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to the
D.C. Marketing Center
at the
Washington Convention Center

October 23, 2003

I am happy to have the opportunity to share my enthusiasm for this great city and some thoughts about how we can all work together to make it an even better place to live and work and raise kids. I have lived here a long time—about forty-five years. Along with the mayor and others, I have been involved in helping the city in some of its really bad moments. The financial crisis of the mid-1990's, which necessitated the "Control Board," wasn't *that* long ago. Those of us who were working then to ensure the city's fiscal survival could hardly have imagined that we would be gathered in such a short time in this glorious building, looking out on cranes and nearly finished construction of all these apartments, condos, stores and office buildings. Nor that we would be talking enthusiastically about the joys of city living in one of the hottest real estate markets in the world. Nor that we would be arguing about how many new housing units there should be and where and how much new housing should be affordable and whether we should adopt inclusionary zoning. There was a time—not so long ago—when there wasn't ANY new housing being built in the District. But here we are—and isn't it great?

But this isn't going to be a rah-rah booster speech. There are still problems and tensions in this city that must be addressed if we are to move toward the vision of a vibrant, lively, caring city that we all see now as possible. That vision is no longer some distant dream. It is attainable and beginning to happen all around us. I'd like to talk about my own version of that vision, about some of the obstacles to getting there, and about some of the things we can all do together to be ensure a bright future for our city and our region.

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

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 the customers to support a variety of accessible retail services.

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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. We must reduce the number of poor people living in the city--not by forcing them to move out because they can't afford to live here--but by improving their opportunities.

Reducing the number of low-income people primarily means ensuring that they 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 it is important, not just to reduce the number of poor people, but also to reduce the concentration of poverty. Low-income families have a better chance of escaping 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. That is the argument for mixed income housing.

4. **More neighborhoods that are racially and ethnically mixed.** Some people want to live in homogeneous neighborhoods, where everyone looks like them. Many are attracted to city living find richness in diversity and would prefer to 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 reverse this vicious circle. We need to grow the middle class in the city.

Growing the middle class doesn't necessarily mean attracting existing suburbanites back to the city, although many of them are tired of long commutes and want to be closer to their jobs and the amenities of the city. Primarily 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 into a positive one, when more young working families choose to stay in the city.

6. **More sense of civic 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 join together in a genuine dialogue about our multiple visions for the

city and how to achieve them. Mayor's citizen summit on November 1st is a step in that direction, but must be followed be continuous working together.

There have been many visible and invisible improvements in the District in the last five years. We have recovered from the fiscal crisis. The city is managed better, and many (not all) city functions are operating more smoothly. The Mayor, Council and CFO have worked together to get the city through the economic downturn without unbalancing the budget. The downtown has been transformed, and rapid positive change is occurring in many neighborhoods.

But we are not yet where any of us want to be. We still have:

- Distressed neighborhoods with concentrated poverty, crime, dilapidated housing, boarded up stores
- Poor school performance
- An inadequate health care safety net
- A legacy of neglected infrastructure.

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. If the District is going to do what it takes to make Washington a great place to live--modernize its school buildings, pay teachers enough to attract the best ones, offer effective postsecondary 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.

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 substantial 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 are problematic. We are going to have to help ourselves. Paradoxically, I also believe that 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. Raising 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 was 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. This is really necessary. We can't fit 100,000 into existing neighborhoods without unbearable upward pressure on rents and housing prices, so we need new neighborhoods. Not all cities have that option, but Washington has exciting opportunities to create new mixed-income neighborhoods on the St Elizabeths Hospital 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 many of them have such high concentrations 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. This is just another argument for mixed income neighborhoods.

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, there 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.

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.