

Testimony for the Zoning Commission on the Redevelopment of McMillan
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My testimony addresses Remand Issue #4.

My testimony will focus on the ways that the PUD will continue to destabilize land values and displace neighboring residents. I also suggest how the Commission might weigh the relative value of project amenities against these adverse effects. I have researched and published widely about gentrification and displacement in Washington. I begin with a description of the character of gentrification and displacement here today.

Gentrification today is very different from earlier waves (for example in Mount Pleasant) when momentum came primarily from individual buyers interested in rehabilitating homes in diverse communities. Scholars sometimes refer to this as the “sweat equity” era. Displacement was visible and immediate as soaring property values made taxes unsustainable, especially for people on fixed incomes. Landlords let conditions deteriorate or hiked rents and evicted tenants so that they could convert to more expensive housing. This kind of displacement is called direct displacement.

In Washington, much gentrification is new-build, which differs from the sweat equity project in important ways. Government is deeply involved in attracting large investors to put significant capital into an area deemed “vacant.” Often, developers engage in rebranding to create a new kind of cityscape. NoMa for example was not really a coherent neighborhood until it was reinvented as a luxury housing, mixed-use, urban playground. Developers target gentrifiers who are younger and wealthier than the resident population. They offer the shiny new and modern rather than the chance to restore a home and become part of an existing community (Davidson and Lees 2010).

Displacement happens differently in the face of new-build developments. Developers often claim that there is no direct displacement with new-build construction because the area to be developed is empty. However, there are signs of direct displacement in Stronghold and Bloomingdale: property values are rising unsustainably and expensive luxury housing is emerging. Moneyed millennials are moving in and investors are gutting and flipping houses on Channing Street, which will reel from the disruption of construction, if development in Columbia Heights is instructive. Some residents are camping out in their homes without utilities or water, some neighbors report offers of cash for their houses, and both RealtyTrac and Zillow show significant housing distress with many houses in pre-foreclosure, foreclosure, or at auction. Census tract data show a decrease in youth and seniors and racial turnover as well, which seem to indicate a loss of families or that extended family households under stress must triage their more

difficult members. This is worrisome because extended families provide many services and care for people who are mentally ill, sick, elderly, and troubled.

Harsh as it is, direct displacement may not be the harshest legacy of this PUD. New-build gentrification also leads to Indirect displacement. New-build sites become beachheads for tentacles of gentrification to increase property values in surrounding neighborhoods (Davidson and Lees 2010; Marcuse 1997). For example, development in NoMa has spurred property turbulence on the stretch of North Capital known as Northwest One. Development at McMillan could make Stronghold perfectly unaffordable. Moreover, large apartment buildings in Edgewood just east of the development provide many affordable and subsidized units and these landlords will be pressured to convert to more expensive housing. Edgewood saw its assessments rise by 11% last year. Edgewood is caught in a vise of development which includes Chancellors Row, RIA, Union Market, and a new proposal for Eckington, as well as projects at the Soldiers Home and Catholic University. Affordable housing in this part of the city where many people moved because of affordability is at great risk.

The third type of displacement is exclusionary displacement as an area becomes unaffordable to people who could have or once lived there. They feel less comfortable in a rebranded place, they leave because neighbors and friends leave or because they lose networks of care. Rising property values and gentrification will change the character of these neighborhoods almost unrecognizably, as multi-generational households are lost, with new traffic, the loss of views, and the influx of the new and modern. (Davidson and Lees 2010, Shaw and Hagemans 2015; Valli 2015) Exclusionary displacement is transforming this part of the eastern city from an affordable sanctuary into a wealthy enclave. This change seems unfortunate in that these neighborhoods were settled after urban renewal and the fall of restrictive covenants. The multi-generational households that remain testify to D.C.'s young civil rights movement and the movement of African Americans out of the Black Belt into newly integrated neighborhoods.

The RCLCO report submitted by the applicant makes several problematic claims:

1. Gentrification has already occurred in Bloomingdale and therefore the project will not displace anyone.

This comparison is based on comparing neighborhood clusters which may not be comparable.

The comparison between Dupont Circle and Bloomingdale ignores both Stronghold and Edgewood, where housing and rents are more modest. Assessments in Stronghold have nearly doubled in the last ten years but have not risen nearly as fast or as high as they have in Bloomingdale,

where all the pop-ups and new luxury housing stand. Also, the demographics of the two neighborhoods are very distinct. Stronghold still has seniors and children and a significant black population. In Bloomingdale seniors and children have almost disappeared, and the racial composition of the neighborhood is very different. Edgewood just to the east of Stronghold is home to many low-income people.

Developers take a long view and invest in property while it is still inexpensive. People have known about this widely publicized development for at least 10 years. A new resident of Stronghold who supported the development at the commission's last hearing told attorney Andrea Ferster "A lot of us came to this neighborhood because we saw this development happening." The other supporters who testified at the hearing were new residents, and one purchased her home from an investor. The project has already spurred gentrification and displacement and will continue to do so.

Gentrification is not like a switch. Like displacement it is nuanced and occurs over time. Focusing on one moment in time distorts the complexities of the process.

The report cites Matt Iglesias, writer for Slate, as an expert who claims that with enough new construction you get filtering rather than gentrification as low-income people move into houses that richer people no longer want because they have more expensive choices. He is correct that the real estate market is often essentially a second-hand market, but the geographical scale and time frame of his claim are unclear. Does he mean, for example, that a longtime homeowner displaced from Stronghold could buy an unwanted house in another part of the city? In twenty years? Or what?

The developers cannot plausibly argue that gentrification is over without a serious analysis of local demographic conditions and communities. Gentrification and displacement do not follow census tract boundaries but rather affect living people and neighborhoods.

2. The housing market is based on supply and demand. More housing will therefore lower the price of housing.

A wealth of scholarly literature has argued that the housing market is different from markets in other commodities. Economic factors are entangled with social relationships, feelings about home, and connections to place. Each parcel is unique and at the same time connected to other parcels. Prices do not reflect any objective value but

rather a myriad of attitudes, advantages, and constraints. Price is not determined by autonomous individuals and what they can afford to pay.

Price is driven by competitive bidding by investors for a fixed resource because they expect prices to continue to rise. Cities with higher rates of construction also have higher, not lower costs, and higher vacancy levels are not associated with lower costs. New construction leads local markets to a new, higher pricing structure. Because there is a fixed supply of land, more money entering a real estate market increases the price of land. Higher investment levels push the whole price structure upward (Dwyer and Lassus 2015, Logan and Molotch 1987, Sima 2015, Rerat, Soderstrom, and Piguat 2010, Shaw and Hagermans 2015)

Prices have become increasingly volatile with the entry of private equity firms and private investors in housing markets. Global capital flows influence real estate prices in D.C. (Fields and Ufer 2013)

Regulatory regimes and public policies shape housing costs as urban real estate markets are deeply politicized. (Glaeser, Gyourko, and Saks 2005)

3. A park on its own would cause gentrification and displacement

Residents of Washington know of many parks that have not affected property values. Does the applicant mean to argue that a first-class medical building and loads of luxury housing will have the same impact as a park? The examples provided in the report are impossible to assess because we know nothing of the context of development or what else is there besides the park.

4. The PUD will mitigate the loss of affordable housing.

The project only offers nine rowhouses for sale at 50% area median income and 13 units at 80% AMI. No units are designated for 30% AMI. There are only two rentals at 50% AMI and 25 at 80%. The AMI is \$108,600. Units for people at 80% AMI do not mitigate the loss of affordable units in the neighborhood due to gentrification. Moreover, it is low and moderate income families in the surrounding neighborhood who suffer most from gentrification and who will be displaced by the rising costs of home ownership and rents. It is unclear whether the two rental units designated for moderate income persons would accommodate a family. That leaves the nine_moderate income rowhouses, which will not mitigate these effects, much less help address the critical shortfall of affordable housing in the city.

Like most developers in the eastern city, the developers seek to meet their responsibilities to provide affordable housing by offering senior housing, which may be less threatening to newcomers than units for large families. For senior housing, developers can build very small units with tiny closets. They don't have to consider the needs of families, with whom that senior may have once lived.

I have attached to my testimony comprehensive plan policies relating to gentrification and displacement and the need for family housing. In these policies two passages are especially relevant:

At the most basic level, it is the availability of safe, decent, affordable housing that will determine whether the District's vision for an inclusive city will be realized.

One of the critical issues facing the city is how to retain and create more housing units that are large enough for families with children.

This project will not support the comprehensive plan's aim to make D.C. an inclusive city.

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Comprehensive Plan Policies Relating to Gentrification and Displacement and the Need for Family Housing

Comprehensive Plan Housing Element - Overview

500.3 These issues affect every facet of the Comprehensive Plan. They influence land use and density decisions, shape infrastructure and community service needs, determine transportation demand, and even drive employment strategies for District residents. At the most basic level, it is the availability of safe, decent, affordable housing that will determine whether the District's vision for an inclusive city will be realized. The type of housing constructed and the cost of that housing will influence whether we as a city can attract families with children, maintain neighborhood diversity, and provide economic opportunity for all. 500.3

500.11 The rising costs have triggered a crisis of affordability, particularly for the District's lowest income residents. Residents must set aside a growing share of their earnings for housing, leaving less disposable income for health care, transportation, food, and other basic needs. The market has also become more segmented, with dwindling housing choices for working families and the middle class in general. "Move up" options for lower income households have become limited, and the opportunity for many residents to build individual wealth through home ownership has become more difficult. 500.11

500.18 One of the critical issues facing the city is how to retain and create more housing units that are large enough for families with children. As a percent of total households in the District, 21 percent are comprised of families with children. This percentage has been stable over several decades and is substantially lower than the 33 percent rate for both the region and the nation.

500.21 The availability of single-family housing and housing with more rooms are two factors that are positively correlated with retaining family households. Of course, there are many other factors that are important including affordability, crime, and school quality. 500.21

505.2 Policy H-1.1.3: Diversity of Housing Type

During the last five years, more than 80 percent of the new housing in the city has consisted of multi-family housing. As this trend continues, the District faces the prospect of a less diverse housing stock, with a growing share of one- and two-bedroom multi-family units and a declining share of housing large enough for families with children. In addition to the newly built housing, the conversion of single family row houses into multiunit flats may be further eroding the supply of three and four bedroom units in the city. 505.2

505.6 Policy H-1.3.1: Housing for Families

Provide a larger number of housing units for families with children by encouraging new and retaining existing single family homes, duplexes, row houses, and three- and four-bedroom apartments. 505.6

Comprehensive Plan - Framework Policy

205.6 Land Use Changes

Fitting such development into the fabric of a mature city creates a number of challenges. One is displacement, a threat that has become more real in the District as land values have increased. Displacement not only affects District residents-particularly those of lower income-it also affects businesses and municipal operations that may be dislocated by rising rents and land prices. 205.6

205.7 Land Use Changes

Whether the issue is displacement, the siting of locally undesirable uses, parking impacts, or threats to neighborhood character and stability, development creates tension in the District of Columbia. This tension will only mount as growth pressures increase, making it even more important to have sound land use policies and development review procedures that mitigate the effects of competing and conflicting uses. 205.7

215.9 Policy: Projected Growth, 2005-20125

The biggest unknown in the forecasts is household size. If the District continues to lose families and attract only small one- and two-person households, it may well add 57,000 households in the next 20 years with no gain in population. Household size will only be maintained at its current level if the District retains its families, keeps young professionals in the city as they form families, and provides a healthy environment for new families in its established single family and rowhouse neighborhoods. Indeed, the number of families with children in the District declined from 62,000 in 1990 to 51,000 in 2000, with an attendant drop in citywide household size. 215.9