types of neighborhoods. This does not mean that the housing problems or challenges of each neighborhood should be addressed in a vacuum. In fact, neighborhood groups should be encouraged to think about their needs and priorities in the context of a citywide vision and strategy. Nonetheless, different neighborhood conditions call for different interventions, and the city's housing strategy should be explicit about these differences.

The District's Office of Planning has classified the city's neighborhoods into four broad categories, based on key demographic and social indicators. *Stable* neighborhoods have ample market-driven private investment and social indicators that are as high or higher than city averages; *transitional* neighborhoods are revitalizing rapidly, with high-paced home sales, rising property values, and displacement pressures; *emerging* neighborhoods have moderately positive indicators of health and well-being, but are under-performing relative to their market potential; and *distressed* neighborhoods face extreme challenges of low social indicators and private-sector disinvestment.[14] Exhibit 9 lists specific actions necessary in each of these four types of neighborhoods to achieve the city's broad goals. The remainder of this discussion focuses in turn on each of the six goals – and the neighborhood-specific actions required to accomplish them.

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[14] DC government is already using these neighborhood categories to help shape its neighborhood revitalization strategy. See Rivlin, Alice (2003). *Revitalizing Washington's Neighborhoods: A Vision Takes Shape.* Washington, DC: The Brookings Institution.

Exhibit 9: A City-Wide Strategy for Targeted Neighborhood Action

<table>
<tr><th rowspan="2">Strategic Goals</th><th colspan="4">Neighborhood Types</th></tr>
<tr><th>Stable</th><th>Transitional</th><th>Emerging</th><th>Distressed</th></tr>
<tr><td>Expand the supply of housing</td><td colspan="4">✓ Strengthen non-housing conditions, especially schools, public services, and safety
✓ Reduce regulatory barriers and delays that impede land assembly and new housing development
✓ Create mixed-income urban neighborhoods on large underutilized sites
✓ Encourage higher density development along major transportation corridors and around Metro stations
✓ Give priority to capital investment in infrastructure projects that support housing development</td></tr>
<tr><td>Preserve and produce more affordable housing</td><td colspan="3">✓ Implement inclusionary zoning for new construction and major rehab projects
✓ Limit opportunities for PUD developers to transfer their affordable housing obligations to lower-income communities
✓ Promote housing types that increase choice and provide move-up opportunities
✓ Subsidize the production and preservation of low-cost housing, including high-quality supportive housing
✓ Subsidize some units targeted to very low-, low-, and moderate-income households in new developments around Metro stations and on large underutilized sites</td><td>✓ Subsidize the preservation of existing affordable housing
✓ Subsidize some units targeted to very low-, low-, and moderate-income households in new developments
✓ Link high-quality supportive services to existing affordable housing</td></tr>
<tr><td>Minimize displacement and housing hardship in revitalizing neighborhoods</td><td></td><td>✓ Link low-cost rehab financing with long-term affordability requirements to aggressive housing code enforcement
✓ Provide financing assistance to help low- and moderate-income households buy homes
✓ Help low- and moderate-income renters exercise their rights to purchase</td><td></td><td></td></tr>
</table>

Strategic Goals	Neighborhood Types			
	Stable	Transitional	Emerging	Distressed
Minimize displacement and housing hardship in revitalizing neighborhoods *(continued)*		✓ Target Section 8 vouchers to give very low- and low-income households access to rental units ✓ Provide tax relief to help low- and moderate-income homeowners retain their homes ✓ Provide effective relocation assistance and housing search counseling		
Catalyze neighborhood renewal in weaker areas			✓ Strengthen non-housing conditions, especially schools, public services, and safety ✓ Expand and improve retail services ✓ Gain control of vacant and abandoned properties ✓ Promote housing types that increase choice and provide move-up opportunities ✓ Link low-cost rehab financing with long-term affordability requirements to aggressive housing code enforcement ✓ Offer financing incentives to attract moderate- and middle-income homebuyers ✓ Link current residents to high quality jobs	
Promote equitable development in high-demand areas		✓ Incorporate community benefits into any major development projects ✓ Support existing business enterprises ✓ Link current residents to high quality jobs ✓ Provide high quality supportive services in conjunction with housing to vulnerable families and individuals		

Strategic Goals	Neighborhood Types			
	Stable	**Transitional**	**Emerging**	**Distressed**
Nurture diverse communities	✓ Aggressively enforce fair housing protections ✓ Promote the use and acceptance of Section 8 vouchers ✓ Subsidize the preservation of existing low-cost housing units ✓ Ensure that any major new housing developments include at least some affordable units	✓ Aggressively enforce fair housing protections ✓ Support community building activities that celebrate diversity and resolve conflicts		✓ Support resident organizations and community self-help activities ✓ Deliver effective job training and retention programs to help residents earn more

The city's existing housing stock and land have the capacity to absorb considerable growth. But, in order to accommodate more residents, the city also needs to create conditions that **allow the housing stock to expand** in response to demand, and to promote the development of housing at a mix of income levels. Over the long-term, the city needs to attract more families with children as well as individuals and childless households. To do so, attention to non-housing factors will be at least as important as housing policy. More specifically, in order to advance this goal, the city should:

- Strengthen non-housing conditions citywide, especially schools, public services, and safety. The city is currently working to improve its performance in all these areas, but as discussed further below, it may need to focus intensive attention and resources on a small number of neighborhoods where large new housing development is underway or planned.
- Reduce regulatory barriers and delays that impede land assembly and new housing development, including excessive delays caused by neighborhood opposition. One potentially fruitful approach would be to make the citywide housing strategy explicit (through the comprehensive plan and zoning ordinances), work with neighborhood organizations to develop area plans that are consistent with the citywide vision and strategy, and then expedite the approval process for developments consistent with these agreed-upon plans.
- Create mixed-income urban neighborhoods on large underutilized sites. Ten publicly-owned sites offer the potential to create desirable new neighborhoods within the District. Not all of these sites necessarily have to be used primarily for housing, but at least some should be designed to attract new residents as well as providing opportunities for existing households at the widest possible range of income levels. As discussed further below, the specific design for each of these sites should be responsive to conditions in the surrounding neighborhoods, so that the city's other housing policy goals are effectively advanced.
- Encourage higher density housing development along major transportation corridors and around Metro stations. This will increase the number of units that can be produced within the city, encourage more residents to take advantage of public transportation, and preserve lower densities in most parts of every neighborhood. One specific option would be to amend the city's zoning code to set minimum densities for new residential development within 1,000 feet of all transit stations
- Give priority to capital investments in infrastructure projects that support new housing development. The city is faced with competing demands for limited capital investment

resources. Because population growth is a priority and the city needs more housing in order to effectively accommodate growth, projects that support new housing development should receive priority.

These actions can and should be implemented in all types of neighborhoods citywide. But a concerted public education effort may be required to build understanding and support, particularly for sizable new housing developments, higher densities, and mixed-income communities. In order to build public understanding and support, city leaders need to effectively communicate their housing policy vision and strategies, establish strong design guidelines, *and* provide compelling examples of places where these strategies have resulted in attractive, high quality, and affordable residential development.

The city has many of the programmatic tools it needs to **preserve and expand the stock of affordable housing units**, although considerably more resources would be required to fully address the needs of very low-, low- and moderate-income people. Different combinations of incentives and subsidies are needed to assist renters and homeowners, and to make housing affordable at different income levels. Meeting the needs of the lowest-income households is especially challenging, because the gap between the costs of building and maintaining decent housing and the amount these families and individuals can afford to pay is large. Moreover, some of the city's affordable housing (including transitional housing) must be linked with high-quality supportive services in order to effectively serve families and individuals with special needs.

Because low-cost housing is already over-concentrated in many of the city's distressed neighborhoods, most new affordable housing development should be targeted to the other neighborhood types. Specifically, in stable, transitional, and emerging neighborhoods, the city should:

- Implement inclusionary zoning requirements to include a reasonable share of moderate-cost units in all new construction and major rehabilitation projects. Numerous stakeholders are currently debating alternative approaches to inclusionary zoning for DC. The city should make it a priority to design and implement a system that responds to local regulatory and market conditions.[15]

[15] Inclusionary requirements may not be effective in "emerging" neighborhoods if demand pressures are not yet sufficiently strong there. However, some market observers feel that reinvestment is on the verge of accelerating in some of these neighborhoods. The specifics of an inclusionary zoning program for DC should be designed so that reinvestment in emerging neighborhoods is not stifled but affordable housing is created if and when private sector development expands.

- When PUD regulations (or inclusionary zoning) require a developer to include affordable housing units in a new project, limit opportunities for these units to be built in lower-income communities instead.
- Promote housing types that increase choice and provide move-up opportunities, such as condominiums and co-ops, row houses with basement apartments, and apartments above retail establishments along neighborhood commercial strips.
- Subsidize the production and preservation of low-cost housing (affordable for households with incomes below $35,000), including high-quality transitional and supportive housing. This constitutes a priority use of Housing Production Trust Fund and other local housing investment resources. Note that existing, privately-owned row houses and apartment buildings contribute to the affordable stock, and may need rehab subsidies to be maintained as a resource for very low-, low-, and moderate-income residents.
- Subsidize some units targeted to very low-, low-, and moderate-income households in new developments around Metro stations and on large underutilized sites. For example, any new residential development at the Soldiers and Airmen's Home site, the McMilan Reservoir, or Fort Lincoln should not be composed entirely of market-rate units, but should receive HPTF and other resources so that some units are affordable for households with incomes below $35,000. In addition, shallower subsidies should be provided to make some units in these developments affordable for households with incomes between $35,000 and $100,000.

In distressed neighborhoods, the city should avoid any additional concentration of subsidized housing. Initiatives to promote greater income-mixing in these communities are discussed further below. However, in order to preserve and improve the low-cost housing that remains in distressed neighborhoods, the city should:

- Subsidize the preservation of existing affordable housing (affordable for households with incomes below $35,000). This constitutes a priority use of Housing Production Trust Fund and other local housing investment resources. As discussed earlier, existing, privately-owned row houses and apartment buildings contribute to the affordable stock, and may need rehab subsidies to be maintained as a resource for very low-, low-, and moderate-income residents.
- Subsidize some units targeted to very low-, low-, and moderate-income households as part of any *new* housing development, so that as the stock of housing in these neighborhoods expands, low-cost options expand as well. For example, if housing is developed at the DC Village site or St. Elizabeth's, a portion of the new units (but not the majority) should be affordable for the lowest income levels.

- Link high-quality supportive services to existing subsidized housing, so that families and individuals who have special needs can get the help they need to achieve stability and begin making progress toward greater self-sufficiency. These services need not necessarily be delivered by the housing providers; often they can best be provided by proven organizations in the community. Nonetheless, it is critical for housing providers and services providers to coordinate their efforts in order to effectively help some residents.

Taken together, these policies would further expand affordable housing options for the city's very low- and low-income residents, without exacerbating the concentration of poverty.

In order to **minimize displacement and housing hardship** in revitalizing neighborhoods, the city needs to target a specific set of interventions to transitional and emerging neighborhoods, in order to moderate market pressures and preserve affordable housing. In addition, existing residents of gentrifying neighborhoods need protection and direct assistance in order to remain in their communities and share in the benefits of revitalization.[16] Therefore, in transitional and emerging neighborhoods, the city should:

- Link low-cost rehab financing (that imposes reasonable affordability requirements) with aggressive housing code enforcement, so that seriously deteriorated properties can be improved while continuing to serve very low-, low- and moderate-income residents.
- Provide financing assistance (low-interest loans and downpayment assistance) to help low- and moderate-income households buy homes.
- Help low- and moderate-income renters who live in these neighborhoods exercise their rights to purchase units that are being sold or redeveloped, including low-cost loans, downpayment assistance, and technical assistance.
- Target Section 8 vouchers to give very low- and low-income households access to moderately priced rental units. This means providing both effective outreach to landlords and housing search assistance to voucher recipients. In addition, all rental developments that receive city subsidies should be required to accept at least some voucher recipients, and this requirement should be enforced through a regular system of referrals.
- Provide tax relief to low- and moderate-income homeowners in these neighborhoods, so that they can retain their homes, even as values and property tax obligations increase.

[16] These initiatives focus on transitional and emerging neighborhoods, many of which have historically provided low-cost housing options, but where market pressures are pushing rents and house prices up rapidly. As discussed earlier, the city should also seek to *expand* affordable housing options in stable neighborhoods.

- Provide effective and compassionate relocation assistance and housing search counseling to families and individuals who have to leave their units, so that they can obtain new housing in neighborhoods that meet their needs.

At the same time that the city works to moderate market pressures in transitional and emerging neighborhoods, it needs to **catalyze greater housing investment in weaker areas**. But this should not mean further concentrating subsidized housing. Instead, by coordinating housing policy with crime prevention, school improvements, and retail development, the city can attract new residents of all income levels to under-invested neighborhoods. Specifically, in emerging and distressed neighborhoods, the city should:

- Strengthen non-housing conditions, especially schools, public services, and safety. Because schools constitute a particularly daunting challenge, it may be necessary to target one or two neighborhoods (such as Congress Heights, Sheridan, or Douglass) for intensive reinvestment in *both* housing *and* schools, so as to attract moderate- and middle-income families with children. In other areas (such as Mt. Vernon Triangle) it may make more sense to focus (at least in the short-term) on attracting childless households by linking housing investment with improvements in safety and security and investments in parks and other public spaces.
- Expand and improve retail services, particularly grocery stores, businesses serving day-to-day needs, and restaurants.
- Gain control of vacant and abandoned properties, transferring ownership to allow for prompt redevelopment and occupancy.
- Promote housing types that increase choice and provide move-up opportunities, such as condominiums and co-ops, row houses with basement apartments, and apartments over retail along neighborhood commercial strips.
- Link low-cost rehab financing (that imposes reasonable affordability requirements) with aggressive housing code enforcement, so that seriously deteriorated properties can be improved while continuing serving very low-, low- and moderate-income residents.
- Offer financing incentives to attract moderate- and middle-income homebuyers to the neighborhood. To be effective, these incentives would have to make it *more* financially attractive for a moderate- or middle-income household to buy a home in a neighborhood where the housing market is weak than in a stable or transitional neighborhood.
- Link current residents to high quality jobs, so that they can build their incomes and economic security.

It is important to note that these policies include non-housing interventions, which we believe to be absolutely critical to the effectiveness of housing policy. The revitalization of emerging and

distressed neighborhoods requires the city to coordinate a wide range of policy and programmatic actions, targeted to the particular needs and assets of a each community. Regardless of the attractiveness of the housing stock, people with options will not begin moving into an emerging or distressed community unless they can see real potential for improvements in non-housing conditions.

The goal of "**equitable development"** also requires strategic coordination of housing and non-housing activities, in order to ensure that market-driven neighborhood revitalization benefits existing as well as new residents, preserves options for very low- and low-income households, and builds incomes among existing households. The city needs to join with community-based organizations in neighborhoods that are feeling intense market pressures in order to maximize the shared benefits of reinvestment. To do so, it needs to combine the housing policies already discussed for transitional and emerging neighborhoods with initiatives that:

- Incorporate community benefits agreements into major development projects. These agreements could involve affordable housing, but also parks, community facilities, retail establishments, or services that the community particularly needs.
- Support existing business enterprises so that neighborhood entrepreneurs can share in the revitalization of the community.
- Link current residents to high quality jobs, so that they can build their incomes and economic security.
- Provide high-quality supportive services in conjunction with housing to vulnerable families and people with special needs.

Finally, part of what makes the District attractive to both existing residents and newcomers is its tremendous diversity. Many of the initiatives already outlined here would encourage greater income mixing by expanding the range of housing types and affordability levels in every type of community. But sustaining **economic, racial, and ethnic diversity** at the neighborhood level takes conscious effort and ensuring the availability of housing that is affordable for different income levels is only part of the solution. Combating racial and ethnic discrimination in the housing market remains a significant challenge.[17] And community building efforts, which help create lines of communication and collaboration among neighbors, can help

[17] The most recent national paired-testing study of discrimination in urban housing markets finds that African Americans, Hispanics, and Asians all face significant levels of discrimination when they search for both rental and homeowner housing. See Turner et al. 2002. *Discrimination in Metropolitan Housing Markets: Phase I*. Washington, D.C.: U.S. Department of Housing and Urban Development.

overcome misunderstanding and distrust in diverse communities. In stable communities, many of which are currently inaccessible for lower income and minority households, the city should:

- Aggressively enforce fair housing protections, including local prohibitions against discrimination on the basis of source of income. This means dedicating more staff and financial resources to ensuring that housing providers know the law and understand that there are penalties for violating it.
- Promote the use and acceptance of Section 8 vouchers, so that voucher recipients can gain access to reasonably priced rental housing citywide
- Subsidize the preservation of any existing low-cost housing units that may be threatened by expiring subsidies or impending redevelopment.
- Ensure that any new housing developed around Metro stations and on large underutilized sites includes at least some affordable units.

To promote and sustain diversity in transitional and emerging neighborhoods, the city should:

- Aggressively enforce fair housing protections.
- Support community building activities that celebrate diversity and help residents from different backgrounds resolve misunderstanding and conflicts.

And in distressed neighborhoods, the city should:

- Support resident organizations and community self-help activities.
- Deliver effective job training and retention programs to help residents earn more.

Priority next steps. As discussed in section 2 of this paper, the DC government possesses many of the regulatory and programmatic tools that it needs, and is already using these tools to expand the housing stock, preserve and produce more affordable units, and revitalize neighborhoods. Limited resources – both from the federal government and from the city's own funds – impose the most severe constraint on what can be accomplished. Over the medium- to long-term, the city should attempt to expand resources available for affordable housing at the same time it seeks to build a citywide consensus about its housing strategy and about how limited resources can best be allocated – across different income categories and household types, and among neighborhoods.

Within this longer-term framework, however, we recommend five actions that deserve priority action. Specifically, the District should:

1. Enact an inclusionary zoning ordinance;

2. Further modify zoning and development regulations to promote higher density development around transit stations and along transportation corridors;
3. Target highly coordinated housing and non-housing initiatives in a small number of "demonstration" neighborhoods;
4. Strengthen administration of the Section 8 Housing Choice Voucher Program to make it a national model; and
5. Assume a regional leadership role on affordable housing issues.

Each of these action areas requires more in-depth background analysis than this paper can provide, but the rationale for focusing attention on each is presented here.

The recent surge in demand for housing in the District of Columbia and the consequent production boom creates an opportunity for the city to expand the stock of moderate-cost housing in conjunction with higher-end, market driven development. **Inclusionary zoning** ordinances can take a variety of forms, but essentially require new housing development projects (and potentially, substantial rehabilitation projects as well) to include some predetermined share of moderately-priced units. In a hot market environment, like DC's is today, these requirements can add substantially to the affordable housing stock. The concept of enacting inclusionary zoning in DC has been quite widely discussed, and specific proposals are under development. Reaching a consensus about the details of a fair and effective approach should be a high priority for the city's housing policy leadership in the months immediately ahead. And once an inclusionary zoning ordinance has been adopted, implementing it promptly and effectively should also receive priority attention and sufficient staff and financial resources.

In addition to implementing inclusionary zoning, the District should modify its zoning and development regulations to **promote higher density development around transit stations and along transportation corridors**. Higher densities in these areas will make it possible to significantly expand the availability of housing, helping to take pressure off of rents and prices and providing a wider range of housing options, while still preserving the lower-density character of most residential areas. For example, the city should encourage the development of multi-family condominium and cooperative housing in areas like Mount Vernon Square and possibly housing over shops in areas like the H Street Redevelopment Corridor.

Because higher density development proposals often generate considerable public opposition, the city should proactively work to educate communities and built support for increased densities in appropriate locations. Possible strategies include clear communication by city leaders about the rationale for expanding the housing stock, its potential benefits for all residents, and the contribution that increased densities can make. In addition, city officials can work with neighborhood organizations to build support for local area plans that include higher density development around Metro stations and along major thoroughfares. Finally, the city

should set high design standards for these developments, provide examples of high quality projects in other cities, and make sure that the first few developments that are approved at high densities serve as models to foster continued community support.

Given scarce resources, the city cannot possibly hope to tackle all of its housing and neighborhood revitalization challenges simultaneously. Indeed, the mayor has indicated that his administration plans to **target selected neighborhoods** for coordinated reinvestment activities, in order to have a visible impact. This approach clearly makes sense, and could potentially be taken further, with the selection of as few as two or three "demonstration" neighborhoods, where the city would work in collaboration with non-profit, philanthropic, advocacy, and private sector stakeholders to link housing and non-housing interventions in order to achieve measurable benefits for existing residents as well as newcomers. At least one such neighborhood should focus on the link between housing and schools, developing rental and homeowner housing at a range of affordability levels that is suitable for families with children, and simultaneously upgrading the schools that these children will attend. One example of a neighborhood where this kind of school/housing demonstration would make sense is Congress Heights, where substantial new housing development is already underway and where a new elementary school is under construction.

Other neighborhoods may be better suited for demonstration projects that link housing development with improvements in safety and parks and public spaces. For example, the proximity of the Mount Vernon Triangle site to downtown restaurants and nightlife may make it more attractive to young singles and childless couples than to families with children. Thus, development should feature smaller, higher density housing types at the same time the city works to make the area safe to come home to, and invests in improvements in parks and streetscapes.

Although the federal government's commitment to addressing low-income housing needs seems to be at a low ebb, the **Section 8 Housing Choice Voucher Program** can be an extremely effective tool for pursuing local housing goals. Vouchers not only enable very low-income families and individuals to afford decent housing in the private rental stock; they can also help families move from areas of high poverty and distress to healthy neighborhoods, assist families who are displaced (either temporarily or permanently) by redevelopment projects, and enable even the poorest households to afford to live in units that receive city development subsidies (such as LIHTC, HPTF, or HOME). Thus, if deployed effectively, vouchers can complement the city's investments in the development of moderately priced rental housing, assist households with very low incomes, and contribute to housing preservation, income mixing, and poverty deconcentration.

However, vouchers cannot live up to this potential if landlords in healthy neighborhoods are unwilling to accept them, if the families who receive them cannot find qualifying units in

neighborhoods where they want to live, and if owners of city-subsidized rental properties do not routinely serve at least some voucher holders. Anecdotal evidence suggests that administration of the District's housing voucher program is not as strong as it can and should be. In recent years, experience in cities around the country has shown that the combination of improvements in program management, aggressive landlord outreach, and hands-on search assistance for families can make a real difference.[18] Building on this experience, the District's voucher program should be substantially strengthened, so that both landlords and participating households receive prompt, courteous, and effective service, landlords throughout the city feel a willingness and responsibility to accept voucher recipients, city-assisted rental properties automatically serve at least some voucher holders, and households who receive vouchers get hands-on assistance and support in finding the right unit in the right neighborhood for them. If the city and the housing authority made a real commitment to making the District's voucher program a national model, it might be possible to mobilize support from major foundations to help pay for enhanced services and to obtain supplemental vouchers from the federal government to demonstrate their effectiveness as a tool of local housing policy.

Finally, the fundamental demographic and economic forces shaping the District's housing market are regional, and the District government alone can neither control them nor fully solve the challenges they create for very low-, low- and moderate-income households. In recent years, DC has become among the region's most active jurisdictions in addressing its affordable housing needs. But as the region's economy continues to expand, all of its component jurisdictions need to pitch in to ensure that more housing is available at a full range of rents and prices. The DC government can and should assume a leadership role in the development of a **regional affordable housing strategy**, encouraging other jurisdictions to join in creating or expanding initiatives to make decent housing available and affordable for families and individuals at every income level.

[18] Turner, Margery A. and Kale Williams. 1998. *Housing Mobility: Realizing the Promise.* Washington, D.C.: The Urban Institute.