

Testimony Regarding Issue 4(A): Destabilization of Land Values and Displacement of Neighborhood Residents

4/19/17 Use if possible 5:15

Leonard Bogorad, RCLCO

SLIDE Good evening. My name is Leonard Bogorad. I am a Managing Director of RCLCO (Robert Charles Lesser & Co.), a real estate economics consulting firm. RCLCO was retained to evaluate whether the McMillan redevelopment will cause destabilization of land values (as reflected in higher home prices and rents), and displacement of residents in the surrounding neighborhoods—part of Issue 4(A).

I compiled and examined data on home price and rent changes; reviewed some of the scholarly literature relating to gentrification, including studies of gentrification in the District; and took account of the Applicant's plans and commitments.

And I determined that Green Door Advisors' June 2011 conclusions regarding jobs, tax revenues, and net fiscal impact are still reasonable and if anything conservative.

My expert report has 6 key conclusions, and a few of the exhibits in my report will be up on the screen.

1. As is true in many areas of the City, the neighborhoods surrounding the Project are already experiencing increases in property values and rents that will likely continue whether or not the Project occurs. The Project will not set price and rent increases in motion; rather, this is already occurring without any impetus from the Project. There is no reason to conclude that the plans for this Project have caused this trend or that the Project will have a significant impact on this established trend of home price and rent increases.

(Exhibit I-2) Specifically, home prices in Bloomingdale/LeDroit Park have been increasing even faster than in Dupont Circle. Rowhouses sold in 2016 that had been purchased in 2008-2010 went up in price by 9.3% annually in Bloomingdale/LeDroit Park versus 3.3% annually in Dupont Circle. And other exhibits in the report show that home prices in the neighborhoods near the Project have already reached high levels.

(Exhibit I-7) Rents in the surrounding neighborhood are also increasing faster than in the City as a whole. Rents in the part of Bloomingdale closest to McMillan increased by 64% from the period ending in 2009 to the period ending in 2015.

(Exhibit I-10) My findings are consistent with studies of gentrification in the District, which concluded that neighborhoods surrounding the Project have been gentrifying since at least the period beginning in about 2001. The study summarized in this slide shows that Bloomingdale, LeDroit Park, and Brookland gentrified between 2000 and 2013.

Furthermore, scholarly studies do not attribute gentrification to projects such as the McMillan redevelopment, and a study specifically found no relationship between large-scale neighborhood investment projects and changes in nearby rents. The 81-page 2015 Catholic University study of gentrification in Bloomingdale, excerpts of which were attached to Friends of McMillan's April 3rd letter, includes an extensive discussion of the causes of Bloomingdale gentrification but says nothing about plans for McMillan being one of the causes of that gentrification.

2. (Exhibit I-12) Many studies have found that new housing in all price ranges, and specifically new affordable housing, are some of the best ways to mitigate increasing prices and rents, and these will be provided by the Project without the demolition or conversion of existing housing. A main cause of higher housing prices and rents is an imbalance between demand and supply, so development of new housing in all price ranges is critical.

For example, the increase in apartment construction in various parts of the City is resulting in measurable slowing of rent increases, and in some neighborhoods with a lot of new construction rents are actually going down.

3. SLIDE The Project will provide over 3,000 permanent jobs on-site, particularly in the healthcare sector; and about 3,000 construction jobs. These jobs, combined with the workforce development the Applicant has committed to, mean that the Project will be a potential source of income for neighborhood residents that will help them afford to stay in their existing homes.
4. The many homeowners in the surrounding neighborhoods have benefitted from the increase in home values that has been occurring, and will likely continue with or without the Project. The risk that neighborhood homeowners will be involuntarily forced to sell will be greatly mitigated by a wide range of District programs, as will be discussed by Shane Dettman.
5. The Project will also provide amenities such as a full-service supermarket and other neighborhood-serving retail; a public park, community center, and pool; and additional healthcare services—all of which will benefit neighborhood residents of all income levels.
6. The Project will not cause displacement of existing businesses and in fact will be helpful to them.

Overall, not only will the McMillan redevelopment not add in any significant way to the price and rent increases that have already been occurring in the surrounding community, it will in fact mitigate many of the negative impacts of these increases and deliver many positive impacts. These are exactly the types of benefits that are vital to offsetting the negative impacts of home price and rent increases that are already well underway.