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"100,000 More DC Residents—Who Benefits?"

Presentation to the

WASHINGTON REGIONAL NETWORK

By

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Tuesday, September 30, 2003

My assignment tonight is to defend the proposition that a growing population in the District of Columbia, especially an increasing number of working families with children, is one important element in a strategy for making this city a better place for all of its residents to live and work and raise kids. Indeed, I believe a larger number of residents in the District can be especially beneficial to the low-income population of Washington—if we manage it right. I'll come back to why I think that, but I don't want to start there. I want to start by talking about my vision of a future Washington, so you can understand better why I think more people living in the city is likely to be a good thing for all of us.

The participants in this evening's panel are all people who care a lot about the future of Washington. Indeed, all of the people on this panel are devoting much of their lives to helping this city become a better place for all kinds of people—rich and poor, black and white--to live and work and raise their children. We may differ somewhat in the specifics of our personal visions for the city and in what we think it will take to get there. So let me try to articulate the main elements of my vision for the future of the neighborhoods of Washington or directions in which I hope they will evolve. I say "evolve" because cities never arrive at a fixed point. They are always changing, which is one reason why they are exciting places to live.

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As I thought about my vision for the city, I found it had at least six important elements. Some, I suspect, are shared by everyone in this room. Some are more controversial.

1. **Safe, livable neighborhoods all over the city**. By that I mean neighborhoods that have decent housing, no abandoned buildings, clean well-lighted streets and parks, low crime rates, good public transportation, and a variety of accessible retail services..
2. **Good quality public services--especially schools.** All neighborhoods should have attractive schools, with qualified teachers and programs that prepare children well for work and higher education. They should have police that are working with the community to reduce crime. They should have good-quality primary health care, and well-staffed libraries and recreation facilities. Day-care services, after-school activities, and senior centers should be accessible and well managed. Many of these services could be co-located in a community center that is a day and night hub of community activity.
3. **Fewer poor people AND poor neighborhoods.** These are separate, but related ideas. Reducing the number of poor or low-income people—by 30,000 or any other number—primarily means ensuring that low-income people have more opportunity for training and work and are able to move to higher wage jobs with better benefits. It also means that the low-income elderly and disabled have better care and more income support. But the objective is not just to reduce the number of poor people; it is also to reduce the concentration of poverty. Low-income families have a better chance of escaping from poverty, getting more education and better health care services, and not being drawn into criminal activity, if they live in a mixed income neighborhood, than if they live where almost everyone around them is also poor. Washington is actually one of the few cities in the country in which the concentration of poverty increased in the 1990's.
4. **More neighborhoods that are racially and ethnically mixed.** Some people want to live in homogeneous neighborhoods, where everyone looks like them. Others find richness in diversity and would rather live in a neighborhood that is racially and culturally mixed. My personal hope for Washington is that it evolves in the direction of more racial and ethnic mixing in neighborhoods across the city. The city is too starkly divided between black and white for my taste. It is also missing the opportunity to capture more of the new immigrants to the region, who can be an important element in an upwardly-mobile future middle-class.

5. **More middle-income families, especially families with children.** Working families with children, black and white, moved out of the city to escape crime, poor schools, and deteriorating neighborhoods. But their exodus made it harder to reduce crime, and improve schools and neighborhoods. We need to grow the middle class in the city, but that doesn't have to mean attracting existing suburbanites back to the city. It means reducing the outflow of young families at the point when their children reach school age. We will know the city has turned that vicious cycle around, when more young working families choose to stay in the city.
6. **More sense of engagement and working together across racial, ethnic and income lines.** There is a lot of fear and mistrust in this city, much of it based on a history of racism, mismanagement and broken promises. But we won't get the thriving city most of us want by continuing to blame each other for past mistakes, impugning motives and settling old scores. My hope is that Washingtonians begin to join together in a genuine dialogue about our multiple visions for the city and how to achieve them.

This list doesn't say anything about monuments or a lively downtown with lots of cultural attractions or cleaning up the Anacostia River. It also doesn't include political autonomy or voting representation. All those things are important, and I support them, but I want to concentrate tonight on how we live and work together in neighborhoods.

What are the obstacles?

Let's assume for the moment that something like this vision is widely shared by community, business and political leaders in the city. What's keeping us from getting there? There are at least three impediments, which I think of as:

- The resource problem
- The chicken and egg problem
- The suspicion problem

Let me say a word about each.

The resource problem

More money won't solve all problems. Leadership and management are very important, too. But everybody in this room can talk persuasively about ways that more public resources would improve services in the city and make it a better place to live. If the District is going to modernize its school buildings, pay teachers enough to attract the best ones, offer effective post-secondary education, offer affordable day care and after school programs, subsidize affordable housing, offer higher quality, more accessible health care, make drug treatment more effective, put more police on the streets, and the other things that you all know need doing, it has to have a more resources.

We have an extraordinary advocacy community in this city—lots of talented dedicated people trying to make things better. But advocates tend to focus on particular aspects of the problem. Some work hard to cope with homelessness and increase affordable housing. Some care most about health care or drug treatment. Others devote their energies to children—improving schools, day care or after-school programs. Each of these groups believes strongly that those who make decisions about the city budget—mayor, council, CFO—don't care enough about their particular cause. They believe that advocating for their issue can produce more resources by taking it away from some less worthy activity. But realistically, the problem is not that city leaders don't care, but that they don't have enough resources to do what needs to be done.

Washington has an unusual fiscal problem, well laid out in the recent GAO report. The District is both a city and a state, and is responsible for the services normally provided by cities and states. We can levy both city-type and state-type taxes, but our status as the nation's capital drastically restricts the base on which these taxes must be levied. We have a narrow tax base because nearly half our property and a significant portion of our sales are tax exempt, and—especially—because we are prohibited from taxing non-resident income. Since income earned by non-residents, mostly commuters, accounts for about two-thirds of the income earned in the city, our inability to tax that income stream is a serious restriction of resources. Moreover, because a high proportion of the District's population has low-incomes and lives in neighborhoods with high concentrations of poverty, the need for public services is greater and

the cost of delivering them is higher than in the average community. The GAO estimated our "structural deficit" at between $470 million and $1.1 billion annually.

There are only two ways for the District to get more public resources:

- We could try to get more help from the federal government.
  We are all in favor that. The help could come in the form of changing the rules on the taxation of non-resident income or in the form of federal grants, such as a revival of the federal payment. I believe the city should work hard for more federal help, and I wouldn't rule anything out. But given the current political climate and the huge current and projected federal budget deficits, the chances of significant federal money in the near future look pretty dim. We are going to have to help ourselves. (I also believe that, paradoxically, the more we help ourselves, the more federal assistance we are likely to get).
- Growing the District's own tax base.
  This is our only other option, since raising tax rates significantly is likely to drive businesses and residents out of the city and narrow the tax base further. To grow the tax base we need to increase the amount of income earned by District residents, we need a higher volume of local sales, and we need increasingly valuable taxable commercial and residential property. This means increasing the incomes, spending and wealth of the existing population AND enlarging that population. I don't see these as alternatives. Each is necessary to the other.

We need to work hard to raise the incomes of the people who already live in the city, especially low-income people. If they have access to better jobs, acquire more skills, earn more income, and become home-owners, they and their children will be better off, and so will their neighbors. They will be customers for local merchants and contributors to rising tax revenues. But accomplishing this takes more resources—for training and job placement and health care and childcare. Trying harder to raise the incomes of low income people requires up-front investment, and that brings us right back to ways of growing the tax base.

To grow the tax base we also need more people living in the city. Remember that we used to have more--about 200.000 more. The population we lost were disproportionately middle-income working families, both black and white. We need them back—not just to grow the tax base, but to be customers for neighborhood stores, and to be a force for improving the schools and other services. Indeed, we need lots of different kinds of people in the city—including singles, childless couples, and empty nesters. Upper income people with no kids are a big help on the resource front. They pay taxes, and they don't use many services. But they have their downside. The influx of higher income people into newly fashionable neighborhoods creates upward pressure on rents and housing values that spells trouble for low-income people, especially renters, and may force some of them out of their neighborhoods. The downsides of gentrification are a serious concern, but I don't think the answer is to keep the gentry out. The answer is to channel those new tax revenues into subsidies for housing and other services that will help low-income people.

Another important way to ease the pressure of gentrification is to create new mixed income neighborhoods on land where hardly any one lives now. Not all cities have that option, but Washington has exciting opportunities to create new mixed-income neighborhoods on the St Elizabeth's campus, along the SW and SE waterfronts, and on part of the Soldiers and Airman's property, for example. Creating new neighborhoods provides a way to add to the supply of housing—both subsidized, affordable housing and market rate--without displacing anybody. The mixed-income nature of the new neighborhoods, however, won't just happen. It will take aggressive efforts and new tools, such as inclusionary zoning, to make it happen.

The resources that are needed to make neighborhoods more livable, are not just public resources. Indeed, the resources needed to improve housing and commercial properties are primarily private and non-profit resources. Many parts of the city do not have ordinary neighborhood commercial services—grocery stores, hardware stores, drug stores, dry cleaners, movies, restaurants. Those establishments closed when the middle income customers that bought their wares moved out, and the jobs they supported disappeared with them. This gets me to the dilemma that I think of as the chicken-and-egg problem.

The chicken and egg problem

One version of the chicken and egg problem involves schools. It will be hard to attract middle-income families with children to the city—or persuade them to stay—unless the schools are more attractive and performing better. At the same time, it will be hard to improve the schools, when so many of them have such high proportions of children from very low-income families. It is not impossible to have a high performing school in a neighborhood that has mostly poor children, but the obstacles are far more difficult to overcome.

Another version of the problem involves housing and commercial services. It is difficult to sell even a well-renovated house on a block where other houses are dilapidated or boarded up. It is difficult to get middle income families to move to neighborhoods that don't have flourishing retail establishments, and it is hard to get merchants to invest in areas where incomes are low.

One answer to the chicken and egg problem is the strategy that the District has embarked on; namely, targeting public resources to a limited number of neighborhoods in a coordinated effort to make a visible difference and attract private and non-profit investment to the neighborhood. This strategy seems highly likely to benefit both new and existing residents *provided* strenuous efforts are made along several lines at the same time:

- Improving the schools in the neighborhood has to be central to the effort:
- Anchor institution and community groups have to be heavily involved in the planning and (mostly) bought in to it.
- Where new jobs are created, either in construction or in new public or private services in the area, their has to be serious attention to training and hiring neighborhood and other D.C. residents.
- The impact of rising rents on long-term residents of the neighborhood has to be offset with subsidies or other ways of creating affordable housing.

None of this is easy, but it beats the alternative of continued neighborhood deterioration, which has been the story of too many District neighborhoods for too long.

The suspicion problem

Change is difficult for people to adapt to, especially in their own backyards, and resistance to neighborhood change is constant across income, ethnic and racial groups.

There are plenty of reasons for low-income people to be suspicious of urban revitalization efforts. The history of urban renewal has often been a dismal one. Neighborhoods have been uprooted and people have been displaced in the name of progress. Washington has its share of horror stories, as well as a long list of magnificent plans that never got off the drawing boards.

But planners, public officials, and community activists have learned something from past experience. We know something about how not to make the same mistakes. We know that neighborhoods and their residents must be respected and included in the planning process. We know that even neighborhoods that are called "distressed" or "blighted" have important assets that need to be recognized. These assets are not only physical and economic – such as interesting or historic architecture, or unrecognized purchasing power. They are the residents themselves – their energy and ideas and hopes for the neighborhood.

Revitalizing a neighborhood without doing more harm than good is a daunting task. There are always multiple players with multiple interests. First and most importantly, there are residents who want and deserve a safe and affordable neighborhood. There is the city, which needs to think about its fiscal health and how to allocate scarce resources. And private investors – who are critical to neighborhood improvement, since government and nonprofits can't do it all – need to make a decent return on their investments. The only recipe for good things happening in a neighborhood involves honest dialogue, cooperation and a willingness to compromise. Nothing is gained from name-calling and adversarial attitudes.

Maybe I'm just a naïve optimist, but I think Washington has the talent and the dedication to reach across racial and ethnic and income lines and to turn far more parts of the city into thriving, attractive neighborhoods for all groups in the population. I think that will take both more residents AND greater efforts to improve opportunities for existing residents, especially those with low incomes. Each is necessary to the other. Thank you.