Homes for an Inclusive City:
A Comprehensive Housing Strategy for Washington, D. C.

Comprehensive Housing Strategy Task Force
Washington, DC

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Acknowledgements

Mayor Anthony A. Williams and the Council of the District of Columbia established the Comprehensive Housing Strategy Task Force in 2003 to recommend public policies to meet the housing needs of both the current District residents as well as an additional 100,000 residents. *Homes for an Inclusive City: A Comprehensive Housing Strategy for Washington, D. C.*, the final report of the Task Force, lays out a fifteen-year blueprint of the goals, methods, schedule, and estimated public and private funds for improving the housing of District residents and ensuring better access to affordable housing.

The Task Force conducted the bulk of its work during 2004 and 2005. The twenty-four members of the Task Force devoted considerable time and effort over this period. We want to particularly thank the Task Force members who led the several committees where much of the hard work of the project was conducted:

- Housing Production, Preservation and Resources: Marilyn Melkonian, chair
- Special Needs Housing: Nan Roman and Robert Egger, co-chairs
- Neighborhoods: Lessie Powell Evans and Patrick Costigan, co-chairs
- Attracting and Retaining Residents: John McIlwain, chair

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EXECUTIVE SUMMARY

The Charge. The growth and movement of jobs and population in the Washington, DC metropolitan area and the persistence of the booming housing market in the city have created both a crisis of affordability and an opportunity to strengthen and rebuild portions of the District of Columbia.

To help the city respond to the critical housing problems created by the housing boom and take advantage of the opportunities offered by available land and rising real estate values, the mayor and city council of the District of Columbia established the Comprehensive Housing Strategy Task Force in 2003. They charged the task force with assessing the quality and availability of housing for households at all income levels in the District and developing a set of polices asked that the task force recommend ways to:

- preserve and create mixed-income neighborhoods;
- improve rental housing,
- increase homeownership opportunities for households at all income levels;
- prevent the involuntary displacement of long-term residents;
- make housing available to those with special needs; and
- improve the quality of workforce housing and ensure that District residents can obtain it.

Task Force Goals. Guided by the authorizing legislation that created it, the Comprehensive Housing Strategy Task Force has emphasized three goals:

- preserving and creating mixed-income neighborhoods and reducing areas of concentrated poverty;
- encouraging and providing housing for the sought after growth of 100,000 residents with a focus on retaining current residents while attracting new ones; and
- realizing the "Vision for an Inclusive City" laid out by the mayor and in ways that overcome barriers of race, education, income, and geography.

While housing markets are regional and long term solutions to problems of housing affordability must ultimately be shared with other jurisdictions in the metropolitan area, there is much the city can do by itself.

The Recommendations. The Task Force recommendations fall into several categories.

Doubling the effort. The city should implement its "Vision for Growing an Inclusive City" and do so by doubling current annual expenditures on housing.

Preserving Existing Affordable Housing. The city must give priority to preserving at least 30,000 existing affordable units including all federally assisted housing.

Producing New Housing. The city should produce an additional 55,000 units by 2020 and ensure that at least one-third or about 19,000 units are affordable on a long-term basis. The District should support a balanced growth policy which allows for increased population densities and mixed income, mixed-use development along major corridors and at transit stops and approve a mandatory inclusionary zoning requirement for all new housing.

Increasing Homeownership. The city should increase its homeownership rate from 41% to 44% and provide more assistance to tenants seeking to purchase their units.

Supporting Extremely Low Income Renters. The city should directly assist an additional 14,600 extremely low-income renter households by adopting a local rent supplement program.

Supporting Neighborhoods. The city should target existing neighborhoods with the potential for sustained improvement and coordinate its investments in them. The city should continue its efforts to transform distressed public and assisted housing projects into viable mixed-income neighborhoods. The city should pursue its efforts to convert the numerous large parcels of land into new neighborhoods with housing affordable to all income levels.

Housing for Persons with Special Needs. The city should integrate housing for persons with special needs into all types of housing in neighborhoods throughout the city. Permanent housing solutions should be favored over short-term fixes. Housing and support services for special needs populations should be closely coordinated. The mayor’s plan to end homelessness should be fully implemented. Eight percent of all units in the city should be accessible to people with physical disabilities.

Streamlining the Process. The mayor and council should designate a member of the cabinet as chief of housing, charged with improving, streamlining, and coordinating the actions of the several city housing agencies. The mayor and council should support needed reforms of, and provide the resources necessary to, the critical housing regulatory agencies, especially the Department of Consumer and Regulatory Affairs.

Other Critical Programs. Housing programs alone cannot create a livable, inclusive city. Equally critical to attracting and retaining residents are much needed improvements in schools, public safety, health care, recreation facilities, transportation, and air and water quality.

Funding the higher effort. The city can and should tap new sources of revenue for the Housing Trust Fund to support the subsidies needed to keep homeownership and rental housing affordable. This includes

- increasing the portion of the deed recordation and transfer tax dedicated to the Trust Fund from 15% to 20%;
- restoring the level of the deed recordation tax to 1.5% and dedicating the entire proceeds from the 0.4% increment to the Trust Fund;

- earmarking 5% of the increase in revenue from residential real estate taxes over a base year for the Trust Fund;
- assessing a direct linkage fee for some types of commercial-residential development; and
- requiring commercial developers granted planned-unit development zoning to contribute a fee to the Trust Fund.

Implementation. The mayor and council should act immediately on these recommendations. The mayor should report regularly on implementation progress.

INTRODUCTION

Today a booming demand for homes in Washington, D.C. is creating both a crisis and an opportunity for the city.

The housing boom has triggered a crisis of affordability. As demand outruns supply, house prices and apartment rents are rising above what many Washingtonians can afford. The prices of homes are soaring ever further out of the reach of the city's low-income residents, making it even more difficult for them to move up to the middle class. Meanwhile, the federal government has been reducing its support for low-income housing here and around the country. The rising expense of Washington homes, moreover, is hitting working families who are forced to leave the city and move further from their jobs to find more affordable housing options. In previous decades the District of Columbia lost many middle-income residents and now is in danger of losing the rest. At the same time, the affordability crisis is widening the gap between income and racial groups and worsening the tensions among them.

Yet the same surging housing market that precipitated an affordability crisis also increases the city's tax revenues and other resources and provides a new opportunity to transform Washington into a vibrant, inclusive city without displacement. The District of Columbia's residents and governmental leaders conceived the idea of building an inclusive city in *A Vision for Growing an Inclusive City*, the framework for the Washington, D. C. Comprehensive Plan Update. These Washingtonians envisioned changing their hometown from a place divided by race, wealth, and geography into an inclusive community where people of all incomes, races, and cultures enjoy the benefits of urban living and economic opportunity.

We believe that by strategically developing and preserving housing, Washington's citizens and government can create a city of mixed-income and mixed-race neighborhoods across the city—not just in select areas—and increase today's population by 100,000 residents during the next fifteen years. New mixed-income communities will benefit all our citizens. A strengthened tax base will finance effective education, health care, and other services that especially help our lowest-income residents. Mixed-income neighborhoods will also offer opportunities that encourage economic mobility among the lowest-income residents.

The strong housing market offers a way to transform the District of Columbia into an inclusive city. By raising real-estate values, incomes, and sales, the housing boom pours new tax revenues into the city's coffers. The city's government can employ part of these revenues to expand the city's supply of high-quality housing and increase and preserve homes affordable to low-income households, working families and those with special needs. The new home construction and renovation that has recently revitalized many of Washington's neighborhoods can now be extended to places not yet touched by the revival.

The task force believes that a growing middle class is the key to the city's future vitality and the city must do more to assist lower income residents to move into the middle class. The city must both use part of its new resources to improve housing conditions for the lowest income groups whose needs are most desperate and make a major effort to enable middle income working people to find and retain housing they can afford. Without both of these efforts, Washington will increasingly be a divided city that is home only to the affluent and the poor.

Ensuring high-quality dwellings for people of all incomes, however, is only part of what we need to do to build strong mixed-income neighborhoods. To attract and retain residents, the streets must be safe. All communities must have excellent schools, safe streets and well-maintained parks. The neighborhoods also need more small businesses, retail stores and restaurants to provide our residents with convenient shopping and places to gather, and to capture sales now being lost to neighboring jurisdictions.

While the goal is to achieve stable, mixed income neighborhoods throughout the city, different neighborhoods will require different policies and tools to achieve it. Accordingly, the city government should reinvigorate its practice of classifying neighborhoods using key indicators of opportunity and income and use this system to implement key recommendations of this report. Cities across the country have learned that a "one size fits all" approach to neighborhood development does not work. This report gives the District government a tool box with which to realize its vision of an inclusive city.

We can address the housing crisis and seize the opportunity to transform Washington at the same time. The foundation for this effort, we believe, is to ensure that the city offers in every part of the District high-quality homes at a range of costs that residents can afford. Now is the time to act. The housing boom and the increased revenues it offers will not last forever. The government of the District of Columbia must act quickly. We must not lose this chance to create an inclusive city!

CHANGING COMMUNITIES AND THE LOOMING CRISIS IN HOUSING

THE DOWNWARD SPIRAL OF THE DISTRICT

As World War II ended, the future of Washington, D.C looked bright. The activities of the federal government had increased and the city's employment and population expanded. The city's neighborhoods flourished and business corridors were busy with customers. Not only was "downtown" prospering but other commercial corridors -- along H Street in Northeast and 14th Street in Northwest Washington, for example -- bustled. The city was still segregated, but it had a large number of professional and middle-class African Americans, many employed in the federal government and living in thriving African American neighborhoods.

The postwar rush to the suburbs affected Washington as it did other major cities. Urban dwellers, especially middle income families with children, moved out in search of more space, less crime, and better schools. The white middle-class moved out first, followed somewhat later by the African American middle-class. Left behind were the affluent and the poor.

In the late 1960s Washington went into a tailspin. For years the city had failed to attract enough new residents to replace those moving to the suburbs. Then in 1968 the riots that followed the assassination of Martin Luther King laid waste to several major commercial corridors in largely African American neighborhoods, leaving rows of burned-out boarded-up shops for years afterwards.

The riots seemed to send the city into a downward spiral. In the 1970s, the size of the city's population dropped by more than 100,000, and it kept falling through the '80s and '90s. Blacks and whites of all different incomes left the city in droves while fewer people came and stayed to replace them.

The loss of people, jobs, and productive real estate took its toll on the District. Neighborhoods lost shops, restaurants, cleaners, and other amenities. With fewer tax-generating properties, the city's tax revenues declined, as well as its ability to deliver needed services.

Then, as the city was beginning to recover in the 1980s, a wave of crack cocaine dealing and associated violence washed over it. Crime hit some neighborhoods particularly hard. In Ivy City in the 1980s, the National Guard set up floodlights to close down the neighborhood's infamous open air drug markets, which by no means stopped the activities of drug dealers and prostitutes. During the 1990s, the number of households in Ivy City fell by a third, leaving a neighborhood of desolate streets and deteriorating buildings.[1]

The legacy of years of physical deterioration and loss of people posed the leaders of the District of Columbia a challenge to rebuild and revive the nation's capital. The comprehensive strategy for developing housing and creating mixed-income neighborhoods recommended in this report is designed to meet that challenge.

PROSPERITY COMES TO THE REGION

Vigorous and Sustained Economic Growth

While the District of Columbia struggled, the Washington region boomed. For decades the population and economy of the metropolitan area has grown at the expense of growth in the city of Washington. The federal government contributed to this growth by moving some of its agencies out of the District to suburban locales. The expansion of campuses of the National Institutes of Health in Bethesda, Maryland, the Central Intelligence Agency, and the U.S. Geological Survey, among other agencies, helped propel the growth of Montgomery County, Maryland and Fairfax County, Virginia. With the construction of interstate and local highways, expansion of facilities such as Dulles Airport, and pro-growth land policies, the web of commuter households and businesses spread far into the countryside.

From the 1980s onwards, the federal government shed jobs, but this did not dampen the growing prosperity of the Washington, D.C. metropolitan area. The government's increasing use of private contractors stimulated the regional economy by encouraging the development of thousands of financial, data processing, telecommunications, legal services and other types of high-value service companies. The new businesses brought well-paying jobs and boosted the wealth of households throughout the metropolitan area. From 1980 to 2000, per capita income rose steadily, and by 2000 it was 56 percent higher than the national average. Not only did the economic boom increase the number of workers, according to Margery Turner and her

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[1] (Ivy City) Paul Schwartzman, "Renewal Takes Root in D.C.'s Blighted Ivy City," *Washington Post*, July 10, 2005.

Urban Institute colleagues, it also brought workers with greater purchasing power into the regional housing market. The large role of the federal government in directly and indirectly creating jobs has stimulated the metropolitan economy and helped protect it from the volatility of private-sector employment, which bodes well for the future.[2]

Yet for a long time the growth of the Washington regional economy at century's end benefited the city only a little. While employment in the metropolitan area jumped by 63 percent between 1980 and 2000, the number of jobs in the city rose only by 7 percent.[3] In the 1990s, the federal government's retrenchment hit the city particularly hard. Between 1993 and 1998, the District lost 20 percent of its government jobs, twice the percentage of the loss in the region. By 1998, unemployment in Washington had climbed to 9 percent, about three times the average for the metropolitan area.[4]

Sprawling Settlement

On the strong winds of economic growth, the suburban areas experienced a population boom. The population of the three counties nearest to the city, Montgomery and Prince George's County, Maryland and Fairfax County, Virginia increased from 1.6 million in 1970 to 2.6 million in 2000, while in the next ring of outer suburban counties the population jumped by nearly 800,000 to reach a total in excess of 1.3 million. In contrast to the swelling number of inhabitants in the suburbs, the number of residents in the District of Columbia shrank—by 180,000 from 756,500 in 1970 to 572,000 in 2000.[5]

The Washington suburbs attracted many African Americans and immigrants. Between 1970 and 2000, the number of black residents in Prince George's County, Maryland, to the east of the District, soared by more than 400,000 and in Montgomery County, north of the District, increased by more than 100,000.[6] The number of foreign-born residents in Fairfax County jumped from 1,600 to nearly 250,000 and in Montgomery County from 37,000 to 233,000. In comparison, the increase in immigrant residents in the District of Columbia has been much smaller, rising only from 33,500 in 1970 to 73,500 in 2000.[7]

Decades of growth have helped make the Washington region one of the most sprawling in the nation. As people poured into the inner ring of counties around the District of Columbia, pushing up population densities and bringing chronic traffic congestion to the region's highways, others moved to locations ever more distant from

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[2] Margery Austin Turner, G.Thomas Kingsley, Kathryn L.S. Pettit, Christopher Snow, Peter A. Tatian, *Housing in the Nation's Capital 2002* (Washington, D.C.: Fannie Mae Foundation, 2002), 7, Supplemental Appendix, Table B.1.

[3] Turner, et al., *Housing in the Nation's Capital 2002*, 6, 8.

[4] Turner, et al., *Housing in the Nation's Capital 2002*, 8.

[5] Montgomery County Planning Board, Population of Montgomery County Region Jurisdictions, http://www.mc-mncppc.org/research/data_library/population/po1pf.shtm.

[6] Prince George's County figures: Carol Ascher & Edwina Branch, **"**Precarious Space: Majority Black Suburbs and their Public Schools," New York University Steinhardt School of Education, Institute for Education and Social Policy, http://www.nyu.edu/iesp/publications/precariousspace.pdf; Montgomery County: Montgomery County Park and Planning, Planning Montgomery County Population by Race and Ethnicity, Table, http://www.mc-mncppc.org/research/data_library/population/po8b.shtm.

[7] Audrey Singer, *At Home in the Nation's Capital: Immigrant Trends in Metropolitan Washington*, The Brookings Institution, Table 2. Foreign-Born Share of Population in the Washington Metropolitan Area by Jurisdiction, 1970-2000.)

the city. The once rural areas of Loudon, Prince William, Stafford, and Fauquier counties in Virginia and Prince George's, Anne Arundel, Howard, and Frederick counties in Maryland sprouted new subdivisions. The commuting range of metropolitan Washington now extends into Pennsylvania and West Virginia.

The region's likely continued strong growth, coupled with ever increasing problems of metropolitan sprawl have made it imperative to direct a portion of the increased population to the center—in the District of Columbia—where the urban infrastructure for a dense population already exists.

A Region Divided

Unfortunately, the economic boom did not spread evenly across the metropolitan area. Although wages in general were higher and grew faster than the national averages, the gains for high-wage occupations, especially recently, tended to much larger than those for low wage jobs.[8] In economic terms, the region was divided geographically with the eastern portion bearing the burdens of poverty and the western part enjoying more prosperity.

The suburban movement has to date helped perpetuate a starkly divided pattern of racial settlement – with 70 percent of African-American residents living in the District and Prince George's County. Although Prince George's County has a low overall poverty rate and is home to thriving middle-class families living outside the Capital Beltway, the county, along with the eastern areas of the District, and portions of Arlington and Alexandria, combine to hold most of the region's poor households.[9] The settlement pattern of immigrants is highly complex -- with newcomers from dozens of different lands settling in diverse locales. Nonetheless many of the foreign-born neighborhoods with high poverty rates are also located in the eastern side of the region, largely in the District and Prince George's County. [10]

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[8] Margery Austin Turner, G. Thomas Kingsley, Kathryn L. S. Pettit, and Noah Sawyer, *Housing in the Nation's Capital —2004* (Washington, D.C.: Fannie Mae Foundation, 2004), 2-3.

[9] Amy Liu, et al., *A Region Divided: The State of Growth in Greater Washington, D. C.*, (Washington, D.C.:The Brookings Institution, 1999), 11.

[10] Singer, *At Home in the Nation's Capital*, 13.

Council of Governments region

Housing Production Can't Keep Up

The growth in jobs and people since 1970 has produced rapid housing construction in the Washington metropolitan area. Weathering periodic recession storms that dampened production, the region was able to generate more than 300,000 new dwellings in each of the three decades between 1970 and 2000. Housing production followed employment and population growth into the suburbs. The inner counties of Montgomery and Fairfax together added more than 400,000 homes in this period, and since the 1990s, the outer and far suburbs—including Loudon County, Virginia, the nation's fastest growing county—have had some of the hottest markets for new construction. [11]

By the 1990s, however, the production of new housing units was no longer keeping pace with the dynamic growth in the number of inhabitants and households in the

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[11] American Housing Survey for the Washington Metropolitan Area, 1998, issued November 2000 Current Housing Reports, Table 1~1. Introductory Characteristics - Housing Units, 1; (more than 300,000 new dwellings) Turner, et al., *Housing in the Nation's Capital 2002*, 15; (Montgomery County data), Lucille Harrigan and Alexander von Hoffman, "Forty Years of Fighting Sprawl: Montgomery County, Maryland, and Growth Control Planning in the Metropolitan Region of Washington, D. C." Working Paper W02-6, Joint Center for Housing Studies, Harvard University, 2002; U.S. Census housing data 2000, DP-4. Profile of Selected Housing Characteristics: 2000, Data Set: Census 2000 Summary File 3 (SF 3) - Sample Data; (Fairfax) Population, Housing Units and Households http://www.co.fairfax.va.us/demogrph/gendemo.htm; (outer and far suburbs) Turner *et al*, *Housing in the Nation's Capital —2004,* 19.

region. The number of housing units fell from 48 per 100 new residents in the 1980s to 45 in the 1990s. The metropolitan area's housing market tightened significantly, and the housing vacancy rate fell -- from 6.5 percent in 1990 to 4.9 percent in 2000. In addition, increasing restrictions on new residential development -- especially in the outer and far suburbs of the region -- contributed to the tightening of the housing market.[12]

As the new century dawned, the number of moderately priced homes available for sale in the region plunged, prices soared, and the depressed housing market conditions of the 1970s became a distant memory. The median sale prices for existing single-family houses rose in double digits each year from 2000 to 2003, a combined total increase of 57 percent. In 2004, single-family house prices in the Washington region continued to leap upwards, rising faster than most large metropolitan areas including New York, Boston, and San Francisco. At the same time, sales at the high end of the market rose sharply while the share of moderately priced home sales fell off dramatically. In 2005, the region's white hot housing market began to cool somewhat as the number of sales dropped and prices sagged in some areas.[13]

Yet the slowdown, according to real estate professionals, did not herald a collapse of the market, but rather was helping it return to a reasonable balance between inventory and demand. In all likelihood, the Washington region will continue to have among the highest home prices in the nation. Unless the region embraces a comprehensive housing strategy, high housing costs will continue to burden renters and homebuyers, particularly those with low or moderate incomes.[14]

THE DISTRICT BOOMS AT LAST

The District's Dynamic Employment

The fortune of the District of Columbia turned at last in the late 1990s when the regional boom spilled back into the city. Between 1997 and 2000, according to the Bureau of Labor Statistics, the number of employed Washington residents leapt by 11 percent, and the total number of jobs in the District (including those held by suburban commuters) rose by 5 percent. Since then, the city's economy has continued to grow vigorously, as the number of private and government jobs between 2000 and 2004 increased at rates just under those of the region as a whole. Total employment in the city reached 672,000 in 2004, a rise of 22,000 jobs in just four years. [15]

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[12] Turner, et al., *Housing in the Nation's Capital 2002*, (no longer keeping pace) 13; Turner, et al, *Housing in the Nation's Capital —2004*, 18-20, 22-23.

[13] (from 2000 to 2003)Turner, et al, *Housing in the Nation's Capital —2004*, 26; (2004 data) Joint Center for Housing Studies, *The State of the Nation's Housing, 2005*, (hereafter SONH) Appendix Tables, W-6. House Price and Per Capita Income Gains by Metro Area: 1984-2004; (market began to cool) Kirstin Downey and Sandra Fleishman, "Housing Market Cooling, Data Say," *Washington Post*, November 11, 2005.

[14] (real estate professionals) Downey and Fleishman, "Housing Market Cooling, Data Say;" (highest home prices in the nation) Joint Center for Housing Studies, SONH, Appendix Tables, W-4. Home Prices by Region and Metro Area: 1990-2004.

[15] Bureau of Labor Statistics: Turner, et al., *Housing in the Nation's Capital 2002*, 8; rates of private and government growth: Turner, et al., *Housing in the Nation's Capital 2004*, 14-15; total employment as of

The new jobs attracted well-educated professionals to the District, raising the city's education and income levels. Since 2000, for example, the proportions of both adults with a college education and households with incomes above $125,000 have climbed.[16] Better-paid workers have made a more prosperous population: between 1994 and 2003, the median household income in Washington climbed from $35,600 to $45,000. Unfortunately, not everyone prospered: the percentages of children and elderly people who live in poverty have been rising.[17]

A Population Poised to Grow

As the city's economy and image as a place to live has improved, the District's long period of population decline is likely coming to an end. Although the population appears to have continued to decline through the mid-1990s, since then the decline has leveled off or even reversed, and the number of households has increased.

A long-term national trend toward smaller households played an important part in the recent decline in the number of inhabitants in the District. For decades, as family sizes shrank, single people living alone or in shared quarters and childless couples replaced many of Washington's families with children. During the 1990s, for example, the portion of households with three or more members fell by 2.5 points to 29 percent, whereas households composed of only one person rose by two points to 44 percent, and by 2000 70% of Washingtonians lived in one- or two-person households. The greatest losses in population came in the working- and middle-class neighborhoods in the eastern side of the city where most of the city's children lived.[18]

The shifts in the population affected racial and ethnic groups differently. During the 1990s, according to the U.S. census, the number of non-Hispanic African Americans who lived in the District declined by 14% or almost 50,000 people. The number of non-Hispanic white residents also fell, but only by 3% or about 5,300. The city's Asian and Hispanic residents increased their share of the population dramatically but the number of

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2004: Margery Austin Turner, G. Thomas Kingsley, Kathryn L. S. Pettit, Jessica Cigna, and Michael Eiseman, *Housing In The Nation's Capital — 2005*, 5, 17.

[16] (well-educated professionals) The largest increases in employment came in the private services, including the categories of professional and business, educational and health, and leisure and hospitality. *Housing in the Nation's Capital, 2005,* Appendix, Table B.4. Employment by Industry for the District of Columbia; Washington D.C. PMSA; and the United States, 2000-2005; Table B.5. Employment by Occupational Major Groups, 2000-2004; (college-educated adults and households with incomes above $125,000) Turner, et al, *Housing in the Nation's Capital, 2005*, 18; US Census 2000; ESRI Business Information Solutions.

[17] The median household income is in constant 2001 dollars. The share of children in poverty went from 30 in 1994 to 33 percent in 2003. (household income, and children in poverty) Turner, et al, *Housing in the Nation's Capital –2004* (Supplemental Appendix) Table B.8 Income and Poverty Trends; (elderly in poverty) Turner, et al, *Housing in the Nation's Capital--2005*, 18. (Note: *Housing in the Nation's Capital—2005* calculated median household income in 2000 dollars and derived somewhat lower figures, see Table B.12. Median household income by tenure in the District of Columbia, 2000 and 2003.)

[18] George Grier, The Changing Population of the District of Columbia 1990-1996--An Analysis of Results from the Greater Washington Consumer Survey, D.C. Tax Revision Commission, November 1997; US Census Bureau; Margery Austin Turner, G. Thomas Kingsley, Kathryn L.S. Pettit, Christopher Snow, Peter A. Tatian, and Alisa Wilson, *Housing in the Nation's Capital 2003* (Washington, D.C.: Fannie Mae Foundation, 2003), Supplemental Appendix, Table A.2. Demographic Characteristics by Neighborhood Cluster, 1980-2000.

additional residents (6,400 and 12,200, respectively) was too small to offset the declines of the other groups. While Washington remains a predominantly black city, demographic changes have altered the city's racial and ethnic composition.[19]

Recently, the District may have begun a demographic turnaround. The U.S. Census Bureau figures report that since 2000 the number of school-age children continued to drop, but the numbers of young people from 25 to 34 years old, children under the age of 5 years, and middle-aged baby boomers, from 55 to 65 years old increased. Challenging the Census Bureau's methods, moreover, the District's State Data Center has calculated, based upon housing construction, tax filings and the conversion of vacant buildings, that in the last five years the city's population has grown. Despite previous population declines, therefore, the District is showing signs of potential future population growth—which may already have begun.[20]

A Housing Boom for the District

The arrival of higher income residents stimulated the languishing housing market, and in the late 1990s housing in the District began to boom. The sales of homes took off, with the number of home mortgages jumping from 4,238 in 1995 to 10,600 in 2002. Incredibly, in 1996, developers did not seek a single residential building permit in the city, but just two years later the District issued more than 429 of them. As the market heated up, more developers went into action. In 2004 they took out more than 1,900 building permits, more than six times the average for the 1990s.[21]

As owners began developing their properties, the number of abandoned buildings dropped in half, from about 4,000 in 1999 to about 2,000 in 2004.[22] The torrid pace cooled in 2005, with the number of home sales down by 28% between October 2004 and October 2005 and prices had fallen from their summertime peak. Such changes reflect national and seasonal fluctuations of the housing market, however, not long-term shifts in local circumstances.[23]

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[19] Calculated from Turner, et al., *Housing in the Nation's Capital 2002*, Supplemental Appendix, Table A.4. Population by Race/Ethnicity and Neighborhood Cluster, 1990-2000.

[20] (Census Bureau on age groups since 2000) Turner, et al, *Housing in the Nation's Capital—2005, (Supplemental Appendix)* Table A.2. Population by Age for the District of Columbia, 2000 to 2004; Debbi Wilgoren, "City Will Challenge Census Estimate," *Washington Post*, December 29, 2005.

[21] (mortgages from 1995 to 2002) Turner, et al, *Housing in the Nation's Capital –2004* (Supplemental Appendix) Table E.1. Number of Home Purchase Mortgages by County, 1995-2002; (permits 1996 and 1998) Alexander von Hoffman, "Housing Heats Up: Home Building Patterns in Metropolitan Areas." The Brookings Institution and Joint Center for Housing Studies, 1999; (2004 building permits), Turner, et al, *Housing in the Nation's Capital—2005*, 5-6, Figure ES. 1.

[22] Between 1999 and 2002 the number of abandoned buildings of all types (about 98% of which were privately owned) in the District of Columbia fell from 4,000 to 2,300; see *A Vision for Growing an Inclusive City* –A Framework for the Washington, D. C. Comprehensive Plan Update, District of Columbia, July 2004, 31. "As of January 2004, the Real Property Tax Administration listed 2,005 residential properties in the District as vacant and abandoned. Data also showed 97 vacant commercial properties." Turner, et al, *Housing in the Nation's Capital –2004*, 22.

[23] Nationally mortgage interest rates rose, and prices fluctuate monthly, often falling after the busy summer home-buying season. Kirstin Downey and Sandra Fleishman, "Housing Market Cooling, Data Say," Washington Post, November 11, 2005.

Hence, the relative high value of properties in the District will be with us for a long time to come. And, unless the city takes action, so too will the problems high housing prices pose to low- and moderate-income residents.

Washington's Urban Revival

Government building and transportation projects contributed to the Washington's startling turnaround. The restoration of Union Station in 1988, construction of the MCI Sports Center (1997), and development of the Washington Convention Center (2004) are but three of the large projects that nurtured the resurgence of the city's downtown. The construction of the Metrorail subway system helped make the city accessible to its neighborhoods and suburbs. The government projects along with a surging economy and housing market have radically changed the District's landscape and outlook.

Neighborhoods once plagued by violence and disorder are among the places that have undergone the most remarkable transformations. The Adams Morgan neighborhood in the 1980s had one of the worst cases of drug-related crime in the city, but thanks in large part to the arrival of immigrants and the expanding gentrification of nearby Dupont Circle, Adams Morgan sprouted an array of ethnic restaurants and pubs that attracts throngs of visitors every evening. Similarly, the construction of a large city office building and a rekindled housing market has helped revive the commercial corridors along 14th Street and U Streets, which are once again pulsating with theaters, art galleries, and fashionable bars and restaurants.

The pioneering work of community development corporations and the completion of mass transit stations along the Green Line have helped revive other formerly derelict neighborhoods. Columbia Heights, home to a new Metrorail station, has been rediscovered by Hispanic immigrants and white homebuyers who have helped push up property values. Along with revitalization, crime rates in Columbia Heights have declined drastically: the number of homicides fell by half between 1994 and 2004. Similarly Logan Circle—once infamous for its drug dealers and prostitutes—has begun to rival neighboring Dupont Circle as a desirable place to live. In historic African American but once troubled neighborhoods such as Shaw and Le Droit Park, gentrification has arrived with rocketing home prices.

Prosperity and the housing boom also dramatically improved the District Government's fiscal situation. In 1995 the city was virtually bankrupt. Unpaid bills were mounting, employees were in danger of not being paid, and the city's credit rating was abysmal. The federal government was forced to put a Control Board in charge and give it extraordinary powers over the city's budget. A decade later, however, thanks to severe fiscal discipline imposed by the Control Board, greatly improved management, new elected leadership, and the reviving economy, the District was back in the black. The Control Board was gone. The general fund had swung from half a billion dollars in the hole to a positive balance well in excess of a billion dollars, and rating agencies were giving the District's bonds an A rating. Structural limitations, especially the congressional prohibition on District taxation of nonresident income, still make it challenging for it to finance adequate public services, but the District is no longer a fiscal basket case.

THE BOOM BRINGS AN AFFORDABLE HOUSING CRISIS

Soaring House Prices Hit Homebuyers

Despite the progress downtown and in the neighborhoods, the economic revival of the District has left many people behind. Between 1990 and 2000, the number of city residents living below the poverty level rose by 14 percent.[24]

At the same time, the popularity of Washington, D.C. homes has created a growing problem of affordability for middle- and low-income families. Between 2000 and 2003, the median single-family house price leapt by 45 percent -- a higher increase than in any other section of the metropolitan area -- from $159,000 to $290,000. Then, between September 2003 and September 2005 the median sales price of homes in the District shot up even faster, by 57% to $485,000. Incomes rose in the District, but not this fast. Especially hard hit were those purchasing their first house. Thus, a renting household contemplating buying in the District likely has to earn close to twice the metropolitan area's median income ($89,300 for a family of four in 2005), in order to afford a first home priced at the median. For a family earning the city's significantly lower median household income ($55,750 for a family of four in 2005), the gap was so large as to be impossible to bridge.[25]

The rapid increase in the values of homes in general helps homeowners, but many purchased homes on terms that could harm them if either the economy or their personal finances run into trouble. To acquire a home in the increasingly expensive market, an increasing proportion of buyers took out adjustable rate, balloon, and other high-risk types of mortgages. In the first half of 2005, for example, half of all homebuyers in the District purchased homes with interest-only loans. "If appreciation stalls," write the authors of the annual Urban Institute report on Washington-area housing, "some of these families may be unable to refinance their adjustable mortgages and could potentially be trapped with negative equity in their homes and might also face substantially higher monthly mortgage payments." Furthermore, the authors point out, low- and moderate-income owners -- particularly the elderly living on fixed incomes -- may be unable to pay rising property tax bills, even with tax relief provided by the city.[26]

In addition, since many of the District's middle- and low-income families belong to racial minorities, the rise in house prices may be affecting the ability of such families to purchase a house in the city. Between 2000 and 2003, the proportion of home purchase loans received by minority borrowers in the city of Washington fell from 43

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[24] US Census 2000; Poverty status by age in the District of Columbia, 2000 and 2004, Turner, et al, *Housing in the Nation's Capital –2005*, (Supplemental Appendix), b10.

[25] (median single-family house sales price for 2000-2003) Turner, et al, *Housing in the Nation's Capital – 2004*, Table E.11. Realtor Sales Prices and Volumes for Single-Family Homes and Condominiums by County, 1996-2003; (median single-family house sales price for 2003-2005) Government of the District of Columbia Office of the Chief Financial Officer, *D.C. Economic Indicators*, 3:12 (September 2003); 5:12 (September 2005), http://cfo.dc.gov/cfo/cwp/view,a,1324,q,590985,cfoNav,|33210|.asp. Estimates of 2005 ratio of qualifying amount to area's median income ranged from 180% to 216% of the median income, based on formulae employed in Zhong Yi Tong, *Homeownership Affordability in Urban America: Past and Future* (Washington, D.C.: Fannie Mae Foundation, 2004), Table 2b: Homeownership Affordability for First-Time Home Buyers by Metropolitan Areas: Tier 2, 20.

[26] Turner, et al, *Housing in the Nation's Capital –2005*, 31.

percent to 37 percent, even as it rose in the metropolitan area. Although the share of minority home purchases has held steady in predominantly African American neighborhoods, in racially mixed neighborhoods it has dropped precipitously as prices have risen. If these trends continue, they will dramatically alter the composition of many District neighborhoods and curtail the possibilities for African Americans and other minorities to purchase homes in the District.[27]

Rents Also Climb Out of Sight

Apartment rents also skyrocketed. Between 2001 and 2003, for example, the average of advertised rents for one- and two-bedroom apartments in Washington shot up by 60 and 84 percent, respectively. For decades the District had the least expensive rental market in the metropolitan area, but no longer. Even a boom in the construction of rental units did not stop rents from climbing. The rents continue to rise partly because rental units built in the last ten years are significantly more expensive than older units and partly because substantial numbers of apartments have been converted to condominiums.[28]

Regardless of the reasons, the escalation of rents has left a growing number of Washingtonians strapped. Urban Institute reports show that long-term tenant households—generally families with children or seniors many of whom have incomes well below the area median income and have not attended college—were more vulnerable to rent hikes than the more mobile, well-paid and highly educated singles or couples. Between 2000 and 2004, the portion of tenants paying more than 30 percent of their income for rent jumped from 39 to 46 percent and the share paying more than 50 percent of their income climbed from 18 percent to 23 percent. As usual, the poorest households suffered the most from escalating housing costs. Approximately 40,000 of 53,000 households with incomes less than 30% of the AMI ($25,440 for a family of four) spend more than 50% of their income on housing costs. And a third of the almost 18,000 households that have incomes between 30% and 50% of the AMI bear similar burdens. Indeed, the District has the highest percentage of households in the region bearing such excessive housing costs.[29]

The booming rental market, according to the latest evidence, hit the elderly especially hard. Many older Washingtonians live on fixed incomes so that when costs of their housing rises, they must either cut back on other expenses or move to cheaper lodgings. As rents soared during the 1990s, the number of elderly tenants living in the District fell by a dramatic 18 percent. The greatest losses of elderly renters occurred in the neighborhoods where the cost of housing was either high or rising rapidly, as opposed

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[27] Turner, et al, *Housing in the Nation's Capital —2005,* 33.
[28] (Advertised rents) Metropolitan Washington Council of Governments, "Can you Afford to Live Here?", May 2004, "Average Asking Rents in the Region," Slide 57; Turner, et al, *Housing in the Nation's Capital —2005*, 36.
[29] (Long term vs. mobile) Turner, et al, *Housing in the Nation's Capital –2004*, 33-35; (more than 30% and 50% of income) Turner, et al, *Housing in the Nation's Capital —2005*, 37; Angie Rodgers, "New Census Data Shows DC's Affordable Housing Crisis is Worsening", DC Fiscal Policy Institute, 2005; US Census 2000.

to areas where the rents were low. Thus, the low-income elderly are in special need of affordable shelter.

Further adding to the pressures on the city's rental stock has been the growing number of conversions of multi-family rental properties to condominium status. While 2004 saw only 600 units converted, fully four times that amount – 2,400 units – were converted during the first half of 2005 alone.[30] There is no sign that this trend will abate soon.

Neighborhoods That Struggle More than Others

The social geography of the District has meant that poverty, crime, and inadequate housing beset some neighborhoods—mostly in the center and eastern sections of the city—more than others. Until lately, many such places could be found north of the downtown in neighborhoods such as Chinatown, Adams Morgan, Columbia Heights, and Shaw, and to the east, in Near Southeast, Trinidad, and Ivy City. Despite recent improvements, Petworth and Ivy City still have concentrations of poverty that exceed 40 percent of the population.[31]

Most of the struggling neighborhoods, however, are located east of the Anacostia River. Taken as a whole, neighborhoods across the river—such as Douglass, Woodland, Barry Farm, and Historic Anacostia—sustained far greater losses than the rest of the District. Between 1980 and 2000, their population fell by almost a quarter, far greater than the modest 5 percent decline in the rest of the city. During the same period, the median household income in east-of-the-river neighborhoods fell slightly while in the rest of the city it shot up by 32 percent. By 2000, median income east of the river was a little more than half that of the other parts of Washington.[32]

The housing situation is particularly critical. During the 1990s neighborhoods on the eastern side of the Anacostia River lost 4,700 rental units, almost half of the total for the city. In 2000, moreover, more than a quarter of east-of-the-river households paid more than 35 percent of their income for housing, and 80 percent of them earned less than $20,000 annually. The levels of homeownership in neighborhood clusters such as Woodland-Garfield Heights, Sheridan-Barry Farm, and Douglass-Shipley Terrace are below 20 percent, meager rates which are some of the lowest in the District. Clearly such neighborhoods have some of the greatest needs for housing efforts.[33]

The Recent Housing Surge Affects Neighborhoods Differently

Although Washington's recent housing boom has stimulated demand almost everywhere in the city, it has affected neighborhoods across the city in quite different ways. In the predominantly white band of neighborhoods extending along the western border from Chevy Chase, D.C. to Georgetown housing prices are generally high—and in some cases very high—but in the last five years have increased only moderately. The

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[30] Turner, et al, *Housing in the Nation's Capitol* – 2005, 36.
[31] NeighborhoodInfo DC, www.neighborhoodinfodc.org, The Urban Institute and Washington LISC.
[32] John McKoy and Mark Rubin, "Population and Housing Trends 'East of the River,'" DCAgenda presentation, Washington Regional Association of Grantmakers, January 14, 2003; (homeownership rates); NeighborhoodInfo DC.
[33] Ibid.

predominantly African American neighborhoods that stretch east of Rock Creek Park from Colonial Village to Fort Lincoln have some of the highest homeownership rates and lowest poverty rates in the city. Housing prices here used to be relatively moderate, but have been climbing steeply. Low-income homebuyers have long been priced out of the affluent white northwestern section and now may be unable to buy into the stable middle- and upper-middle-income black northeastern neighborhoods.[34]

The onrushing renewal of Washington's downtown has had a great impact on the costs of renting or owning homes. Nearby neighborhoods—such as Chinatown, Mount Vernon Square, DuPont Circle, Connecticut Avenue, and Southwest Waterfront—have a large number of apartment buildings that make up a significant share of the city's rental and condominium markets. In general, their populations vary by race and have been either stable or growing. But as centrally located neighborhoods grew more popular in the last five years, housing prices have risen rapidly and increasingly moderate- and low-income households can no longer afford to live there.[35]

Dramatic Changes in the District's Distressed Neighborhoods

Housing prices leapt upwards most dramatically in a large number of neighborhoods grouped to the north and east of the downtown. Several of these neighborhoods—including Columbia Heights, Shaw, and Logan Circle—had depressed housing prices before the recent boom. In several neighborhoods the racial composition of the population is changing as well, with decreases in the majorities of African Americans and increases in the percentages of whites and Hispanics. Gentrification, moreover, has altered the income mix of the residents. By 2000, this brought together households at the extremes of the income range, so that in places such as the clusters of neighborhoods east of Union Station through the north segment of Capitol Hill and on to Robert F. Kennedy Stadium and the Anacostia River, most households earned annually either less than $30,000 or more than $50,000. Neighborhoods such as Logan Circle and Shaw had poverty rates above that of the city, but over 15 percent of their households earned more than $75,000 a year.[36]

But perhaps the most remarkable change in the housing market has occurred in once forsaken neighborhoods in Ivy City, Near Southeast, and east of the river in the Anacostia and Sheridan clusters. These overwhelmingly African-American neighborhoods have borne some of the city's highest poverty rates and largest population and housing losses, but since 1999 their housing prices have increased dramatically, albeit from very low levels. In the last five years, new housing developments in such east-of-the-river neighborhoods as Historic Anacostia, Hillsdale, and Congress Heights have produced nearly 8,000 units, more than anywhere else in the District except the areas near downtown. The District government helped finance most of the new homes, and at sale prices or rent levels much more affordable than what was produced in the affluent parts of town. Private developers have built other units, such as The Townes at

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[34] Turner, et al, *Housing in the Nation's Capital —2005,* 26.
[35] Turner, et al, *Housing in the Nation's Capital —2005,* 27-28.
[36] Turner, et al, *Housing in the Nation's Capital —2005*, 26-27, Appendix, Table A.6. Selected household and population characteristics for the District of Columbia by housing market typology, 2000; "Demographic Statistics: District of Columbia 2000", DC Parks Master Plan.

Hillsdale, which also offer newly constructed homes at affordable prices. These new developments east-of-the-river have been accompanied by increased safety—since 1993 the number of crimes has fallen in half in the Metropolitan Police Department's Seventh District . Furthermore, the new projects have attracted African American professionals, the types of middle-income people who might otherwise have moved to Prince George's or Montgomery Counties and who are crucial to the revival of the District of Columbia.[37]

The housing boom has also begun to touch other economically distressed neighborhoods east of the Anacostia River. In such places as Douglass, Shipley Terrace, and Twining, housing prices recently have increased at rates close to the city's average. The revival of housing markets—and the prospects of new housing developments—in neighborhoods that not long ago had all but collapsed holds out great promise for new development in the future.

Yet the Boom Threatens Low-income Households

Even as the booming housing market brings new possibilities to Washington's distressed neighborhoods, however, it also threatens low-income District residents who rely on low cost or subsidized housing to help make ends meet.

The combination of the housing boom and the impending expiration of use restrictions on HUD financed properties and project-based Section 8 contracts, for example, pose a grave problem to low-income residents in subsidized units. These agreements between the government and property owners reduced mortgage costs to property owners so that rents were affordable to low- and moderate-income tenants. Initiated in 1974, the Section 8 program set contracts to last for terms from 20 to 40 years as did the subsidized loans, but now the terms of most of the agreements have come or are coming to an end, giving landlords the opportunity to withdraw their properties from the program and cease to offer subsidized rental units. This is no idle threat. The District contained almost 3,900 units in projects whose contracts were scheduled to expire as of May 2005, and of these, 60 percent left the rolls of subsidized dwellings. Reflecting the lure of the District's rapidly appreciating real estate values, decisions to let the federal use restrictions and subsidies expire and convert properties to the private market accounted for almost 1,800 of the approximately 2,300 lost units.

Decisions must be made quickly if this important source of subsidized housing in the District is to be preserved. Half of the current project-based Section 8 dwellings are located in buildings whose subsidy contracts were due to expire between 2005 and 2009, with another large group to follow after 2010. Fortunately some property owners have preserved a significant portion of these affordable units by renewing their subsidy contracts, restructuring their mortgages, and/or taking an additional subsidy from the District of Columbia. This appears to be only a temporary reprieve, however, because many landlords renewed their contracts for short terms, often for only a single year,

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[37] Turner, et al, *Housing in the Nation's Capital —2005*, 26; Robert E. Pierre and Dana Hedgpeth, "Housing Surge and Resurgence: New Homeowners Changing Southeast Neighborhoods," *Washington Post*, November 7, 2005.

presumably to see if the market will improve and allow them to maximize their profits on their properties.[38]

A further threat to the preservation of the federally subsidized properties come from the location of large numbers of subsidized dwellings in places where home prices have soared. The clusters of formerly inexpensive neighborhoods in and around Mount Pleasant, Shaw, and the Historic Anacostia/Hillcrest clusters, for example, contain a third of the city's approximately 6,500 Section 8 project-based housing units. Unfortunately, rapidly rising housing values in these locales offer landlords a powerful inducement to remove their buildings from the federal program and cash in on the market.[39]

The juxtaposition of the rising real estate market and existing federally subsidized projects also appears to have stimulated efforts by landlords to find ways to terminate their use restrictions and rental subsidies contracts before their scheduled completion. Several instances have been documented in the city in the Shaw and North Capitol Street areas where landlords have allowed their Section 8 buildings to deteriorate, triggering inspections and citations by HUD that the building is not in compliance with HUD health and safety requirements. When the landlord refuses to make sufficient repairs, HUD is allowed to cancel the agreement at which point the bank will call the mortgage, giving the landlord the opportunity to buy back the note and be released from the Section 8 program. The city has attempted to work with HUD to find ways to keep such projects in subsidy status and, where a change in ownership is possible, to assist non-profit organizations to assume that role.

Furthermore, through its efforts to renovate its public housing stock, the city has shifted some residents of public housing into the private market at a time when that market is becoming increasingly tight. In its redevelopment efforts—including those of the HOPE VI program—the District of Columbia Housing Authority (DCHA) since 1990 has demolished almost 3,000 public housing apartments. The authority has replaced or plans to replace about a third of the demolished homes as new public housing units. They are replacing another third as affordable or market-rate rental units and the final third as homeownership units. This means that the authority will no longer provide as many public housing units as it had for the poorest residents of the city.

For the many low-income residents in the District who must rely upon the private market for rental housing, prospects are ever more limited with each passing year. Residents who hold Section 8 rental vouchers can at least offer landlords rental payments at the level HUD sets for the region, but even this advantage does not help those voucher holders who each year are unable to find available units given the relatively low rent subsidy ceilings set by HUD. And for the people with low incomes but without a rental voucher, the tight market is often quite unforgiving, consigning them to poor quality units in less than desirable locations.

[38] Project Based Section 8: Report on Expired, Terminated Contracts,", DC Housing Authority, 2005; Turner, et al, *Housing in the Nation's Capital —2005*, 40-41.

[39] "Project Based Section 8: Report on Expired, Terminated Contracts," DC Housing Authority, 2005; Turner, et al, *Housing in the Nation's Capital —2005*, Supplementary Appendix, Tables D 2 and D 3.

Shrinking Areas of Affordability Bring Concentration of Poverty

Like most major American cities, the District has had a higher concentration of poverty than its metropolitan region, but unlike most cities, in the 1990s the concentration of poverty worsened. Indeed, the number of high-poverty neighborhoods in the city more than doubled. Since then rising housing prices have shrunk the areas with moderate housing costs, not only making it more difficult for low- and moderate-income households to find affordable homes, but also promoting further geographical concentration of the lowest income groups. Federally subsidized housing makes up a relatively small portion (12 percent) of the District's total number of rental units, but much of that housing is located in distressed neighborhoods. In the Kenilworth neighborhood cluster, for example, *all* rental units are either public housing or tenant subsidy units. Many new homes, subsidized under the Low-Income Housing Tax Credit program, were developed in and around Ivy City, Near Southeast, and east-of-the-river neighborhoods. Yet now recipients of Housing Choice Vouchers increasingly are moving to these neighborhoods where they may still find reasonable rents in this city of soaring housing costs. Between 2000 and 2004, the number of Housing Choice Vouchers in use in the District of Columbia increased by 3,600 to 8,300, and more than 2,000 of the new vouchers were used in neighborhoods east of the Anacostia River. As distressed neighborhoods are rebuilt, it is vital both to avoid concentrating the poor and to provide all of Washington's citizens with good homes in safe communities.[40]

HOUSING FOR PEOPLE WITH SPECIAL NEEDS IN THE DISTRICT OF COLUMBIA

Besides upsetting the housing situation in particular neighborhoods and making affordable housing harder to find, the volatile housing market has created particular problems for those with special needs. Those with special needs fall into several categories. These include people who are homeless, seniors, people with physical disabilities, people living with HIV-AIDS, people with mental illness, adults reentering from correctional facilities, and youth being discharged from foster care and from the juvenile justice system.

People with Disabilities

Among the most vulnerable to the inflation of housing prices are people with disabilities, including people who are mentally ill and those with physical disabilities such as blindness and deafness. The District is home to a large number of disabled adults. As of 2004, more than 7 percent of District residents (more than 41,000 people) had physical disabilities and more than 4 percent of District residents (25,000 people) had mental disabilities.[41] The number of housing units, either subsidized or on the private market, that members of these groups can afford falls far short of the need, as does the

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[40] (high-poverty neighborhoods in 1990s) Paul A. Jargowsky, *Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s* (Washington, D.C.:The Brookings Institution, 1, 9; Turner, et al, *Housing in the Nation's Capital —2005*, Appendix D, "Housing Choice Vouchers by Housing Market Typology, 1998-2004.; Turner, et al, *Housing in the Nation's Capital —2003*, 48; Turner, et al, *Housing in the Nation's Capital —2005*, 9.

[41] *Vision for Growing an Inclusive City*, 26.

number of units accessible and available to people with physical disabilities. And although the majority of disabled adults live in what were once moderately priced neighborhoods, about a third live in places where during the 1990s housing prices rose either rapidly or extremely rapidly.[42]

People Returning from Correctional Facilities

People who are released from incarceration after serving prison or jail sentences also have special and pressing housing needs as they attempt the difficult task of starting a new stable life. Every year the prison system in the District of Columbia releases about 9,400 people. Between 2,000 and 2,500 adults return to the District from correctional facilities every year—in 2004, for example, more than 2,000 ex-offenders chose to live in the city. Most are poorly educated and live in areas of high rates of crime and poverty. According to the 2005 Urban Institute report on the city's housing, only about half of recently released ex-offenders in the District had a high school diploma or GED and only 40 percent of them were employed. Without a stable income, many are forced to live in shelters and group homes. Lacking a permanent home or steady job and living in struggling neighborhoods make it that much harder for reentering adults to start a new life and increases recidivism.[43]

People Who Are Homeless

Of course, people who lack any permanent shelter have the direst housing needs of all. The District of Columbia estimates that, over the course of one year (October 1, 2004 to September 30, 2005), about 18,000 homeless persons used some sort of homeless service in the District.[44] The Homeless Services Committee of the Metropolitan Washington Council of Governments found that on a given day in January 2005, there were 8, 977 people were homeless in Washington, DC, a number which has risen steadily since 2002. In addition, the Metropolitan Washington Council of Governments concluded that more adults have become "literally" homeless, meaning that they have no or only temporary shelter.[45] Within the Washington metropolitan area, more than half of the region's homeless people and two-thirds of those who are chronically homeless stay in the District. In Washington during 2004, there were approximately 2,000 chronically homeless people who needed housing with supportive services.[46]

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[42] Turner, et al, *Housing in the Nation's Capital —2005*, 38, Appendix F1, "Tenure and Poverty Level of Elderly and Disabled Households by County , 2000," and Appendix F2, "Tenure and Poverty Level of Elderly and Disabled Households by Housing Market Typology."

[43] (annual return to D.C.) *A Vision for Growing an Inclusive City*, 26;

[44] Lynn C. French, Senior Policy Advisor for Homelessness and Special Needs Housing, Office of the Deputy Mayor for Children, Youth, Families and Elders, January 18, 2006.

[45] The numbers of those the Council of Governments defined as "literally" and "permanently supported" (having some sort of housing but dependent upon supportive services to be able to have a home) rose each year from 7,468 in 2002 to 8,977 in 2005. See Homeless Services Planning and Coordinating Committee of the Metropolitan Washington Council of Governments, "Homeless Enumeration for the Washington Metropolitan Region, 2005," (definitions of types of homeless) 3, (counts) 7. See also Turner, et al, *Housing in the Nation's Capital —2005*, 39.

[46] Turner, et al, *Housing in the Nation's Capital* – 2005, 39; "Homeless No More: A Strategy for Ending Homelessness in Washington, DC by 2014", Office of the Mayor, District of Columbia, 2004,4.

People Living with HIV/AIDS

In 2004, about 9,036 people who had AIDS (not including those who only have HIV) resided in the District.[47] The Centers for Disease Control estimate that almost 10,500 Washington residents have either HIV or AIDS. About half of all AIDS patients need some sort of subsidized housing during their illness.[48]

[47] The Kaiser Family Foundation, "www.Statehealthfacts.org."
[48] National AIDS Housing Coalition

THE DISTRICT OF COLUMBIA AND HOUSING PRODUCTION – PAST, PRESENT AND FUTURE

The District Government's Major Housing Departments

The housing crisis the city faces would have been even more severe had the city government not acted in the last five years. The District is fortunate to have a government with a large housing production system and a mayor and city council committed to affordable housing. Yet much remains to be done to meet the critical housing problems of Washington residents before the rising housing market makes them still worse.

Prior to 1999, the city was producing very little housing, and the leadership of key agencies such as the Department of Housing and Community Development had experienced repeated turnovers. Since 1999, the city has helped finance the development and preservation of more than 17,500 units of housing. As of July 2005, the city had provided some sort of subsidies to more than 14,000 completed units with about 3,500 units still in some stage of development. The great majority of these units—almost 16,000—were affordable—pegged at costs below the median income of the Washington metropolitan area—and about 85 percent of these affordable dwellings had been completed as of July 2005. Nearly 12,000 or two-thirds of all the new homes were produced through rehabilitation of existing structures, while the remainder–almost 6,000 units—were newly constructed. By tenure category, the great majority of these units (14,775) were rental properties, and more than 2,800 units were to be sold.[49]

How did the District manage to encourage all this housing production? Within the city government, the job of providing, improving, and encouraging development of homes falls to three agencies -- the Department of Housing and Community Development (DHCD), the District of Columbia Housing Finance Agency (HFA), and the District of Columbia Housing Authority (DCHA). Since 1999, these agencies together have used $1.2 billion in gross public subsidies and a little more than $600 million in net subsidies (through tax credits, bonds, and future financing) to sponsor housing in the nation's capital.[50] For the most part, however, each agency uses different sources of funds to implement different types of housing programs. The activities of all three housing agencies are coordinated by the Deputy Mayor for Planning and Economic Development.

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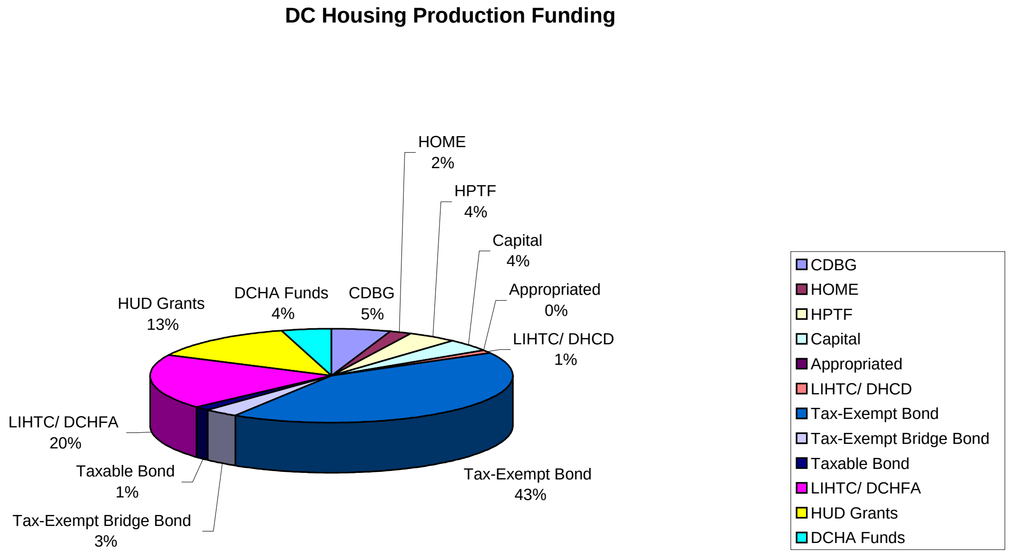
[49] Office of the Deputy Mayor for Planning and Economic Development, 2004.
[50] Office of the Deputy Mayor for Planning and Economic Development, 2004.



The Department of Housing and Community Development

The DCHD has the widest scope of the three agencies. Working in partnership with for-profit and nonprofit organizations, it facilitates the production and preservation of housing, and encourages community and economic development. Its diverse programs provide grants or loans for community-based services (to help local nonprofit organizations provide housing counseling), emergency shelters, rehabilitating multifamily buildings, as well as helping with the administrative costs of community development corporations. The DHCD receives most of its housing funds from federal government programs, specifically, the Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), Low-Income Housing Tax Credit, and McKinney Act funds (earmarked for development of affordable housing for people with special needs). Besides drawing on federal funding, DCHD has also been able to use an innovative and new source of support, the Housing Production Trust Fund (HPTF). The recently enacted fund collects a percentage of the real estate recordation and transfer taxes to assist nonprofit and commercial developers to plan and produce low- to moderate-income housing and related facilities. Since 2001, the first year money from the HPTF was available, DCHD has tapped the fund for more than $50 million.[51]

The District of Columbia Housing Finance Agency

The District's Housing Finance Agency (HFA) generates the largest sums for housing. Its mission is to stimulate the development of and increase access to homeowner and rental housing in the city. The HFA raises money by issuing tax-exempt Mortgage Revenue Bonds that allow it to lower developers' costs of acquiring and constructing rental housing. Through such means, the agency has generated well over half a billion dollars since 1999. In addition, the HFA administers the distribution of the

[51] Office of the Deputy Mayor for Planning and Economic Development, 2004.

Low-Income Housing Tax Credit to developers, and through this federal program has contributed more than $220 million to housing production in the District. To ensure that all the housing developments it finances are accessible to people with low incomes, the agency requires developers it works with to reserve at least 20 percent of their units for individuals or families earning equal to or less than 50 percent of the area median income or at least 40 percent of their units for those earning at or below 60% of Area Median Income.

The District of Columbia Housing Authority

The most visible and venerable of the city's housing agencies is the District of Columbia Housing Authority (DCHA). It is responsible for developing and maintaining public housing residences in the District, and for administering rental vouchers in the former Section 8 program now known as the Housing Choice Voucher Program. In January 2006, DCHA administered 11,022 housing choice vouchers, although another 46,791 families were waiting for vouchers. The DCHA administers funding directly from the U.S. Department of Housing and Urban Development (HUD) for production and subsidy programs. Starting in the 1930s, DCHA, like other public housing authorities, developed housing on its own—which it still manages. By the 1990s, many of the city's public housing units had deteriorated badly and thousands of dwellings were uninhabitable. Beginning in 1995 a new management team restructured the agency and improved its older housing stock.

Today, DCHA is among the nation's most innovative housing authorities and has been a key component in city's efforts to preserve, rehabilitate, and produce affordable housing. It manages and maintains forty-nine apartment public housing complexes, which in January 2006 contained 8,013 units. The authority forms partnerships with local non-profit community development corporations, the District government, and private developers to produce new housing for people of all incomes. DCHA became the first public housing agency approved to borrow long-term private sector funds for the short-term renovation and repair of public housing units, and in 2000 was awarded a $33 million loan from Bank of America and Fannie Mae.[52]

Since the early 1990s, DCHA has been committed to renovating and rebuilding its public housing as aesthetically attractive, soundly built and maintained structures that will house vital, mixed-income communities. The major means for carrying out this ambitious goal has been the federal Urban Revitalization Demonstration Program, known as HOPE VI, created in 1992 to redevelop or demolish the severely distressed public housing projects. HOPE VI is a competitive grant program under which public housing authorities apply to HUD for funding public housing sites.

DCHA received its first HOPE VI grant in 1993, and since then has been the fourth largest recipient of HOPE VI funding in the nation, having received a total of $140.9 million. Each HOPE VI project grant award has been leveraged with additional public and private funding to bring the total infusion of financial resources for the revitalization of five HOPE VI sites to over $740 million. Through its redevelopment projects, DCHA has demolished 2,961 units of public housing and has replaced or

[52] DC Housing Authority, press release December 20, 2000.

intends to replace these with 1,031 new public housing units, 999 affordable or market-rate rental units, and 1,088 homeownership units.

DCHA has seized the opportunity afforded through HOPE VI funding to transform many of its worst developments into thriving communities. The successes of redevelopment have sparked the revitalization of surrounding neighborhoods through further public and private investment. Among the showcase developments are Wheeler Creek and the Townhomes on Capitol Hill (formerly Ellen Wilson Homes), which journalist Neal Pierce calls "an attractive mix of townhouses and detached units that now appear to blend seamlessly into the surrounding neighborhoods."[53]

- Other HOPE VI projects that are partially completed or in the planning stage are: New Arthur Capper/Carrollsburg, in the Near Southeast section, in which 707 public housing units, 525 subsidized rental units, and 330 market-rate units (1,562 total) will replace 758 units of public housing
- East Capitol project in Ward 7 east of the Anacostia River, where 1,107 units of public and subsidized housing at East Capitol Dwellings and Capitol View Plaza will be replaced by 515 units of market rate and affordable homes and 150 units of affordable senior housing
- Henson Ridge, which replaces two public housing projects in the heart of Anacostia and Congress Heights, east of the Anacostia River, with 600 new units of housing, more than half to be homeownership, as well as a community center, new school, recreation center, park, library and credit union.[54]

IMPEDIMENTS TO HOUSING PRODUCTION

Despite the accomplishments of recent years, however, the process for obtaining approval to develop housing in the District creates serious barriers to the construction and renovation of homes here. Slow and cumbersome bureaucratic procedures make it difficult and expensive for developers—nonprofit and for-profit alike—as well as homeowners and landlords to complete projects on time. Furthermore, the fear of encountering these barriers deters some developers from undertaking projects in the city at all.

Problems in the Permitting Process

Recently graduate students in the School of Public Policy and Public Administration at George Washington University conducted a study of the D.C. Department of Consumer and Regulatory Affairs (DCRA), the office that is responsible for inspecting housing and issuing construction permits, certificates of occupancy, and other licensing services.[55] The study concluded that the DCRA faces serious obstacles in

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[53] District of Columbia Housing Authority, website; http://www.dchousing.org/hope6/index.html; Turner, et al, *Housing in the Nation's Capital--2005*, 41; Neal Peirce, "New Hope for HOPE VI?", *Nation's Cities Weekly*, June 15, 2004.
[54] For information about each project, see pages linked to http://www.dchousing.org/hope6/index.html.
[55] Vidhya Ananthakrishnan, Dan Cain, David Connolly, Christa Fornarotto, Alex Karr, Karen Melanson, Allison Morgan, and Lauren Richards "Building Blocks: An Examination of the DC

its day-to-day operations. These include understaffing, weak training, an inadequate budget, out-of-date technology, a weak managerial culture, ineffective coordination with other agencies, and poor presentation of information to customers. In addition, the unique relationship between the District government and the federal government and its various agencies adds a layer of complication that is not present in other cities.

As a result of the problems that DCRA faces, the development review process often drags on much longer than it should. The process consists of four phases: historic preservation, zoning, permitting, and inspections. Of these, the longest delays often occur in the permitting phase. Securing an Environmental Impact Statement, if one is deemed necessary (not every development calls for one), can take a year. The permit review, in which DCRA engineers review a project, is supposed to take 30 days, but on average it lasts six months to a year. In comparison, the same process takes an average of one month in Chicago and three weeks in Philadelphia.

It is clear that strengthening the DCRA and DHCD to improve the lending, permitting and inspections processes is essential to producing housing quickly enough to solve the District's pressing needs.

OPPORTUNITIES FOR NEW HOMES, NEW NEIGHBORHOODS, AND NEW COMMUNITIES

Despite the District's current housing crisis, the city contains land that offers tremendous opportunities to alleviate housing shortages and make homes affordable to a wide range of citizens. Large tracts of land and numerous scattered lots are available for development, and on some of these sites development has already begun. If developed, these sites could produce from between 38,000 to 40,000 new homes. Significantly, most of these homes will be built in new neighborhoods that allow people of all income levels to enjoy the advantages of living in Washington.

Anacostia Waterfront Initiative

The largest area available for potential development and the one likely to have the greatest impact on the future growth of the city lies on both sides of the Anacostia River and on the east bank of the Washington Channel. The Anacostia Waterfront Initiative (AWI), a collaborative effort of the District, the federal government, and citizens is planning to transform approximately 2,800 acres of land into vibrant new waterfront districts containing new homes, offices, commercial facilities, cultural institutions and parklands. To date, the AWI has carried out the most extensive planning for four major sites, Southwest Waterfront, the Near Southeast, Poplar Point, and Reservation 13/Hill East. These four major sites alone have a combined capacity for 7,000 to 9,000 new dwellings (excluding the redevelopment of the Capper/Carrolsburg public housing project), not to mention 16 million square feet of non-residential development and 100 acres of new parks.

The AWI has also identified sites for potential development at Buzzard Point (near the mouth of the Anacostia River) and at the gateways and bridges crossing the river. Also included in the AWI development area is the South Capitol Street Gateway

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Development Review Process and Its Current Challenges," Master of Public Policy, Capstone Seminar Project. School of Public Policy and Public Administration, George Washington University, May 2005.

and Corridor, which the National Capital Planning Commission has proposed become a grand boulevard of housing, stores, cultural institutions, and the city's proposed new major league baseball stadium on a site near the Anacostia River.

The Anacostia Waterfront Corporation, established in 2004 by the District government to guide development in the AWI territory, has begun issuing grants and requests for proposals for projects.[56]

Additional Large Sites for Developing Housing

Other large tracts that hold great potential for housing development include the campus of the historic St. Elizabeths Hospital, which all told covers about 340 acres southeast of the Anacostia River in Ward 8. The District is drafting a plan to develop the eastern side of the campus to include perhaps 1,000 new dwelling units plus new office, retail and rehabilitated institutional space. The federal government owns the western portion of the campus where it has decided to locate various elements of the Department of Homeland Security, starting with a new headquarters for the Coast Guard.

The North of Massachusetts Avenue (NOMA) Planning Initiative is focused on promoting high density housing along North Capitol Street and in the New York Avenue Metro station area. Similarly, the site of the defunct McMillan Reservoir Sand Filtration plant, a 25-acre parcel in Ward 5 along North Capital Street, was the subject of an unsolicited proposal in 2004 to develop 1,100 units of town homes and mid-rise condominiums, along with retail, community, and cultural facilities.

The large tracts in the District, except for the AWI sites, encompass many hundreds of acres of land that could hold from 3,000 to 5,000 units of new housing.[57]

Small Parcels with Large Potential

The District has a rich source of residential real estate in its many small vacant and underutilized land parcels. An analysis by the District's Comprehensive Plan Task Force of the city's land use database revealed about 590 acres of vacant land, approximately 440 acres of which is residentially zoned. If developed according to its current zoning, these parcels could yield approximately 11,000 dwelling units. In addition, as of 2005 there were still about 2,000 vacant buildings in Washington, and many of these have multiple dwellings. Renovation of the existing empty units or replacement of such buildings with new homes will increase the amount of housing stock in active use.[58]

Since its inception in 2002 the city's Home Again Initiative has aided the process of transforming abandoned or vacant properties into homes, many of them affordable low-income households. The program encourages property owners to rehabilitate their

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[56] Comprehensive Plan Team to Comprehensive Plan Revision Citizens Task Force, "Summary of Current DC Planning Initiatives," Memorandum, April 1, 2005; (Anacostia Waterfront Corporation) http://www.anacostiawaterfront.net/news.html.
[57] Comprehensive Plan Team, "Summary of Current DC Planning Initiatives," 4-5.
[58] Comprehensive Plan Task Force, "Land Capacity in the District of Columbia," Memorandum, February 24, 2005.

abandoned properties and, if they don't, acquires them and bundles and sells groups of the properties to for-profit and non-profit developers.[59]

In addition to vacant lots, the District of Columbia Office of Planning has identified more than 500 "underutilized" small parcels. Taken together, these lots cover about 345 acres. They are mostly scattered along the city's most principal commercial corridors—including New York Avenue, Georgia Avenue, and Rhode Island Avenue—with only a few located east of the river. Despite their small size and dispersed locations, however, they present a significant opportunity for development. In addition to holding a capacity for millions of square feet of new commercial and industrial floor space, these parcels have the potential for about 7,200 new dwelling units, providing homes to approximately 15,600 people.[60]

The New Communities Initiative

The District has also begun the New Communities Initiative, a dramatic effort to reclaim neighborhoods troubled by concentrations of violent crime and poverty. It resembles HOPE VI, except that it is a city rather than a federal government program. Like the HOPE VI projects, the goal of the New Communities effort is the creation of healthy mixed-income communities with integrated public facilities and services that offer families better housing, employment, and educational opportunities. A fundamental principle of the program is to replace every unit of affordable housing demolished with a new unit of affordable housing.

The funding for the New Communities Initiative will come from four sources: the private market and the philanthropic community; federally-subsidized funds, such as tax-exempt bonds and Low Income Housing Tax Credits; federal entitlement programs such as the Community Development Block Grant; and the Housing Production Trust Fund. The District contemplates the development of about five New Communities in the next six years, which will produce thousands of new housing units, two-thirds of which will be affordable.[61]

In November 2005 Mayor Williams announced the first of the New Communities projects when he proposed the city spend $558 million to rebuild a 28-acre site, in Northwest Washington in the vicinity of New Jersey and New York Avenues and North Capitol and K Streets, occupied by a half-dozen federally subsidized apartment buildings and housing complexes. The best known of these is the Sursum Corda housing cooperative, originally developed for low-income residents by a group of nuns in the late 1960s but which later deteriorated into a dangerous zone of drug trafficking, prostitution, and shootings. Recently a private developer negotiated a deal with the residents of the project to redevelop the property, a redevelopment which will be a key part of the New Communities Initiative.

To prevent the displacement of the poor residents in this rapidly gentrifying area, the mayor proposed to replace Sursum Corda and neighboring complexes with 1,698

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[59] The program is described at http://dcbiz.dc.gov/dmped/cwp/view,a,1366,q,572708.asp.

[60] Comprehensive Plan Task Force, "Calculating Land Capacity on 'Underutilized Parcels,'" Memorandum, March 30, 2005.

[61] Office of the Deputy Mayor for Planning and Economic Development web site, http://dcbiz.dc.gov/dmped/cwp/view,a,1366,q,598573.asp.

units of new housing. The plan is to set aside and subsidize 520 units for families who are currently residents of the neighborhood, set the price of 591units at workforce housing rates affordable to teachers, police officers and other middle-income buyers, and offer the remaining units at market rates that would help subsidize the project. In addition, the redevelopment plan calls for constructing a public school, a health clinic, and a branch library to replace the current dilapidated structures, and build a new recreation center with a swimming pool, a new playground and dozens of storefronts for neighborhood shops.[62]

If the plan to revive the area around Sursum Corda goes well, the city hopes to expand it to several other sites, possibly starting with east-of-the-river developments at Barry Farm and Lincoln Heights. Because these complexes are city-owned, the administration believes they will cost much less than this first initiative. Most importantly, the redevelopment of five sites under current consideration for the New Communities Initiative will produce a gain of an estimated 4,000 to 5,000 new homes, with 1,000 units projected for Sursum Corda alone.[63]

A STRATEGY TO MEET THE PRESENT AND FUTURE HOUSING NEEDS OF THE DISTRICT

How Other City Governments Meet the Housing Challenge

Washington's housing problems are by no means unique. Like the District, many other American cities have experienced rising real estate prices and the increasing inability of their citizens to afford homes. Governments in cities from West Virginia to California have adopted housing strategies to cope with housing dilemmas, particularly the lack of affordable homes.[64] In particular, the cases of Boston, New York, and Atlanta demonstrate that leaders in other cities have embraced farsighted plans for tackling the kinds of urban housing problems that the District faces.

New York City

In 2002, New York Mayor Michael Bloomberg announced a citywide housing strategy, *The New Housing Marketplace* plan, to address the extreme affordability problems faced by city residents. The strategy focused on two areas where government can affect housing affordability. The first area concerned regulations related to land use controls and construction and maintenance standards, and the second involved strategic investment of public funds in affordable housing development, including the reuse of city-owned land.

Originally, the Mayor pledged $3 billion to preserve 38,000 units of existing affordable housing and to create 65,000 new units for low, moderate, and middle-income

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[62] Lori Montgomery, "Mayor Plans $558 Million For Affordable Housing," *Washington Post*, November 16, 2005.

[63] Montgomery, "Mayor Plans $558 Million For Affordable Housing;" Comprehensive Plan Team, "Summary of Current DC Planning Initiatives."

[64] Cities that have adopted a "housing strategy" or "affordable housing strategy" include Boston, New York City, Atlanta, Charlottesville, West Virginia, Chicago, Milwaukee, San Diego, Irvine, and Oakland. In addition, a large number of cities in the United Kingdom—including London and Edinburgh—and Canada have implemented housing strategies.

residents, for a total of 65,000 units. In 2005, the Mayor raised this goal to 68,000 housing units, and in February 2006, Bloomberg expanded his proposal to a $7.5 billion program to preserve and build 165,000 homes.[65]

By 2005, the city reported that 28,550 units had been built or funded. Of these, seventy six percent of the units were expected to go to four-person families with incomes under $50,240 annually. An additional 12,229 affordable units were under construction by city agencies. By rezoning three major land redevelopments, and implementing a targeted inclusionary zoning policy, the City expects an additional 8,500 new affordable housing units at Hudson Yards, Greenpoint-Williamsburg, and West Chelsea.

In his 2006 budget, Mayor Bloomberg included a proposal to create the New York City Housing Trust Fund. The proposal would fund the trust with $130 million in revenues from the Battery Park City Authority. The goal of the trust would be to build or preserve 4,500 affordable housing units.

Boston

In 2000 the City of Boston, at the direction of Mayor Thomas Menino, created a housing strategy for the creation of 7,500 housing units in three years. To accomplish this goal, the city's report on the housing strategy recommended such methods as selling vacant public land to housing developers, raising housing funds through the sale of surplus city properties, and preserving existing units.

According to the Mayor's office, within three years the city issued permits for 7,913 new housing units, of which 2,217 were designated as affordable. In addition, 3,124 federally-subsidized units were preserved as affordable housing, with approximately 1,000 units made available to the homeless.

In 2004 Boston updated its housing strategy with a new goal of creating 10,000 new housing units, of which 2,100 units have been targeted as affordable. In addition, the plan seeks to preserve 3,000 existing affordable units and pledges $10 million to address homelessness. According to recent reports, permits have been issued for 4,400 new housing units, with nearly 900 units designated as affordable housing. [66]

Atlanta

In 2002, the Atlanta Affordable Housing Task Force, at the direction of Mayor Shirley Franklin, developed a series of strategy recommendations to address the city's housing needs, especially those of working households, with the goal of creating 10,000 new affordable housing units by 2009. Following the city's rallying call for "great housing in great neighborhoods," the Task Force sought to revitalize existing neighborhoods and to expand the middle-income tax base.

The Task Force recommended six major policy goals:

1. Improve the regulatory process for housing
2. Target and leverage the City's housing resources.

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[65] "Mayor Bloomberg Details Nations Largest Municipal Housing Plan To Build and Preserve 165,000 Units of Affordable Housing," Press Release # No. 59, New York City Department of Housing Preservation and Development, February 23, 2006.

[66] City of Boston, Office of the Mayor, "Leading the Way: Boston's Housing Strategy," Completion Report, Fy 2001-2003, October 2003; "Leading the Way II: A Report on Boston's Housing Strategy, FY 2002-FY 2007, May 2004.

3. Emphasize housing for working households.
4. Protect and expand housing options for senior citizens.
5. Establish coalitions and strategic alliances to improve the quality of life and create “great neighborhoods”
6. Appoint a housing “czar” to implement this housing strategy

Since creating the affordable housing strategy, Atlanta reportedly has funded the construction and rehabilitation of 2,800 housing units—two-thirds of which are dedicated to low and moderate income households—and expanded the homestead tax exemption for seniors. In addition, the City launched two pilot programs. The first program, in partnership with Fannie Mae and the National Association of Homebuilders, will create workforce housing in a new subdivision with townhouses and single-family homes at modest prices ranging from $110,000 to $230,000. The second program, HUD’s Homewise initiative, will offer low-income first-time homebuyers the opportunity to purchase a newly renovated home at a fifty percent discount. [67]

Hence, the decision of the District to develop and pursue a strategy to meet its present and future housing needs is well within the experience and policy goals of other American cities.

Establishment of the Comprehensive Housing Strategy Task Force

To help solve the critical housing problems created by the housing boom and take advantage of the opportunities offered by available land and a rising real estate market, the mayor and city council of the District of Columbia in 2003 established the Comprehensive Housing Strategy Task Force. They charged the task force with assessing the quality and availability of housing for households at all income levels in the District and developing a set of public policy recommendations to address the housing needs of both current residents and another 100,000 people who are expected to take up residence in the District over the next 10 years. In particular, the mayor and council asked that the task force recommend ways to:

- preserve and create mixed-income neighborhoods;
- improve rental housing, including by having regulations have a more positive impact;
- increase homeownership opportunities for households at all income levels;
- prevent the involuntary displacement of long-term residents;
- make housing available to those with special needs; and
- improve the quality of workforce housing and ensure that District residents can obtain it.

This report is the product of the deliberations of the Comprehensive Housing Strategy Task Force. Since 2003, the Comprehensive Housing Strategy Task Force has

[67] City of Atlanta, Office of the Mayor, “A Vision for Housing in Atlanta: Great Housing in Great Neighborhoods,” August 2002; City of Atlanta, “Atlanta Pursues Affordable Housing,” City Newsbytes, July 27, 2004.

held numerous public hearings, countless numbers of committee meetings, and generated voluminous statistical analyses of the needs and costs for new housing for the District for the next ten years.

Goals and a Vision for Washington, D.C. Inform the Strategy

In devising a strategy for the future, the Comprehensive Housing Strategy Task Force has been guided by several goals set out in its charge in its authorizing legislation. The first goal is to preserve and create mixed-income neighborhoods, thereby enhancing civic life and avoiding the problems of concentrated poverty. The second goal is to encourage and provide homes for a net increase of 100,000 residents to the District. This goal will be achieved not only by continuing to attract new residents but also by retaining both new and current residents.

The third goal, which supports and encompasses the previous two, is to help realize the “Vision for an Inclusive City” laid out in the framework for the Washington, D. C. Comprehensive Plan Update. This vision entails overcoming the barriers of race, education, income, and geography. Growing inclusively will give residents the most choices as to where to live, how and where to earn, how to move through the city, and where children attend school. The vision of an inclusive city means ensuring that new and old neighborhoods are attractive places to live, work, shop, and recreate. It postulates revived neighborhoods and reduced concentrations of poverty. The vision depends not only upon increasing access to education and employment and connecting different areas through good transportation and public thoroughfares, but also on creating housing. Developing homes for households with a range of incomes in different areas of the city, the task force believes, is crucial to creating an inclusive city.

Finally, the Task Force members believe that the ultimate solution of the housing needs of the District lies in remedying the region’s housing needs. Although this goal is beyond the scope of the Task Force, it is important that the leaders of the District and its neighbors understand the regional nature of the housing problem.

A COMPREHENSIVE HOUSING STRATEGY FOR WASHINGTON, D.C

Recommendations

Recommendation 1: The District of Columbia should adopt a plan to implement its "Vision for Growing an Inclusive City" by increasing residential development and preservation throughout the city.

The Comprehensive Housing Strategy Task Force endorses the mayor's goal of increasing the population by 100,000. This can be achieved through a combination of retaining current residents and attracting and retaining new residents. As recently as 1970, the population of the District of Columbia was 756,000, but by 2000 net out-migration, especially of moderate-income families with children, reduced the population to 572,000. We believe that raising the city's population to 672,000 by 2020 is an ambitious but achievable objective. Washington, D.C., is at the core of a rapidly growing and thriving region that is slated to increase in size by one million people by 2020. In order for the city to reach its goal, it need only capture one-tenth of the region's projected growth. This target seems eminently reachable, especially given that a significant number of people are moving back to the central city both here and in other strong-market cities. And the task force believes that implementing the recommendations in this report will result in the retention of more current residents who would otherwise move out.

Increasing the population will make the District of Columbia more prosperous. It will add to the number of jobs available to Washingtonians. It will enhance the tax base so that more revenue is available to improve public services. Growth will also make neighborhood businesses more profitable by increasing the numbers of customers. Adding diverse types of housing units will expand the housing choices for existing residents and offer more opportunities for affordable housing throughout the city.

1.1The District should increase the net supply of housing by at least 55,000 units by 2020 to reduce upward pressure on housing prices and rents and accommodate a growing population.

The District must increase the stock of assisted and market-rate housing by working collaboratively with developers, builders, non-profits, and financial institutions. This will have a direct impact on the physical and social fabric of the city. Residential use represents the vast majority of land use in the city and drives the development of related uses, such as retail, recreation, and civic amenities. The manner in which we add to the stock of housing will affect the overall growth of the city and the character, design, and quality of its neighborhoods. It will also improve the District's fiscal health, support regional "smart growth" goals, sustain local small businesses and retailers, and restore vibrant communities in areas that are now struggling to succeed.

Based upon an analysis provided by the Urban Institute with the support of the Fannie Mae Foundation, the task force estimates that a net increase of 55,000 units will be needed to house a population of 672, 000 (100,000 more than the population in 2000). This estimate assumes that average household size, which dropped in recent decades, will stabilize at 2.12 persons per household and is based on a decrease in the rate of out-migration by families with children. If household size continues to drop, a larger net increase in units would be needed to house the growth in population. The task force recommendations are designed to encourage families with children to reside in the city, thereby strengthening schools and neighborhoods.

To succeed in increasing the housing stock by 55,000 units, the District of Columbia government must move quickly to develop proposed "new neighborhoods" along the Anacostia waterfront and on other large publicly and privately owned sites. According to the Office of Planning's most recent estimates, 12,000 units of new housing could be developed on large sites that are largely or entirely publicly owned such as the Southwest Waterfront, the McMillan Reservoir, Public Reservation 13, the St. Elizabeth's East Campus and Poplar Point. The potential for as many as 20,000 more units has been identified on vacant and underutilized sites, primarily downtown, near Metrorail stations and along major corridors across the city.

1.2 *The location of new production envisioned by the task force should support a balanced growth policy, which will allow increases in population density.*

Achieving the goal of 55,000 new assisted and market-rate residential units by 2020 will necessitate more development and increased population density in many neighborhoods. This goal, consistent with "A Vision for Growing an Inclusive City," requires that growth be concentrated along major corridors, in other areas appropriate for transit-oriented development, as well as in the city's proposed "new neighborhoods" and "new communities."

The largest opportunity for development lies in the eastern half of the city, which has lost the most population. In the past, the majority of market-rate residential development and development in general has been concentrated in the western half of the city. As a result, Washington has experienced imbalanced economic and physical growth. Poverty, unemployment, and low educational attainment remain concentrated in the eastern half of the city. Looking towards the future, the city government should make sure its policy and planning decisions address this imbalance. Specific tools for increasing balanced development:

- Modifying current zoning to allow development of affordable and mixed income housing, especially on public parcels that are currently abandoned or under utilized.
- Lifting or modifying zoning restrictions that limit development of accessory apartments, granny flats, Single Room Occupancy, and cohousing facilities
- Rezoning commercially zoned land to residential, particularly along long commercial "strips" with high vacancy rates and patterns of disinvestment.

- Offering density bonuses for affordable housing that would increase capacity without large-scale rezoning.
- Granting density bonuses at transit stops, which will not only increase the number of residential units but also promote the use of public transportation
- Permitting increased density along major corridors where there is opportunity for mixed-use development and where such development would strengthen and provide economic opportunity for adjacent neighborhoods

1.3 *Both assisted and market-rate housing produced in the District of Columbia should adhere to high architectural and urban design standards, providing housing with amenities and access to transportation for all neighborhood residents.*

Agencies involved in the city's housing delivery system should focus not only on the amount of assisted housing produced and preserved, but the quality of the living environment that is created. The measure of quality should include high-grade construction materials, provision of open space, recreational amenities, safe access to public transportation, environmentally sustainable or green building practices, neighborhood schools, neighborhood retail options, and respect for neighborhood history and context.

Recommendation 2: The District should accelerate its efforts to preserve and increase high-quality affordable housing for both owners and renters.

The District of Columbia is losing affordable housing rapidly as rising housing prices and rents put housing out of reach of low and moderate-income households. The DC Fiscal Policy Institute recently estimated that rising rents alone caused a loss of 7,500 units with rent levels under $500 a month between 2000 and 2004. Over the same period, the number of homes valued at or below $150,000 decreased by 9,400. The District should channel part of the new revenues created by the strong housing market into a variety of programs that will both preserve the affordability of existing housing units and add new units to the stock that District families and individuals of low- to moderate-incomes can afford. These investments offer the opportunity to deconcentrate poverty and create mixed-income neighborhoods. In high-income neighborhoods, preserving existing affordable units is especially important given the relatively high cost of producing new affordable units.

A variety of programs (and amounts of subsidy) are needed to make housing affordable at different income levels. Therefore, we focus on four income ranges, all of which are defined relative to the median income for a family of four in the Washington, D.C., metropolitan area (AMI).[68] All four of these income ranges include working families (although the lowest ranges also include families and individuals with little or no earnings, some of whom receive low wages, TANF, disability or social security benefits).

[68] This "area median income" (AMI) is used by the Department of Housing and Urban Development to establish eligibility for various federal housing assistance programs.

Therefore, we provide examples of occupations that generate annual earnings within each of our income ranges (assuming a family of four):

Definitions based on Metropolitan Area Incomes	*Household Income Level*	*Annual Household Income*	*Example Employment by Income Level*
Extremely low-income	Below 30% of area median income	$0 - $26,790	Full-time parking lot attendant or food preparation worker
Very low-income	30% to 60% of area median income	$26,790 - $53,580	Full-time bookkeeper or firefighter; or a full-time parking lot attendant plus a full-time food preparation worker
Low-income	60% to 80% of area median income	$53,580 - $71,440	Full-time nurse or librarian; or a full-time firefighter plus a full-time receptionist
Moderate-income	80% to 120% of area median income	$71,440 - $107,160	Full-time computer system manager; or a full-time nurse plus a full-time book-keeper

The task force recommendations that follow describe an array of policy and program tools designed to address the full range of interventions – preservation and new production, ownership and rental, assisted and unassisted. Priority attention and deeper subsidies should be directed to the lower-income categories in the above matrix. Subsidies for those in the moderate-income range should be shallow, be used selectively in neighborhoods to promote homeownership and mixed income rental housing, and rely on existing programs including tax incentives and streamlined regulatory processes. Preserving and building a large number of affordable housing units in the city will require skillful mobilization of funding from multiple sources and a variety of tools. The District should use all the federal housing program funds for which it is eligible as quickly and efficiently as possible and seek additional resources for which it is eligible. It should supplement the federal funding from its own sources, increasing these by channeling additional revenues into the Housing Production Trust Fund. The city government should increase its monitoring of subsidized units to ensure that owners are complying with the long-term affordability requirements that accompany certain types of local and federal funding.

2.1. *The District must give priority to* ***preserving*** *at least 30,000 existing affordable units.*

More than 50 percent of existing housing units in the District of Columbia are rental units. Renters are more likely than homeowners to experience severe housing-cost burden, meaning that they spend over 50% of the household income on housing. Therefore the city must have a strategy specifically targeted at maintaining that housing stock and keeping a portion of it affordable to low income renters. Preserving existing affordable housing is usually much less costly than producing new affordable housing, particularly if the current owner agrees to maintain affordability. Therefore, the District of Columbia should:

- Preserve all existing units assisted with project-based Section 8 and other federal programs by working with HUD to extend these subsidies and improve troubled properties, using its own resources to augment these efforts as needed.
    - The District should ask HUD and the Congress to institute a moratorium on project-based Section 8 contract terminations prior to contract expiration.
    - The District should consider legislation that would give it the right to purchase assisted, multifamily properties (and maintain operating subsidies) where contracts are being terminated by HUD or where owners are choosing to opt out of contracts.
    - The District should implement the program enacted in 2002 that abates the increment in real property taxes for project-based Section 8 facilities and give consideration to extending the abatement to full property tax relief.
- Develop legislation that would allow the District to buy existing affordable rental buildings that are for sale and at risk of being converted to condominiums or being upgraded to luxury apartments should tenants not exercise their right to purchase. This could be accomplished through a land bank and other devices through which the government or it surrogate purchase affordable rental properties as they become available and thus are preserved at their affordable levels. It could also be accomplished by having the government assign the right to purchase the rental property to an affordable housing organization that will preserve it permanently.
- Create a program that provides owners of existing rental housing low-cost financing or other incentives to upgrade their units and maintain affordability of those units long term.
    - The District should create an upfront rehabilitation grant program for owners of small apartment buildings similar to one that exists in Montgomery County. Use restrictions, in terms of income levels of households served, could be tied to the grants. This program will only work in concert with a vigorous enforcement of the codes to avoid rewarding bad landlords who have let their buildings go to seed. The program could also function with an “early warning system”; grant applicants planning rehabilitation would have to give notice to the appropriate city authorities 12 months in advance.

  - To moderate rent increases, the city should offer tax abatement and other incentives to owners of small rental buildings to offset rehabilitation expenses.
- Provide increased levels of subsidy to tenants or their development partners who wish to create or preserve affordability and improve existing rental properties that are put up for sale or converted to condominiums.
- Require a set-aside of 20% affordable units in all condo conversions. The program should be modeled after the senior set-aside under current law. This will ensure that at least some affordability will be preserved whenever units are converted to condominiums. This recommendation is especially important in light of the current housing market in which condo conversions are perhaps the greatest threat to the existing stock of affordable rental units.
- Support the efforts of affordable housing developers who wish to acquire and renovate existing buildings to preserve or provide new affordable housing by making increased levels of subsidy available for pre-development, acquisition, and rehabilitation.
- Augment acquisition-predevelopment funds (as described in 2.2 below).
- Create tax incentives and reduce fees (as described in 2.2 below).

2.2 *The city should use federal programs and its own resources to ensure that at least 19,000 (or one- third) of the* ***new units*** *built in the city are affordable on a long-term basis.*

A portion of the anticipated newly constructed 55,000 units in the city should be used to increase the number of affordable units. Although about two-thirds of these units are expected to be market rate, the other third (approximately 19,000 units) should be subsidized to ensure they are affordable to residents of the District of Columbia with a wide range of incomes up to 80% of AMI who need some level of subsidy in order to access housing. Progressively deeper subsidies should be made available to low, very low, and extremely low-income households.

The task force recommends that newly produced subsidized units be allocated roughly as follows:

- 7,600 units should be affordable to households with annual income of less than $26,790 per year (30% of AMI)
- 5,700 units affordable for households with annual incomes between $26,790 and $53,580 (30-60% of AMI)
- 5,700 units affordable to households with annual incomes between $53,580 and $71,440 (60-80% of AMI)
- About 4,400 of the new units should be accessible to people with physical disabilities. Housing for people with special needs should be integrated into neighborhoods throughout the city.

Shallow subsidies should be used to support moderate-income housing using existing programs including tax incentives.

The city government should enter into partnerships with private and non-profit developers so that public, private, and charitable funding can be used jointly to maximize the creation of affordable housing units. Other tools that should be used to expand affordable housing opportunities include:

- Establishing a mandatory inclusionary zoning requirement for newly constructed housing as soon as possible. [69]
- Supporting the formation of one or more community land trusts run by public, non-profit, or other community-based entities whose mission would be to acquire land and hold it long-term while providing long-term leases to developers of housing for both rental and for-sale units. This approach advances the important objective of creating "permanent affordability" or guaranteeing that units remain affordable indefinitely.
- Encouraging the National Capital Revitalization Corporation (NCRC) land acquisition policy, as well as the creation of a privately managed land trust, all with the objective of targeting acquisitions to areas with high public investments or escalating property values to capture created value and promote housing affordability.
- Augmenting existing acquisition-predevelopment funds to help nonprofit and for-profit developers more quickly buy land, housing and complementary commercial or retail properties at greater scale in targeted lower-income neighborhoods.
- Creating tax incentives and reducing fees for obtaining public services (PEPCO, WASA, Washington Gas) and building permits for nonprofit and for profit developers of affordable housing.

2.3 *The District should strive to increase the city's homeownership rate to 44 percent***.**

The task force believes that homeownership gives people a stake in the community and a chance to participate in its growing prosperity. The city's homeowner rate is about 41 percent, and the task force believes that over time a special effort to encourage homeownership could push the rate to at least 44 percent. Special efforts should be made to encourage city workers, such as police, firefighters, and teachers, to become homeowners in the city. Programs should target working families with incomes in the 50-120 percent of AMI range. Policies that will increase the rate of homeownership should include:

- Strengthening the city government's existing Employer Assisted Housing (EAH) program that provides down payment and closing cost assistance to city government workers; increasing the amount of EAH awards and removing limitations on qualifying workers combining Home Purchase Assistance Program and EAH assistance. The government should also encourage private employers to develop EAH programs as a part of their workers' benefits package by providing grants, forgivable loans, and onsite homeownership seminars to encourage workers to live where they work. The city government should work with the National Capital Planning Commission

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[69] Task Force member Chris Smith opposes mandatory inclusionary zoning in the District and dissents from this recommendation.

to determine whether a federal EAH pilot can be devised for the District of Columbia to assist income-eligible federal workers located in the city.

- Implementing the 2002 city ordinance that provides a tax credit for low-income, long-term homeowners to help them maintain their homes.
- Investing in programs that support Individual Development Accounts that assist low-income persons to save for first-time home purchases.
- Revising the disposition strategy of the Home Again Initiative to focus on creating affordable homeownership units in strong-market areas and market-rate homeownership in weak-market areas of the city.
- Encouraging homeownership programs. Improving and targeting homeownership financing, counseling, and other resources to very low-, low-, and moderate-income homeowners. District funding for these activities should be increased, while improving oversight and management.
- Examining the feasibility of matching the Federal first-time homebuyer tax credit with a District of Columbia tax credit for homebuyers in distressed or emerging neighborhoods.
- Creating a grant or no-interest loan program to help low-income homeowners in historic districts repair and maintain their homes.
- Increasing assistance to tenants seeking to purchase their units. The city should review the experience of the Tenant Purchase program in preserving affordable housing for existing residents and enhance current means of providing technical, financial, legal, organizing, and language assistance to tenants in exercising purchase rights. The process would be improved through dialogue among tenants, landlords, developers, city officials, tenant counseling services, and other interested parties. We commend the mayor and city council for authorizing a task force that will balance the interests of tenants, owners, and developers and make recommendations for improvement.
- Ensuring that non English speaking tenants and homeowners have access to all programs dedicated to increase homeownership and tenant assistance by providing application forms and information documents in languages such as Spanish, Chinese and Korean.

2.4 *The city should directly assist an additional 14,600 extremely low-income renter households.*

In addition to increasing the production of new affordable units and preservation of existing affordable housing, the city should supplement the rents of residents with an unaffordable housing burden. The existing programs that subsidize rents are federally funded and include public housing, Project-based Section 8 housing, and the Housing Choice Voucher Program (HCVP). After 2006, if current trends continue, the District of Columbia Housing Authority (DCHA) projects deficits in the program that will require cut backs in support for vouchers of more than 250 households per year. The city should continue its support of the HCVP in order to preserve rent subsidies for the current level of 10,000 households.

In addition, several new initiatives, underway or being considered could provide housing to some residents with severe housing burdens. Local rent subsidy should be provided for the following:

- An immediate effort by DCHA to partner with private affordable housing providers and the District government to use a revised subsidy-only protocol to efficiently create 1,000 additional units of housing, subsidized under the public housing Annual Contributions Contract (ACC). Local matching financial support will be needed to make such partnerships feasible.
- The mayor's "Homeless No More" initiative that would develop and/or subsidize 2,000 units of single-room occupancy (SRO) or other modest housing with dedicated supportive services as well as 1,000 units of SRO or other modest housing and 3,000 units of family housing linked with community-based services, all affordable to people earning below 20% of AMI. A local rent subsidy either tied to the production of units or to leased units is needed in order to cover the operating costs of units under this initiative.
- In addition, a local rent subsidy tied to the production of new units in order to cover the operating cost of the proposed goal to produce 7,600 new units targeted at meeting the needs of households at or below 30 percent of AMI. [70]
- Revival/strengthening of an emergency assistance program, at least for rent, mortgage, and/or utilities expenses for very low-income families to prevent homelessness.

The fundamental problem of the city's lowest income population is just that: low-income. As discussed further in Recommendation 6, the city should focus greatly increased attention on raising the incomes of residents through education, training, and job placement programs. The city should also consider increasing its minimum wage and instituting a living-wage requirement.

2.5 *The city should undertake a multi-year, mixed media, public service announcement campaign focused on the housing affordability challenge with the objective of providing a strong case in support of the social and economic advantages of a progressive and inclusive housing plan for the District*.

2.6 *The District government should review and modify as needed the existing grant and loan requirements and procedures tied to the Housing Production Trust Fund to ensure that the current funds are utilized efficiently, effectively and flexibly.*

The District should streamline and simply all funding processes to make its investment capital available on a timely and efficient basis.

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[70] Task Force member Stanley Jackson dissents, stating that this level of additional rental assistance does not provide for a decline in need over time. Mr. Jackson states that if one takes into account a more balanced distribution of responsibility for the region's poor as well as the improvement of economic circumstances of those for whom the city is responsible, the number of locally funded vouchers should decline over the 15 year term.

2.7. *To pay for these new and expanded programs, the city should identify and tap new sources of revenue for the Housing Production Trust Fund to support subsidies needed to keep homeownership and rental housing affordable.*

The task force believes that the city should seize the opportunity created by the currently strong real-estate market to channel more resources into the Housing Production Trust Fund to pay for the affordable housing initiatives proposed in this report. Specifically:

- Increase the portion of the deed recordation tax dedicated to the Trust Fund from 15 percent to 20 percent.
- Restore the level of the deed recordation tax to 1.5 percent (the level from which Council recently dropped it to 1.1 percent) and dedicate the entire proceeds from the 0.4 percent increment to the Housing Production Trust Fund (equal to approximately $130 million in 2005).
- Earmark a small percent (perhaps 5 percent) of the increase in revenue from residential real estate taxes over a base year for the Housing Production Trust Fund.
- Require a direct linkage fee for some types of commercial-residential development to the Housing Production Trust Fund.
- Require commercial developers granted planned-unit development (PUD) zoning to contribute a fee to the Housing Production Trust Fund to fulfill their affordable housing requirement.

2.8 *The District's Rent Control program is one tool for moderating affordability of older rental properties, one that provides benefits for long term residents, especially the elderly.*

As constructed, the law seeks to balance the interests of landlords and tenants. In considering refinements to the rent control program in the future, the District should be careful to determine whether any proposed changes improve effectiveness, fairness and affordability without discouraging maintenance and preservation of rental housing units.

The District's rent control program allows owners to increase both rent ceilings and actual rents on a regular basis to meet landlord's operating needs while at the same time providing some moderation in rental increases for tenants. As such, it attempts to provide a balance between the desire to maintain a degree of rent affordability across the city in properties built before 1975 and the need of the owners of these rental properties to secure an adequate return on investment and collect sufficient rents to maintain units in good working order. Attempting to strike or maintain this balance is difficult at best.

The District's rent control program is not means-tested and thus the benefits accrue to tenants regardless of their income. Data about those living in rent-controlled units is not available, but some evidence indicates that the affordability benefits of rent control best serve long term tenants. And, based on the limited information available, it appears that many long-term residents are elderly. Further, information on the rental market generally suggests that the current rent control law is not a significant factor driving landlords to disinvest in older rental properties.

Recommendation 3: The District should direct public and private funds toward developing attractive mixed-income neighborhoods in all parts of the city and especially in the "new neighborhoods."

Many of the city's neighborhoods are changing rapidly, and others will change in the future. The city must strategically manage neighborhood change to preserve the character of stable neighborhoods and make blighted ones more attractive and livable. It should encourage higher-density development along major transportation corridors and around subway stations of the Washington Metropolitan Area Transit Authority. It should create transition zones between higher-density and lower-density areas where feasible. And it should work to create mixed-income neighborhoods in the "new neighborhoods" that are now being planned for large development parcels of government-owned land.

3.1 The city should choose existing neighborhoods with the potential for sustained improvement and coordinate its investments in them, targeting a limited number of neighborhoods at a time.

The point of targeting is to use public money effectively to make a visible difference and attract private and non-profit partners in revitalizing the neighborhood. Since large-scale, mixed-income housing developments require considerable public and private investment in land, buildings, and infrastructure, it is wise to leverage these investments with complementary support for schools, jobs, and other services in neighborhoods with available land, transportation, and other needed amenities. Under this strategy, development of new schools, libraries, recreation centers, and other facilities needed to support new housing would benefit from coordinated planning and, where possible, shared facilities. The Mayor's targeted Strategic Neighborhood Investment Program should be reassessed and reinvigorated.

3.2 The District should continue its successful efforts to transform distressed public and assisted housing projects into viable mixed-income neighborhoods, using federal public housing HOPE VI, capital and modernization funding, CDBG dollars, and its own resources.

The New Communities initiative is a promising example of a city-led partnership that has the potential to reduce crime, improve neighborhood schools, health services, and economic opportunities for public and assisted housing residents, and attract new residential and commercial investment to the neighborhood. The District should make every effort to ensure that current residents of these projects are protected and end up in better housing circumstances without permanent involuntary displacement.

3.3 The development of large parcels of public land (for example, as part of the Anacostia Waterfront Initiative) into "new neighborhoods" should provide housing affordable to all income levels and types of households.

It is essential that these "new neighborhoods" include well-planned retail, high-performing public schools, attractive parks and recreation for all, as well as needed supportive services, jobs and asset-building opportunities for low-income residents. In this regard, the task force applauds the District for setting aggressive affordable housing goals for the development of housing on land controlled by the Anacostia Waterfront Corporation, for example, and urges that plans to achieve the goals be implemented.

3.4 *Appropriate neighborhood scale retail should be encouraged through zoning changes, financial incentives, marketing, and recruitment efforts.*

Recommendation 4: **The District should integrate housing for persons with special needs into all types of housing in neighborhoods throughout the city.**

Among Washington's residents include people with special needs who require targeted and tailored help finding, paying for, and maintaining affordable housing. These include people without housing, seniors, people with physical disabilities, people living with HIV-AIDS, people with mental illness, adults reentering from correctional facilities, and youth being discharged from foster care and from the juvenile justice system. Except for persons with physical disabilities, however, most of these people do not need any special kind of housing. Rather they simply need affordable housing and the services that will help them lead normal lives in the community. The task force believes they should be integrated into neighborhoods in all parts of the city rather than segregated in special facilities in distressed neighborhoods. Strategies for doing this include using alternative sources for rent subsidies targeted to specific special needs populations, encouraging interagency collaboration among housing agencies and other agencies that service people with special needs, and concentrating on building up the supply of permanent affordable and permanent supportive housing rather than concentrating resources on short-term housing options. In order for these efforts to be effective, the city must take leadership in addressing "not in my backyard" issues. Funding for all these objectives must be mobilized from multiple sources, federal and local. These are specified as follows.

4.1 *The city should concentrate on permanent housing solutions for special-needs populations rather than building up short-term housing infrastructure.*

In the meantime, however, the city government must ensure that adequate short-term options exist, including shelter and transitional housing, housing for people living with HIV/AIDS, harm-reduction units for substance abusers, detoxification beds and residential treatment facilities, halfway houses and group homes for returning offenders, and assisted-living and end-of-life care for seniors.

4.2 *The city should coordinate housing and services funding in a way that supports special-needs populations in housing.*

People with special needs require services. Mentally ill people need treatment, youth need education, and people returning from prison need employment assistance. If they receive quality services, their housing subsidy requirements go down – either because they have higher incomes or they only need temporary subsidies. If they do not receive such services, they will need longer-term, higher-cost subsidies to be housed. Personnel in shelters, senior housing and mental health facilities should be trained how to interact and communicate with non-English speaking clientele.

4.3 *The city should follow the recommendations outlined in the mayor's report: "Homeless No More: A Strategy for Ending Homelessness in Washington, DC by 2014."*

Importantly, the city should provide 2,000 permanent supportive housing units for the chronically homeless and 4,000 units of housing for households below 20 percent of AMI and who are, or are at risk of becoming, homeless.

4.4 *The District's Department of Mental Health and the city's housing agencies should form an interagency task force to better coordinate services and housing financing.*

The city must take steps to improve coordination of services and housing financing, prevent the eviction of people with mental illness from publicly financed housing, and ensure that mentally ill people's housing is maintained if and when they need to be hospitalized. In addition, the Department of Mental Health should expand its program of investing in housing for homeless and mentally ill residents.

4.5 *The city should locate multifamily senior housing in neighborhoods with high proportions of senior-owned single family housing to foster turnover of single-family stock.*

Counseling on reverse equity mortgages and predatory lending should also be made available to seniors who own their own homes.

4.6. *The Department of Corrections should experiment with additional short-term rent subsidies for returning offenders and assess effects on recidivism.*

The District should also take steps to create adequate housing plans for people exiting jail or prison so that they do not become homeless. The city should remove all barriers to reentering offenders living in public housing, other than those required by federal law, in order to keep families together. In this connection, as in others, the city should have a zero-tolerance policy toward anyone who disregards the law.

4.7 *The child and family services agency should experiment with additional short-term rent subsidies for youth leaving foster care and expand independent living programs that include rent subsidy*.

The department should also identify intermediaries who can negotiate with landlords, sign leases, and provide 24/7 services to youth living independently in order to increase the housing stability of youth leaving public systems of care. The city should engage in discharge planning so that youth leaving foster care have a plan for stable housing before they exit the system.

4.8 *To address the needs of persons with physical disabilities and prepare for the rapidly increasing proportion of Washington, D. C., residents over 70 years of age, 8 percent of all units in the capital should be accessible to people with physical disabilities.*

These units should be spread evenly across affordability brackets. The city should include accessibility design requirements in their building code. In addition, the city should create financial incentives for landlords to retrofit units to make them accessible and estimate the cost of and create financial incentives for developers to build units that are assessable. The Department of Housing and Community Development should expand and better publicize its program that offers loans to low-income households who need to retrofit homes for disabled family members. Finally, there should be a registry of affordable, accessible housing in the District and an aggressive program of outreach to match these units with those in need.

4.9 *The city should never allow hospitals, foster care, jail, and prisons to discharge people into homeless shelters.*

Recommendation 5: The District should increase its administrative capacity to facilitate subsidized and market-rate housing production and renovation, manage housing programs efficiently, and should take steps to streamline its various housing programs.

Although progress has been made, many serious barriers impede housing construction and renovation in the District. Slow and cumbersome bureaucratic procedures make it unnecessarily difficult and expensive for developers—nonprofit and for-profit alike—to complete projects on time. Fear of encountering these barriers keeps some developers from undertaking projects in the city at all.

5.1 *The District should seek to better coordinate and streamline actions among the agencies that principally affect housing production and preservation.*

The mayor should designate a member of the cabinet as the “chief of housing”[71] to serve as the single point of accountability charged with coordinating, facilitating, enabling and implementing the city’s entire housing policy, including its role in achieving the *Vision for Growing an Inclusive City*. To be effective, the independent city housing and development agencies (DC Housing Authority, DC Housing Finance Agency, NCRC, and the Anacostia Waterfront Corporation) must coordinate their activities through the office of the chief of housing. The chief of housing should also have the authority to coordinate the city’s housing and development actions with related program and service activities of agencies such as the Departments of Transportation, Park and Recreation, Public Works, and Aging, as well as with the DC Public Schools.

The “chief of housing” should be charged with bringing about efficiencies and cost savings that will offset the costs related to the increased production and preservation of housing recommended by the Task Force. In part, these efficiencies will be brought about by improving the coordination of housing agencies in the District and creating accountability measures for them. Specific recommendations for improved coordination include:

- Simplified Request for Proposals processes for the development of assisted and mixed-income housing that are designed to encourage projects that are consistent with the overall District housing plan and policy;

[71] Task Force members Stanley Jackson, Michael Kelly, Milton Bailey, Ellen McCarthy, and Anthony Freeman dissent from this recommendation because they feel that the responsibilities of such a person currently resides with the Deputy Mayor for Planning and Economic Development and the creation of any further position would be a duplication.

- A short-form project readiness survey for production and preservation projects city-wide that will serve to provide the “chief of housing” and the housing agencies with an indication of the pipeline of projects that will be submitting applications for funding during the next twelve months. This will give agency leaders some forward-looking ability to assess how the projects will fit into the city’s overall plan/strategy for assisted housing development. A secondary purpose would be to provide developers with an early indication of the likelihood of receiving funding before undertaking significant pre-development expenses that are needed for the submission of the various funding applications;
- A consolidated review process that brings together all the District housing related agencies to make decisions regarding the allocation of public resources. This review would ensure that the proposed projects are in line with the overall development and preservation plan and strategy for the District and optimize resource sharing across agencies;
- Greater uniformity in the underwriting guidelines used by housing funding agencies in the District; and
- A pre-qualification process that allows developers who repeatedly apply for funding in the District, and have a proven track record, to use a substantially streamlined application process.

5.2 The District must provide the critical regulatory agencies that now pose significant barriers to production with the resources necessary to enable developers to respond to market demand.

In particular, the Mayor, City Administrator, and City Council should strongly support the Department of Consumer and Regulatory Affairs (DCRA) director in his efforts to substantially improve the performance of his agency.

- DCRA’s plan review, permitting and inspection system for housing development requires wholesale reform.
- Major investments in staff development, improved management, and information technology are necessary.
- Other entities involved in approving development proposals – including the District Department of Transportation, the Health Department, District of Columbia Water and Sewer Authority, Washington Gas, and PEPCO – must streamline and accelerate their review processes.

5.3 The District should create a centralized, high-quality data bank that would allow developers and policy makers to make better-informed choices regarding investment and development.

Data regarding housing production, rehabilitation, affordability, and availability are scattered among various agencies and are often incomplete, out of date, or inaccurate. This work should be done in collaboration with the housing database development and monitoring activity already underway in the city’s non-profit community and various research organizations.

5.4 *These public agencies should be much more proactive in their outreach to and coordination with nonprofit partners, helping build their capacity to enhance production of affordable housing, especially for people with special needs.*

5.5 The government should consider instituting a "site plan review process".

The purpose of a site plan review process would be to bring all relevant agencies and utility companies to the table to go over proposed developments before the formal plan-review process is triggered so that issues and problems are identified at the very beginning of the process. Implementing such a process would require strong leadership from the Mayor's Office to hold agency heads accountable for its success, or such an approach would inevitably wither.

5.6 *The District should update and modernize its housing code, especially in the area of "smart housing rehabilitation codes," as well as the possible use of a "form-based code" that would focus more on health, safety, and community quality-of-life results and less on the technologies for achieving those results*.

As soon as the city's new Comprehensive Plan is approved, a major revision to the Zoning Regulations should be pursued. The existing regulations have not been comprehensively updated since 1958.

5.7 Consideration should be given to a modified, simpler PUD process in the Office of Planning for smaller projects where what is being sought for the project is relatively routine or already in place in other buildings in the same area of the city.

5.8 Persistent housing code violations should be addressed through negotiated sales to nonprofits or by putting properties in receivership. Additional options include housing court, tenants' rights education programs, and relocation.

5.9 City agencies that deal with housing should be culturally and linguistically competent and accessible to people with physical disabilities.

District services and information should be promoted and available in English, Spanish, Chinese, Korean, and any other languages designated by the Mayor. Personnel in shelters, senior housing and mental health facilities must be trained to interact with the non English-speaking population.

5.10 Relevant city government employees should be well versed in and dedicated to the application of Fair Housing Act policies.

The District should undertake a strict Fair Housing Act education program for all relevant public officials to ensure they are familiar with the act and their responsibilities in its enforcement. The city should better educate the public about the precepts of the Fair Housing Act for all protected classes. These activities will significantly reduce the enormous amount of resources and time wasted by people unaware of these laws. The Task Force is aware that the Department of Housing and Community Development is currently updating the Analysis of Impediments to Fair Housing Choice report for the

District. We expect that this report will contain additional useful guidance on how to further fair housing in the city.

Recommendation 6: Since housing programs alone cannot create a livable, inclusive city, all city departments should work effectively to attract and retain residents, especially families with children, by improving schools, public safety, health care, recreation, transportation, air and water quality, and city amenities.

6.1 *Housing programs should be an important part – but only one part – of the city's overall strategy to reduce and deconcentrate poverty and revitalize neighborhoods.*

As it was charged to do, the task force has focused on housing strategy. However, we cannot overemphasize that housing policy must be well coordinated with other city government efforts to create opportunities for its low-income citizens to move into the middle class. The spatial concentration of poor households is more extreme in the District than in most other cities, and, unlike most other cities, concentrated poverty increased in the District in the 1990s. The government must coordinate its housing policy with its other efforts to ensure opportunities for its low-income citizens to enter the middle class. This involves quickly improving the performance of public schools, augmenting the District's employment and skills development programs through industry links and career advancement initiatives, and better orienting services such as daycare, after-school, and transportation programs in support of low-income working families. The presence of good quality schools is the single most important factor in attracting and retaining families with children at the neighborhood level. Progress toward excellent schools is essential.

6.2 *Capital and operating expenditures for transportation, infrastructure, parks, public safety, and other amenities should reflect neighborhood development priorities.*

Public facilities, including human services agencies, must be sited and planned to reinforce neighborhoods. Budgeting and planning for the District of Columbia Public Schools should be aligned with neighborhood development and revitalization goals. Public safety policies, including community policing, should seek to reinforce neighborhoods.

6.3 *A number of under-utilized funding streams could be redirected and coordinated to better reinforce neighborhood development.*

Candidates for such treatment include the neighborhood planning work and funding programs at the Department of Housing and Community Development, Office of Planning, and the Home Again Program. Additionally, dedicated, multi-year funding streams should be considered for the Strategic Neighborhood Investment Program to catalyze consistent neighborhood revitalization efforts across agencies.

6.4 *Washington's government should actively encourage the District of Columbia Public Schools, local institutions of higher education, and major area employers to work collaboratively to improve adult literacy, stimulate education-to-work initiatives and workforce-employment programming.*

Recommendation 7: The Mayor and City Council should take immediate steps to implement the recommendations of the Comprehensive Housing Strategy Task Force.

7.1 *Not more than 90 days after the Task Force presents its report to the Mayor and Council, the Mayor should designate a member of the cabinet as the "Chief of Housing" as described in recommendation 5.1 of the Report.*

7.2 *Not more than 180 days after the Task Force presents its report to the Council and Mayor, the Council should convene a public roundtable at which the Chief of Housing and city housing and development agencies, including independent agencies, are asked to testify on their plans for implementing the Report's recommendations.*

7.3 *The DC Council should amend Section 5 of the Comprehensive Housing Strategy Act of 2003 to extend the life of the Comprehensive Housing Strategy Task Force for the purpose of appointing from its current membership an Oversight Committee charged with monitoring and reporting annually to the Mayor and Council on the implementation of the Report until a new task force is appointed to update the Comprehensive Housing Strategy (no later than 5 years after the Task Force presents its report to the Mayor and Council).*

The person designated by the Mayor as the Chief of Housing should staff the Oversight Committee. Required monitoring should be based on the integrated database development work being undertaken by the city and the nonprofit community as noted in Recommendation 5.3.

7.4 *The Mayor should report annually as required by the Comprehensive Housing Strategy Act of 2003 to the Council regarding the implementation of the Comprehensive Housing Strategy, with the first report submitted no more than one year after the Task Force presents its report to the Mayor and Council.*

7.5 *The Council should hold a public roundtable annually to review the reports submitted by the Mayor and the Comprehensive Housing Strategy Task Force Oversight Committee.*

Paying for the Recommendations

To finance its recommendations, the Comprehensive Housing Strategy Task Force proposes that the District draw on both the current flow of city and federal funds now being used for housing-related programs and the several additional revenue sources described in Section 2.7 above. The table that follows details the likely costs of the recommended major initiatives and the resources identified to cover these costs. Both categories are shown in annual terms as well as over the next fifteen years, the period of time the Task Force estimates will be needed for the city to grow its overall population by 100,000 residents if these recommendations are fully implemented.

The Task Force recognizes that carrying out its many recommendations depends upon the availability of funds both from current sources and the new revenues identified in this report. To the extent to which the Task Force's revenue projections are not met, spending would need to be adjusted accordingly. The Task Force also understands that the District is regularly faced with major fiscal challenges and must prioritize among the range of needs for important public programs in areas such as schools, health care, public safety, transportation and the like, as well as for housing and community development.

Comprehensive Housing Strategy Task Force Recommendations
Paying for the Recommendations

31-Jan -06

Recommended Uses	Annual Cost (2005$)	15 Year Cost (2005$)
Production		
19,250 Affordable Units[1]	$78,900,000	$1,183,500,000
35,411 Market Rate Units	0	0
Land Cost: Affordable Units	79,120,000	1,186,800,000
Preservation		
Preserve/Rehab 1,600 units of affordable housing per year[2]	100,800,000	1,512,000,000
Preserve/Rehab Remaining Project Based Section 8 Units (6,560 units)[3]	27,600,000	414,000,000
Rent Subsidy [4]		
Emergency Assistance Fund	20,000,000	300,000,000
Preserve HCVP rent subsidies for 10,000 units	6,900,000	103,500,000
Supplemental rent subsidy for 1,000 units of public housing	3,500,000	52,500,000
Rent subsidy for 7,627 units of new housing production	38,600,000	579,000,000
Rent subsidy for 3,000 SRO units	7,200,000	108,000,000
Rent subsidy for 3,000 family units	16,200,000	243,000,000
Homeownership		
HPAP/MPAP/VPAP/EAHP[5]	5,500,000	82,500,000
Homeownership Counseling/Assistance	10,000,000	150,000,000
Matching federal first time homebuyer tax credit in distressed, emerging neighborhoods (1000 units per year)	5,000,000	75,000,000
Total Uses	***$399,320,000***	***$5,989,800,000***
Existing Sources		
Local		
Housing Production Trust Fund[6]	$51,000,000	$765,000,000
Dept. Mental Health - Housing[7]	5,000,000	75,000,000
Federal[8]		-
CDBG	12,000,000	180,000,000
HOME	8,000,000	120,000,000
CDBG and Local (HPAP, etc./Counseling)[9]	15,000,000	225,000,000
Equity		-
LIHTC 4% (DCHFA)	58,700,000	880,500,000
LIHTC 9% (DHCD)	10,000,000	150,000,000
Bond		-
Tax Exempt Bonds (DCHFA)[10]	31,900,000	478,500,000
Indirect Source		-
Inclusionary Zoning[11]	10,600,000	159,000,000
Total Sources - Existing	***$202,200,000***	**3,033,000,000**

Analysis	Annual	Total - 15 Yrs.
Total Cost of Major Recommendations	$399,320,000	$5,989,800,000
Total Existing Sources	202,200,000	3,033,000,000
Shortfall Against Existing Sources	-$197,120,000	-$2,956,800,000

The Task Force has recommended 4 new sources of revenue

Potential New Sources	**Available Annually (2005$)**	**Available over 15 Yrs. (2005$)**
Increase the portion of the Deed Recordation and Transfer Tax dedicated to the HPTF from 15% to 20%	$18,000,000	$270,000,000
Increase deed recordation and transfer tax from 1.1% to 1.5% and dedicate full 0.4% increment to HPTF	130,200,000	1,953,000,000
Dedicated 5% of new real estate taxes from net new residents	48,200,000	723,000,000
Commercial Linkage Fees[12]	3,000,000	45,000,000
Total New Sources	$199,400,000	$2,991,000,000

Summary: Uses vs. All New + Existing Sources	**Annual**	**Total - 15 Yrs.**
Total Cost of Major Recommendations	**$399,320,000**	**$5,989,800,000**
Existing Sources	$202,200,000	$3,033,000,000
Shortfall	-$197,120,000	-$2,956,800,000
All Potential New Sources	$199,400,000	$2,991,000,000
Total Sources in Excess of Uses	**$2,280,000**	**$34,200,000**

NOTES

1 - The cost of land is not included in the production subsidy due to differences in land cost by location. See detailed production subsidy worksheet for assumptions and calculation details.

2 - Assumes preservation and rehab of units. Subsidy p/unit $63,000. Does not include preservation of Project Based Section 8 units. See detailed preservation worksheet.

3- Assumes preservation and rehabilitation of units. Average subsidy of $63,000 p/unit. See detailed preservation worksheet.

4 - See detailed rent subsidy worksheet for additional information.

5 - Targeted Home Purchase Assistance programs for income restricted buyers and DC Government Employees. HPAP: $1.5 million, MPAP: $200,000, VPAP: $3.3 million, EAHP $500,000 per annum.

6 - Less 5% administrative costs

7- Restricted funds for housing for specific special needs populations.

8 - FY2006 Allocation from HUD.

9 - This accounts for 250 loans annually, based upon estimated goals of program. The program is being modified to allow larger loan amounts in order to address increased home values.

10 - DCHFA bond authority annual subsidy is estimated to be the present value of the savings in interest paid between tax-exempt bond financing and conventional financing on the $235,000,000 annual bond cap over a 15 year period. DCHFA has up to $322million in unspent bond cap that will expire within the next 2 yrs. The resource has not been included above.

11- Estimated at 9% of market rate production valued at $50,000 per unit.

12- Estimate based on income generated in comparable markets.