

Housing in the Nation's Capital

2005

Foreword	2
About the Authors	4
Acknowledgments	4
Executive Summary	5
Introduction	12
Chapter 1	
City Revitalization and Regional Context	15
Chapter 2	
Contrasts Across the District's Neighborhoods	20
Chapter 3	
Homeownership Out of Reach	29
Chapter 4	
Narrowing Rental Options	35
Chapter 5	
Closing the Gap	43
Endnotes	53
References	56
Appendices	57

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Foreword

Last year's *Housing in the Nation's Capital* adopted a regional perspective to illuminate the housing affordability challenges confronting Washington, D.C. The report showed that the region's strong but geographically unbalanced growth is fueling sprawl, degrading the environment, and — most ominously — straining the capacity of working families to find homes they can afford. The report provided a portrait of a region under stress, struggling against forces with the potential to do real harm to the quality of life throughout the Washington metropolitan area.

This year's report uses a different, more focused lens. It zooms in on the District of Columbia and documents the impact of the region's prosperity on the city's residential revitalization. The vigor of the District's recent resurgence makes it easy to forget that the city has come a very long way in a very short time. Only a decade ago, home prices were falling, households were fleeing, and housing development was declining. Today, these trends have been reversed. Home prices are increasing at double-digit rates, the city is adding households, and homebuilding is occurring at a rate not seen in decades. Listless stagnation has given way to robust development.

These trends provide cause for celebration. The District stands at the center of what is arguably the nation's strongest regional economy, and the city's housing market is sizzling. But these facts mask a much more somber reality, one of mounting hardship and declining opportunity for many District families. Home price escalation is squeezing families — especially minority and working families — out of the city's housing market. Between 2000 and 2003, the share of minority home buyers in the District fell from 43 percent to 37 percent. The share of city home buyers with modest incomes is declining at an even faster clip. And in the city's rental market, the proportion of households spending more than half their income for housing has jumped from 18 to 23 percent in just four years.

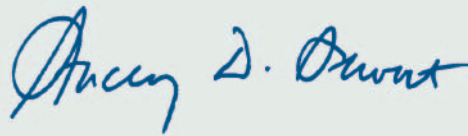
These are not salutary trends. And combating them will not be easy. It will require a new way of thinking — a way of thinking attuned to the differing needs of differing neighborhoods and skeptical of one-size-fits-all solutions. Although all District neighborhoods have experienced a more robust housing market in recent years, substantial differences in market conditions persist across the city. Sensitivity to these differences is essential.

For this reason, the 2005 edition of *Housing in the Nation's Capital* first looks closely at these *intracity* differences, then derives from them a neighborhood typology consisting of seven distinct types of neighborhoods. The report shows how this new neighborhood typology can facilitate the development of flexible, targeted, geographically nuanced housing and community development strategies.

This new neighborhood framework and the policy development work of the city's Comprehensive Housing Strategy Task Force are important steps toward more targeted (and therefore more effective) housing strategies for the District. But targeted strategies also demand tools for monitoring rapidly changing market conditions and providing decision makers with accurate, detailed, neighborhood-specific information.

Building on the analysis in this year's *Housing in the Nation's Capital*, the Fannie Mae Foundation is now working with the Urban Institute, city government, and community organizations to meet this imperative by developing a Neighborhood Assessment System (NAS) for the District. The NAS will produce quarterly housing market reports for all city neighborhoods and will help decision makers identify and pursue opportunities to preserve affordable housing.

The broad regional perspective of last year's *Housing in the Nation's Capital* and the more microscopic, neighborhood-focused perspective of this year's report are complementary. Each perspective is valuable, and each is necessary. Only by combining these perspectives, learning the lessons each teaches, can we envision and implement successful housing strategies for the region as a whole and for all of its constituent jurisdictions and neighborhoods.



Stacey D. Stewart
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Finally we greatly appreciate the comments and suggestions provided by a group of advisers convened by the Fannie Mae Foundation. And we acknowledge with appreciation the contributions of the Fannie Mae Foundation's publishing and design team: Carl Luty and Kathy Litzenberg. Of course, all errors and omissions remain the responsibility of the authors.

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Executive Summary

Housing in the Nation's Capital

The District of Columbia is a very different place today than it was 10 years ago. Job opportunities are expanding, private-sector investment is escalating, and housing construction is skyrocketing. Fueled in part by the sustained economic growth of the entire metropolitan region, the District has experienced a remarkable turnaround. Home prices in the District have risen at a double-digit pace since 2000, and rents are now rising faster in the city than in almost any other part of the region.

But the effects of this turnaround are not uniformly distributed. Some District neighborhoods — Mt. Pleasant and Capitol Hill, for example — are under intense market pressures. Others — including Deanwood and Congress Heights — remain weak. In the hottest markets, affordable housing is disappearing, limiting the options for lower-income households and potentially aggravating the concentration of poverty in lower-cost neighborhoods. Thus, although revitalization clearly brings new affluence to the city, it may also lead to increased hardship, fewer housing opportunities for low-income and minority households, and worsening distress for neighborhoods left behind.

To achieve a more equitable distribution of the benefits that prosperity creates, the District will need to ensure that more affordable housing choices are available throughout

the city. But that does not mean that the same strategies make sense for every neighborhood. One size does not fit all. To be effective, housing strategies should be tailored to the differing needs of the city's diverse neighborhoods.

City's Revitalization Gains Strength

Last year we reported that metropolitan Washington was arguably the nation's strongest region economically and that the region's prosperity was fueling revitalization in the District of Columbia. Today, while the suburbs still account for most of the region's sprawling growth, the District's revitalization continues to gain strength. City employment reached 672,000 in 2004, up from 650,000 in 2000, and the number of households choosing to live in the District is climbing. The housing sector has responded to the city's renewed

prosperity, with more than 1,900 building permits issued in 2004, 50 percent above the 2001–2003 average and more than six times the average for the 1990s (Figure ES.1).

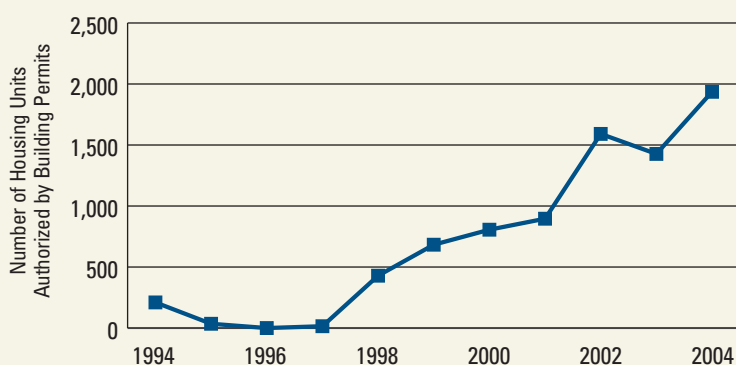
Other indicators also reflect the District’s increasing prosperity but raise concerns about a persistent and growing gap between the city’s haves and have-nots. For example, the share of college-educated adults is up significantly since 2000. The same is true of households with incomes above \$125,000. But this rising tide of affluence has done little for the city’s most vulnerable residents. The share of District elderly in poverty rose from 11.5 percent in 2000 to 14.4 percent in 2004. And stark contrasts persist across the city’s neighborhoods. For example, the unemployment rate is 10 times higher in Ward 8, east of the Anacostia River, than in Ward 3, west of Rock Creek Park.

Dwindling Affordable Housing Options

As the region’s economy continues to prosper, housing prices have continued to spiral upward. In 2004, the average price for homes sold in the region reached \$372,000, a 17 percent jump from just a year earlier (adjusted for inflation) and the fastest growth in this decade. Home prices and rents have increased at an unprecedented pace in the city as well. As a consequence, the District offers fewer housing options for people with low to moderate incomes, including many working families. In 2004, almost half of all single-family homes sold for more than \$400,000, far beyond the reach of most renters and many workers who provide key community services. In fact, as Figure ES.2 shows, more than 80 percent of the District’s current home sales market is now out of reach for a family supported by the salary of a school teacher.

Although information on rental market trends is more limited, the data show that District rents are rising along with home sales prices. Between 2003 and 2004, average rents in large multifamily buildings in the city increased nearly twice as fast as in the region as a whole. A substantial number of rental properties that have long provided affordable shelter for low- and moderate-income residents are being sold to new investors, renovated as luxury housing, or converted to condominiums.

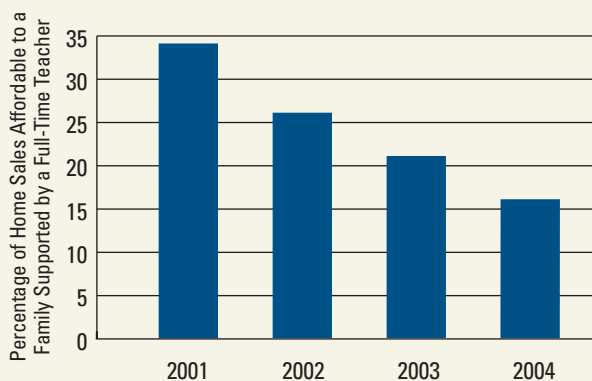
FIGURE ES.1: **Continued Revitalization in the District**



SOURCE: Data from U.S. Bureau of the Census, Building Permits Survey

Not surprisingly, therefore, the latest data show that the share of District renters who are *severely cost burdened* (defined by the U.S. Department of Housing and Urban Development as paying half or more of their monthly income on housing) jumped from 18 percent to 23 percent between 2000 and 2004. And the District's homeless population now stands at 6,026, up 3.4 percent over the past year.

FIGURE ES.2: **Fewer Options for Working Families in the District**



SOURCES: Data from District of Columbia Real Property Assessment File for sales data; U.S. Bureau of Labor Statistics, Occupational Employment Statistics for wage data

A Fresh Look at District Neighborhoods

District residents are well aware that nominal home prices have increased since the mid-1990s, but what is not so widely recognized is that the last decade encompasses two distinct eras — an era of price stagnation and an era of price escalation. From 1994 through 1999, the median house price actually declined slightly after adjusting for inflation. But in the

years since 1999, the median house price soared by 15.9 percent annually (adjusted for inflation).

Every neighborhood cluster in the city experienced real price increases between 1999 and 2004. Nonetheless, neighborhoods differ significantly in terms of both their starting price levels (low, medium, or high in 1994) and the current pace of price increases (moderate, rapid, or very rapid from 1999 to 2004). We have grouped the city's 39 neighborhood clusters into seven distinct types based on these price patterns. Each group is named for one of the neighborhood clusters that falls within it.

- **Deanwood group** — These nine clusters, all located east of the Anacostia River, were in the *low* price range as of 1994 and have experienced *moderate* housing price increases from 1999 to 2004.
- **Ivy City group** — This group, made up of four clusters (Ivy City is just west of the National Arboretum; Near Southeast is southeast of Capitol Hill; and Anacostia and Sheridan are east of the Anacostia River), is in the *low* price category and the *rapid* price increase range.
- **Takoma group** — These seven clusters, six located east of 16th Street and north of the Capitol and one (Fairfax Village) located east of the Anacostia River, are in the *medium* price range and are mostly experiencing *rapid* price increases.

- **Mt. Pleasant group** — These four clusters, located just north and east of downtown, are undergoing the most dramatic change of all. They were in the *low* price group in the mid-1990s but, in the past five years, have experienced *very rapid* price increases.
- **Capitol Hill group** — These two clusters (Capitol Hill and Howard University) are located in the same band of territory as the city's other hottest markets, but they are unique because they started in the *medium* price category.
- **Cleveland Park group** — These six clusters, mostly located west of Rock Creek Park, are in the *high* price range and have generally experienced *moderate* increases in this decade.
- **Downtown group** — These seven clusters, all of which have 73 percent or more of their housing units in structures with five or more units, have experienced *rapid* or *very rapid* price increases since 1999.

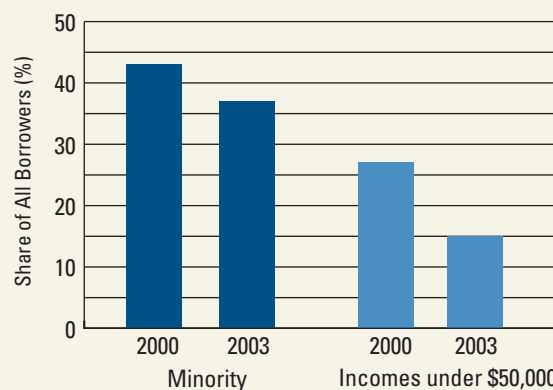
These neighborhood groups differ from one another not only with respect to housing market factors but along other important dimensions as well, including poverty, education, and residential stability. Thinking about the city's neighborhoods in this multidimensional way, rather than in terms of a traditional rich/poor distinction, highlights their individual strengths and challenges and can help inform more tailored and effective housing strategies.

Risk of Exclusion

As housing prices rise across the District, lower-income households and minorities represent a shrinking share of home buyers, especially in neighborhoods that are experiencing the most intense market pressures. In 2000, 27 percent of the city's home buyers had incomes below \$50,000; by 2003, that number had dropped to 15 percent. And, as shown in Figure ES.3, the share of minority home buyers dropped from 43 percent in 2000 to only 37 percent in 2003.

The changing composition of the city's homeownership market is most pronounced in such neighborhoods as Mt. Pleasant and Takoma, where prices are rising rapidly. For example, in 2003, minorities accounted for only about a third of the home buyers in the Mt. Pleasant group, down from half in 2000. Neighborhoods in the Takoma group housed the city's most economically diverse array of

FIGURE ES.3: **Share of Low-Income and Minority Borrowers in District Declining**



SOURCE: Data from Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act

homeowners in 2000, but by 2003 the lowest-income families were almost completely shut out of the market, and almost half of all new home buyers had incomes above \$75,000.

Federally subsidized rental housing plays a critical role in meeting a portion of the District's affordable housing needs. Most of this housing was built in low-cost neighborhoods and has historically contributed to the concentration of poverty and distress. But a considerable share is located in neighborhoods — for example, the Mt. Pleasant group — that are now experiencing intense price pressures. If this housing can be preserved as affordable, it will enable at least some low- and moderate-income households to remain in neighborhoods that would otherwise be out of reach for them. In addition to subsidized housing developments, many facilities that provide food and shelter to homeless people are located in neighborhoods experiencing rapid price increases. As these neighborhoods become more desirable places to live and do business, service providers may have difficulty sustaining existing facilities and may face pressures to concentrate in lower-cost and more vulnerable areas.

The District of Columbia has made substantial investments in affordable housing in recent years, with 17,700 new and rehabilitated units under development or in the pipeline. Most of these investments have gone to the weakest neighborhoods. If these neighborhoods continue to experience significant price appreciation,

the city's investment in housing that remains affordable will likely pay off over the long term, preserving and expanding options for lower-income households in healthy, mixed-income communities. But if subsidized housing is over-concentrated, it could undermine neighborhood revitalization and worsen distress in already challenged neighborhoods.

Moreover, families that receive Housing Choice Vouchers are increasingly concentrated in such economically distressed neighborhoods as Deanwood and Ivy City, in part because the rental market is so tight elsewhere in the city. Taken together, these trends raise serious concerns about the lack of affordable housing options in healthy neighborhoods and about the risk of further concentrating assisted housing in the city's poorest neighborhoods.

Strategies Tailored to Neighborhood Needs

The District of Columbia is now sharing in the region's growth and prosperity, a development that brings new vitality, new opportunity — and new challenges. A failure to address these challenges runs the risk of excluding some families from the city's economic revival, displacing long-time residents, and adding to the hardship of cost-burdened families.

The city has no reason to expect its housing affordability problems to go away by themselves, although price increases may moderate. In fact, many people are wondering whether sales prices can continue to rise, and

speculation about a possible housing market downturn is widespread. But history suggests that a dramatic decline in home values is highly unlikely; price booms tend to give way, not to price busts, but to no- or slow-growth trends. With District home prices unlikely to drop dramatically from their current high levels, interventions to address affordability challenges are both warranted and necessary.



One powerful way to make a dent in affordability pressures is to substantially expand the District's housing supply. The District of Columbia government has set a goal of attracting 100,000 more residents by 2020. Accommodating this new population and the city's current homeless population would require the production of as many as 4,100 new housing units annually — more than double 2004's peak production rate. Even if population grows at a more modest pace, increased housing production could take the pressure off home prices and rents and help address the affordability challenge for moderate- and lower-income households.

But for lower-income families, the preservation of the existing affordable housing stock is much more important than new production. The city would be wise to give priority to preserving units that are currently affordable (whether or not they are publicly subsidized) and to expand-

ing subsidies that make more existing units affordable for their residents. The extra public costs of retaining an existing affordable unit are small when compared with the costs of producing a new unit with full subsidy.

Today, in addition to the city's homeless population, an estimated 73,000 low-income households pay unaffordable housing costs. Closing — or even substantially narrowing — this affordability gap will require a combination of preservation and production strategies. Potential tools include inclusionary zoning, land banking, capital and operating subsidies, new mixed-income developments, housing vouchers, and a variety of techniques to preserve existing affordable rental housing. Because households that earn more can afford to pay more for housing, programs that help families build skills, get and keep jobs, and qualify for the earned income tax credit all play a part in closing the affordability gap.

Different neighborhood conditions require different strategies. Given limited resources, the city would be well advised to focus on the most urgent challenges facing different types of neighborhoods:

- **Deanwood and Ivy City groups** — Attract more investment from moderate- and middle-income families; avoid increasing the concentration of assisted housing; pursue land banking to the greatest extent possible, in case prices rise more rapidly in the future

- **Takoma group** — Preserve and enhance economic and racial diversity, using the tools noted above (e.g., inclusionary zoning and targeted subsidies) to produce new housing for all income levels and preserve existing affordable units
- **Mt. Pleasant and Capitol Hill groups** — Prevent the further loss of affordable housing and protect low-income residents from displacement by providing capital subsidies to preserve existing affordable housing and assist low- and moderate-income residents seeking to exercise their right to purchase their homes
- **Cleveland Park group** — Create at least some affordable housing opportunities by promoting higher-density, mixed-income developments around Metro stations and encouraging landlords to accept housing voucher recipients
- **Downtown group** — Capitalize on already high densities, combining zoning requirements and other regulatory incentives to substantially expand the number of housing units, including units affordable for low- and moderate-income households

Conclusion

Over time, if the District of Columbia is serious about managing its growth and revitalization effectively, it needs to monitor change at the neighborhood level and devise strategies that are both neighborhood-specific and responsive to fast-changing conditions. Neighborhoods that appear to be stable or even stagnant one year may experience dramatic increases in demand and prices the next year. And city government — along with its partners in the nonprofit and private sectors — must be sufficiently nimble to respond effectively to rapidly evolving market developments.



Introduction

This is the fourth in a series of annual reports about housing in the Washington metropolitan region. It assembles and analyzes the most current data on housing conditions and trends in the District of Columbia and the surrounding suburbs. Last year's report took a regional perspective, exploring housing policy challenges posed by the Washington area's remarkable economic growth and unbalanced patterns of development.

This year's report focuses on Washington, D.C., examining how the region's sustained prosperity is transforming the District's housing market. More specifically, the report assesses how the city's neighborhoods are changing and explores the consequences for housing opportunity and housing policy across the city. To address these issues:

- Chapter 1 reviews the latest evidence on the strength of our regional economy and looks closely at the challenges that revitalization poses for the District of Columbia.
- Chapter 2 focuses on important variations in housing pressures across the District and presents a new neighborhood typology designed to promote a more nuanced understanding of the differing challenges facing the city's neighborhoods.
- Chapters 3 and 4 document recent developments in the homeowner and rental markets, respectively, with a focus on the

loss of housing affordable for the District's lower- and moderate-income families and the risk of reconcentrating poverty in a few distressed neighborhoods.

- Chapter 5 looks to the future, outlining key policy challenges for the District of Columbia and highlighting the need for strategies that are attuned to neighborhood differences rather than dependent on a one-size-fits-all approach to affordability challenges.

In addition to the information and analysis presented in this volume, detailed data tabulations are available on the Fannie Mae Foundation's Web site, www.fanniemae.foundation.org.

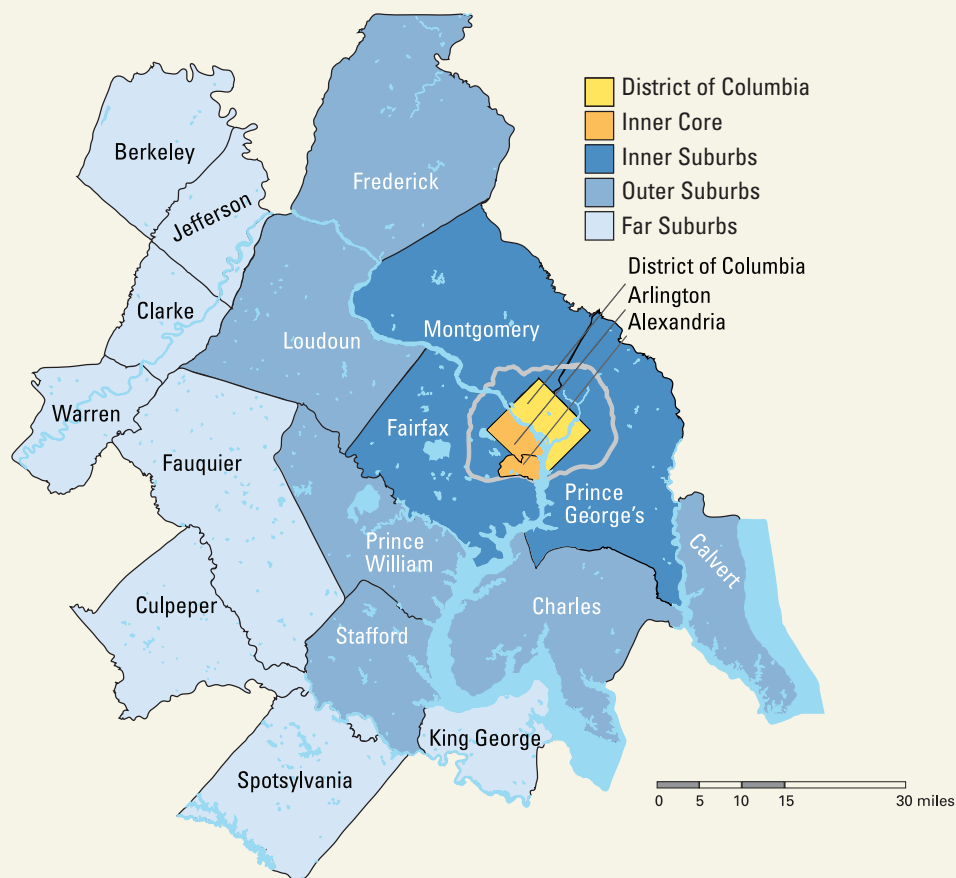
The Washington metropolitan region encompasses a wide diversity of communities across three states and the District of Columbia. For the analysis presented here, we have adopted the federal government's 1999 definition of

the Washington, D.C., Primary Metropolitan Statistical Area (PMSA) and have defined five major subareas within it (Figure I.1). Within the District, the report presents data for 39 neighborhood “clusters,” which have been defined by the city government on the basis of consultations with community organizations and residents (Figure I.2).

Finally, readers should be aware of a new initiative — jointly launched by the Fannie Mae Foundation and the Urban Institute — designed

to provide the accurate, detailed, neighborhood-specific information that effective decision making demands. Our aim is to provide a high-quality tool that can guide the development of strategies to meet the challenges that our series of annual reports illuminates. Toward this end, the Foundation and the Institute, working in partnership with the Washington, D.C., Office of Planning and an array of civic groups, are now developing a Neighborhood Assessment System (NAS).

FIGURE I.1: **Washington, D.C., Metropolitan Area**

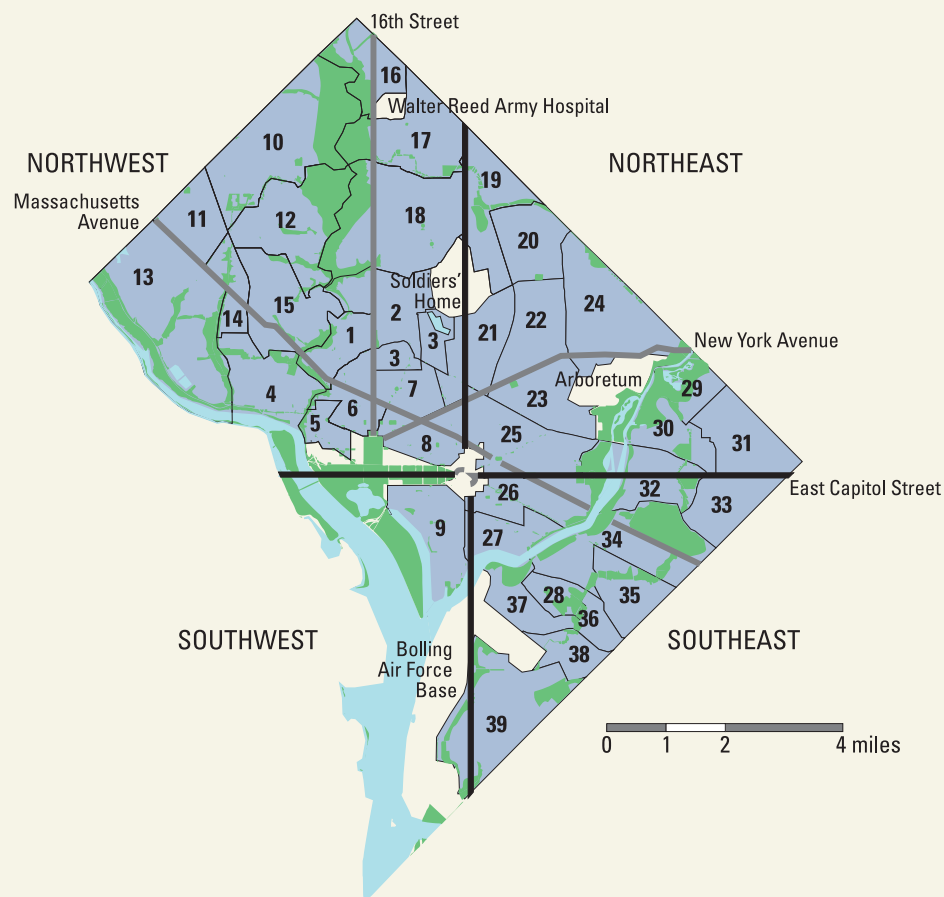


SOURCE: Data from Office of Management and Budget, 1999

This system will track emerging conditions and trends in District neighborhoods and provide tools for identifying priority investment opportunities. For example, NAS will monitor federally subsidized rental properties with expiring subsidies and will seek to identify

those at greatest risk of being lost from the affordable housing stock and most likely, if preserved, to yield long-term benefits. The design of other tools will be guided by ongoing discussions of the strategies outlined in Chapter 5 of this report.

FIGURE 1.2: **Neighborhood Clusters in the District of Columbia**



SOURCE: Data from District of Columbia Office of Planning, 2002
NOTE: See Appendix A, Table A.2, for names and descriptions of clusters.



Chapter 1

City Revitalization and Regional Context

Last year's report showed how conditions in metropolitan Washington were creating substantial regionwide pressures on housing affordability. This chapter has two purposes. The first is to see whether more recent trends at the regional level seem likely to alter those pressures. The second, consistent with the theme of this year's report, is to look more closely at social and economic trends in the District of Columbia with a view to understanding their impact on the housing market.

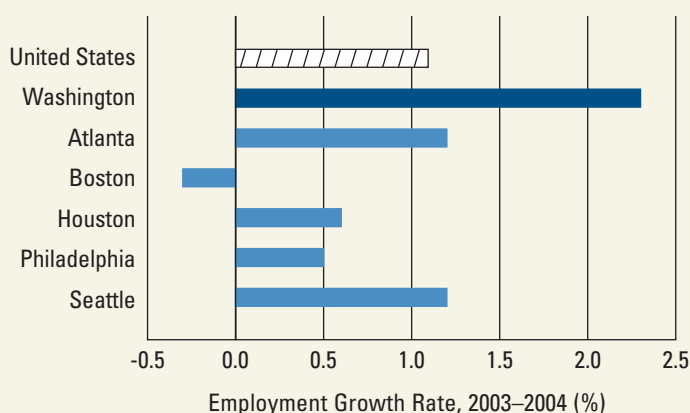
No End in Sight for Regional Growth Pressures

A year ago, several indicators suggested that metropolitan Washington was arguably the nation's strongest economic region. Evidence since then suggests that it remains at, or very near, the top. At 3.5 percent, the region's unemployment rate was lowest among the country's 100 largest metropolitan areas in 2003. It has since dropped even further, reaching 3.3 percent in 2004.

The region's employment reached 2.85 million in 2004, up 64,000 jobs from the previous year.¹ This implies a 2003–2004 growth rate of 2.3 percent, down just slightly from the rate for the previous year but still well above the increases for the entire United States and other large metropolitan areas (Figure 1.1). The private sector accounted for almost all of metropolitan

Washington's recent net job growth, confirming our earlier diagnosis of the region's economic success. Private service industries are clearly leading the way, although they continue to be buoyed significantly by government contracting (much of it related to defense and homeland

FIGURE 1.1: **Region's Robust Growth Continues**



SOURCE: Data from the Bureau of Labor Statistics

security) and other competitive advantages (most notably in tourism and finance).

The vibrant economy continued to make the area a magnet for new residents. The total metropolitan population reached 5.29 million in 2004. From 2003 to 2004, the Washington metropolitan area was the fastest-growing region outside of the Sunbelt, although the growth rate from 2003 to 2004 was down slightly from the previous year. The Outer and Far suburbs remained the locus for the bulk of this growth, and Loudoun County's gains again stood out.

Our analysis last year suggested that, at the regional level, three conditions would have to change markedly to begin to relieve the mounting housing affordability pressures we foresaw. Unfortunately, evidence from the past year does not indicate serious progress toward any of them.

First, we called for a substantial increase in the aggregate level of housing production in the region — more supply to better satisfy burgeoning demand. The 2004 total of 41,700 units authorized by building permits does represent improvement — it was 6 percent higher than the average for 2001–2003. But this is clearly not enough to suggest a major expansion in production.

Second, we identified the need to increase the share of housing production located in the

more central parts of the region — denser development being one key to efficient regional land use and, in turn, to more affordable housing. On this score, 2004 brought no improvement at all. The District, the Inner Core, and the Inner Suburbs accounted for 40 percent of all units authorized for production in the region, the same as the average percentage from 2001 to 2003 and down significantly from the 50 percent share those areas captured in the 1990s.

Third, we registered concern over growing inequities in wage rates in the region. If these inequities persist in the face of continued rapid growth in housing prices, housing affordability problems for the lowest wage groups could indeed become extreme. More recent data suggest that this remains a serious concern. Last year we noted that from 2000 to 2002, the average wage for the five highest-paid occupation groups grew at a rate 2.2 times that for the five lowest-paid occupations; the comparable multiplier for the 2002 to 2004 period was 4.3. In 2002 the average hourly wage for a parking lot attendant in the region, for example, was \$8.13, 19.7 percent of the wage rate for the average pediatrician. By 2004, the wage for the parking attendant had gone up to \$8.61, but by then this hourly rate represented only 17.0 percent of the average hourly wage for pediatricians. This widening wage gap contributes to the housing affordability challenges facing lower-income families in the District and in the region as a whole.



District Revitalization Offers Benefits, But Not for Everyone

A booming regional economy does not guarantee vitality for the central city. In fact, as discussed in past reports, the District of Columbia began its recovery only in the last few years of the 1990s. Since then, however, the city's revitalization has been gaining strength. New data available this year confirm this conclusion and tell us more about social changes that are accompanying change on the economic front.

Questions about the city's growth are somewhat complicated. It is clear that economic growth continues. Total employment in the District reached 672,000 in 2004, up from 650,000 at the start of the decade. But population growth is another matter. The U.S. Bureau of the Census estimates that the District's population has dropped further since 2000 — from 572,100 to 553,500 in 2004.² A new Census Bureau survey, however, indicates an increase in the number of households — from 244,000 in 2000 to 249,000 in 2004.

With respect to growth prospects, a strong indicator is the number of new housing units authorized by building permits. We noted above that the central portions of the region have not increased their combined share of new housing units relative to the Outer and Far Suburbs. But that is not true for the District, which captured a total of 1,936 units in 2004, well above its 1,305-unit average for

2001–2003 and dramatically higher than its 295-unit average for the 1990s. The District's share of regional housing production is now greater than at any time since 1981. Although these housing production figures include some units built as part of public housing redevelopment efforts, the private sector initiated the vast majority of the post-2000 projects.³

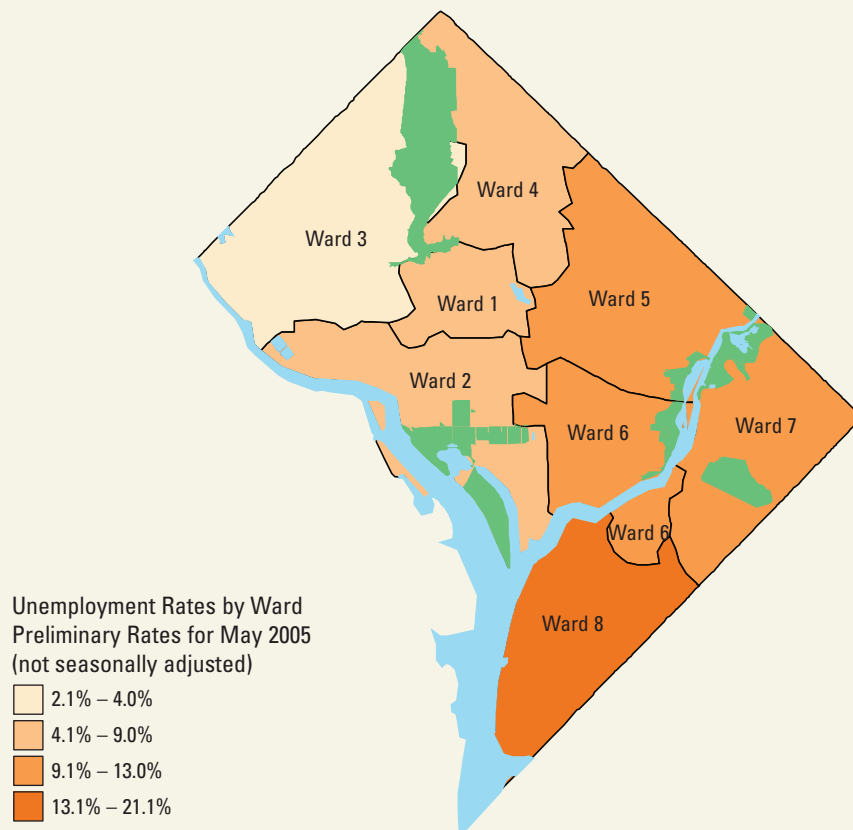
With respect to recent changes in social conditions, three are noteworthy. First is a shift in the age distribution of the District's population. Between 2000 and 2004, in the face of losses for all others, four age groups gained population: 0–4 years, 25–34 years, 55–69 years, and 80 or more years.⁴ The increase in the number of very young children is of special interest. City vital statistics data show that the neighborhood clusters where the number of births has increased by 5 percent or more from 1998 to 2002 are almost totally in the northwestern portions of the city (including the Colonial Village, Takoma, Brightwood Park, West End, and Dupont Circle clusters as well as all those west of Rock Creek Park). An increase in the number of families choosing to bear children in the District is promising — certainly a necessary step toward expanding the city's population over the long term. However, it is obvious that the payoff will not be achieved without the improvements in schools that will be essential to induce a large share of these families to remain.

The second trend of note is a continuation of the District's pattern of racial and ethnic change over the past decade. From 2000 to 2004, the African-American (non-Hispanic) share of the population dropped slightly, while shares grew for non-Hispanic whites and Hispanics. While these changes are not dramatic, they clearly reflect a trend toward greater diversity in the city's total population.

The third trend is troubling. Several indicators suggest greater income (or class) polarization in

the District. On one hand, it is clear that there is growth at the high end of the income spectrum. Between 2000 and 2004, the share of all households with incomes of \$125,000 or more rose (from 12.6 percent to 14.9 percent), as did the share of residents over age 25 with bachelor's degrees (from 41.0 percent to 47.7 percent). On the other hand, economic distress is also expanding. Between 2000 and 2004, the share of District elderly in poverty rose from 11.5 percent to 14.4 percent.

FIGURE 1.2: **Uneven Participation in City's Economic Revival**



SOURCE: Data from District of Columbia Employment Services (accessed 8/29/05)

Increasing disparities also show up across neighborhoods (Figure 1.2). For example, as of May 2005, the city's poorest wards saw both the highest levels of unemployment and the biggest increases in unemployment over the preceding year: In Ward 7, the unemployment rate rose from 8.1 to 13.0 percent; in Ward 8, it rose from 13.2 percent to 21.1 percent. In contrast, unemployment in prosperous Ward 3 remained miniscule in comparison (going down from 2.4 to 2.1 percent).

Understanding Who's Coming and Going

Although information about net changes in the characteristics of the city's population is valuable, it does not tell us enough about who is moving into the city and who is moving out. These distinctions are critical to the city's efforts to grow and to protect current residents from displacement. Unfortunately, there are no detailed statistics on the characteristics of migrants since 2000, but previously unanalyzed census data for the last five years of the 1990s are still instructive.

Conventional views about population change in the District in the late 1990s were dominated by images of loss (people moving out). Indeed, total population declined. But the number of people moving into the city during that period was very large — it is just that the number moving out was even larger. A total of 113,000 people, one-fifth of the District's total population in 2000, had moved into the

city over the preceding five years (Figure 1.3). Two-thirds of the in-movers came from outside the region. Compared with the out-movers, new residents were less likely to be black (34 versus 46 percent), less likely to be in families with children (25 versus 45 percent) and more likely to be homeowners (57 versus 52 percent). However, the in-movers were also more likely to be poor (16 versus 11 percent).

Conclusion

The new information about the District of Columbia presented in this chapter paints a picture that few would have anticipated in the mid-1990s, when most observers held low expectations for the city. However, while much of the news is good, it is also challenging. Threats of increasing housing hardship and potential exclusion are woven into the fabric of renewal — threats that warrant closer examination in the remaining chapters of this report.

FIGURE 1.3: Migration In and Out of the District, 1995–2000

	Out-movers	In-movers		
		Total	From Region	From Outside
Number of people (thousands)	158	113	36	77
Percent poor	11	16	14	18
Percent black	46	34	58	23
Percent Hispanic	8	6	7	6
Percent in families with children	45	25	37	18
Percent homeowner	52	57	56	58

SOURCE: Data from U.S. Bureau of the Census, Migration tabulations, Census 2000
NOTE: Table refers to population age five years and over.



Chapter 2

Contrasts Across the District's Neighborhoods

The economic and demographic trends reported in Chapter 1 continue to put tremendous pressure on the region's housing market. This does not bode well for housing affordability pressures in the District of Columbia, the primary focus of this report. To understand how best to respond to these pressures, however, we need to learn more. The appropriate actions will depend very much on whether housing market trends play out in a uniform manner across the city or, if not, how they differ in their impact on different neighborhoods.

Two Eras of Price Change

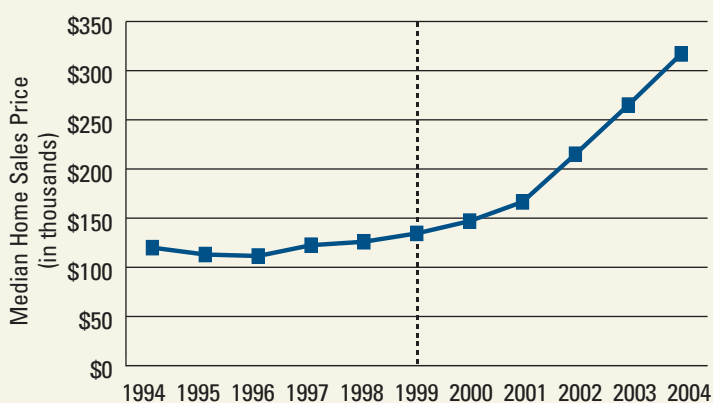
A full understanding of housing prices would require information on both the rental and home-ownership sides of the market. Unfortunately, neighborhood-level data on changes in rent levels or the value of rental properties are not available. Good data are available on the owner side, however — year-by-year data on sales

prices since 1994 — and a great deal can be learned from them. Changes in median sales prices in the District over the past decade are shown in Figure 2.1. The chart points out something that has not been commented on prominently in the media: that the period covers two eras with very different trend lines.

Between 1994 and 1999, price increases

were moderate. The median price went up from \$121,000 to \$135,000. After adjusting for inflation, this represents a modest decrease of 0.1 percent per year. It was clearly the period after 1999 when prices really broke loose. By 2004, the median had reached \$320,000, implying an average real increase of

FIGURE 2.1: Two Eras of Price Change in the District



SOURCE: Data from District of Columbia Real Property Assessment File

15.9 percent per year since 1999, an extraordinary rate by any standard.

Trends Differ Across the City

As people have observed the recent, unprecedented surge in sales prices, a great deal of speculation has centered on how the overall trend is affecting different parts of the city. While there is a widespread consensus regarding the city's hottest markets, conflicting views persist about price trends in the rest of the city. To examine housing price changes more systematically, we group the city's 39 neighborhood clusters by both their 1994 price levels and by their rates of change.⁵ The map in Figure 2.2

first divides the clusters into three groups (indicated by patterns of shading) according to their median sales price in 1994:

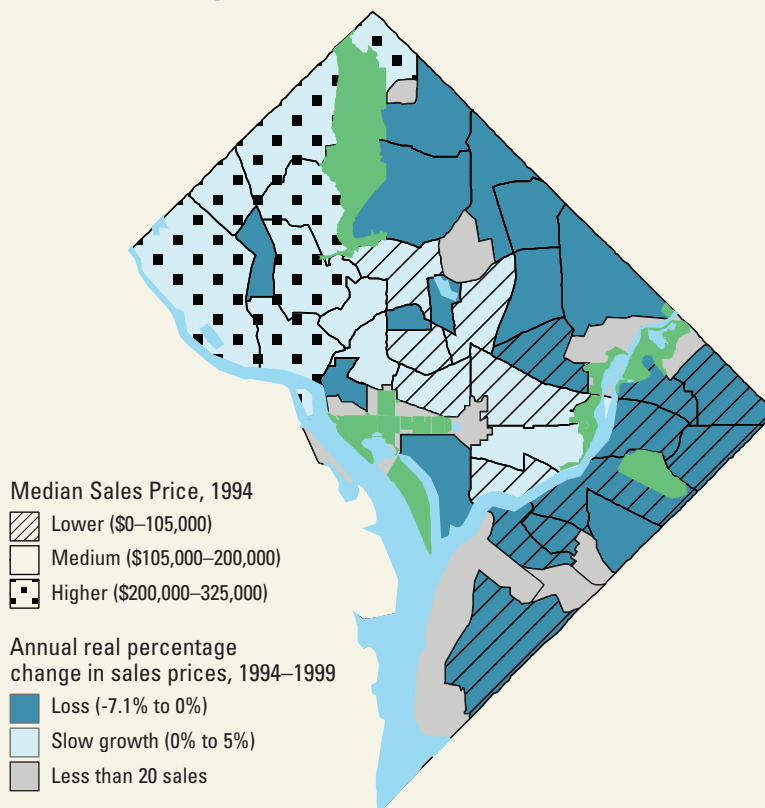
- Lower price: median price under \$105,000, mostly east of the Anacostia river but also including areas in the city core
- Medium price: median price \$105,000–\$200,000, the rest of the city including the next ring out from the core and clusters in the upper Northeast
- Higher price: median price \$200,000 or more, all in upper Northwest, west of Rock Creek

This pattern largely conforms to the pattern

of income levels in the city. The lower-price clusters are those traditionally associated with considerable poverty, and the higher-price clusters are those that have been home to the city's most affluent residents.

The colors on this map indicate price changes in the 1994–1999 period. The darker blue identifies clusters whose sales prices actually declined (after infla-

FIGURE 2.2: **Housing Sales Prices, 1994–1999**



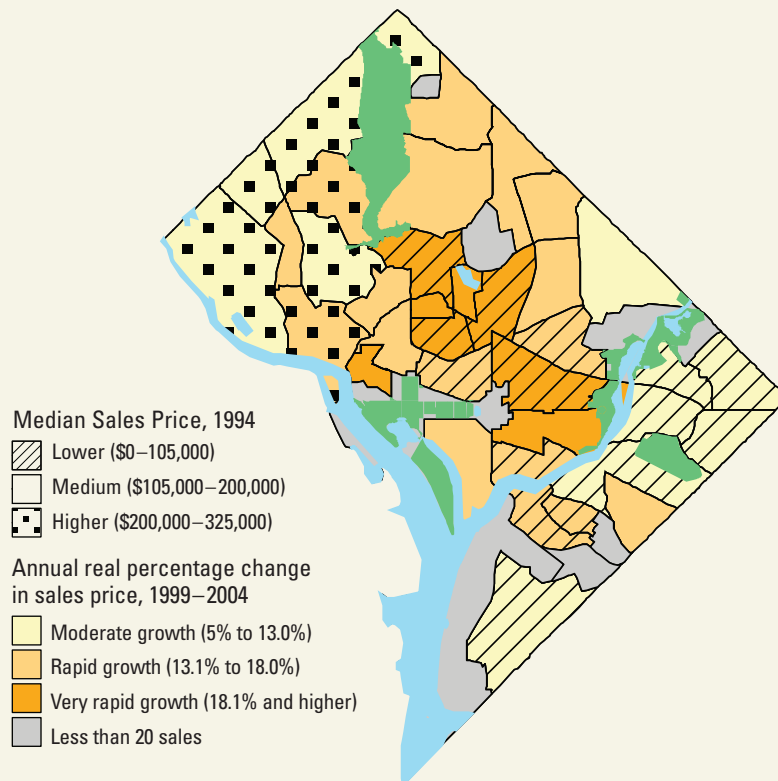
SOURCE: Data from District of Columbia Real Property Assessment File

tion). These include the lower-price clusters east of the Anacostia River as well as the medium-price clusters along the city's northeast border (in both of which African-Americans account for a high percentage of total population). Thus, during the late 1990s, disinvestment was still deepening in areas where it had been most severe before. And the effects of this disinvestment were spreading, affecting more stable areas such as those in Northeast. The lighter blue identifies clusters that saw modest increases (inflation adjusted) in sales prices. These include both the lower-price and medium-priced neighborhoods around the Mall and higher-priced neighborhoods in upper

Northwest. Even in these areas, however, prices were not increasing very rapidly. The highest inflation-adjusted annual rate of increase was 4.3 percent.

Figure 2.3 shows changes in median sales prices for the more recent period (1999–2004) — a starkly different pattern showing marked price increases everywhere. Whereas 4.3 percent was the highest inflation-adjusted annual price increase on the previous map, this map shows every cluster with more than 20 sales in the city experiencing price increases above that level, ranging all the way up to an inflation-adjusted 26 percent annually. Clusters are grouped by price change in three ranges:

FIGURE 2.3: **Housing Sales Prices, 1999–2004**



SOURCE: Data from District of Columbia Real Property Assessment File

- Moderate growth (yellow): inflation-adjusted annual price increases of 5.0 percent to 13.0 percent.⁶ Interestingly, this group includes the extremes: most of the lower-price clusters east of the Anacostia River and most of the high-price clusters in Northwest.
- Rapid growth (orange): annual inflation-adjusted increases of 13.1 percent to 18.0 percent. This is the most geographically dispersed category, including most clusters in the Northeast and Downtown, clusters just west and south of Downtown, and three of the clusters east of the Anacostia.
- Very rapid growth (bright orange): annual inflation-adjusted increases of 18.1 percent or more. This group includes the city's hottest markets, mostly just east and north of downtown and the Mall: Howard University, Capitol Hill, Union Station, Logan Circle, and Mt. Pleasant, for example.

The fact that the past five years have seen price increases in neighborhoods that were suffering declines in the 1990s is undoubtedly good news, particularly for homeowners in the city's most troubled communities, where values had been dropping for a very long time. Moreover, price increases in most of those areas do not seem to have been disruptively high, at least so far. The turnaround should also be considered positive for the medium-value clusters (like those in the Northeast) that had been losing value in the late 1990s. However,

the rapidity of change in some of these neighborhoods could prove more problematic, creating the potential for displacement.

Given the diversity of these patterns, the city is sure to need a varying array of strategies to address the issue of housing affordability in different types of neighborhoods. Medium- and high-price neighborhoods, for example, clearly warrant a different mix of interventions than low-price neighborhoods. And even within a given price range, neighborhoods experiencing differing rates of price inflation face very different challenges and require tailored strategies.

A New Typology of District Neighborhoods

A new typology of neighborhoods (based on home prices) is used in examining other data and policy challenges throughout the remainder of this report. To create this typology, we use the three 1994 price-level categories (lower, middle, and higher) and the three price-increase categories discussed above (moderate, rapid, and very rapid, based on 1999–2004 rates of increase).⁷ In addition, we have grouped the Downtown cluster with six others that differ from the rest of the city because their housing stock is predominantly multifamily.⁸ This approach yields seven groups of neighborhoods, listed in Figure 2.4, each of which is named for one of the neighborhood clusters that falls within it.

- **Deanwood group** — This group, which includes nine clusters located east of the Anacostia River, was in the *low* price range in 1994 and has experienced only *moderate* price increases since 1999.⁹
- **Ivy City group** — This group, made up of four clusters (Ivy City is just west of the National Arboretum; Near Southeast is southeast of Capitol Hill; and Anacostia and Sheridan are east of the Anacostia River), falls in the *low* price range, but the clusters have experienced *rapid* price increases in recent years.
- **Takoma group** — This group, which contains seven clusters (Fairfax Village is located east of the Anacostia River and the other clusters are located east of 16th Street and north of the Capitol), was in the *medium* price range in the mid-1990s and has since experienced mostly *rapid* price increases.
- **Mt. Pleasant group** — This group, which includes four clusters just north and east of downtown, has undergone the most dramatic change. These clusters were in the *low* price category in the mid-1990s but have experienced *very rapid* price increases since 1999.

FIGURE 2.4: **Clusters Vary in Price Level and Change**

	Average Annual Percentage Real Change in Home Prices, 1999–2004		
Median sales price 1994	Moderate (3–13.0%)	Rapid (13.1–18.0%)	Very Rapid (18.1% and higher)
Lower price (\$69,000–\$105,000)	Eastland*–29 Mayfair–30 Deanwood–31 River Terrace–32 Capitol View–33 Twining–34 Woodland*–36 Douglass*–38 Congress Heights–39	Ivy City–23 Near Southeast–27 Anacostia–28 Sheridan–37	Mt. Pleasant–2 Logan Circle–7 Edgewood–21 Union Station–25
Medium price (\$105,000–\$200,000)	Woodridge–24	Takoma–17 Brightwood Park–18 Lamond Riggs–19 N. Michigan Park–20 Brookland–22 Fairfax Village–35	Howard–3 Capitol Hill–26
Higher price (\$200,000–\$325,000)	Hawthorne–10 Friendship Heights–11 Spring Valley–13 Cleveland Park–15 Colonial Village–16	Georgetown–4	
Predominantly Multifamily (\$97,000–\$202,000)		Kalorama Heights–1 Dupont Circle–6 Downtown–8 SW Empl. Area–9 N. Cleveland Park–12 Cathedral Heights–14	West End–5

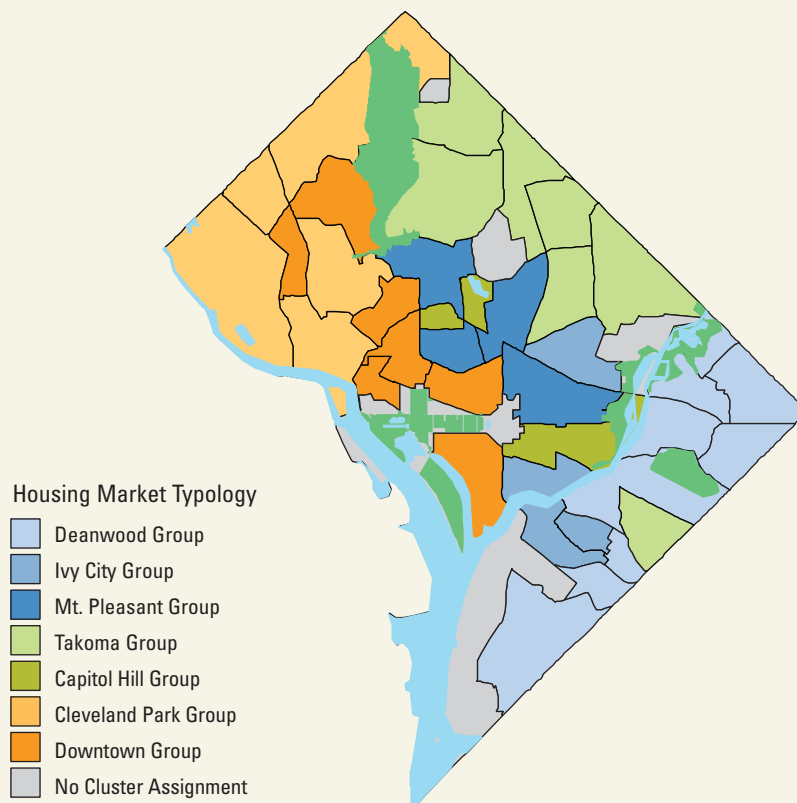
NOTES: Asterisk denotes clusters with low sales. Bold indicates cluster used for group name.

- **Capitol Hill group** — This group, which includes just the Capitol Hill and Howard University clusters, started in the *medium* price category (which is notable compared with the *low* initial price levels of the clusters in the city's other hottest markets) and has since experienced *very rapid* price increases.
- **Cleveland Park group** — This group, made up of six clusters located mostly west of Rock Creek Park, has long been categorized in the *high* price range but has generally experienced only *moderate* housing price increases in this decade.

- **Downtown group** — This group, which consists of seven clusters (all of which stand out from the rest of the city because most of their housing units are in multi-family buildings), has experienced *rapid* or *very rapid* price growth since 1999.

Figure 2.5 shows how the groups are distributed spatially. While initially distinguished by price and housing type variables, these groups differ from each other along a number of other dimensions as well — including poverty, educational achievement, and household

FIGURE 2.5: **Clusters by Housing Market Typology**



SOURCE: Data from Urban Institute analysis of District of Columbia Real Property Assessment File

composition. This new typology goes well beyond oversimplified rich versus poor generalizations and makes clear what a remarkably diversified city Washington, D.C., has become.¹⁰

Traditionally Distressed Neighborhoods: Deanwood and Ivy City Groups. Aside from the difference in housing price increases, these groups are like each other in most ways. They are predominantly African-American (98 and 94 percent of the population, compared with a citywide average of 61 percent) and have by far the highest poverty rates among all groups (31

and 39 percent, compared with the city average of 20 percent). Only 8.9 and 7.7 percent of adult residents have college degrees (about one-fifth of the city rate), and these clusters have the lowest number of resident males per 100 females in the 16- to 34-year-old population (76 and 72, compared with the citywide average of 90). Across all groups,

they suffered the largest losses in the number of households in the 1990s (losing 8.2 and 10.4 percent, respectively, compared with the citywide loss of 0.2 percent).

Less than one-third of the households in these groups are homeowners (the citywide average is 41 percent), and until recently the groups had the softest housing markets in the city. Deanwood and Ivy City were the only groups to suffer notable absolute losses in housing units in the 1990s (of 7.1 and 7.9 percent), and

they had by far the highest rental vacancy rates (10.5 and 8.8 percent, respectively, compared with the citywide average of 6.2 percent).

Comparatively Stable Middle-Income Communities: Takoma Group. These neighborhoods are also predominantly African-American (82 percent) but in other ways could hardly be more different from the two groups described above. They have the city's second-highest homeownership rate among all groups (56 percent), the second-lowest share of units in large multifamily structures (31 percent), and the lowest turnover rate (39 percent of year 2000 residents, compared with 50 percent for the city on average, had lived in a different house five years earlier). The poverty rate was 14 percent (second lowest in the city), and 25 percent of adults had college degrees. As noted earlier, housing prices declined in these communities in the late 1990s, and the group suffered a modest loss in households (2.6 percent) over the decade as a whole. The rental vacancy rate (6.5 percent) was close to the city average.

Hot, Transitional Markets: Mt. Pleasant and Capitol Hill Groups. These two groups are similar to each other in many ways and contrast sharply with other groups. They include neighborhoods that are experiencing the city's most rapid housing price increases and undergoing other dramatic changes. For example, they are the only groups to record notable changes in racial composition in the 1990s: The African-American share of the



population declined from 71 to 62 percent in the Mt. Pleasant group and from 61 to 54 percent in the Capitol Hill group. The Hispanic share increased from 11 to 17 percent in the former and from 4 to 6 percent in the latter. Except for Downtown, these groups had the highest turnover rates: 52 and 60 percent of their 2000 populations, respectively, had moved over the preceding five years.

In sharp contrast to the more distressed tracts to the east, these groups had much higher numbers of males per 100 females in the 16-to-34 age category (106 and 121, respectively). Trends on other important social indicators are mixed. Poverty rates, for example, were comparatively high (23 and 17 percent), but the shares of adults with college degrees were also on the high side (30 and 50 percent). These groups experienced respectable overall growth in households over the 1990s (2.8 percent for Mt. Pleasant and 5.6 percent for Capitol Hill), and rental vacancy rates were somewhat lower than the citywide average (6.1 and 5.6 percent, respectively).

Lower-Density Affluence: Cleveland Park Group. This is the only group whose population is dominated by non-Hispanic whites (79 percent, down modestly from 82 percent in 1990). It had low poverty (7 percent), and its share of adults with college

degrees was the highest in the city by far (78 percent) as was its homeownership rate (63 percent). It also experienced small (3.2 percent) growth in households over the 1990s. Turnover was about the same as the city average: just over half of the year 2000 residents had moved since 1995. The Cleveland Park group tied with the Takoma group for having the highest share of its housing in single-unit structures (61 percent), but it also had a strong rental market (with the city's lowest rental vacancy rate, 2.3 percent). While we have noted that this group has the city's highest housing prices, it is hard to overemphasize by how much it stands out in this regard. In 2004, its median sales price for single-family homes was \$770,000 — 2.3 times the median for the city as a whole.

High-Density Dynamism: Downtown Group. This group is defined by the unusually high share of its housing that consists of large multifamily structures (five or more units). That share was 83 percent overall, compared with the range of 28 to 47 percent for all other groups in the typology. As might be expected, rental units make up a very high share of all housing for this group (69 percent) but the group also accounts for about two-thirds of all the condominium units in large multifamily buildings.

Demographically, the group is mixed: the non-Hispanic white share (61 percent) is considerably below that for the Cleveland Park group but well above the averages for all other groups in the city. The minority share did not change much in the 1990s (around 39 percent), but the Downtown group has the city's largest share of the foreign-born population (20 percent compared with the all-city average of 13 percent). This group was also by far the leader in terms of growth in the 1990s, with the number of households expanding by 6.8 percent on average. Much of this growth took place in the Downtown cluster (26.9 percent), but growth rates were above 10 percent for the Dupont Circle and Southwest Employment Area clusters as well. Turnover was highest among all groups: 63 percent of year 2000 residents had moved over the preceding five years. The housing market was generally strong, with a rental vacancy rate at 3.1 percent (second lowest).

Conclusion

The contrasts among these groups should be of interest to decision makers and can help inform the discussion of strategies that address specific neighborhood needs. Clearly, this is not the only way to think about differences among the city's neighborhoods. The District's Office of Planning developed its own typology several years ago that divided neighborhoods into four categories: distressed, emerging, transitional, and stable. The typology suggested here expands on the city's framework and is distinguished by its focus on house price levels and trends. Ideally, both approaches will help pave the way for further development and refinement of typologies that illuminate the opportunities and challenges confronting District neighborhoods.



Chapter 3

Homeownership Out of Reach

Last year, we reported on surging home sales prices in the Washington region and noted that homes affordable to lower- and moderate-income buyers mostly were limited to neighborhoods east of the Anacostia River in the District, Prince George’s County, and the Far Suburbs. The same patterns persist this year, with sales prices continuing to climb at stunningly rapid rates. This chapter focuses on the most recent price trends, particularly within the District of Columbia; explores the impact on homeownership affordability; and examines city efforts to preserve affordable homeownership.

No Sign of a Slowdown in Sales Prices

The homeownership market remains robust in both the District and the region. After gradual increases from 1995 through 2000, the regional homeownership rate hovered just below 70 percent from 2001 to 2004. The District’s rate also rose during the mid-1990s and then dipped to 40 percent at the end of the decade. Since 2000, the city’s homeownership rate has rebounded and reached 46 percent in 2004, with the largest gain (2.6 points) occurring in the past year. Even with this progress, the city’s homeownership rate remains considerably lower than the 53 percent average for all U.S. central cities.¹¹

Regional and city home price trends accelerated over the past year, further limiting choices for working families. The region’s average home

sales price increased 17 percent from 2003 to 2004 (adjusted for inflation) to reach \$372,000. One-third of the region’s single-family homes sold for more than \$400,000 in 2004, up from one-quarter of the sales in 2003. Figure 3.1 shows that the region entered uncharted territory in 2004, with real house price gains in recent quarters exceeding anything seen in the past 25 years.

Within the District of Columbia, the average sales price rose to \$450,000 in 2004, up 15 percent in real terms from 2003. In 2004, almost half of all single-family homes sold for more than \$400,000, with another quarter selling in the range of \$250,000 to \$400,000. Condominiums are playing a larger role in the high-end sales market than ever before. In 2000, condominiums accounted for only one

in 10 of all home sales above \$400,000, but this share jumped to three in 10 in 2004. The median sales price of condominiums is now 94 percent of the median sales price for single-family homes.

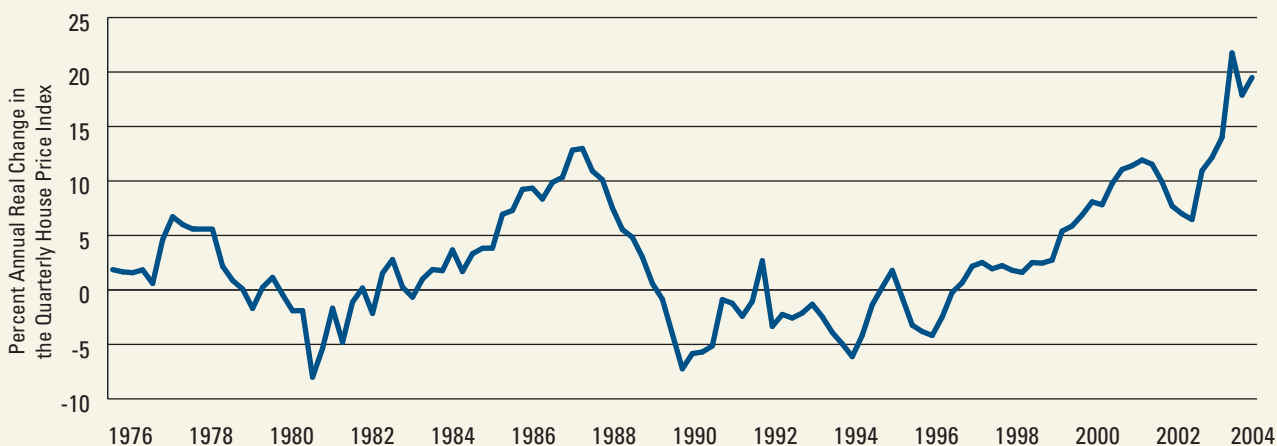
All but two of the District's neighborhood clusters with more than 20 home sales experienced real increases in prices from 2003 to 2004.¹² The 2003–2004 inflation-adjusted price changes range from a loss of 8 percent in the Downtown cluster to a gain of 49 percent in the West End cluster. From 2003 to 2004, the challenged Deanwood group, the expensive Cleveland Park group, and the Downtown group had price increases close to the city's average (14 to 18 percent). The Mt. Pleasant, Capitol Hill, and Takoma groups rose much more rapidly, at rates of 23 percent to 29 percent, while the Ivy City group lagged considerably behind at 3 percent.

Are Current Trends Sustainable?

Every week, a newspaper article or news program reviews the housing price escalation across many U.S. markets and asks "Can this last and how will it end?" Several factors could put brakes on the rapid acceleration of home prices in this area:

- Price increases now far surpass growth in income. From 2003 to 2004, the area median income rose by less than one percent, while the median price of an existing single-family home in the region climbed by 22 percent.
- Renting becomes a more attractive option relative to the very high price of buying. The monthly cost of renting in 2001 was 82 percent of buying, but in 2004 it dropped to only 59 percent.¹³
- As discussed in Chapter 1, building has increased in response to growing demand, increasing the supply of units available as the new units are completed.

FIGURE 3.1: Price Increases Hit Historic Highs in Washington Region



SOURCE: Data from Office of Federal Housing Enterprise Oversight, House Price Index adjusted for inflation for the CPI for all items less shelter
NOTE: These data refer to the Washington, D.C., metropolitan region as defined in 2003.

- Demand could lessen as employers have a harder time attracting middle-income workers to the Washington metropolitan area because of the high cost of living.

A recent FDIC analysis shows that only infrequently do housing booms lead to substantial and sustained losses. They more often end in price stagnation.¹⁴ The last boom in Washington prices stalled in the late 1980s, with small but real losses occurring for most of the period through 1997. The few cases where booms were followed by major busts are best explained not by the rhythms of the market but by external economic shocks (such as the demise of the oil industry in Houston in the mid-1980s and the decline in defense spending in California in the mid-1990s).¹⁵

If trends do flatten out over the next few years, neighborhoods will not be affected equally. An easing of skyrocketing prices might be welcome for overheated neighborhoods in the Mt. Pleasant group but could diminish the limited appreciation now seen in struggling neighborhoods like the Deanwood group. Even a protracted period of price stagnation would do little to ease the homeownership challenge for the Washington metropolitan region. The new era, while it might soften the high end of the market, would not likely expand affordability options for lower- and moderate-income working families.

Limited Options for Current and Aspiring Homeowners

For families who already have become homeowners, rapid increases in home sales prices are beneficial, resulting in substantial equity gains. Not all owners, however, are able to realize these gains. A growing share have bought into the high-priced market by taking advantage of adjustable rate, balloon, and other high-risk mortgage products, gambling on rising prices to counterbalance the risk. In the first half of 2005, more than a third of buyers in the region and half of all buyers in the city purchased their homes with interest-only loans.¹⁶ If appreciation stalls, 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.

In addition, low- and moderate-income owners may have difficulty keeping up with rising property tax bills, even given the tax relief provided by the city. This is particularly true for elderly owners, who often live on fixed incomes. Although most elderly owners have incomes above the poverty line, 9 percent were poor as of 2000. About one in four of these poor elderly owners live in the challenged neighborhoods of the Deanwood group. But another quarter live in lower-priced neighborhoods that are now experiencing rapid and very rapid price pressures — the Ivy City and Mt. Pleasant groups.

Moreover, although the share of subprime loans fell nationally and in the District during this period of low interest rates, elderly and low-income households remain susceptible to fraudulent practices. Predatory lenders can appeal to households to assume loans with unfair terms to refinance and “cash out.” These practices often place owners at risk, saddling them with onerous payments that may force them to default.

For aspiring homeowners, the hot market of the past five years has restricted the locations of affordable home purchase options. Over half the homes priced below \$250,000 in 2004 (affordable to a family with an income of \$76,000) were in the Outer and Far Suburbs, with another 29 percent in Prince George’s County (Figure 3.2). Between 2003 and 2004, both Prince George’s County and the Far Suburbs experienced increases in their shares of these affordable sales (by 5 and 7 percentage points,

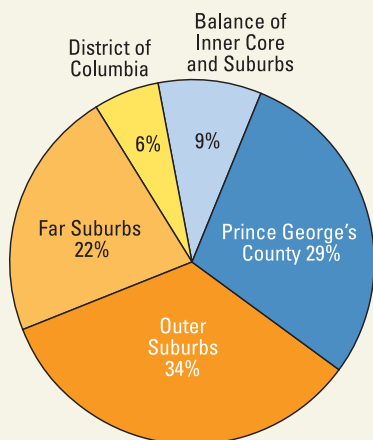
respectively). Given these trends, many families continue to feel pressure, highlighted in last year’s report, to search farther and farther out for affordable housing.

Affordability is a daunting issue for more families than ever before in the District. For example, in 2001, a full-time teacher (earning about \$45,000) buying a home for the first time could afford 33 percent of the homes for sale in the city. By 2004, teachers’ wages had risen 15 percent, but home prices had risen even faster. That same teacher could now afford only 17 percent of the homes for sale in the city.

Accelerating home prices also have important implications for District renters who aspire to homeownership. Current renters already have lost out on the wealth accumulation that owners have experienced through equity gains, exacerbating the widening gap between rich and poor discussed in Chapter 1. About eight out of 10 renter households in the District earned \$75,000 or less in 2004. But even with an income of \$75,000, a family could afford only about one-third of the homes for sale in the city in 2004, and almost four out of 10 of those were east of the Anacostia River. As District renters try to become homeowners, high prices may force them to look to Prince George’s County or the Outer and Far Suburbs for a wider array of affordable options. Others will find homeownership completely unattainable.

FIGURE 3.2: Limited Location Choices for Affordable Homeownership

Distribution of Home Sales under \$250,000,
Washington, D.C., Metropolitan Area, 2004



SOURCE: Data from Metropolitan Regional Information Systems

Fewer Minority and Low-Income Home Buyers

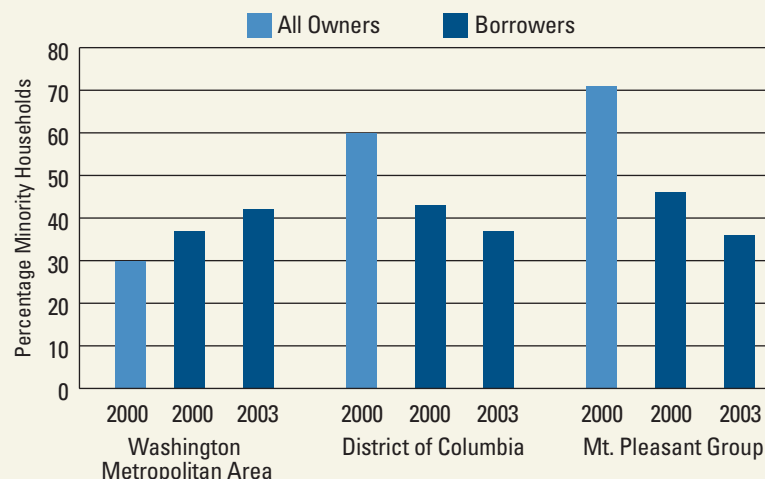
Fewer options for aspiring first-time home buyers have changed the profile of home purchasers in the District. The share of District home purchase loans going to minorities dropped from 43 percent in 2000 to 37 percent in 2003, while the regional minority share rose from 37 percent to 42 percent.¹⁷ For neighborhoods that were racially homogeneous in 2000 (both the Cleveland Park group and the Deanwood group), the share of minority borrowers remained fairly stable. But in areas that historically have been more racially mixed, the share of minority purchases has fallen dramatically. For example, Figure 3.3 shows that minorities represented about 70 percent of all homeowners in the Mt. Pleasant group in 2000. But in that same year, minorities accounted for 46 percent of the new home purchases. And by 2003, this percentage had declined to 36 percent. Similar shifts occurred in the Takoma and Capitol Hill groups. Given that only 5 to 8 percent of all homes change owners each year, even large shifts in the percentage of minority buyers will not immediately alter neighborhood composition.¹⁸ There is no doubt, however, that the mix of home buyers in many District neighborhoods is changing dramatically and that fewer minorities are finding homeownership opportunities.

All seven types of District neighborhoods also registered declines in the share of home purchases by low-income households. As of

2000, about four in 10 of the District's homeowners earned less than \$50,000, but the share of new purchasers in that income range stood at three out of every 10. By 2003, only two of 10 purchasers were in the lowest income category (Figure 3.4). At the other end of the spectrum, three out of 10 of the city's owners in 2000 earned over \$100,000. But in 2003, four out of 10 buyers fell in this category.

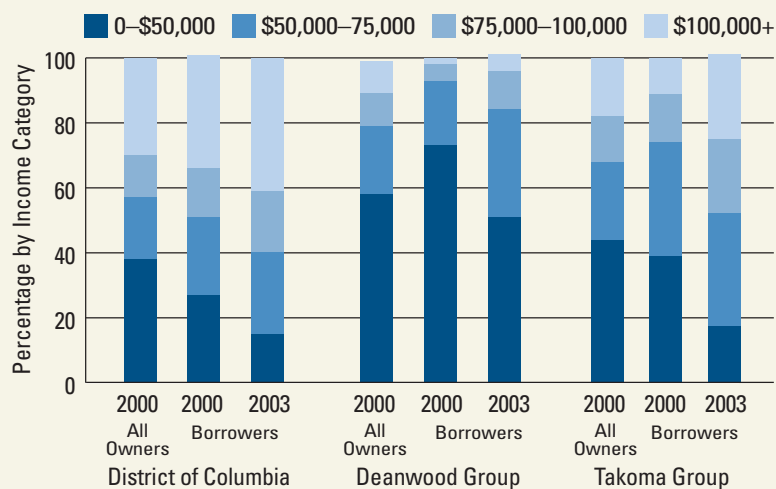
Even in the city's poorest neighborhoods, the share of low-income homeowners appears to be on the decline. In the Deanwood group, seven out of 10 borrowers were in the lowest income category in 2000, but only five out of every 10 purchasers were in that category by 2003. And finally, the Takoma group housed the most economically diverse array of owners in 2000. But in 2003, almost half of the new purchasers earned more than \$75,000, with the lowest-income families receiving fewer than one in five home purchase loans.

FIGURE 3.3: Share of Minorities Buying in District Declining



SOURCES: Data from U.S. Bureau of the Census, decennial census, for owner information, and Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act, for borrower information

FIGURE 3.4: **Fewer Moderate-Income Families Buying Homes in the District**



SOURCES: Data from U.S. Bureau of the Census, decennial census, for owner information, and Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act, for borrower information

City Efforts to Make Homeownership Affordable

Through its Department of Housing and Community Development, the District of Columbia spent about \$17 million to promote affordable homeownership directly in 2003.¹⁹ More than three-quarters of this total was allocated to 268 loans through the Home Purchase Assistance Program, which provides interest-free and low-interest loans to qualified residents to meet down payment and closing costs.

This level of direct spending pales in comparison with the foregone tax revenues that result from the District's Homestead Deduction and its property tax cap. The Homestead Deduction exempts a fixed amount of a home's assessed value from taxes, resulting in the same dollar benefit for all homeowners. In response to the rapidly rising property values of the past few years, the City Council has also enacted annual

caps on property tax increases for existing owners. (New owners are not eligible for the cap.) Without these tax reduction programs, the median property tax on owner-occupied units in 2004 would have been \$2,030. With them, the median property tax was \$1,170.²⁰

These tax relief measures are helping to keep housing affordable for existing homeowners in the hottest neighborhoods. For owners in the Mt. Pleasant group, for example, the median property tax bill, in the absence of tax relief, would have been \$1,960. Instead it was \$1,110 — more than 40 percent less. However, under the property tax cap the biggest savings go to owners of high-value properties, while an increase in the homestead deduction or a reduction in the overall property tax rate would target more relief to low and moderate-income families (Lazere and Nickelson 2005).

Conclusion

The housing boom of recent years has resulted in the strongest homeownership climate in decades, with thousands of additional owners choosing to invest in the District. At the same time, many renters have been priced out of the market, unable to attain the goal of homeownership or to build wealth from home equity growth. The manner in which we address this affordability challenge will determine, to a large extent, whether the District of Columbia retains its identity as an inclusive city, offering homeownership opportunities in all of its neighborhoods, not just in those where the city's most vulnerable residents are now concentrated.



Chapter 4

Narrowing Rental Options

As discussed in last year's report, rent levels are rising steadily — along with home sales prices — throughout the Washington region and in the District of Columbia. Although new rental housing production has been booming, rental housing that low- and moderate-income working families can afford is increasingly scarce throughout the city. This chapter focuses on recent rental market trends in the District, including trends in the number and location of publicly subsidized housing units, and discusses possible implications for some of the city's most vulnerable residents.

New Rental Construction Is Booming

Since 1999, rents in the Washington region have risen steadily. The Fair Market Rent (FMR) for a two-bedroom apartment in the Washington region increased 45 percent to reach \$1,187 between 1999 and 2005, a larger increase than in all but 10 of the nation's 331 metropolitan areas. Assuming that a household can reasonably spend 30 percent of its income on housing, the income needed to afford the typical two-bedroom apartment increased from \$32,800 to \$47,480, almost twice the wages of a full-time receptionist.

Commercially available rent data show that the District's rent levels are among the highest in the region. MPF Yieldstar data, gathered through phone surveys of multifamily apartment buildings with five or more units, show that as of December 2004 the average monthly rent in

the District (excluding electricity) was \$1,241, compared with a regional average of \$1,125. Average rents are higher in the submarkets of North Arlington County, South Arlington County, and Bethesda/Chevy Chase than in the District. But only North Arlington County has a higher average rent per square foot of living space. Between March 2003 and December 2004, average rents in apartment buildings with five or more units increased nearly twice as fast in the District (11.5 percent) as in the region as a whole (5.9 percent).

New rental construction is booming in both the District and the region. Developers in the District completed 1,233 units in multifamily buildings in 2004, out of 6,342 in the region as a whole (MPF Yieldstar 2005). In addition, as of the fourth quarter of 2004, an estimated 8,000 units of multifamily rental housing were under

construction in the Washington metropolitan area, including 1,800 new units in the District. Regionwide, rental vacancy rates have risen since 2000 (from 7.0 percent to 10.2 percent), consistent with national trends. But in the District, rental vacancy rates have remained flat, averaging 11.3 percent from 2001 to 2004.

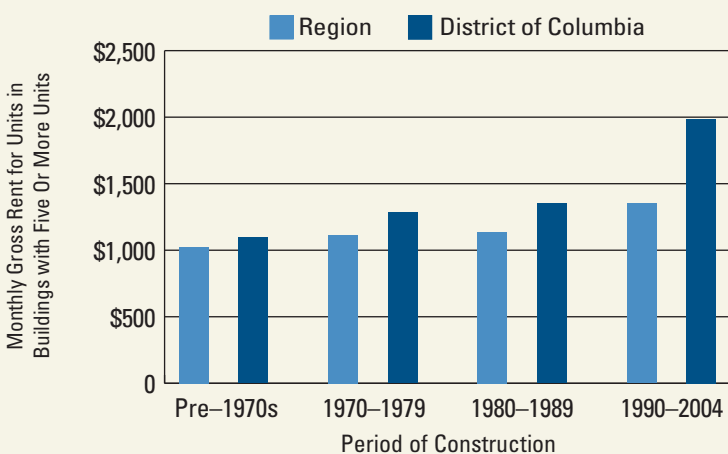
Newly built rental housing in the District is dramatically more expensive than the stock that existed at the beginning of the 1990s, and the premium for new units is higher in the city than in other parts of the region. Monthly rent in District apartment buildings constructed from 1990 through 2004 exceeds the rent on 1980s-era buildings by about \$600, while the equivalent gap in the region as a whole is one-third that amount. This disparity implies that many developers building in the city are targeting a more affluent market than their counterparts elsewhere in the region. (Figure 4.1)

At the same time that new rental construction is booming in the District, a substantial number of existing rental properties are being converted to condominiums. Data gathered by the real estate consulting firm Delta Associates suggest that the rate of condominium conversion may be accelerating. During the first six months of 2005, more than 6,900 rental apartment units were converted to condominiums throughout the region as a whole, up substantially from a total of almost 6,500 in all of 2004. The pace of conversions in the District is even more dramatic, with more than 2,400 conversions in the first half of 2005, compared with fewer than 600 in all of 2004.

Disparities Among District Renters

Rental housing plays an especially important role in the District of Columbia because such a large share of households rent. As of 2004, renters accounted for 54 percent of all District households, compared with only 30 percent in the region as a whole. Although it is fairly typical for a large share of central city residents to be renters rather than homeowners, the share of renters in the District is unusually high. The city has articulated a goal of increasing its population by 100,000 over the next decade through a combination of attraction and retention. It seems likely that a majority of new households will be renters, putting additional pressure on the existing rental stock.

FIGURE 4.1: **New Apartments Are More Expensive in the District**



SOURCE: Data from M/PF Yieldstar, Metro Washington Apartment Report, Fourth Quarter 2004

As discussed in last year's report, the city's renter population consists of two distinct groups with very different needs. Long-term renters — those who have lived in their current units for more than five years — tend to be families with children or seniors and to have lower education and income levels. More mobile renters tend to be better-educated and better-paid and are more likely to be singles or couples without children. Preserving affordable rental housing options for the city's long-term residents, particularly those with very low income levels, is especially challenging given growing demand from more affluent newcomers.

District renters are increasingly likely to find themselves with unaffordable housing cost burdens. Between 2000 and 2004, the share of the city's renters paying more than 30 percent of their income for housing, the federal standard for affordability, increased from 39 percent to 46 percent. The share paying more than 50 percent of their income for housing, a severe cost burden, rose from 18 percent to 23 percent. In 2004, almost four out of ten of the District's low-income renters had severe cost burdens.

In addition to disparities between lower-income long-term renters and the more affluent newcomers, recent housing market conditions appear to be widening the gap between owners and renters. For example, the median income among District renters fell by 5 percent between 2000 and 2003, while the median income for homeowners rose 9 percent.

Vulnerable Populations Under Pressure: The Elderly, the Disabled, Returning Ex-Offenders, and the Homeless

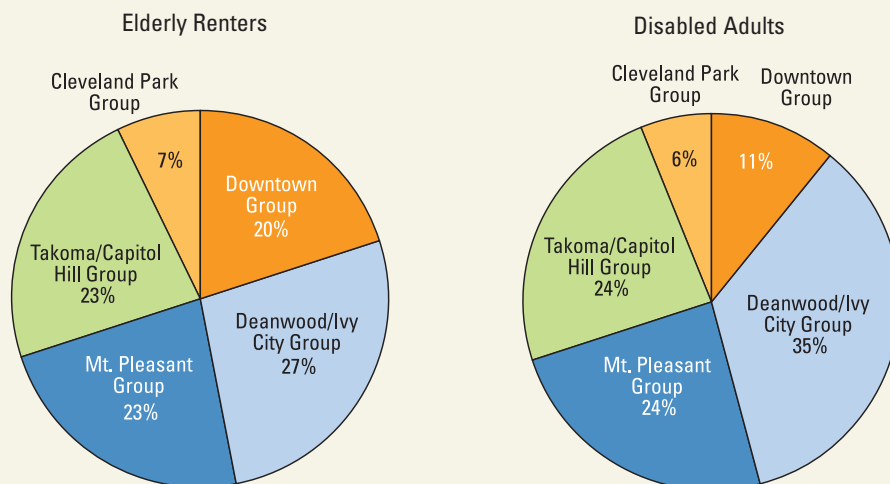
In neighborhoods experiencing affordability pressures, many families and individuals may be at risk of housing hardship or displacement. But households with special needs are particularly vulnerable. Both elderly and disabled renters — many of whom live on fixed incomes — are concentrated in neighborhoods (most notably, those in the Mt. Pleasant group) that were affordable in the 1990s but are now experiencing rapid price increases.

Specifically, as of 2000, almost half the city's elderly renters lived in the Deanwood, Ivy City, and Mt. Pleasant groups — neighborhoods that were most affordable at the start of the 1990s (Figure 4.2). Of these, almost half lived in the Mt. Pleasant group — neighborhoods now experiencing very rapid price escalation. There is some evidence to suggest that rising housing costs already may have led to a decline in the number of elderly households in some District neighborhoods during the 1990s. The number of elderly renters living in the city dropped substantially during the 1990s — by 18 percent overall. And the decline was much greater in higher-priced neighborhoods and in neighborhoods experiencing rapid price increases. Specifically, the Deanwood and Takoma Park groups saw only modest decreases, while the remaining five groups all lost about one-quarter of their elderly renters.

The District accounts for a relatively small share (17 percent) of the region's working-age disabled population²¹ but a much larger share (34 percent) of poor disabled adults. Specifically, 82,600 disabled adults lived in the District in 2000 — more than 20 percent of the city's total working-age population. Most of these disabled adults report an employment disability, limiting their ability to work, and one in four lived in poverty as of 2000. Like the city's elderly households, disabled adults are concentrated in neighborhoods that were the most affordable at the start of the 1990s. Figure 4.2 shows that almost six of every 10 disabled adults (and seven out of 10 of those who are poor) lived in the Deanwood, Ivy City, or Mt. Pleasant groups as of 2000. One-quarter lived in neighborhoods now seeing the most rapid revitalization — the Mt. Pleasant group.

The District of Columbia, like communities all across the country, is home to large numbers of ex-offenders who are being released from incarceration after serving their sentences. In 2004, the city's Court Services and Offender Supervision Agency supervised nearly 7,300 men and women, and more than 2,000 ex-offenders returned to the District in 2004 alone (Snipes 2005). These ex-offenders returned to all types of neighborhoods — although they were concentrated in the Northeast and Southeast quadrants. Almost three-quarters of those placed under supervision in 2004 returned to neighborhoods that were low-priced in the 1990s, including the Deanwood group, the Ivy City group, and the Mt. Pleasant group. Of these, half returned to neighborhoods in the Deanwood group, neighborhoods that remain the city's poorest and most distressed communities.

FIGURE 4.2: **Vulnerable Populations in High-Pressure Neighborhoods**



SOURCE: Data from U.S. Bureau of Census, Census 2000

Returning ex-offenders constitute a particularly vulnerable population. Many return to the same neighborhoods in which they lived before being incarcerated, often areas with high rates of crime and poverty. About half of the District's recent returnees have completed high school or a GED and only 40 percent are employed. Many newly released offenders rely on temporary housing solutions, including shelters and group homes. Unstable housing, neighborhood distress, and lack of employment all undermine an ex-offender's chance of success and can contribute to higher rates of recidivism (Gouvis and Travis 2004).

In January 2005, the Metropolitan Washington Council of Governments annual count found 11,419 homeless persons in the Washington region.²² Of these, 2,694 were considered chronically homeless. More than half of the region's homeless people and two-thirds of the chronically homeless live in the District. The city's homeless population has grown by 3.4 percent over the past year.

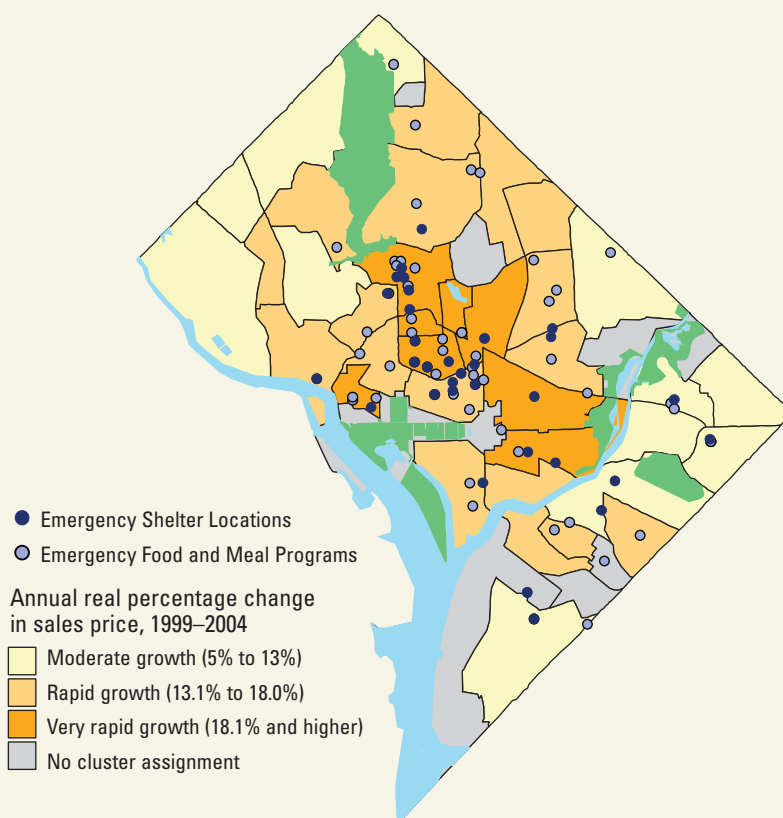
Many of the free meal programs, emergency food pantries, and emergency shelters that help meet the needs of the city's homeless population are located in neighborhoods with hot housing markets, as illustrated in Figure 4.3. For example, over a third of emergency shelters and a quarter of food service locations are located in the Mt. Pleasant group. As these neighborhoods become more desirable places to live and to locate businesses, homeless

service providers may find it increasingly difficult to sustain their existing facilities and may face pressures to concentrate in the city's lower-cost and more vulnerable neighborhoods.

Fewer Neighborhoods with Affordable Rentals

Much of the city's federally subsidized housing stock was originally built in low-income and low-cost neighborhoods, contributing to very serious problems of poverty concentration and distress, as discussed in the 2003 edition of *Housing in the Nation's Capital*. But as shown in Figure 4.4A, a substantial number of these

FIGURE 4.3: **Emergency Services Located in Hot Areas**



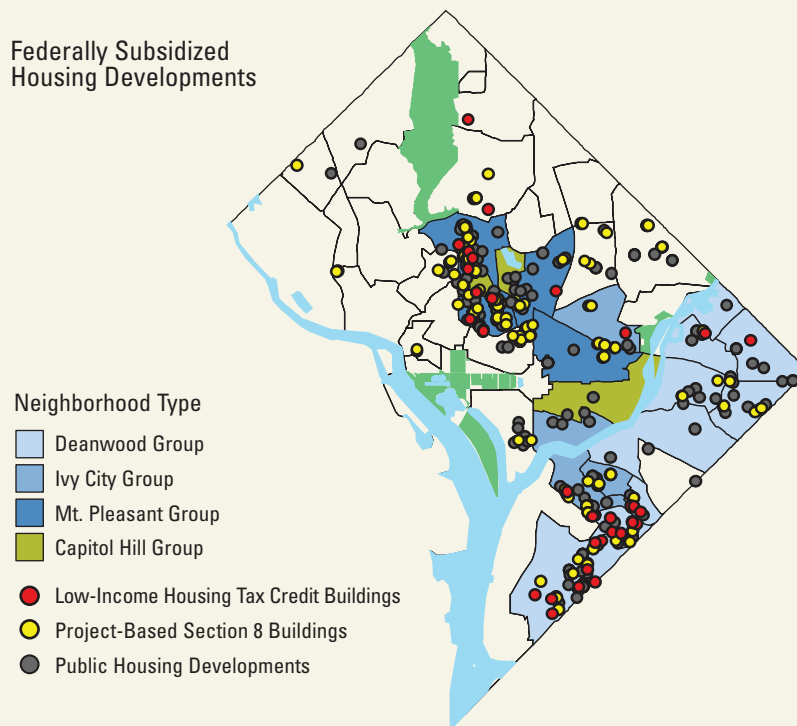
SOURCES: Data from District of Columbia Real Property Assessment File for sales; District of Columbia Answers Please for services, accessed April 2005.

units are in clusters that are now experiencing very rapid price increases. Specifically, the city has placed in service just under 7,000 units of Low Income Housing Tax Credit (LIHTC) housing since 1987. Nearly all are in neighborhoods that were lower-priced in the mid-1990s, but almost two in 10 are in the Ivy City and Mt. Pleasant groups — neighborhoods that were low-priced in 1994 but have seen rapid or very rapid price increases since. Likewise, the city has about 12,000 units of project-based Section 8 housing. Most (about 8,500 units) are located in low-priced neighborhoods, but about half of these are in neighborhoods (like Mt. Pleasant) that are

now experiencing rapid or very rapid price growth. Given the booming market opportunities in these neighborhoods, many of these units are at risk of losing their Section 8 subsidies.²³

As of May 2005, Section 8 contracts covering about 5,800 units were scheduled to expire in the second half of the year, with an additional 1,300 coming up in 2006. Thus, in just one 18-month period, contracts are scheduled to expire on well over half of the city's entire Section 8 stock. Decisions that property owners have made over the past year suggest that many owners may not let their contracts expire and may instead wait to see if the market continues

FIGURE 4.4A: **Subsidized Rental Housing — Limited Location Choices**



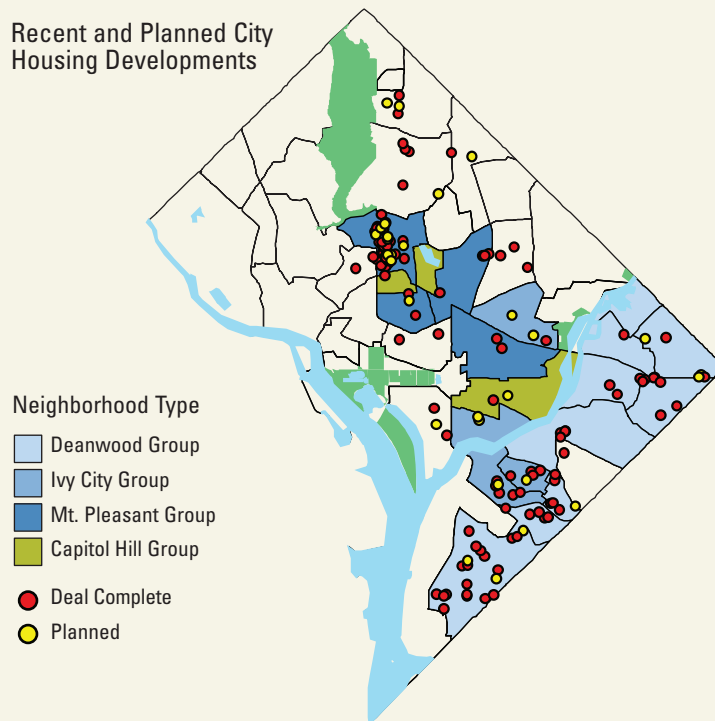
SOURCES: Data from U.S. Department of Housing and Urban Development (HUD), Subsidized Housing Projects Geographic Codes; HUD, Low Income Housing Tax Credit Database, 1987–2002; HUD, Multifamily Assistance and Section 8 Contracts Database, May 2005

to improve. The owners of a large majority of the contracts that had been scheduled to expire in 2004 chose to renew their contracts. The majority of these renewals were short term (many for just one year) across all neighborhood types.

As of 2000, the District had 7,807 units of public housing. About 6,100 of these were located in the lowest-price neighborhoods, but about half of these were in neighborhoods now experiencing rapid or very rapid price increases (the Ivy City and Mt. Pleasant groups, as shown in Figure 4.4A). The District of Columbia Housing Authority (DCHA) has

made a substantial effort to refurbish its stock of public housing, beginning with its first HOPE VI grant in 1993. Through the redevelopment funded in part by the HOPE VI program, DCHA has demolished 2,961 units of public housing since 1990. It intends to replace (or has replaced) the demolished units with 1,031 new public housing units, 999 affordable or market-rate rental units, and 1,088 homeownership units. This represents a substantial net loss of deeply subsidized housing, units that in the past have provided housing for some of the city's poorest residents. It is important to note, however, that the original residents of HOPE VI

FIGURE 4.4B: **Subsidized Rental Housing — Limited Location Choices**



SOURCE: Data from District of Columbia Department of Planning Housing Pipeline Report, February 2005

developments receive housing vouchers if they are not able to return to the renovated development.²⁴



The city has made substantial investments in affordable housing over the past five years. Most of the new units are going to low-priced neighborhoods, with only a small share in the clusters experiencing rapid price increases. The city has begun development or rehabilitation of 11,900 units of subsidized rental housing of all types. As with LIHTC

units, most are located in low-priced neighborhoods, with the bulk (about 6,100 units) going to the Deanwood group and 2,300 other units going to the Ivy City and Mt. Pleasant groups (Figure 4.4B).²⁵ A further 2,900 units of subsidized rental housing are now in the planning stages, with about half planned for the Arthur Capper/Carrollburg HOPE VI development in the rapid-growth Near Southeast cluster.

Given the heavy concentration of federally and city-subsidized housing units in low-priced areas, Housing Choice Vouchers can be an important tool for enabling very low-income renters to afford decent housing in healthy, opportunity-rich neighborhoods. But increasingly, District voucher recipients are concentrated in

the city's most distressed neighborhoods. Between 1998 and 2004, the percentage of voucher recipients living in the Deanwood group neighborhoods climbed from 40 percent to 46 percent. The share in the medium-priced Takoma group fell from 18 to 12 percent.

Conclusion

Rental housing plays a critical role in meeting housing needs in the District of Columbia, particularly for lower-income families, for the elderly and disabled, and for other vulnerable groups. Affordable rental units are already in short supply; if recent trends continue, the inventory is likely to decline even further, particularly in neighborhoods experiencing the most rapid price increases. The city has made substantial investments in affordable rental housing in recent years, with much of this investment going to the weakest neighborhoods. If these neighborhoods continue to see steady increases in sales prices, the city's investment will help ensure continued options for low-income households there. But preserving and expanding affordable rental options in hotter neighborhoods is critical if the city is to avoid the overconcentration of poverty and distress and achieve its vision of becoming a more diverse and inclusive community.



Chapter 5

Closing the Gap

After decades of population loss and disinvestment, the District of Columbia is now sharing the Washington region's remarkable and sustained prosperity. This renewed growth clearly brings new vitality and resources to the city. But it also creates intense housing market pressures, pushing prices and rents out of reach of many working families as well as other, more vulnerable city residents. If these pressures are allowed to continue, they could widen the gap between renters and owners, exclude lower-income and minority households from many District neighborhoods, and lead to displacement and hardship for long-term residents. But the city's prosperity and growth can be more effectively managed: by significantly expanding the housing supply, by allocating more resources to affordable housing, and by crafting neighborhood investment and management strategies that respond to the differing challenges faced by District neighborhoods and their residents.

Expand the Housing Supply

Research has demonstrated that population growth offers important benefits — fiscal and economic, as well as social — to the District of Columbia (O'Cleireacain and Rivlin 2001). Accordingly, the city has set a well-publicized goal of increasing its total population by 100,000 by 2020 — not only by attracting more residents, but also by retaining more of its current residents. This may seem like a large number, but it implies that the District (which accounted for 13 percent of the region's population in 2000) would capture just 9 percent of

the region's projected 2000–2020 growth.²⁶

Furthermore, as noted in Chapter 1, the city already attracts large numbers of new residents, with more than 100,000 people moving to the city during the last five years of the 1990s alone. Nonetheless, achieving the city's population growth goal will require a wide array of initiatives, including school improvement and crime reduction, that improve the city's ability both to attract and retain residents. And, obviously, it will require more housing.

Less attention has been paid to how important this same objective — expanding the housing

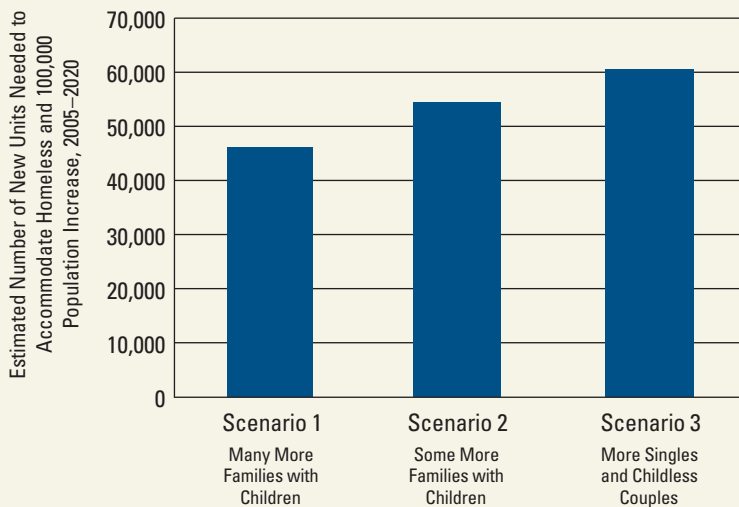
supply — is to addressing the housing affordability crisis. Earlier chapters in this report have documented an unprecedented acceleration of housing prices in the District. Finding enough subsidy funds to solve the problem is simply not possible. Something has to be done to begin to lessen market pressures, and this can be done only by reducing the current imbalance between demand and supply. Even though housing production levels have increased dramatically since the mid-1990s, the District needs to expand the supply more rapidly, providing more new units to accommodate desired growth in the number of households as well as to make up for the inevitable loss of older units to demolition.

How much will be required? We estimate that the number of new housing units needed

to accommodate a population increase of 100,000 and the current homeless population by the year 2020 ranges from 46,739 to 61,401, depending upon the mix of households that move to and choose to remain in the city. Figure 5.1 illustrates total housing production needs under three possible scenarios. If the city were successful in attracting and retaining more families with children, fewer households (and housing units) would be required to achieve the 100,000 population target. If, on the other hand, the city continues to be more attractive to singles and childless couples, as the data in Chapter 1 on in-movers suggest, meeting the 100,000 population growth target will require a bigger increase in housing production levels.²⁷

Are these production goals realistic? Can as many as 47,000 to 61,000 more units be added to the housing stock in the District of Columbia over the next 15 years? It seems likely that this target could be met through a combination of several strategies. The District Office of Planning estimates that up to 15,000 housing units could be developed in “new neighborhoods” on large parcels of mostly publicly owned land. In addition, city estimates show the potential for another 11,000 units on scattered vacant sites and 7,200 units on underutilized lots throughout the city.²⁸ These totals could be increased if higher densities were permitted around Metro stations and along major transportation corridors. Finally, the stock of

FIGURE 5.1: The District of Columbia Needs More Housing Production



SOURCE: Data from Urban Institute analysis of housing production needs

available housing could be expanded by rehabilitating residential properties that are boarded up or abandoned, by subdividing large units into two or more smaller ones, and by creating auxiliary apartments in existing single-family homes.

Increasing the city's housing production levels will require some regulatory reforms as well as more streamlined procedures for review and approval of residential development plans. Specific reforms being considered by the Comprehensive Housing Strategy Task Force include zoning changes that encourage higher-density development around Metro stations and major transportation corridors. Regulatory reforms may also be needed to permit auxiliary units in single-family houses. Some of these reforms could generate opposition from existing city residents, intensifying the challenge of substantially expanding the city's housing stock. Finally, if the city is serious about meeting ambitious housing production goals, it must effectively monitor the availability of sites, development plans and proposals, and actual production levels. Proactive land banking is likely to make sense in some neighborhoods — either by the city directly or by other types of entities with the city's support and encouragement.

Some of the new housing produced over the

next decade should be specifically tailored to accommodate people with special needs. One in five of the District's households are headed by an elderly person, and this number is certain to grow over the coming decade due to the aging of the baby boom generation. Moreover, given the right housing options, city living could be particularly attractive to elderly singles and couples, because it offers easy access to a wide variety of services, amenities, and cultural activities. Thus, it makes sense for the city to explicitly promote development of a range of assisted living and continuing care facilities to attract, retain, and effectively serve elderly residents over the coming decade.

In addition to housing options for the elderly, the District needs to ensure the availability of accessible and service-enriched housing for nonelderly people with disabilities, supportive housing for homeless individuals and families, and transitional housing for returning felons. In general, each of these developments should be relatively small, to avoid problems of overconcentration, and they should be scattered across all of the city's neighborhoods. Research shows that when supportive housing is effectively designed and managed, it need have no adverse impact on property values or quality of life in the surrounding neighborhood (Galster 2002).

Offer More Help With Affordability

Expanding the supply of housing in the city should help moderate upward pressures on prices and rents, enabling moderate- and middle-income families to afford to live here. People often lose sight of how interconnected the housing market is. Even building new condominiums for the affluent can help reduce pressures for lower-income families, because if those units were not built, high-income households would be bidding up prices of the existing housing stock. Nonetheless, increased production alone cannot bring rents and prices down low enough to significantly narrow the affordability gap. Thus, in addition to policies that promote supply expansion, the city must try to provide more affordability assistance for lower-income households.

Specifically, we estimate that almost 93,000 households living in the city today are paying more than 30 percent of their income for housing. Almost all of these households (79 percent) are low-income, and two-thirds are renters. In addition, about 6,000 people are homeless in the District, including about 3,800 individuals and about 2,200 persons in families. And an estimated 12,000 low- and very low-income households currently live in rental projects with federal Section 8 subsidies that are scheduled to expire over the next 10 years. These households, too, will need assistance to keep their housing costs affordable.

Closing this affordability gap completely may be beyond any city's capacity. But even narrowing it appreciably will require a combination of strategies targeted to households at different income levels. Regulatory incentives — such as inclusionary zoning and permission for increased density — can induce the private market to provide housing at rents and prices that moderate-income households can afford. And programs that offer low-cost financing or capital subsidies — such as down payment assistance, grants, or contributed land — in return for below-market rents and sales prices can make housing affordable for lower-income households. But reaching down to make decent housing affordable for the lowest-income households requires not only capital subsidies but long-term operating subsidies as well.

Make Preservation a Priority

It does not make sense to try to tackle all of the city's affordable housing needs through new production. In fact, priority should be given to preserving units that are currently affordable (and to making more existing housing affordable for lower-income residents) because doing so is far more efficient than new production alone. This is particularly true for existing federally subsidized resources like Section 8 projects. The National Housing Trust estimates that a Section 8 unit for a tenant with an income of \$12,015 now yields an annual federal subsidy flow of \$11,012 (National Housing Trust 2004). If that unit is allowed to

go to market rent, that flow is lost — and is irreplaceable. The cost of retaining that unit in the Section 8 inventory (with ownership change or not) is likely to be a tiny fraction of what it would cost to build a new subsidized unit to serve the same family. This logic holds for older private rentals as well. The additional expenditure to keep the units in decent shape and at affordable rents is a bargain compared with the costs of replacement with new subsidized housing.

Thus, at the same time that the city encourages new production, it should give higher emphasis to policies that will preserve existing affordable housing. Potential tools include low-interest loans that would be available to owners who agree to reduced rent levels for some portion of their units, financial and technical assistance to groups of low-income tenants who wish to buy an existing rental property and convert it to an affordable condominium or cooperative, and low-interest loans and/or grants to cover essential home improvements for low-income homeowners. Finally, to reach the lowest-income households, the city would have to provide long-term operating subsidies, including, for example, locally funded housing vouchers.

One Size Does Not Fit All

Although the city as a whole needs more housing units and more affordable housing options, different neighborhood conditions call for different strategies. The typology of housing market conditions and trends developed in chapter 2 provides a framework for crafting strategies that effectively address specific neighborhood needs.

It is not that the tools and strategies used in one neighborhood type should be totally different from those used in another. Many of the basic themes — supply expansion, preservation, promoting choice and inclusion — will be appropriate everywhere. But the mix of approaches, their relative priority, and the specific manner in which they are applied should differ based on variation in neighborhood circumstances. For example, promoting neighborhood diversity will demand efforts to attract more moderate- and higher-income residents to some parts of the city while using tools like housing vouchers and inclusionary zoning to make it possible for more low-income residents to move into other parts of the city.



Ideas about appropriate strategic emphasis for each of the neighborhood types we have defined are discussed below and summarized in Figure 5.2. We note, however, that these are only general guidelines. Conditions and trends also vary for subneighborhoods within these groupings, and more detailed strategies will have to take those variations into account.

Deanwood and Ivy City groups. The big news for these traditionally distressed clusters is that housing prices have finally begun to turn upward over the past few years. The key will be to take advantage of that trend and encourage more investment without accelerating it to the point where it sows the seeds of displacement. These are the neighborhoods where the city is

FIGURE 5.2: **Strategies Tailored to Neighborhood Conditions**

	Average Annual Percentage Real Change in Home Prices, 1999–2004		
Median sales price, 1994	Moderate (3–3.0%)	Rapid (13.1–18.0%)	Very Rapid (18.1% and higher)
Lower price (\$69,000–\$105,000)	Deanwood and Ivy City groups. <i>Encourage more investment, but not so fast that it sows the seeds of displacement. Avoid any increase in the concentration of low-cost housing.</i> <ul style="list-style-type: none">– neighborhood improvements to attract and retain moderate- and middle-income residents– gain control of abandoned properties– engage in land banking– new mixed income development centers– work-force and other anti-poverty initiatives		Mt. Pleasant and Capitol Hill groups. <i>Preserve affordable rental housing and prevent further displacement.</i> <ul style="list-style-type: none">– monitor currently subsidized projects and quickly restructure subsidies where needed– help residents exercise right to purchase– inclusionary zoning
Medium price (\$105,000–\$200,000)	Takoma group. <i>Expand the overall housing stock and increase the share of units that are affordable to low- and moderate-income households, to promote economic diversity while avoiding displacement.</i> <ul style="list-style-type: none">– cluster new development– inclusionary zoning– encourage landlords to accept housing vouchers– direct assistance to protect existing owners and renters from displacement		
Higher price (\$200,000–\$325,000)	Cleveland Park group. <i>Encourage more housing development and greater diversity, despite very high housing costs.</i> <ul style="list-style-type: none">– high-density development along transit corridors– inclusionary zoning– encourage landlords to accept housing vouchers		
Predominantly Multifamily (\$97,000–\$202,000)		Downtown group. <i>Maintain focus on higher-density housing development and encourage greater income mixing in new units.</i> <ul style="list-style-type: none">– convert nonresidential structures into mixed-use developments– inclusionary zoning– include subsidized rental and homeowner units in new developments	

likely to gain the highest payoffs for its efforts to gain control of abandoned properties and to engage in land banking — securing title to vacant and underutilized properties so they can later be remarketed for development, with the benefits going to the public rather than to speculators.

The aim should be to attract more investment from moderate- and middle-income households to new, mixed-income developments as well as to the existing housing stock, while also addressing the affordability needs of current residents through capital and operating subsidies. But increasing the concentration of low-cost housing is ill-advised in these neighborhoods, which already are challenged by high rates of poverty and distress.

The Deanwood and Ivy City groups also require comprehensive attention to neighborhood quality. With property values beginning to rise, the time is ripe for action to solidify these gains. Of greatest importance, of course, are expanded efforts to reduce crime and improve school quality. But other, lower-cost actions can also be important — more intensive code enforcement to prevent building deterioration, quick action to deal with abandoned cars and clean up vacant lots (preventing “broken-window” indicators), and new designs for streetscape improvements.

Across the city’s neighborhoods, these historically distressed neighborhood groups also warrant the greatest emphasis on initiatives to

address persistent poverty directly: more focused and effective workforce development, targeted social services, financial counseling, and special initiatives to promote asset-building (including support to convert renters to homeowners, where appropriate). Not all of the current low-income residents in these neighborhoods should necessarily stay, however. For some, a combination of housing vouchers and mobility counseling would enable them move to other neighborhoods of choice in the city and elsewhere.

Takoma group. Neighborhoods in this group, which are experiencing rapid rates of price appreciation, have tremendous potential for the development of new housing for a wide range of income levels. These neighborhoods are already experiencing some demand pressure from middle- and high-income households, but prices and rents are not yet spiraling out of control. Policies to expand the overall housing stock and increase the share of units that are affordable to low- and moderate-income households could promote economic diversity while reducing the risk of displacement.

In contrast to the Deanwood and Ivy City groups, neighborhoods in the Takoma group represent some of the city’s most stable, if not most affluent, homeownership environments. New housing development here must be carefully focused around transit stops, other development nodes, and large vacant land parcels, so that it enhances, rather than disrupts,

the character of existing neighborhoods. In the higher-density new developments, inclusionary zoning would help promote income diversity, as would the provision of more housing vouchers and efforts to encourage private landlords to accept voucher recipients as tenants.

Attention to crime and school improvement will also be critical here, as will the other tech-

niques for neighborhood strengthening noted above (although that work should not have to be as extensive as in lower-income areas). And certainly, strong efforts will be needed in this group to preserve affordable housing and minimize displacement. Assistance that enables lower-income owners to keep up with property tax payments is likely

to be more needed here than anywhere else in the city. The same may be said for direct assistance to low- and moderate-income residents seeking to exercise their right to purchase. This theme also entails work (and funding) to help current residents purchase rental structures and to ensure the continuation of affordability for extended periods in the future.

Mt. Pleasant and Capitol Hill groups.

These are the neighborhoods where price acceleration has already been the most rapid. They represent the current affordability battlegrounds, where risk of displacement is most serious and public subsidy allocations to prevent it are probably most warranted, but also

the most expensive. Although some assistance to owners will be needed, the highest priority here is to use resources wisely to preserve affordable rental housing. This involves monitoring the status of currently subsidized projects (Section 8, LIHTC) and moving quickly as assistance contracts expire or are terminated. Preservation efforts might also include helping tenants and housing nonprofits acquire these and other private rental properties in the face of possible condominium conversion. Indeed, new housing development makes sense in these areas, particularly higher-density housing around transit stops and other activity centers and along major transportation corridors. Additional housing vouchers and inclusionary zoning are also potential tools for preserving existing affordable rentals or enhancing the production of affordable units.

Cleveland Park group. These are the city's most affluent residential areas, with high rates of homeownership. Costs are such that a given amount of money for housing subsidies here will help fewer families than it would in lower-cost neighborhoods. But this does not imply that serious efforts to promote affordability and diversity should not be attempted.

First, there is much demand for the development of new high-price rental and condominium properties along transit routes in these neighborhoods. It seems reasonable to expect that, though costly, inclusionary zoning would help to reduce the long-term costs of a significant



number of units in these properties. Also, expanded use of vouchers in existing rental properties appears possible in the Cleveland Park group.

Downtown group. Both the logic and the priority of approaches discussed above for the Cleveland Park group are also applicable here: housing vouchers and serious campaigns to ensure that such vouchers are used effectively, as well as inclusionary zoning (demand for additional high-density development is even higher in these areas).

However, some additional opportunities exist in these areas. Existing housing is predominantly in multifamily structures — both rentals and condominiums. This segment of the market has experienced by far the largest increment of new housing production in the past few years. More can be expected in the future. In addition to new apartment buildings, the mix of land uses in these neighborhoods may create opportunities to convert previous nonresidential structures into mixed-use developments with a significant number of housing units. In such environments, mixing in a share of low-income units should be less difficult than doing so in lower-density neighborhoods.

Monitoring housing market conditions and planning for preservation.

One further cross-neighborhood effort is essential to help address the city's housing affordability pressures: namely, better neighborhood-specific monitoring of housing market trends. As chapter 2 illustrated, market conditions are changing dramatically in the District. Neighborhoods that appear to be stable or even stagnant one year may experience dramatic increases in demand and prices the next year. And even within each of the seven neighborhood groups described here, individual neighborhoods are likely to present unique opportunities and challenges.

As noted in the introduction to this report, the Fannie Mae Foundation and the Urban Institute plan to work in partnership with District of Columbia government and civic groups to provide better, and more timely, neighborhood-specific information. With the development of the Neighborhood Assessment System (NAS), we see the possibility of a frequent (perhaps even quarterly) house price report that would include key findings as well as statistical updates for individual neighborhoods. In addition to tracking prices, the NAS would provide tools for monitoring and preserving the city's inventory of rental units with Section 8 subsidies.

The District Can't Do It Alone

Last year's report in this series also focused on the issue of housing affordability, but it did so at a regional level. It emphasized that metropolitan housing and labor markets are in fact integrated and that the housing challenges that now exist cannot possibly be solved by any one jurisdiction acting on its own.

The policy themes that emerge from our focus on the District this year — expanding the housing supply (with a focus on increasing density around transit stops), creating more affordable housing opportunities throughout the city, and developing neighborhood-specific strategies — are all consistent with those that emerged from last year's regional review. The District is already moving in many of these directions, and if it follows through more comprehensively, there are good reasons to expect positive results.

This progress, however, is likely to prove inadequate unless other parts of the metropolitan region take these challenges seriously as well. This is particularly true with respect to expanding the housing supply. The inner ring of suburban counties is a focus of particular

concern in this regard. If these counties were to successfully promote expanded housing production (with patterns of higher density that avoid disruption to existing neighborhoods), this single action, in conjunction with a similar contribution by the District, might have a truly sizable and lasting impact. If, however, these counties do not act, overall regional growth pressures will continue to fuel sprawl in the outer counties and produce an unyielding housing price environment in the center.

Conclusion

Unparalleled challenge brings unparalleled opportunity. The opportunity to moderate housing prices by expanding housing supply carries within it the opportunity to reverse trends that threaten our region and our city with economic polarization. If the inner-ring counties, working in concert with the District, will connect the goal of more affordable housing to the goal of greater diversity, the result could be an expansion of opportunity that would be unprecedented in metropolitan America.

Endnotes

- 1 The Bureau of Labor Statistics updates the employment series annually, including adjustments for previous years.
- 2 Note that the District of Columbia government disputes the Census population estimates, arguing that they understate population growth. And some have noted that the Bureau's estimates did substantially underestimate District population levels in the late 1990s.
- 3 City administrative data show that HOPE VI, which will be discussed further in Chapter 4, accounted for only 6 percent of the permitted units from 2001 to 2004.
- 4 Data from U.S. Bureau of the Census 2005.
- 5 Throughout the remainder of this chapter, all prices and price increases are based on sales of single-family homes and condominiums weighted by the proportion of sales in these categories. Using weighted prices is critical when comparing across clusters in order to control for varying shares of condominium and single-family sales each year.
- 6 For the typology analysis, we use a weighted percent change, multiplying the inflation-adjusted annual average percent change for single-family and condominium by their share of sales. It is important to note that these "moderate" increases are really moderate only in the context of the current superheated housing market of the District of Columbia. In the long run, national price increases have tended to beat inflation by only a couple of percentage points.
- 7 This yields nine potential groups of neighborhoods. However, we have collapsed categories containing only one cluster into adjoining groups, and some of these potential groups have no entries, including, for example, the group defined by the high price category and the very rapid increase category.
- 8 Specifically, at least 73 percent of the housing units in these clusters are in buildings of five units or more, compared with only 49 percent of units in the city as a whole.
- 9 Two of these clusters were moved into this group because of their low numbers of sales: Eastland Gardens (cluster 29) with an annual average price increase of 14.6 percent from 1999 to 2004, and Woodland (cluster 36) with a median price of \$111,850 in 1994.
- 10 In this section, numbers refer to 2000 conditions unless otherwise noted.
- 11 The homeownership rate figures are based on the U.S. Bureau of the Census, Housing Vacancy Survey (HVS). According to the American Community Survey, the District of Columbia's homeownership rate is at a lower value of 43.6 percent in 2004, but also significantly up from 38.6 percent in 2000. This analysis uses the HVS in order to compare the District to the metropolitan area and other central cities.
- 12 As discussed in Chapter 2, we use weighted percent change here to avoid the distortion caused by changes in the proportion of single-family and condominium sales each year.
- 13 Analysis by Torto Wheaton Research (Deane 2005).
- 14 The authors define "boom" conditions as times when an area experiences 30 percent or higher increase in real home prices in 3 years. A "bust" occurs when a market sees a nominal decline of 15 percent in 5 years (Angell and Williams 2005).

- 15 The analysis does acknowledge that the current situation might diverge from historical precedent because the number of boom markets currently is the highest seen at one time in the past 25 years and the new prevalence of subprime mortgage lending, higher-leverage mortgage products, and interest-only loans may lead to increased default in a market downturn and liquidation of properties by lenders.
- 16 Data from LoanPerformance, Inc. (Downey 2005).
- 17 Until 2003, lenders were not required to request racial information for lending by telephone or Internet. As loans by these methods grew in the late 1990s, the percent of loans that were missing race information grew to a high of 23 percent in 2002, falling back to 17 percent in 2003. We cannot know whether loans to minorities are more or less likely to have missing race information, but the racial distribution should be viewed with some caution given the increase in observations with unknown race.
- 18 If the volume of loans rises in an area, the number of loans to minorities could be increasing, even with a declining share. Given fluctuations from year to year and changes in reporting, it is difficult to say for certain. It appears there was a declining share in the first period (from 1994 to 1999), while the second period shows an absolute decline in minority loans.
- 19 Figure includes federal funding from the Community Development Block Grant, HOME, and other programs.
- 20 The Homestead Deduction cost the city an estimated \$29 million in 2004, and the property tax cap cost \$69 million.
- 21 In the Decennial Census, a disabled person is someone with a physical, mental, or emotional condition lasting 6 months or more that makes it difficult to perform certain activities. Working age is defined as those aged 16 to 64.
- 22 The Metropolitan Washington Council of Governments (COG) uses the U.S. Department of Housing and Urban Development (HUD) definition of literally homeless as those who had no shelter at all, were in emergency shelters or transitional housing temporarily, or were in precarious housing and at imminent risk of losing it. HUD defines a chronically homeless person as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more *or* has had at least four episodes of homelessness in the past three years.
- 23 Some market observers argue that, in fact, it is developments in the lower-cost neighborhoods of the Deanwood and Ivy City groups that are most likely to opt out of their subsidy contracts.
- 24 Unpublished data available from HUD show an increase in the total number of voucher holders in the District of Columbia since 2000. This probably reflects a combination of new vouchers (to replace project-based assistance), higher voucher utilization rates, and improved information systems.
- 25 Only 10,373 of the 11,905 units in development could be attributed to a specific address. The remaining projects listed “various” or multiple locations in the address field.
- 26 This growth forecast is based on COG estimates and applies to the COG definition of the region.

- 27 The production estimates reported here are based on analysis conducted by the Urban Institute with support from the Fannie Mae Foundation in collaboration with the District of Columbia Comprehensive Housing Strategy Task Force. For a complete explanation of the methodology and results, see Turner 2005.
- 28 These figures exclude the large number of units already permitted and in development in the city. Estimates are drawn from two documents completed by the District of Columbia Office of Planning for the Comprehensive Plan Revision: *Land Capacity Analysis* (February 2005) and *Memo on Underutilized Land* (March 2005).

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Geographic Definitions

The Washington, D.C., Metropolitan Area

The analysis uses the federal government’s 1999 definition of the Washington, D.C., Primary Metropolitan Statistical Area. In addition, we define several sub-areas to facilitate comparisons within the region. As shown in Table A.1, these subareas are the District of Columbia; the Inner Core (Arlington County and the City of Alexandria); the Inner Suburbs (Montgomery County, Prince George’s County, Fairfax County, the City of Falls Church, and the City of Fairfax); the Outer Suburbs (Calvert County, Charles County, Frederick County, Loudoun County, Prince William County, Stafford County, the City of Manassas, and the City of Manassas Park); and the Far Suburbs (six counties in Virginia, one Virginia city, and two counties in West Virginia).

TABLE A.1: Washington, D.C., Metropolitan Area

District of Columbia		
Inner Core	Arlington County, Va.	Alexandria city, Va.
Inner Suburbs	Montgomery County, Md.	Prince George’s County, Md.
	Fairfax County, Va.	Fairfax city, Va.
	Falls Church city, Va.	
Outer Suburbs	Calvert County, Md.	Charles County, Md.
	Frederick County, Md.	Loudoun County, Va.
	Prince William County, Va.	Stafford County, Va.
	Manassas city, Va.	Manassas Park city, Va.
Far Suburbs	Clarke County, Va.	Culpeper County, Va.
	Fauquier County, Va.	King George County, Va.
	Spotsylvania County, Va.	Warren County, Va.
	Fredericksburg city, Va.	Berkeley County, W. Va.
	Jefferson County, W. Va.	

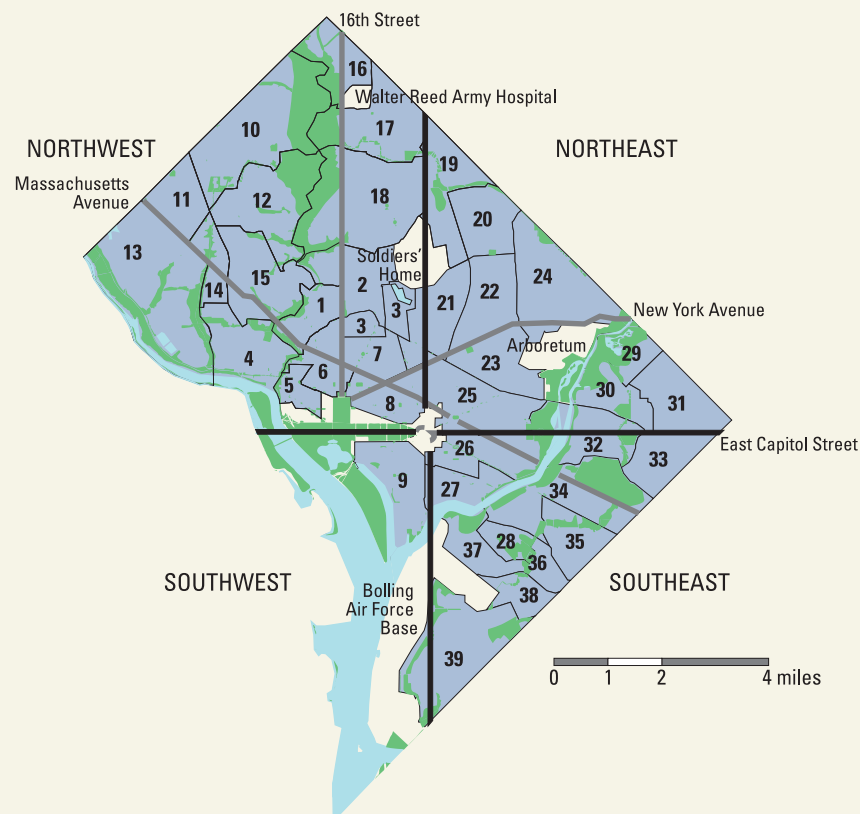
Neighborhood Clusters in the District Of Columbia

Within the District (Figure A.1), data are presented for neighborhood “clusters,” areas defined by the District of Columbia Office of Planning in consultation with community organizations and residents. Table A.2 lists these 39 neighborhood clusters and the three to five neighborhoods they encompass. The report refers to these clusters by the neighborhood name listed first in Table A.2. Not all neighborhood cluster boundaries follow cen-

sus tract boundaries, so the report uses groupings of census tracts defined by the District of Columbia Office of Planning in 2002 as approximations of neighborhood clusters.

Boundaries for these groupings cover whole tracts in all except one case: The block groups of tract 55 span two clusters. Block groups 1 and 2 fall in cluster 6 and block group 3 falls in cluster 5. To approximate data for these two clusters, we weight the values of the tract-level data according to the distribution of the

FIGURE A.1: **Neighborhood Clusters in the District of Columbia**



SOURCE: Data from District of Columbia Office of Planning, 2002
NOTE: See Appendix A, Table A.2, for names and descriptions of clusters.

block-group population: 31 percent of tract 55's population lives in cluster 5, and 69 percent lives in cluster 6. So for any given variable, we assign 31 percent of the tract value to cluster 5 and the remaining 69 percent to cluster 6.

Cluster 99 is not a city-defined cluster but a group of generally nonresidential, noncontiguous areas (Soldiers' Home, National Arboretum, National Mall, and Bolling Air Force Base).

TABLE A.2: Neighborhood Clusters in the District of Columbia

1	Kalorama Heights, Adams Morgan, Lanier Heights	20	North Michigan Park, Michigan Park, University Heights
2	Mt. Pleasant, Columbia Heights, Pleasant Plains, Park View	21	Edgewood, Bloomingdale, Truxton Circle, Eckington, Stronghold
3	Howard University, LeDroit Park, Cardozo/Shaw	22	Brookland, Brentwood, Langdon
4	Georgetown, Burleith/Hillandale	23	Ivy City, Arboretum, Trinidad, Carver, Langston
5	West End, Foggy Bottom, George Washington University	24	Woodridge, Fort Lincoln, Gateway, South Central
6	Dupont Circle, Connecticut Avenue/K Street	25	Union Station, Stanton Park, Kingman Park, Linden, Near Northeast, North Lincoln Park, Rosedale
7	Logan Circle, Shaw	26	Capitol Hill, Lincoln Park, Hill East, Barney Circle, Stadium Armory
8	Downtown, Chinatown, Penn Quarter, Mount Vernon Square, North Capitol Street	27	Near Southeast, Washington Navy Yard, Arthur Capper, Carrollsburg
9	Southwest Employment Area, Southwest/Waterfront, Fort McNair, Buzzard Point	28	Historic Anacostia, Anacostia
10	Hawthorne, Barnaby Woods, Chevy Chase	29	Eastland Gardens, Kenilworth
11	Friendship Heights, American University Park, Tenleytown	30	Mayfair, Central Northeast
12	North Cleveland Park, Forest Hills, Van Ness	31	Deanwood, Burrville, Grant Park, Lincoln Heights, Northeast Boundary
13	Spring Valley, Palisades, Wesley Heights, Foxhall Crescents, Foxhall Village, Georgetown Reservoir	32	River Terrace, Benning, Greenway, Fort Dupont
14	Cathedral Heights, McLean Gardens, Glover Park, Massachusetts Avenue Heights (part)	33	Capitol View, Marshall Heights, Benning Ridge
15	Cleveland Park, Woodley Park, Massachusetts Avenue Heights (part), Woodland-Normanstone Terrace	34	Twining, Fairlawn, Randle Highlands, Penn Branch, Fort Davis, Dupont Park
16	Colonial Village, Shepherd Park, North Portal Estates	35	Fairfax Village, Naylor Gardens, Hillcrest
17	Takoma, Brightwood, Manor Park	36	Woodland, Garfield Heights, Knox Hill/Buena Vista, Skyland
18	Brightwood Park, Crestwood, Petworth, 16th Street Heights	37	Sheridan, Barry Farms, Hillsdale, Fort Stanton
19	Lamond Riggs, Queens Chapel, Fort Totten, Pleasant Hill	38	Douglass, Shipley
		39	Congress Heights, Bellevue, Washington Highlands
		99	No cluster assignment

Public Data Sources

American Community Survey (ACS).

The ACS is a new nationwide household survey by the U.S. Bureau of the Census that will replace the decennial census long form. The content is similar to that of the decennial census (population, household, and housing characteristics), but the survey collects the data on a monthly basis to produce much more timely information. Currently, the ACS publishes annual estimates for the nation, the 50 states, the District of Columbia, and most counties, cities, and metropolitan areas with population of 250,000 or more. Data are available in three forms: published profiles, summary data tables, and microdata.

Web site: <http://www.census.gov/acs/www/index.html>

A Picture of Subsidized Housing (APSH).

The APSH data file was produced by the U.S. Department of Housing and Urban Development (HUD) and contains summary information on housing units and households as of 1998. It covers the following HUD programs: Public and Indian Housing, Section 8 Certificates and Vouchers, Section 8 Moderate Rehabilitation, Section 8 New and Substantial Rehabilitation, and Section 236. Data are provided for states, census tracts, housing authorities, and housing projects.

Web site:

www.huduser.org/datasets/assthsg/statedata98/index.html

Building Permits.

The U.S. Census Bureau collects data on new privately owned housing units authorized by building permits for permit-issuing jurisdictions (places and counties). The data files, released monthly, include the number of buildings and housing units authorized and the estimated construction cost.

Web site:

www.census.gov/const/www/permitsindex.html

Census Bureau Population Estimates.

The Census Bureau's Population Estimates Program publishes postcensal population estimates for the nation, states, metropolitan areas, counties, incorporated places, and county subdivisions. Data series for births, deaths, and domestic and international migration are used to update the decennial census base population counts. These estimates are used to monitor recent demographic changes and to allocate federal funds. They are also used as survey controls and as denominators for vital rates and per capita time series.

Web site: www.census.gov/popest/estimates.php

Current Employment Statistics (CES).

The CES is a monthly survey of payroll records conducted by the Bureau of Labor Statistics for the U.S. Department of Labor. The survey covers more than 300,000 businesses nationwide and provides detailed industry data on employment, hours, and the earnings of workers on nonfarm payrolls. Data are available for the nation, all 50 states, the District of Columbia, and more than 270 metropolitan areas.

Web sites:

www.bls.gov/ces/home.htm www.bls.gov/sae/home.htm

District of Columbia Real Property Assessment File.

The District of Columbia Office of Tax and Revenue collects information about land parcels for the purpose of levying taxes. The file contains information about every city property, including parcel identification information, property sales and transfers, sale amount, sale date, and deed type. It also includes property characteristics, such as vacancy status, the number of rooms, square footage, and year built. The District of Columbia Web site provides online access to real property assessment information for individual parcels.

Web site:

<http://cfo.dc.gov/otr/cwp/view,a,1330,q,594345.asp>

Home Mortgage Disclosure Act (HMDA).

HMDA requires certain mortgage lending institutions to disclose data about loan applications and approvals. Institutions required to file HMDA data include commercial banks, savings and loan institutions, credit unions, and mortgage companies that meet specific criteria. Data collected under HMDA are used (1) to help determine whether lending institutions are meeting the housing credit needs of their communities, (2) to help public officials target community development investment, and (3) to help regulators enforce fair lending laws. The data include individual loan application records, including property census tract, loan amounts, reasons for denial, and borrower and lender characteristics.

Web site: www.ffiec.gov/hmda/default.htm

Housing Vacancy Survey.

The Housing Vacancy Survey, a supplement to the Current Population Survey, estimates homeowner-ship rates and vacancy rates on both a quarterly and an annual basis. Data are available for the nation, regions, the 50 states, and the 75 largest metropolitan areas. Data for the nation and regions date back to the 1960s, and data for the states and metropolitan areas date back to 1986.

Web site: www.census.gov/hhes/www/hvs.html

Local Area Unemployment Statistics (LAUS).

The Bureau of Labor Statistics LAUS program produces monthly and annual employment, unemployment, and labor force data for the regions, states, counties, metropolitan areas, and select cities of the United States. State estimates (including those for the District of Columbia) are based on the Current Population Survey, while indicators for sub-state areas are based on data from several sources, including the Current Population Survey, the Current Employment Statistics program, and the unemployment insurance program.

Web site: www.bls.gov/lau/home.htm

Low Income Housing Tax Credits (LIHTC) Database.

The LIHTC program gives states nearly \$5 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. Created by HUD, the database contains information on projects placed in service between 1987 and 2002. The LIHTC database includes project address, total number of units and number of low-income units, year the credit was allocated, year the project was placed in service, project type (new construction or rehab), and other sources of project financing.

Web site: www.huduser.org/datasets/lihtc.html

Metropolitan Regional Information Systems, Inc. (MRIS).

MRIS — the nation's largest online real estate network for licensed agents, brokers, and appraisers — represents 25 county Associations of Realtors®. "The Real Estate Trend Indicator," the standard statistical report of market activity, is available through the MRIS Web site for all of the counties in the Washington metropolitan area. The monthly and annual reports include information on the number of home sales by price range and number of bedrooms; they also report the average and median sale prices and home financing characteristics.

Web site: <http://www.mris.com/reports/stats/>

Multifamily Assistance and Section 8 Contracts Database.

The U.S. Department of Housing and Urban Development (HUD) produces the Multifamily Assistance and Section 8 Contracts (formerly known as Section 8 Expiring Use) Database monthly. The database represents a snapshot at a point in time of all multifamily assistance and Section 8 project-based subsidy contracts due to expire. These HUD subsidy programs are project-based, which means they are tied to specific privately owned rental units, not provided to tenants as with Section 8 vouchers. For this report, address-level data from the Multifamily Assistance and Section 8 Contracts Database have been summed to cluster and county levels.

Web site:

www.hud.gov/offices/hsg/mfh/exp/mfhdiscl.cfm

Neighborhood Change Database (NCDB).

NCDB is the main source of decennial census data for *Housing in the Nation's Capital*. Funded by the Rockefeller Foundation, the NCDB is a joint project of the Urban Institute and Geolytics, Inc., designed to develop a set of comparable national population and housing variables from the 1970, 1980, 1990, and 2000 decennial censuses. The NCDB methodology links the associated data to 2000 census tract boundaries so that consistent comparisons can be made across census years.

Census 2000 Web site:

www.census.gov/dmd/www/2khome.htm

Geolytics Web site: www.geolytics.com

Occupational Employment Statistics (OES).

The OES is an annual mail survey conducted by the Bureau of Labor Statistics for the U.S. Department of Labor. The survey collects data on nonfarm wage and salary workers to produce employment and wage estimates for more than 700 occupations in more than 400 industry classifications. Self-employed workers are excluded from the estimates because the OES does not collect data from this group. Estimates are available at the national, state, and metropolitan-area levels.

Web site: www.bls.gov/oes/home.htm