GENTRIFICATION IN WASHINGTON D.C. ANALYSIS AND POLICY RECOMMENDATIONS

A Thesis
Presented to the Faculty of the College of Architecture, Art, and Planning of Cornell University
In Partial Fulfillment of the Requirements for the Degree of Bachelor of Science with Honors

by
Imani Robin Jasper
May 2016
Professor Suzanne Lanyi Charles
This Thesis is Approved by:

Imani Jasper

Suzanne Lanyi Charles

Faculty Advisor
ABSTRACT

Gentrification will be one of the defining trends that affects cities in the 21st century. It partially reverses the suburbanization trend of the mid to late 20th century. The causes of gentrification in Washington D.C. are a trend of disinvestment and population loss from 1950 to the early 2000s. To reverse this trend I recommend a mix of policy changes be implemented to ameliorate the negative social changes that accompany this positive economic force. I recommend increasing the number of rent controlled apartments to increase affordability, removing the financial hardship loopholes that are being taken advantage of, and finding ways to incorporate existing community needs into the construction boom.
BIOGRAPHICAL SKETCH

Born in 1994 in Washington D.C, Imani Jasper is a senior completing her final year of undergraduate study at Cornell University’s College of Architecture, Art, and Planning. She became interested in planning after spending a summer on the campus of the University of Michigan, attending a sophomore seminar series in high school. At Cornell she majored in Urban and Regional Studies and in the fall will continue her studies at the graduate level in the City and Regional Planning program. When not at Cornell in her undergraduate career, Imani interned at the Maryland-National Capital Park and Planning Commission in the Community Planning Department. She also got the chance to practice her planning knowledge while studying abroad in Rome, Italy for a semester. When not at school she lives in Maryland with her parents.
This thesis is dedicated to everyone who supported me along the way including my family-Mom and Dad, Annia Jasper, Kenji Jasper, Uncle Jason, Uncle Chepren, Uncle Robert, Megan Coleman, Auntie Pam, Auntie Melanie, Aunt Janet; my mentors- Ivy Lewis and John Forester; and my Faculty Advisor Professor Charles. Your support means the world to me.
ACKNOWLEDGMENTS

I would like to acknowledge the research of leading planners in the field of gentrification study such as Ruth Glass, Neil Smith, and Lance Freeman. I would like to thank my thesis advisor Professor Charles for directing me to their work and for being an invaluable resource while I was writing this thesis. Finally I would like to thank my parents for all the late night pep talks, the “Hey just check this source out” emails and the encouragement you guys gave me.
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LIST OF ABBREVIATIONS

AMI: Area Median Income
D.C.: District of Columbia, used synonymously with Washington D.C
LIHTC: Low Income Housing Tax Credit
TIF: Tax Increment Financing
WMATA: Washington Area Metropolitan Transit Authority
The Kudzu vine is a perennial vice native to Asia that thrives in subtropical and temperate regions. It spreads when a stem is exposed to soil and grows woody stems. In 1876 it was brought to the Centennial Exposition in Philadelphia and in 1883 at the New Orleans Exposition. Originally introduced as part of the Japanese exhibit, it was later heavily promoted by the United States government as an effective food for livestock and as a method to combat soil erosion. A process that started out as a simple suggestion—to adapt a plant that worked well in Japan to the benefit of southern farmers—turned into an epidemic where the vine grew unchecked. Since “total eradication of kudzu is necessary to prevent re-growth,” the vines would be briefly eaten by pigs or cows, or more often, left to grow along the road, and kept growing, and growing and growing. Gentrifiers are the kudzu vine of the modern American city.

A simple prescription is made. Given the loss of population in cities due to suburbanization and the resulting loss in tax revenue, it is a natural prescription that for cities to grow and return to their pre suburbanization height. This prescription is that more people should move into cities. In Washington D.C, the Downtown Action Agenda, published in 2000, aimed for “to make central Washington not only a focal point for the region and the nation, but for the city and its neighborhoods” by maximizing the economic potential of downtown D.C. to create jobs and tax revenue (Office of Planning, 2000, p. 1). These new jobs would attract workers who could go on to fulfill the goal of Mayor Anthony Williams to add 100,000 new residents to the city by 2013 (Williams, 2003). Population growth would ensure the new jobs would have employees to hire and to use the improved facilities the Downtown action agenda called for in neighborhoods like Columbia Heights, Shaw, and Benning Road.

Ideally, these 100,000 new residents should be educated people ready to work in the industries locating to D.C. in the financial sector, legal services, communications, and
international banking (Widdicombe, 2010). As a result of their presence, the city will be improved. Populations would reach their World War II height, blight would disappear, and the economy would recover from the previous trend of decline reality, much like the kudzu vine, where gentrification proceeds unchecked, it dramatically alters off the original character of neighborhoods and implants a new character. As a result of gentrification, new residents who are willing and able to pay more to live in certain areas are valued higher than the residents who created the authenticity of the area the new residents were attracted to. It takes over and it is extremely difficult to contain or control when the negative side effects are experienced by those that previously occupied these spaces. Side effects such as decreased number of affordable housing units, higher rents, and increased tensions between the native species (original residents) and the invasive species (new residents).

While the kudzu vine can be suppressed or eliminated by the application of controlled fires and pesticides, I am not advocating for their use on people who only want to move to a new neighborhood. The similarity between the two cases is that both are invasive species and neither has malicious intent. Neither has any ill will nor intention to harm the native species in which they transplant. Those who benefit from gentrification merely succeed under conditions that are suited to them as property investors, renters and prospective property owners. The conditions suited to their success include low property and land values, lower rents, a city government that is courting reinvestment and redevelopment, and tax breaks for first time homebuyers. Additionally, low rents in a city that has the jobs or other cultural factors that attract new businesses and investors as then a workforce is naturally attracted to the city.

In this paper, I will define the process that has become as difficult for planners and city governments to manage as an invasive species, explore its treatment in modern planning literature, and analyze its impacts on specific American cities. Once I have fully explained the nature of the conflict present in these cities, I will describe gentrifications
effect on Washington D.C in particular in terms of how it is practiced and how it is experienced by residents. Finally I will make policy recommendations that will attempt to remedy the negative aspects of gentrification in Washington D.C. while maintain its positive effect on the economy of the city.
Defining Gentrification

Many different definitions of “gentrification” exist, form the formal dictionary definitions to the informal definitions used by people who live in neighborhoods undergoing socio-economic changes. The following definitions come from a variety of sources; both popular and academic and represent the variety of ways phenomenon can be defined.

1. When "urban renewal" of lower class neighborhoods with condos attracts yuppie tenants, driving up rents and driving out long time, lower income residents. It often begins with influxes of local artists looking for a cheap place to live, giving the neighborhood a bohemian flair. This hip reputation attracts yuppies who want to live in such an atmosphere, driving out the lower income artists and lower income residents, often ethnic/racial minorities, changing the social character of the neighborhood. (Urban Dictionary, n.d)

2. The buying and renovation of houses and stores in deteriorated urban neighborhoods by upper- or middle-income households, thus improving property values but displacing low-income families and small businesses. (Merriam Webster, n.d)

3. The process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents. (Merriam Webster, n.d)

4. When people with money start fixing up poor neighborhoods, that’s gentrification. (Vocabulary, n.d)

As demonstrated by the varying definitions listed above, the term gentrification is difficult to define. When dealing with a complex phenomenon, many different viewpoints and analyses are possible. For gentrification, this is due in part to the different levels on
which gentrification is viewed, the different points of view possible, and the differences between the cities it can be found in.

The first definition highlights the difference personal experiences can have on how the transformation of neighborhoods is interpreted and explained. Using words like “yuppie” and “urban renewal,” terms with negative implications on the character and physical fabric of inner city neighborhoods. The negative connotations of urban renewal can be seen in Figure 1. The term urban renewal referenced by the author of the definition results in mental images on my part of demolished homes, cranes, and razed city blocks that were synonymous with the disastrous method of slum clearance of the 20th century.

![Figure 1: Photograph of Urban Renewal Project](Source: Passic, 2011)

Yuppie is a generally derogatory term for “young college-educated adults who have jobs that pay a lot of money and who live and work in or near a large city” (Merriam Webster, n.d., p. 1); the term comes from the acronym “Young Urban Professional.” By invoking negative terms and images, the author reveals both their experience of the changes in local character associated with gentrification as well as their motivation in writing. By not mentioning the positive benefits of regeneration or growth
in the local economy, the author of this definition shows a desire to paint gentrification as an entirely negative process. This point of view would be natural to someone facing displacement of themselves or people close to them due to what they perceive as gentrification. Depending on personal experiences and motivation, different people involved in the process of “gentrification” view it in different ways.

The second and third definitions focus more on the effect of gentrification on the built environment and class issues related to gentrification. The focus is on the benefits of gentrification and mentions the negative results at the end of the definitions. The point of view from which gentrification is analyzed and defined seems to be more academic and economically based. This could be the point of view of academics in the planning field or city historians. These individuals can be removed from the process of gentrification and analyze it based on academic sources and the historical trajectory of growth in American cities without experiencing being priced out or served no fault eviction notices. A professional in the field of real estate development might also share this viewpoint. They would focus on the economic pros and cons of redevelopment and the social costs would be an afterthought. Something that occurs but has no impact on the profitability of a potential venture and thus is irrelevant.

Definitions two and three stand in opposition to the definition one, which came from the point of view of someone concerned with the social ramifications of the changed that accompany gentrification. The second and third definitions less accusatory or negative like the first definition does. These definitions focus on the economic power of gentrification in how they can renovate homes and transform the housing stock of an area, adding value.

The final definition is perhaps the most interesting of the definitions. Although it is the simplest, it encapsulates most of the feelings associated with gentrification and how people recognize it. High-income people moving into a poor neighborhood and renovating houses is one of the stereotypical images of gentrification. It doesn’t go any
deeper than the surface image, which is also a common theme when discussing gentrification. The surface interpretation is often as deep as most people go in terms of thinking about the issue. At the individual level, little time is spent thinking about why these homes are cheap to begin with, or the larger historical picture of investment trends and cities. Additionally, gentrification can manifest differently in different cities. Its effects may be more evident in terms of housing renovation in one place, and more evident in business ownership or demographics in other places. The point of view of the definition writer, their focus, or even the attention given to detail can result in vastly different definitions. These difference definitions exist because of the different concerns of different actors in the real estate process. An academic can see the process as an interesting outcome of successful redevelopment policies. Since the academic is not a part of the process of gentrification, they are further removed from the experience of any negative side effects. It’s an economic trend that negatively impacts only a minority of the population that occurs after tax credits and redevelopment initiatives manage to stimulate growth and increased prosperity for the city as a whole. The real estate developer would see it as an economic trend or situation that could be profitable regardless of how original residents feel about any of the projects. A person living in the gentrifying neighborhood, specifically a renter, would focus on their lived experience of the changes more so than how gentrification fits into the timeline of urban investment and disinvestment of urban planning.

The process can seem different from person to person but also depending on how far gentrification has progressed as a process in different cities. Scholars identify different stages of gentrification, and ones understanding of the gentrification process may be influenced by what stage the author of the definition is observing. Observing the process at different stages impacts the description of the process. The three stages are:
1. State-led and sporadic gentrification
2. Expansion of gentrification and early resistance
3. Large-scale developer-led redevelopment.

An observer witnessing the first stage of gentrification would describe the process as redevelopment or regeneration effort on the part of the city as gentrification would be planned for by the state, but not yet occurring. Gentrification was welcomed due to the decline of cities in the later part of the 20th century, when “the prospect of inner-city investment (without state insurance of some form) was still very risky” (Smith & Hackworth, 2000, p. 466). In the second stage of gentrification one would have observed the pushback and included the negative experiences of gentrification in their definition of the process. The author writing a definition based on the first stage wouldn’t have included the negative aspects because they did not exist.

An author writing a definition of gentrification in the third stage of gentrification could write a definition focusing on either the developer’s point of view, the city’s point of view, or the point of view of someone living in the gentrifying neighborhood. The options for the definition written at this point in the evolution of gentrification can vary wildly because the process is so widespread. The definition can be focused on the developer’s experience of running several different projects over one city and taking advantage of policies that made this type of redevelopment feasible on a large scale. It could be a definition based on the point of view of an analyst looking at the effects of a successful policy that attracted this development to a city that desperately needed it. The definition could also be written from the perspective of a long tie resident looking at the changes and wondering if they will make their apartment and neighborhood unaffordable for them. The interpretation of each stage, along with the stage itself can result in different definitions of gentrification. These stages of gentrification will be discussed in more detail in the next section. Since gentrification has so many definitions, it is clear that there are multiple interpretations of the process.
For the purpose of this paper, gentrification means the process by which investment and investors enter a city where they had previously been lacking and change the local demographics, economy, and physical structure of the city. Gentrification can result in the displacement of pre-existing residents who can be forced or otherwise deciding to leave their homes. Gentrification is “a complex urban process that include[s] the rehabilitation of old housing stock, tenure transformation from renting to owning, property price increases, and the displacement of working-class residents by the incoming middle classes” (Lees, Slater, & Wyly, p. 5)
Literature Review: The Process and Effects of Gentrification

The first academic discussion of gentrification came in 1964 in response to changes occurring in London. At the time, middle class families were moving into formerly working-class London neighborhoods (Sheppard, 2015). The first person to use the term was Ruth Glass, a pioneer of urban sociology in Europe, who used the term to describe some “new and distinct processes of urban change that were beginning to affect inner London” (Glass, 1964) (Lees, Slater, & Wyly, 2008). In describing the process by which middle class Londoners were moving into the lower income neighborhoods she wrote “Once this process of ‘gentrification’ starts in a district it goes on rapidly until all or most of the original working class occupiers are displaced and the social character of the district is changed” (Lees, Slater, & Wyly, 2008). Since the 1960s, the process of gentrification has undergone a series of adaptations.

Domestically, gentrification became part of our vocabulary for describing these migration patterns in cities starting post World War II in larger cities (Lees, Slater, & Wyly, 2008). Gentrification came into play after urban renewal policies devastated some inner city communities and left entire neighborhoods open to redevelopment and resettlement as the previous residents were displaced to other sections of the city. Recently, gentrification has accelerated as cities and urban lifestyles, convenience, diversity, and vitality of urban neighborhoods are major draws, as is the availability of cheap housing, especially if the buildings are distinctive and appealing” (Flag Wars: What is Gentrification?, 2003). This recent form of gentrification can be viewed as the latest reinvention of a trend that has impacted urban development for the past four decades.

Hackworth and Smith (2001), describe gentrification as occurring in different waves. The diagram in Figure 2 on the following page illustrated the progression and defining characteristics of these different stages. The first wave of gentrification as
described in this paper was characterized by sporadic and state-led actions to attract gentrification to cities (Smith & Hackworth, 2000). Previously gentrification has been “mainly isolated in small neighborhoods in the north eastern USA and Western Europe”, and entered into cities around 1973 (Smith & Hackworth, 2000, p. 467). In this period (defined as the period from the early to mid-1970s), “disinvested inner-city housing within older north eastern cities of the USA, Western Europe and Australia became a target for reinvestment” (Smith & Hackworth, 2000, p. 466). Gentrification was state-led in this wave of gentrification due to the decline of cities in the later part of the 20th century, “the prospect of inner-city investment (without state insurance of some form) was still very risky” (Smith & Hackworth, 2000, p. 466). The recession from 1973 to 1977 further depressed housing markets as profit rates fell and “disinvestment intensified in certain US cities” (Smith & Hackworth, 2000, p. 466). The recovery of these depressed markets in the late 1970s mark the movement into the second wave of gentrification.
The second wave of gentrification showed expansion of gentrification from the first wave as well as early resistance against gentrification. This second wave— from the late 1970s to the end of the 1980s—is the home of a gentrification surge as new neighborhoods became frontiers for new residents and “cities that had not previously experienced gentrification implemented far-reaching strategies to attract this form of investment” by attempting to encourage private market developers to use federal programs like block grants and enterprise zones to spur gentrification and redevelopment in their cities (Smith & Hackworth, 2000, p. 466). Developers “used the downturn in property values to consume large portions of revalorized neighborhoods” and gentrification as a process becomes anchored as a practice in inner-city neighborhoods as

According to Smith and Hackworth (2001) the third wave of gentrification was the wave that wasn’t predicted. Due to the economic slowdown, some believed that “a reversal of the process was afoot” (Smith & Hackworth, The Changing State of Gentrification, 2000, p. 467). These predictions proved premature as the third wave of gentrification swept through the mid-1990s. In this most recent wave inner city neighborhoods as well as more peripheral neighborhoods “begin the experience the process for the first time” (Smith & Hackworth, 2000, p. 467). In third-wave gentrification, developers continued to develop but moved onto a larger scale, redeveloping entire neighborhoods as the scale of reinvestment in the city center corporatizes and the state becomes more involved in the process.

The waves of gentrification retain their main goal of maximizing profit by investing in areas that have few barriers to entry as far as high property values or powerful residents that can oppose any proposed changes. The main difference in the different waves of gentrification are the way the role of the state fluctuated in terms of more or less direct involvement in attracting gentrification. Contemporary gentrification is characterized by high government involvement in attracting investment as well as market conditions that make redeveloping housing an attractive option (Smith & Hackworth, 2000). Throughout its different stages, Smith (1996) defines the underlying cause as a specific reaction to devaluation in inner city housing markets. Opposing the early theory that gentrification would spread the population out of the city center, he described gentrification as bringing about a recentralization and reconsolidation of upper- and middle-class white residents in the city center (Smith, 1996) He views gentrification as the production, not just the consumption of housing as it is traditionally framed. According to Smith, as a property ages, tis worth decreases as the value of the land can
remain the same or increase. This “devalorization produces the objective economic conditions that make capital revaluation (gentrification) a rational market response” (Smith, 1996, p. 65). Gentrification occurs when the devalorization creates a “disparity between the potential ground rent level and the actual ground rent capitalized under the present land use” that he calls the “rent gap” (Smith, 1996, p. 65). As values decrease and the neighborhood declines the rent gap widens and gentrification becomes more and more attractive to developers and “when the gap is sufficiently wide that developers can purchase structures cheaply, can pay the builder’s costs and profit for rehabilitation, can pay interest on mortgage and construction loans, and can then sell the end product for a sale price that leaves a satisfactory return to the developer”, gentrification occurs (Smith, 1996, p. 65).

**Contemporary Gentrification**

Some examples of the appearance and effects of contemporary gentrification can be found in San Francisco, New York City, and Washington D.C. In these three cities, the rate of gentrification was in the top 20 for the 50 largest cities in the United States (Maciag, 2015). For Maciag’s study, housing tracts were eligible for the study if:

1. The tract had a population of at least 500 residents at the beginning and end of a decade and was located within a central city.

2. The tract’s median household income was in the bottom 40th percentile when compared to all tracts within its metro area at the beginning of the decade.

3. The tract’s median home value was in the bottom 40th percentile when compared to all tracts within its metro area at the beginning of the decade (Maciag, 2015).

The tracts experienced gentrification if:

1. An increase in a tract's educational attainment, as measured by the percentage of residents age 25 and over holding bachelor’s degrees, was in the top third percentile of all tracts within a metro area.
2. A tract’s median home value increased when adjusted for inflation.

3. The percentage increase in a tract’s inflation-adjusted median home value was in the top third percentile of all tracts within a metro area (Maciag, 2015).

In a recent report on the rapidity of gentrification in the United States, San Francisco, New York City, and Washington D.C. were found to have between 18% and 52% of their housing tracts gentrified in the past 10 years (Maciag, 2015). Washington D.C. experienced the highest rate of gentrification according to the study, with 51.9% of housing tracts gentrified between 2000 and 2010 based on census data. In Figure 3 the concentration of gentrified tracts in the city is mapped. As shown in the map, the tracts that gentrified were mainly in north east and South East D.C. The tracts in North West D.C were not eligible as at the start of the study the income levels and housing values were in excess of the qualifying thresholds.

**Figure 3: Gentrification of Census Tracts in Washington D.C from 2000 to Present**

*Source: Maciag, 2015*
In the same period, 29.8% of New York’s eligible housing tracts gentrified, as did 18.8% of San Francisco’s housing tracts (Maciag, 2015). In D.C the changes have been particularly rapid as “after decades of little or no economic growth…54 neighborhoods were found to have gentrified since 2000. Back in the 1990s, just five neighborhoods had gentrified in a decade when the city was dubbed the nation’s ‘murder capital’” (Maciag, 2015). San Francisco’s rate of gentrification may be artificially low as the study notes that gentrification in San Francisco had caused few tracts to be eligible for gentrification due to study metrics as housing had already increased in price (Maciag, 2015). In New York City 46% of “urban homes went from the bottom half of home price distribution to the top half”, as did 42% in San Francisco, and 35% in Washington D.C. from 2000 to 20071 (Cheney-Rice, 2014). When looking at home value alone, these three cities underwent phenomenal changes in home value in less than a decade. As an example of this trend, the median sales price in this same time period, 2000 to 2007 went from $145,750 to $398,000 in Washington D.C. In San Francisco the media price rose from $419,500 to $750,000 and in New York City from $397,250 to $779,500 (Trulia, 2016).

The demographic effect of gentrification on these cities can be seen in the comparative racial make-up between tracts that gentrified and tracts that did not gentrify. The neighborhoods that gentrified added mostly white newcomers with the percent of white residents increasing by roughly 4.3% (Maciag, 2015). While average poverty rates dropped (Maciag, 2015). Low-income neighborhoods that did not gentrify saw concentrations of minorities increase while average poverty rates climbed nearly seven percent (Maciag, 2015).

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1 “The District is home to some of the county’s fastest-gentrifying communities. Neighborhoods gentrifying in recent years include Columbia Heights, NoMa [North of Massachusetts Ave, Navy Yard, Petworth and Southwest [D.C.]]” (Maciag, 2015, p. 3)
Table 1: Gentrification by Race

<table>
<thead>
<tr>
<th>Neighborhood Type</th>
<th>Tract Count</th>
<th>Total Population Change</th>
<th>White Non-Hispanic Share of Population Percentage-Point Change</th>
<th>Poverty Rate Percentage-Point Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gentrifying Tracts</td>
<td>948</td>
<td>6.50%</td>
<td>4.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>Gentrification-Eligible Tracts Not Gentrifying</td>
<td>3,802</td>
<td>-2.40%</td>
<td>-5</td>
<td>6.7</td>
</tr>
<tr>
<td>All Tracts (includes ineligible tracts)</td>
<td>11,829</td>
<td>9.70%</td>
<td>-4.5</td>
<td>3.6</td>
</tr>
</tbody>
</table>

*NOTE: Figures represent average changes for each group. Results shown for all tracts in the 50 largest cities with at least 500. (Maciag, 2015)*

*Source: Maciag, 2015*

Other than its effect on poverty rates and racial composition of census tracts; gentrification has cultural impacts. Traditionally, “Gentrification has been viewed (at a minimum) as an unfortunate desecration of interesting and “authentic” urban neighborhoods, a dilution of vibrant ethnic neighborhoods into something that is bland and uninteresting” (Sheppard, 2015, p. 2). Sheppard (2015) identifies it as “as a major source of disadvantage for low income urban residents who, having established a community with all of its complex social networks must now see it torn apart as they are displaced” (Sheppard, 2015, p. 2) Through this displacement, the old community pays a social cost “in not being able to participate in [the] community improvement actions” that accompany gentrifiers as the old residents have already left (Sheppard, 2015, p. 3). This social cost exists in addition to the other issues that result from gentrification, including the lesser-discussed issue of shifting poverty.

The shifting poverty effect describes the phenomenon where poverty rates decrease in gentrified neighborhoods not necessarily because low-income residents are making more money, but because they have been priced out or otherwise encouraged to
move by the changes in their neighborhood. They disappear from the statistics of their old neighborhood and reappear, just as low income as they were before in another neighborhood. According to the City Observatory, an online think tank performing data driven analysis of cities, 39% of the urban poor live in high poverty neighborhoods, which are often the only places left when previously affordable housing rises in price along with the rest of the housing market (Cortright & Mahmoudi, 2014). Furthermore “75 percent of 1970 high-poverty neighborhoods were still high-poverty four decades later. Those neighborhoods saw their population drop by 600,000” (Cortright & Mahmoudi, 2014, p. 2). Gentrification does not solve or eliminate urban poverty; it shifts it, and often concentrates it in a different area.

Even in the face of the negative impacts of gentrification, In his book, There Goes the ‘Hood, Freeman (2006) argues that gentrification provides strong benefits to residents as well in that the influx of investment in cities results in an increase in home value for home owners, although these same increases don’t benefit renters who don’t own the building they live in (excluding those who live in co-ops). Freeman focuses on the positive effects gentrification can have on homeowners in gentrifying neighborhoods in New York City. The increase in value can lead to accumulation of wealth owners who have an asset that has increased in value with no additional investment in the property, and can either cash in on the increase in value by selling, or keep the house and allow the wealth to appreciate in value as their neighborhood become more attractive (Freeman, 2006). Even residents that don’t own their homes can still benefit from gentrification, according to Freeman. Original residents as well as gentrifiers experience the improvements in amenities and services to their neighborhood. Often these amenities are regular commercial uses that are taken for granted in more affluent neighborhoods. The

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2 If they can afford to pay the increased property taxes
influx of restaurants, grocery stores and cafés (no matter how trendy or hipster), signal the end of food deserts (Freeman, 2006).

Freeman goes on to counter his own argument by mentioning that the real world benefits of gentrification are matched up against substantial negative consequences. One of the residents of Harlem interviewed by Freeman mentioned that “the improvements taking place in Harlem were not for ‘us,’ meaning blacks, but for ‘them,’ meaning whites,” demonstrating feelings of racial alienation (Freeman, 2006, p. 67). As these improvements make the neighborhood feel unwelcome to original residents, the rising property values and rising commercial rents price out existing Mom and Pop retail or other local pre-existing stores (Freeman, 2006). Not only are the changes in services not for ‘us’”, the retail that was for them is being replaced (Freeman, 2006, p. 67).

The rising costs associated with gentrification can influence residents to move pre-emptively. Noticing that the housing prices are rising and neighbors having to move, the remainder of the original residents is left with no option (in their minds) but to leave (Freeman, 2006, p. 73). At first it seems counter intuitive that residents who weren’t priced out in the first place would choose to leave behind the amenities that stem from gentrification. The increased commercial options, the new housing options, the improved community facilities like parks and public safety that attract new residents should preserve the older residents that can afford to stay in the neighborhood. Despite the amenities that accompany gentrification, displacement can still occur as a result of cultural displacement, where community and cultural changes make original residents uncomfortable with or unwilling to continue living in their neighborhoods.
Cultural or social displacement arises more as a psychological effect of gentrification than an economic effect. Cultural displacement gets into how longtime or original residents view their community and how they interpret the changes gentrification brings. It has been established in the gentrification literature that “a primary consequence of gentrification is the disruption of longtime residents’ communities, of networks that provide, not only psychological support, but also social and economic support” (Brown-Saracino, 2009, p. 214). The introduction of new amenities and residents of different racial or socio-economic backgrounds can improve a neighborhood in terms of poverty rate and median income but can work to the detriment of existing social structures. An influx of new residents can weaken or otherwise change the character of the community. In Provincetown, MA where Brown-Saracino conducted research for her book A Neighborhood that Never Changes: Gentrification, Social Preservation, and the Search for Authenticity, older residents felt ostracized by the growing number of gentrifiers in their community, using public spaces and shifting the character of the town away from a quiet fishing community and into a gay and lesbian resort town. She writes that in her interviews, “many old-timers suggest that newcomers’ usurpation of public space and the
subsequent changing character of such a space-specifically, its increasing cultural heterogeneity and the *vitality* of others’ communities- lead to community decline” (Brown-Saracino, 2009, p. 215).

These perceptions of decline as the neighborhood changes are important because “the sense of community and belonging” the old-timers to which Brown Saracino’s research alludes is as important as affordability because it makes a neighborhood home more so than mere physical structures (Brown-Saracino, 2009, p. 215). It also shows how gentrification affects the lives of more than the people who are physically displaced due to the loss of affordability. In a study of gentrification related displacement in New York City, Newman and Wyly found that “those who avoid these direct displacement pressures may benefit from neighborhood improvements, but may suffer as critical community networks and culture are dismantled” (Newman & Wyly, 2006, p. 23). The loss or decline of these local institutions influences the decision to leave the old neighborhood as it has become unfamiliar or unwelcoming. Ongoing gentrification in the neighborhood gives landlords an incentive to want old tenants to leave (Freeman, 2006, p. 76). The more money they can make by renting to new tenants that can pay more, the more attractive the decision to evict existing tenants becomes. Freeman also discusses the loss in agency that the displaced experience. The benefits of moving out of a gentrifying area are not experienced long term as rising housing prices come to mean that residents that don’t want to move, won’t be able to afford to stay.

In the perspective of real estate developers, the focus is more on the positive benefits of gentrification such as the profitability of gentrification for investors. Professionals in the real estate development field would focus on the price of the project, construction costs, the potential return on their initial investment and the market for the type of space they want to build. The overarching concern is not with the development’s impact on the community but with its financial profitability. Real estate developers are not necessarily interested in what is best for the pre-existing community, but what is best
economically for their firm, partners, and clients. To developers gentrification is discussed in terms such as “redevelopment” or “revitalization.” In a case study on the Riverfront Park planned community in Denver, CO; the Urban Land Institute (ULI) describes the case as one of revitalization, when in fact it resembles a case of state-led gentrification. The project started with the city pursuing redevelopment of an abandoned railway yard by starting and starting a dialogue with the railway companies and interested developers about a project for the area. In fact, “the city was hoping to start a redevelopment process in the area, following on the success that had been achieved in the LoDo area of downtown Denver” (Urban Land Institute, 2014, p. 2). The city was seeking redevelopment in an area that needed it and also resulted in the developer and its partners to make a $73.6 million profit (Urban Land Institute, 2014). The city was focused on expanding its success in redevelopment and attracting new residents with a focus on those who could pay the full market rate rents for these luxury condominiums and apartments. In a neighborhood previously dominated by an abandoned railway yard only 56 of the 1,044 units were marketed as affordable (Urban Land Institute, 2014). This state-led and large-scale redevelopment was focused purely on profitability and getting rid of an eyesore for the city. Local concerns were not mentioned and the surrounding community was never mentioned in this case study by the Urban Land Institute.

Gentrification is an unfortunate byproduct of some real estate developments. Many developers are driven primarily by the quest for profit and not by the concerns of people in the surrounding community who are not their customers.

Gentrification across the United States

Gentrification is experienced in different ways in different cities. In San Francisco, the faces most associated with gentrification are those of the tech workers who are attracted to the city by the presence of companies like Google and dramatically change the affordability of housing in the city by the rising rents and housing profits that
accompany their influx into the housing market. Due to the influx of jobs from the technology sector, housing demand has outstripped supply and what housing there is very expensive: the median home price is currently $1,115,700 and the median rent was $5,000 a month in October of 2015 (Elsen, 2015) (Zillow, 2016).

![Graph showing the change in San Francisco Housing Market: Median Home Value](image)

**Figure 5: Change in San Francisco Housing Market: Median Home Value**  
*Source: Zillow, 2016*

As shown in Figure 5, median home values have been rising rapidly within the past four years. San Francisco experienced the same drop in home value experienced by many homeowners across the United States during the 2008 recession caused by the bursting of the housing bubble. Since 2012, the median home value has increased by roughly $400,000 (Zillow, 2016). This rise in home values and rents accompanies a housing shortage. According to a report by Business Insider, the San Francisco housing market is extremely tight. In San Francisco, 46% of apartments are rent controlled and occupied, 36% are owner-occupied and just of the remaining 18% only 9% are vacant market rate rentals (Stern, 2016). As market rate housing becomes scarce, prices rise due to the competitive nature of the market. The influx of high-income workers has impacted the overall housing market. Since 2012, the median home price in San Francisco has
increased from $760,000 to $1,115,700 in 2015; an increase of over 60% (San Francisco Real Estate Market Reports, 2015). As property values rise due to the mass inward migration of tech workers, owners of existing rent-controlled housing may attempt to cash in on the phenomenon. In order to do so, property owners have legal tools at their disposal like The Ellis Act. Which was allows landlords to remove rent-controlled units from the rental market, and turn them into condominiums for sale. Under the city’s condo laws, conversions from rent controlled to Tenancies-in-Common units or TICs are allowed (San Francisco Tenants Union, 2016). TICs are “joint ownership of a building where each owner has a side agreement to only occupy a single unit” and “are usually the first step for removing housing from rent control to create owner-occupied housing” (San Francisco Tenants Union, 2016, p. 1). TICs are from tenant protections in the city’s such as a one year lease or relocation payment, and senior or disabled tenants can be evicted (San Francisco Tenants Union, 2016). In addition to this loophole, under the Ellis Act, landlords have been able to conduct no fault evictions where they either attempt to buy out existing tenants or evict them outright and sell the building. “It’s a real estate speculator’s dream, and a long-term tenant’s nightmare” (Poblet, 2016, p. 3).
Ellis Act Eviction Densities

The larger red circles correspond to widespread levels of evictions in that geographic area. The darker red circles cover areas with higher concentrations of evictions.

Figure 6: Map of Ellis Act Evictions
Source: Anti-Eviction Mapping Project, 2015

As a result, “eviction notices are up 55 percent over the past five years as landlords try to cash in on skyrocketing property values” (O'Dowd, 2015). Since this loophole exists, it can be exploited. Instead of allowing landlords to get out of the business of being landlords, the Ellis Act allows unscrupulous landlords to flip rent-controlled units and redevelop their property into market rate units by evicting existing tenants through a legal loophole. The experience of original residents being evicted or being priced out of communities that landlords can cater to the “highly paid tech workers who ride in on the Google bus every evening” has resulted in tense feelings between new residents and original residents as now “in gentrifying neighborhoods, where real estate prices spike there’s a profit motive to kick out long-term tenants” (Poblet, 2016, p. 1).
The experience of losing your neighborhood through displacement is the loss of much more than an apartment. As Maria Poblet with Causa Justa | Just Cause says:

Community is that palpable sense of connectedness you feel at the Palestinian-owned corner store on Mission Street. At the Spanish-only Thai grocer on 16th street, where decades-long neighbors run into each, buying freshly fried plantain chips made by a Honduran neighbor, hard-to-find Vietnamese hot sauce, or prickly delicious Rambutan fruit, while catchy Arab pop and Northern Mexican Rancheras blare onto the street. Community is the lunch counter that has served southern Barbeque to SRO residents ever since the days that same building was a tenement, housing African-American migrants who came here from the South to build the naval shipyard in Hunter’s Point…Community is the social fabric made up of each of these inter-twined threads. It’s not something you can put a price on. But there is a price - a huge price (Poblet, 2016, p. 3).

The changes that stem from gentrification in San Francisco and the changes as a result in the character of the community end up leaving residents with a lost sense of community and local identity. People are left bereft of this sense of community and communal identity in favor or real estate speculation and profit seeking. The authenticity at risk according to Poblet is discussed in Sharon Zukin’s book Naked City: The Death and Life of Authentic Urban Places. Zukin (2010) describes authenticity as “a continuous process of living and working, a gradual buildup of everyday experience, the expectation that neighbors and buildings that are here today will be here tomorrow”, “a tool of power”, “a cultural form of power over space”, and “a moral right to the city” (Zukin, 2010, pp. 6,3,xiii). In Zukin’s work, authenticity inhabits a strange space. It attracts gentrification and is destroyed by it. This same “creative destruction” is at work in San Francisco and other gentrifying town. A term originally used by economist Joseph Schumpeter in 1942 to describe the eventual end of capitalism, the phrase refers to the creation of a new system out of the evolution of the preexisting system. Creative destruction is “the same process of industrial mutation…that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one” (Schumpeter, 1942, p. 83). The destruction of the current character
of gentrifying neighborhoods proceeds into a creation of a new neighborhood identity. The loss of one form of authenticity results in the creation of a new authenticity. In addition to the changes in the housing stock, the character of cities is shifting from one version of authenticity to another as identities are created, erased, and reborn.

Attempts to control rising rents to reduce the large amounts of change to neighborhood identity and displacement due to gentrification include measures to create more housing and to disincentives evictions. A sample of the ideas proposed include: creating more housing by rehabilitating existing structures, forcing landlords to pay the difference between rent controlled and market rate rents for up to two years for evicted tenants, raising or eliminating completely density limits for developments with between 20% and 100% affordable housing units, legalizing smaller converted living space such as in-law units, converted garages, etc.; encouraging tech company involvement in fighting evictions and helping to find a solution to the housing crisis, protecting the existing housing stock that is subject to rent control, encourage the construction and viability of tiny homes, and providing tax credits for developers of compact projects (San Francisco Public Press, 2014) (Steinmetz, 2014).

All of these solutions are intriguing, all would address some part of the housing crisis; either demand, price, limited affordable housing units, limited space, or the loss of rent controlled units. None of the solutions however are currently being implemented. Many are controversial, such as requiring the landlord to pay the pay gap for the equivalent of two years or encouraging people to live in homes the size of the average studio apartment as a long terms solution to a housing shortage. The creativity of the solutions highlights the severity of the problem and how far out of the box ideas have to be to address the problem of gentrification related housing shortages in San Francisco.

In New York City, gentrification has resulted in not only the eviction of tenants but also intentionally allowing units to decay so that residents will leave and landlords can rent to more prosperous tenants, who will pay more in rent. This struggle for livable
affordable housing has left “the people crushed between the city’s booming wealth and its affordable-housing crisis” (Yee, 2015, p. 3). Even early gentrifiers are recognizing the issue. As one newcomer notes; “I’ve seen it when nobody wanted to live here,” she said. “As soon as I started to rent an apartment, the rents went up, and now it’s like we’re not even good enough to stay in the neighborhood anymore” (Yee, 2015, p. 6). As “Tenant advocates and lawyers believe that landlords in gentrifying areas like Crown Heights often withhold repairs or basic services from lower-paying tenants, hoping they will get frustrated enough to leave, then pack the apartments with higher-paying ones” the case in Brooklyn is unique as it suggests that landlords are emptying their housing units in an attempt to force gentrification in their neighborhood. This gentrification-justified displacement has also changed the ethnic makeup of certain neighborhoods. For example “Between 2000 and 2010, Crown Heights and the two neighborhoods to its south and east, Flatbush and Prospect-Lefferts Gardens, all areas with large West Indian immigrant populations, each lost from 10 to 14 percent of their black populations, according to an analysis of the 2010 census released by the Department of City Planning” (Yee, 2015).

Figure 7: Anti-Gentrification Protest by Residents of Flatbush, Brooklyn
Source: Murphy, 2014
In New York City, the markets have always been competitive and the city has been one of the most expensive places to live in the country for years. Opposition to the rising cost of living in a gentrifying neighborhood can be seen in Figure 7. Regardless of the fact that the unaffordability of New York seems like the status quo, measures to ensure affordability are still important. In finding ways to improve affordability and keep rents from getting too high, strategies “generally fall into two categories: providing incentives and subsidies to build or preserve affordable units and easing zoning regulations to allow the market to respond naturally” (Lightfeldt, 2015, p. 2). Providing tax incentives for affordable units, mandating inclusionary zoning (the inclusion of affordable housing units in new developments), or providing density bonuses (allowing more units to be built than the zoning usually allows) do not address the expansion of gentrification into the outer neighborhoods. Landlords still court gentrification in their areas and that aspect of the affordability issues should be addressed to reduce intentional decline of the existing housing stock to attract gentrification.

In Washington D.C gentrification appears in the twin phenomenon of forced evictions and skyrocketing rents much like San Francisco. Gentrification has caused current concerns over the market trend of trading affordable housing for profitable market rate units. In particular, current concerns over the redevelopment of affordable housing in Washington D.C. brings up these feelings. The city is currently attracting developers to renovate and redevelop Barry Farms, a neighborhood founded as a place for freed slaves to live, into a mixed use community of more than 1,800 residential units (Neibauer, 2014). The plans for redevelopment can be seen in Figure 8. The effort to attract redevelopment is part of an effort “to revitalize a struggling neighborhood by introducing mixed use, mixed income development without forcing existing residents to locate” by requiring a one-to-one replacement of affordable housing units (Neibauer, 2014, p. 2). The effort to attract market-rate development to their neighborhood has led to suspicion on the resident’s part that this is part of an effort to remove them from the area so the city
can profit from gentrification. These residents believe that “DCHA (Washington D.C. Housing Authority) is flipping houses in some of the city's hottest neighborhoods while pushing the public housing tenants in those houses out” (Ramirez, 2015). The interpretation that they are at war with the affordable housing provider creates the perception that the DCHA acts “as a luxury developer rather than serving their mission of housing lower income in our city” affordable housing is under attack (Ramirez, 2015, p. 1). Those in opposition to the plan (shown in Figure 9) believe that displacement will follow the outside investment and Barry Farms, “will soon undergo rebuilding to include higher income tenants, displacing roughly 400-public housing families inside” (Ramirez, 2015, p. 3).

![Barry Farm Redevelopment Area](image)

**Figure 8: Barry Farm Redevelopment Area (shown in red)**

*Source: Weiner, 2014*
In D.C. the housing authority is seen as acting as a gentrifier targeting affordable housing regardless of the fact that these accusations come from fear of gentrification rather than concrete actions against the community currently in the neighborhood and as a result local attitudes towards city government are becoming increasingly negative. One man, “Kalfani Turé, a veteran community activist, scholar and former police officer, claims … that these “hot spots,” which is how law enforcement refers to areas that generate the most 911 calls or have other criminal activity, are consciously targeted to decay by developers, institutions and city government at least a decade before they come under the eminent domain of the government and are redeveloped. Turé goes on to say that urban ghettos are not naturally occurring demographic phenomena; they are created through urban planning” (Nevins, 2015, p. 3).

The urban ghettos Turé refers to did come about as a result of planning, but not intentionally. They arise from policies that allow residents and revenue to leave the city with little initial resistance. They are created by policies that allow parts of the city to fall into disrepair and decay due to lack of funds. As property values fall in these declining
neighborhoods and as they become ghettos the gap between the property values decrease and rents lower as there is no demand to live in these places. This decline lays the ground work for a rent gap to develop. According to Smith “the rent gap between actual capitalized ground rent and the potential ground rent becomes sufficiently large that redevelopment and gentrification are possible” as a result of the concentration of capital away from the inner city and in the suburbs and entire areas of the inner city were devaluated as a result (Smith, 1984, p. 150). Hackworth also discusses this pattern or disinvestment in cities as part of the larger trend of gentrification as the inner city is dramatically restructured by new investment (Hackworth, 2007). Rent control was implemented in D.C in 1985 to cap the rents on older housing (built before 1975) under the Rental Housing Act of 1985 (DC Law 6-10). The Act states “any increase in rent must meet these conditions:

1. The new rent charged may not be more than the prior rent plus an allowable increase, as described below.

2. The increase in rent charged cannot be more than the increase allowed under any single section of the Act.

3. The last increase in rent must have been at least 12 months ago (unless the unit is vacant)”

4. The increase must not violate the terms of the lease.

5. The housing accommodation must be properly registered with the RAD.

6. The rental unit and the housing accommodation’s common elements must be in substantial compliance with housing regulations.

7. The housing provider must give a 30-day notice of any increase in rent (DC Department of Housing and Community Development, 2014, p. 1).
Additionally, the rent can only increase within 2%-10% of the Consumer Price Index. The Act allows rents to increase if a unit is vacant, or if 70% of residents agree to a rent increase. The vacancy loophole creates a way for developers to be able to raise rents up to 30% if they can get the current inhabitants to leave. Other provisions for landlords include raising rents to cover financial hardships and to cover the cost of capital improvements.

Opponents of rent control argue that it reduces the quality and quantity of housing available, restrains new construction, allows existing housing to deteriorate, and property tax revenue is reduced (Blackwell, 2016). However the limited number of rent controlled apartments to provide long terms security to people on fixed incomes that cannot cope with constant rising rents. As new buildings are built (and are exempt from rent control) and older buildings (that could be rent controlled) are torn down the percentage of rent-controlled units is sure to drop from its current 60%. When landlords try to raise rents now, tenants have to file petitions with the D.C. rent administrator and have to work out a suitable increase with the landlord, leading some to describe tenant protections under the law as toothless (Bylander, 2013). Given the increased landlord protections under the law and the exploitation of those loopholes, the act should be amended to better protect tenants in rent-controlled units. This recommendation will be discussed in further detail in the policy recommendations section.

Gentrification is experienced and changes places in a variety of ways; from neighborhood demographics, to housing prices, to government priorities, or all of the above. In a personal level it changes relationships between old and new neighbors, relationships between tenants and landlords, and relationships between governments/government agencies and people. In Washington D.C the historic trends of loss and decline that has been reversed by gentrification make it a particularly interesting area of study. D.C is also in the unique position of being able to lead the nation in implementing policies focused on balancing the positive and negative effects of
gentrification. For the remainder of my thesis I will focus on Washington D.C for my policy recommendations to lessen gentrification related displacement and antagonism while maintaining the economic benefits the process provides to the city, homeowners, and original residents of gentrifying residents.
Gentrification Lived and Practiced in Washington D.C.

Washington D.C. is composed of 4 broad geographic areas, North West, North East, South East, and South West. They contain the city’s 8 Wards and dozens of individual neighborhoods. As shown below in Figure 10, the Potomac and Anacostia rivers create the only natural barriers between the four sections of the city. The locations of gentrifying neighborhoods are not distributed evenly across the city and concentrate in different neighborhoods, to be discussed later in this section.

Figure 10: Map of D.C. Neighborhoods
*Source: Washington A City of Neighborhoods, 2004*
To understand why gentrification was able to take such a strong hold on the Washington D.C housing market, one has to look at the past 40 years of history and the stages of gentrification that have occurred. Years of public policy have resulted in decline that made the first two stages of gentrification a welcome investment trend for the city. The loss of population, property value and income made the city susceptible to open to the development patterns favored by gentrification. Gentrification does not usually occur in areas that are economically thriving with high land values, home values, or rents. In neighborhoods with the characteristics I just described, the low barriers to investment are not present as the market is competitive and the rent gap is small or non-existent (Smith, 1984). There is economic incentive to gentrify if many parties can profit from gentrification. The benefits to be gained from redeveloping units to obtain the possible profit from market rate units. If the rent gap were small or nonexistent, gentrification would not occur because the benefit would be insignificant. Where there are no economic incentives for areas to gentrify, gentrification does not occur. The barriers that prevent gentrification are the same markers of a thriving, successful city and were not present in the majority of D.C.

The Entry of Gentrification in to the Economy of Washington D.C

Gentrification in Washington D.C occurred as a result of the various trends that led to a population decline, relatively high vacancy rates, and general disinvestment. These trends included the movement of the population out of the city after World War II, the resulting vacancy of homes, and the lack of businesses choosing to locate in the city for decades all contributed to the decline of the city. Over the course the past 60 years, the same factors that led to the decline of the city made it a ripe candidate for gentrification. D.C.’s decades long stretch of underdevelopment and lack of capital and investment lead to conditions “that make an area highly profitable and hence susceptible to rapid development” (Smith, 1984, p. 149). Since “capital moves to where the rate of
profit is highest (or at least high)” the underdevelopment of D.C. resulted in a market where the rate of profit from a newly developed use would be very high (i.e. the rent/profitability gap between what was currently on a site and what could be there was very large) (Smith, 1984, p. 148).

In terms of population growth, D.C. steadily lost population starting in the 1950s (Tatian & Lee, 2013). In fact, the period from 2000 to 2010 marked the first time in 50 years where the city’s population grew. The population grew as a result of the location of jobs in the public sector, legal services and financial services, as well as the growing attractiveness of city life among young professionals as a whole; “sixty-two percent indicate they prefer to live in the type of mixed-use communities found in urban centers, where they can be close to shops, restaurants and offices” (Nielsen, 2014). Previously the population had been in a steady decline since its 1950 peak. From 1951 to 1970 300,000 white residents left the city as part of white flight to the suburbs (Tatian & Lee, 2013). The term “white flight” refers to the pattern of exit from inner city neighborhoods where white residents of cities moved to the suburbs in large numbers. This move occurred due to a number of societal factors including desegregation, suburbanization, and the increased accessibility of home ownership. As legal segregation came to an end, housing segregation ended as well and when faced with the possibility of living in closer proximity to African Americans than they had previously, white home owners sold their city homes and moved to the suburbs. These suburban homes were more affordable than they had been in the past due to federal insurance of mortgages and increased federal spending that were part of the post war economic boom (Rumelt, 2011).

In comparison, the current population of 633,736 is 79% of the all-time high population of roughly 800,000 people (United States Census Bureau, 2014). From 2000 to 2010, nearly 30,000 people moved back to the city after decades of movement to the suburbs encouraged by the amenities of city living (United States Census Bureau, 2014). The attractive of cities amongst the generation most responsible for its population
growth. When looking at the age break down for the 30,000 new residents, “almost all of the District’s population growth between 2000 and 2010 was due to young adults age 20 to 34, whose numbers swelled 23 percent” (Chang, Tucker, Goldstein, Yates, & Davis, 2013). Despite the success of attracting new people to the city again, it does not totally make up for the years of population loss. While 30,000 new residents is a noticeable increase, it only represents 10% of the population loss of the past 60 years.

The population gains in D.C are relatively limited as well as selectively found. Most of the new residents were between the ages of 20 to 34, the age group that falls comfortably into the “Millennial” age bracket, meaning those born between 1982 and 2004 (Chang, Tucker, Goldstein, Yates, & Davis, 2013). In Figure 11 (shown above), in Wards one and six the millennial population increased by roughly ten and 20%
respectively (Washburn, 2011). In comparison Wards two, three, and five experienced little to no change—not enough to shift them into a higher percentage bracket or a less than 5% increase. Ward four housed an increase of roughly 5% in the change in the millennial population. These increases are mostly located in North East D.C. with some increases in small parts of North West and South West D.C.

As people leave cities, the incentive to invest in cities leaves as well. When fewer people live in a city, any new business have fewer customers, will make less money and be at a higher risk of failing. Fewer people making lower salaries are not an attractive market for any type of development; office, commercial, or housing. The job market will be smaller and they will have less money to spend in stores or on housing. Fewer people were earning lower salaries in 1969 when the median income in today’s dollars was $32,454 a year (United States Census Bureau, 1999). Recently, this trend has changed. In addition to the population increase of 30,000 people; the median household income has increased from $58,526 to $69,235; an 18% increase. Currently an individual in the most populous income bracket (containing 15% of the city’s population) makes between $100,000 and $150,000 a year while a family in the most populous income bracket (20% of families) make more than $200,000 a year (United States Census Bureau, 2014).

The income changes that result from the recent gentrification related population spike can be seen in Figure 12 below. The increase in median household income is concentrated in North West D.C while the decrease in median household income is concentrated in the outer reaches of North East D.C, closer to the Maryland suburbs. This corresponds with the age related data shown in Figure 11. The far eastern section of North East D.C where the income decrease was concentrated falls within Ward 7, where few new millennial residents moved. North West D.C where the income increases were heavily located includes parts of Wards 1, 2, and 3 where the number of millennial residents is high. Ward 6 showed increases in median income in Figure 12 as well.
These more affluent families now have fewer options of where to live now as the population increase has constricted the housing supply while increasing the demand. More people want to live in D.C and supply is not keeping pace with demand. For example in D.C’s Ward 8, in 1990 there was a vacancy rate of 12% whereas it is now below 7% (Institute, 2015). In 1990 the home ownership rate was 20% (now 25%) and the median price of a home was less than $120,000 (Institute, 2015). Today 44.2% of homes in D.C are worth more than $500,000 and only 5.7% remain that are worth $120,000 or less (United States Census Bureau, 2014). Within 20 years, the median home value in Ward 8 dropped to being in the bottom 10% of the housing value distribution. Furthermore the rental vacancy rate is 6.4% and the homeowner vacancy rate is 2.2% (United States Census Bureau, 2014). Vacancy rates are low and prices are high, as is the percentage of income spent on monthly rent is rising.
As portrayed in Figure 13, which compares rent to mortgages as a percentage of monthly household income, Washington D.C residents spend more of their income on rent than on mortgages. In Washington D.C. the average renter spends 26.8% of their monthly income on rent, ten percentage points higher that the historical average, and 9.3% higher than the percentage of monthly income home owner spend on their mortgage payment. The percentage of income spent on rent is lower than the national average but still higher than what is considered affordable by most experts. This also represents a reversal of the historical trend of rent versus mortgage spending. From 1985 to 2000, Washington D.C renters spent less of their monthly income in rent that home owners spent paying their mortgages. Nationally, the same trend applied to home owners and renters. But by 2015, the roles had reversed and renters both in D.C and nationwide were spending more of their income on rent than homeowners were paying on their mortgages reversing a 30 year trend.

Not only is the percentage of household income being spent on rent rising, but income isn’t rising at the same rate as rates. As shown in Figure 14, across every income group, rent increased while income stayed the same or rose by a lesser amount. In the

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lowest 40% (in terms of income) of renters, incomes increased by 0% on average and rent rose by 14% or 35%. Even for the top 20% of renters an income increase of 9% was met by a rent increase of 32%. For those who make the most money the rent increase was 2.5 times larger than the income increase.

![Image](image1.png)

**Figure 13: Changes in Income and Rents**  
*Source: DC Fiscal Policy Institute, 2013*

In summary over the past 10 years D.C has become more populous, whiter, and richer than it has been over the past 60 years. Previously home values were low, incomes were low, and populations were low. The city was starving for reinvestment as a result of more than a half century of neglect, abandonment, and devaluation. When the call for reinvestment made by several mayors was finally answered, developers realized the profits that could be made by investing in D.C, more real estate professionals caught on, and as the city became more popular to industry, younger people decided to move to the city and demand rose for housing. The potential rent rose, the rent gap widened, displacement became a business strategy for some developers, and neighborhoods began to change racially and economically.
Gentrification Practiced and Experienced in Washington D.C.

After years of decline, the advantages provided by gentrification resulted in a whirlwind of change for D.C residents. Demographic changes as well as physical changes have transformed the city from “Chocolate City” into a city with a growing non-black population. The previously mentioned population growth includes a growing number of white residents and a decreasing share of African American residents as they move to the suburbs in Maryland and Virginia. This movement of African Americans out of D.C is shown in Figure 14 in particular in North and South East D.C. This change is most pronounced in northeast D.C. which shows a change of nearly 1,000 African Americans per block group as illustrated.

Figure 14: Change in African American Population
Source: Becker, 2014
Figure 15: Racial Composition of Block

Source: Ngo, 2015
The concentration of African Americans in certain areas due to this shifting of the population can be seen in Figure 15. Aside from the changing demographics, developers and the city government also played a role in gentrifying D.C.

In recent years, various developers have encouraged the widening of the rent gap and redevelopment through predatory tactics against current residents. Developers have at their disposal several legal tools to opt out of owning affordable housing projects either at the end of their agreement with the city or during the operation of the affordable housing. These tools include offering “buyouts to rent-control tenants and [replacing] them with higher-income residents. They can file hardship petitions, which allow them to raise rents beyond the rent-control limits in order to ensure a 12% annual rate of return. They can opt not to renew Section 8 contracts when they expire.” (Weiner, 2014, p. 4). On the surface, these provisions allow the developer to exit their business or keep it going if the affordability aspect of the building puts the economic future of the company at risk. In practice, these provisions can be abused to maximize profitability in changing real estate markets at the expense of low-income tenants.

In Mount Vernon Plaza Apartments (shown in Figure 16) in Northwest DC, residents faced hard choices as a result of property owners raising rents. Residents received a letter offering a choice between “[signing] a new lease and start paying 66 percent more in rent each month; do nothing and have rent more than double; or move out” (Weiner, 2014, p. 4). The letter one tenant received stated that “Market rate for your apartment is $2,175.00 and your current rent is $935.00,” the letter from the property owner read. “The difference between the market rent and your current rental rate is $1,240.00. Management is offering a 50% discount in the amount of $620.00 for the next 12 months which will result in your lease renewal rate being $1,555.00 per month”. Increasing rents to market rates offered the owner the opportunity to make 66% more for the tenants’ apartment for the next 12 months, and market rate after that.
Rent increase notifications are regular occurrences in Adams Morgan and Mount Vernon. Tenants in an Adams Morgan apartment building signed a voluntary agreement that briefly preserved their rents at the expense of future rents (Weiner, Tenant Race, 2013). Voluntary agreements have been used previously as “a way for existing tenants to agree to pay more in exchange for improvements.” It’s basically an addendum to a lease agreement that changes the rent or some other aspect of the existing agreement to the benefit of the tenant. In the case of Mt. Vernon Plaza, the voluntary agreement offered “a way for tenants to protect their current rents at the expense of future tenants” (Weiner, 2013, p. 1). When the tenants were originally offered the agreement “First, they could take $20,000 if they moved out of the building. And second, if they agreed to allow UIP to jack up the rents on the vacant units in the building beyond the normally allowable increases, their own rents would be protected and the building would get a substantial upgrade. Most of the tenants said yes to both—they took the $20,000, packed their bags, and gave UIP permission to increase the rent for their successors” (Weiner, 2013, p. 1). While this case is unique in that tenants sided with the gentrifier (the building owner in this case) of acting in their mutual best interest, against interests of new residents. The
developer was attempting to attract new residents with the renovations and profit from the loss of old tenants through the revenue from increased rents, it is part of a larger trend where acting in one’s economic best interests against what would be good housing policy.

These dilemmas faced by residents- choosing between moving out or paying drastically higher rents or agreeing to a rent increase for people who have not even moved in to the building yet to keep your apartment affordable in exchange for a one time pay out- come as a result of legislative choices made by the government and economic choices made by developers. The choice between raised rents or moving out faced by the residents of Mount Vernon Plaza came as the result of the rent gap and the end of city funding for the below market rate rents. The Bush Companies, who own Mount Vernon Plaza received “received a federally insured $12 million loan financed through city-issued bonds in 1987 and a subsequent $4 million city grant in exchange for an agreement to charge below-market rents in a quarter of the building’s units” (Weiner, Why D.C. Is About to Have Even Less Affordable Housing, 2014). This original loan helped keep the below market units affordable but only for a limited time (less than 30 years). When that time period expired, the gap between the current rent and market rate represented a way for The Bush Companies to cash in on the rising rents in the Shaw neighborhood where the building is located. Economically, it made complete and total sense to charge market prices for rents. The concern over whether the current tenant could afford to continue living there does not factor in to this decision, as the market in the neighborhood for apartments will fill any potential vacancies, and at a higher profit that renting at a still reduced rate to existing tenants. The policy that funded Bush’s development did not account for how people could continue to live in affordable housing and it wasn’t Bush’s responsibility to continue to provide affordable housing. No one was thinking about providing continued affordable housing except for the tenants and as a
result “the previously affordable units were lost forever to the ever-rising demands of the free market” (Weiner, Why D.C. Is About to Have Even Less Affordable Housing, 2014).

In the Adams Morgan case, the developers’ actions ensured they would profit either way. A onetime payout ensured more vacancies for market rate units and of the residents didn’t take the payout, then their opposition was silenced as their rent stayed the same and there would be no reason to object to a high rent for a complete stranger. The burden of keeping building even partially affordable is pushed onto the tenants and their agreement absolves the owner of responsibility for the rent hike for the future tenants. He only proposed the increase, the older residents signed off on it. The same shifting of responsibility occurred in another property owned by the Bush Companies. When the company wanted to leave its Section 8 contract for the Museum Square Apartments, they informed the residents that they would have to buy the building for $250 million or it would be demolished (Weiner, Why D.C. Is About to Have Even Less Affordable Housing, 2014).

The Low Income Housing Tax Credit (LIHTC) that helped fund these buildings requires them to remain affordable for between 15 to 30 years (Joint Center for Housing Studies of Harvard University, 2009). The program “gives State and local LIHTC-allocating agencies the equivalent of nearly $8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households” (Department of Housing and Urban Development, 2016). At the end of this affordability term, the affordable housing units can be switched to market rate units. This program, and its implications on affordability in D.C will be discussed further in the policy recommendations section of this paper.

In Washington D.C., developers have been able to act in a manner that allows them to easily abandon affordable housing in favor of more profitable market rate housing, allowing them to close their rent gap and making gentrification equivalent in their minds with profit maximization. These actions come as a result of decades of policy
by the past four mayors. The need to broaden the tax base, slow the population drain, and encourage new middle class families to move in, resulted in the District of Columbia economic Recovery Act that was first proposed by D.C. Delegate Eleanor Holmes Norton, and later signed into law by President Bill Clinton as part of the First Time Home Buyer Tax Credit (Franke-Ruta, 2012). Once these policies attracted enough homebuyers and attention, the rental market started to boom as well, resulting in the current situation. Economic policies such as providing tax incentives for businesses that locate in economic development zones or abatements for property taxes for high tech companies that were designed to create growth have surpassed their goals and are now starting to generate negative social effects in addition to positive social effects.

Today incomes are up, population is up, construction is up; and the residents who persevered through living in D.C during its worst years are now facing a situation where they are unable to experience the city at its best. When gentrification is economically beneficial for property owners, the ethical and social concerns disappear as deciding factors. The economic benefits are staggering however. As mentioned earlier, the median income in D.C. rose by nearly $10,000 and a 60 year trend of population loss was reversed due to gentrification. Businesses once again decided that D.C. would be a god place to locate in terms of incentives for themselves and being able to attract a young workforce. The city needed to attract business and they wanted to attract jobs that would provide the most benefit for them as well. Bringing jobs in growing sectors like technology, finance, and legal services ensure a more educated and wealthier citizenry on average. After decades of losing these types of residents to the suburbs, these programs were necessary for bringing back residents similar to those who had already left for the perceived safety and quality of life in the Maryland and Virginia suburbs.
Developers and Tenants

From the developer’s side, tenants are consumers of a good and their preferences become relevant once the product is finished or when they are planning for amenities. Concerns over affordability are not considered as vital because the developer is motivated by profit and receiving a return on their investment. The best way for them to do that is by seeking tenants who can pay market rate prices, not lowering prices and hurting their bottom line to provide affordable housing that is much less profitable. From the tenant’s perspective, fighting gentrification is like fighting an opponent that constantly changes shape; an opponent that everyone else wants to win. Watching their neighborhood gentrify feels like watching something that nurtured them, something they built, something they called home, be taken away and given to someone new. The success of rehabilitating neighborhoods as well as the benefits of low crime rates and renewed commercial interests that took years to accomplish are lost to old residents (black residents statistically) as they are replaced by new (white) tenants that will pay more for the same apartments. This pattern is even recognized by city leaders. One former mayor, Anthony A. Williams “made a concerted effort to attract new residents and businesses to pay taxes and generate revenue for a city in decline” (Morello & Keating, 2011). Looking back on the success of some of his efforts he said “When you’re the mayor, you’re not God…It’s very frustrating. When you’re in public service, you’re there to promote diversity and harmony, but on the other hand, you want to help your city economically. Sometimes, they come at cross purposes” (Morello & Keating, 2011).

The demographic changes that accompanied gentrification in D.C. also caused a change in race relations in the city. In Columbia Heights, new mostly white residents began a petition to prevent a 7-Eleven from locating in the neighborhood. Among other things the petition cited the desire to avoid having people loitering outside the store: "People hanging out at four in the morning on a street corner are not looking to pick up trash. They're looking for trouble. We don't want trouble” (Goldchain, 2015). The store
was planned for 14th Street, which is now the “epicenter for the city’s schmancy restaurants and tawdry condo buildings” (Capps, 2015). More so that the nutritional shortcomings of 7-Eleven, which was also mentioned as a reason not to want the corner store nearby even though there was demand for the store, the previously quoted resident who opposed the store revealed the true reason. He didn’t want the laborers that congregate around 7-Elevens near him. The people that live, work and exercise their morning routine in other neighborhoods are something this resident won’t stand for. So since he doesn’t want to see construction workers or cleaning crews getting a cup of coffee or waiting for a ride in the morning, this supersedes the habit of construction workers or cleaning crews to get a cup of coffee or a morning snack or a wait for a ride in the morning in a well-lit, convenient location.

These issues of ownership are central to the new relationships created by gentrification between old residents and new. Who has a right to the 7-Eleven parking lot? It’s a privately owned space, open to the public, so why do the newer residents get to influence the actions of another private property owner? Or conversely, why do the construction workers and cleaning crews get to loiter in the early hours, disturbing people that live nearby? Who has a right to the space? Who gets to decide what behavior is appropriate, the people who have been participating in the behavior for years, the people who have lived nearby for years, or the people who have a problem with it?

The wicked problem here is that there is no real answer to this problem. Being new to a neighborhood doesn’t mean that new residents should have to put up with things that bother them, nor does it mean that they don’t get a say in development discussions that will impact their neighborhood. For people who have lived in the neighborhood for longer, disturbing new neighbors isn’t a right and neither is holding all the power in deciding what kind of community everyone lives. Gentrification creates situations like the one concerning the 7-Eleven, where changes to who lives in
the area result in conflicts about what the new community will be. The community
obviously will not be the same as it had been in the past, but it also does not need to
completely change overnight in terms of locally appropriate behaviors and socially
acceptable behaviors. Negotiations like this one between old and new residents come
as a result of the emergence of change. Enough change is introduced into the
neighborhood that the status quo needs to be restated as new residents communicate
their norms (not hanging out in front of a convenience store) while adapting to the
norms of their new homes. The new residents will experience some things that are new
to them, and everyone will have to adjust.

In my own observations, the area near the Washington Nationals Baseball
Stadium is a prime example of gentrification and rapid neighborhood change. In the early
and middle 2000s, driving into the city involved driving past an industrial waterfront,
which fronted the dilapidated row houses of South West D.C. In the past five years, those
homes and the cranes that blocked their view of the Anacostia River have been replaced.
In their stead there are now high-rises, luxury apartment buildings, and even more
building under construction. In only a few years, this entryway to the city itself has been
transformed from a dingy African American-dominated neighborhood, to a neighborhood
with a growing white population

Gentrification in D.C is experienced in a manner that can feel racially
discriminatory or a way that can make once familiar surroundings seem like an entirely
different city. It can make normal behaviors suspect in the eyes of new residents, it can
feel like newcomers voices are heard louder than those of existing residents, it can pit
neighbor against neighbor, and represent a threat to the future of affordable housing. In
my next section, I will lay out a series of policy recommendations to ameliorate these
side effects.
Policy Recommendations

Alongside the negative social and economic impact of gentrification for low-income populations, gentrification can provide positive growth trends for cities. In the case of Washington D.C. incomes rose, more people moved into the city than moved out for the first time in decades, and new development in office, commercial, and residential spaces were attracted to the city. Considering the years of urban blight and disinvestment the city experienced in the latter half of the 20th century, the recent successes are worth noting. The benefits of gentrification on the economy of cities are highly attractive to decision makers. Due to the negative impacts, some residents are unhappy and some are displaced, but thousands of new residents and millions of dollars in revenue enter the local economy. This tradeoff is at the center of why it is difficult from a policy perspective to oppose gentrification based on its negative effects. The positive aspects for the city can overshadow the negative impacts on lower income citizens. The benefits gentrification provides are the results of successful redevelopment and growth strategies and generate large amounts of revenue in tax revenue and in consumer spending. Gentrification is good capitalism and like capitalism, there is no moral imperative to its actions. The main issue with the shortcomings of gentrification is that their impacts are more social than economic. In attempting to remedy the negative social impacts, I believe that solutions need to maximize the positive benefits for those who can’t generate them in the free market.

Policies to ameliorate the side effects of gentrification should take into account that other end goal is not a return to the status quo of blight and disinvestment, but to control the rapidity of change and ensure housing affordability. My approach to recommending policies was influenced by the incidence of sudden rent hikes, developer concerns over profitability, limitations and failures of rent controlled housing, and continued need to attract new residents to Washington D.C. The city needs to continue to
be an attractive, successful, and more equitable city that values economic success, affordability, and both old and new Washingtonians. In order to meet these needs, improvements and adjustments to existing local and federal programs are necessary. Solving D.C.’s gentrification related problems and meeting its future needs will require improving the existing transportation network, maintaining housing affordability in the District through expansion of protection for renters of rent controlled apartments and prolonging affordability, and improving developer and newcomer relationships with existing neighborhoods. These changes are necessary to maintain the successful aspects of gentrification while diminishing the negative aspects of lessened affordability and difficult relationships between new residents and old residents.

Promoting growth while limiting hostilities and modifying the growing affordability crisis are vital to ensuring D.C.’s gentrification-based successes are sustainable in the long term. This is also a difficult task because to a certain extent it requires to city to pursue conflicting paths. It requires the city to ensure that the development that accompanies gentrification continues, but also to keep rents low enough for people to afford. It asks planners and city officials to pursue development while also restricting it. While this is difficult, it is the only way to make sure gentrification does not take over the fabric of the city and create the moral issue of displacing lower income residents who may have lived in the neighborhood for decades in favor of someone with no ties to the community and the city that makes more money.

In order to slow down the rent increases I propose expanding the current rent control measure to apply to newer units in the city. Currently rent control applies to the oldest units (built before 1985) before in the city and thus they can be the most run down. Allowing more units and newer units to fall under rent control legislation would increase the availability of affordable units without hindering the construction of new market rate housing. Furthermore, providing incentives for developers for new projects in exchange for their meeting a previously requested community amenity could manage neighborhood
resentment as well as add to the authenticity of the neighborhood. I believe that as part of investment in transportation infrastructure, the city should consider a program to reinvest into Metro part of the revenue from property taxes due to rising property. This campaign would ensure all residents that the city was serious about D.C. Metro as an asset and that making it run safer and better was a priority. This could increase consumer confidence in the system and present the benefits the city experiences from gentrification as a benefit for everyone.

**Reinvesting the Profits of Gentrification: D.C Metro**

The negative reputation of the D.C. Metro could discourage people from moving to the city as it can be seen as an unreliable and dangerous method of transportation. The widespread system of trains and buses that form a large part of the average commute in D.C are an amenity to prospective residents. A recent study of Millennial workers concluded that “A big part of keeping Millennials is providing housing they can afford and mass transit that they desire” (McCartney, 2015, p. 4). Improving Metro service is a way to ensure that an existing resource improves its functionality and maintains an asset instead of allowing a liability to deteriorate further. Currently metro faces serious safety concerns as a result of a backlog of repairs. Recent malfunctions have resulted in two deaths and improving the Metro could increase safety, ridership, and the attractiveness of D.C. as a whole in terms of short, easy commutes.

Investing in public transportation is good for the growth of cities and for public health. Public transportation, like the system provided by WMATA, improves the physical activity of users, increases public safety, and reduces air pollution. Looking at physical activity alone, “Individuals who use public transportation get over three times the amount of physical activity per day of those who don’t (approximately 19 minutes, rather than six minutes) by walking to stops and final destinations” (Mickey, 2013, p. 2). Additionally, putting more commuters into buses and trains reduces the number of
drivers on the road at risk of deadly car crashes and vehicular. Despite WMATA’s safety concerns with its rail system, bus riders are still safer as “Bus related accidents have one-twentieth the passenger fatality rates of automobile travel” (Mickey, 2013). Buses and trains “produce less pollution than cars per passenger mile by utilizing advanced technologies and higher standards” and reduce the amount of air borne pollutants that can create health problems such as various respiratory diseases, and cancers. Investing the money from increased property tax revenue in D.C into WMATA would continue the economic growth of the city and the region. In addition to connecting residents of D.C., Maryland, and Virginia to jobs in the city, public transportation reduced traffic congestion. Reducing traffic congestion saves time by shortening commutes and increases worker productivity as less of their workday is reduced by sitting in traffic for extended periods of time. In a recent years “U.S. public transportation use saved 865 million hours in travel time and 450 million gallons of fuel in 498 urban areas. Without public transportation, congestion costs in 2011 would have risen by nearly $21 billion from $121 billion to $142 billion in 498 urban areas” (American Public Transportation Association, 2014).

By investing additional money into WMATA, the city can ensure future growth through the return on investment the system will provide. In general, investing in public transportation makes money in the long term. For every $1 invested in public transportation the economic return is $4 and for every $1 billion, 50,000 jobs are created and supported by public transportation (American Public Transportation Association, 2014). Increased investment also increases business sales and increases home values. “Home values performed 42 percent better on average if they were located near public transportation with high-frequency service” (American Public Transportation Association, 2014). In addition to the rise in property value and property taxes, “$9.5 billion in local, state, and federal tax revenue are generated each year” (American Public Transportation Association, 2014). Communities grow where public transportation is
thriving. The profits of improving public transportation in Washington D.C. will create more job growth, serve existing job markets, improve public health, and ensure future revenue in property value increases and other tax revenue.

If the city chose to reinvest the profits from increases in property value in already gentrified Wards into refurbishing the Washington Metropolitan Area Transit Authority (WMATA) system, a citywide resource would be able to profit directly from gentrification. Putting the profits from policies that benefitted the city into programs that maintain the attractiveness of the city ensure its long-term success. Reinvestment from the city government would mean using some profits from the increase in real estate tax revenue due to higher property values to go the WMATA that operates the city’s trains, buses, and streetcars. The city investing in its transportation network would present an official commitment to improving the city for all of its residents, not just the new ones. Despite the influx of investment into the city, little of it has made its way to the transportation network 36% of Washingtonians use to get to work (Wallace, 2016). Investing city funds could fix this and receive a return on the investment in the form of continued growth. Recently the system has failed in numerous ways including rising fares, costly shut downs, deadly accidents, and major repairs going undone. The city could use the funds to fix the major safety issues within the system and avoid incidences like the 24 hour shut down of the rail system that occurred in April of 2016 for long overdue safety inspections. By taking the property tax revenue (which has increased along with property values) from gentrified Wards and putting part of those funds toward either WMATA’s operating budget or a special fund to fix the large number of repairs that are needed, the economic benefits of gentrification could be transferred to all users of the rail system. This commitment would raise public trust and support of the system and improve a major transportation asset for all eight wards.

Furthermore, finding ways to find a funding source for “the rehabilitation of the Metrorail and Metro bus systems” was an implementation goal of the 2006
Comprehensive Plan for the National Capital (Office of Planning, 2010, p. 28). Providing funding for maintenance of D.C’s transportation system was also a Comprehensive Plan goal. By creatively using economic benefits to fund resources everyone uses, the positive effects are not concentrated amongst homeowners or new residents but are expanded to anyone who uses the system.

Financing of Neighborhood Amenities for Existing Residents

The implementation of tax increment financing of community amenities would improve the relationships between gentrifiers and current residents by providing a benefit to existing residents along with the introduction of new residents. Improving the relationship between developers and current residents would work to the benefit of both groups. The developer would gain community support and avoid delays due to potential protests and lawsuits. The community would then have a way to communicate their vision for the neighborhood and see how it compared with the developers view. Lessened tensions would create a more cohesive neighborhood. Along with increased affordability and reduced displacement from affordable housing and rent-controlled units, decreased antagonism between gentrifiers and original residents would create a better place to live. In terms of the interaction between old and new residents, finding ways to incorporate new residents into existing community structures and processes would work well to ease the transition. For developers to better incorporate themselves into the community, attempting to meet community needs would impact public perception of their plans and ease transition into the neighborhood.

As part of my proposal, developers could receive an incentive in the form of a small income tax deduction on the profit from the project for meeting a previously stated community desire such as a street beautification program or pledging part of their profits to a fund to build a community center or park or performance or whatever they thought they needed, through a tax increment financing district or TIF. A TIF “allows
municipalities to promote economic development by earmarking property tax revenue from increases in assessed values within a designated TIF district” often for infrastructure improvements (Dye & Merriman, 2006). Developments are often financed using debt, which is then paid off using the revenue from the increase in property value. In this scenario, part of the anticipated increase in assessed property value would be used to fund a community resource or amenity that would be available to more than the residents of their project. In my plan, the Wards not yet affected by gentrification (Wards 5, 7, and 8) would have a TIF created where an area of new developments would use TIF format to fund community amenities. The TIF funds would be used toward projects the Ward would decide on through a popular referendum and funds would be allocated from the TIF toward funding these projects by the councilmember for that Ward. Maintaining affordability in the parts of the city not taken over by gentrification will ensure affordability remains in the city, and that all Wards benefit from the success of the city.

D.C. currently uses TIF to fund other projects in the city, and would be expanding upon an already present process in the city.

Critics of TIF programs argue that overall the benefits of TIFs are not ensured and can merely shift around issues they have been created to eliminate. One argument is that TIF increase burdens on taxpayers if they are accompanied by increase in spending as the debt is then the debt used to fund the development is pushed to the taxpayer along with the other costs of improving infrastructure. In my proposal, I assume that the city would not have to increase spending beyond current levels. In my version of a TIF; the city is not taking out bonds to fund improvements to spur development, as developers are already interested in the city as a whole. Therefore, there will be no bonds to pay off. The city is merely earmarking future revenue increases in a certain area for community amenities.

Another argument is that TIFs “move some economic development from one part of a city to another” (McGraw, 2006). In this theory, promoting economic development in one
area simply takes away from development in another part of the city. No new development is attracted, only existing development from other parts of the city. I do not agree with this criticism as development is spread across the city and even if development does shift to Wards 5, 7, and 8 from Wards 1, 2, 3, and 6; those wards are already experiencing economic success and are not desperate for development activity.

Opponents that argue that property values in TIFs do not increase as drastically more than in non-TIF areas miss a key fact—that property values do increase. My proposal of taking the earmarking of revenue for public projects from TIFs and implementing this as a city priority in funding community resources would take the increase from new development and make it a positive benefit for non-homeowners in the area. A new community use would be funded from the benefits of new development, giving all residents a way to benefit from gentrification as well as a way for the city to work in the interests of old residents, not just new residents.

For new developers to make their entrance into a neighborhood by providing a source of funding for a resource for their new neighbors and future tenants would help smooth tensions between gentrifiers and native residents. Instead of taking away from the neighborhood, they would first recognize that the neighborhoods had needs outside of what they wanted to build and meet them. They would add to the authenticity Sharon Zukin states attracts gentrifiers to neighborhoods. The newcomer would be able to tie their name to existing coolness and activism in the neighborhood instead of observing it from afar or threatening this coolness with their newness. It is good press for the gentrifier and ensures community support for their development where they could have faced opposition.

Rent Control: Alteration and Expansion

Maintaining housing affordability through expanding tenant rights under rent control legislation would prevent gentrification from displacing all but the wealthiest residents. It
would also prevent the pursuit of profit maximization from going too far and raising rents beyond what local incomes will support. Rent control, when used to protect affordability long terms is an effective way to combat rising rents. It is a program that seeks to preserve affordable rents but does not exist in most parts of the United States as demonstrated in Figure 1 below. Providing more safeguards for tenants and less loopholes for developers could resolve the issues of exploitation present in the current system. Washington D.C. should learn from San Francisco and prevent let the amount of rent controlled housing remain stagnant. In San Francisco, the number of rent controlled units and the vacancy rate is low, the free market rents are extremely high and the market is extremely competitive and expensive. Increasing the number of rent controlled units would lessen the demand for market rate priced units and rents could decrease.

![Rent Control by State](image)

**Figure 17: Rent Control by State**  
*Source: Vincenzo, 2014*

Rent control impacts housing affordability by stabilizing rents for a select group of housing units and by limiting the increases in rent that can be charged. The current rent control measure in D.C. applies to 79,000 units of the roughly 145,000 rental units in the
city (55%), applies only to buildings built before 1978 and allows rents to be raised only once every 12 months (A Closer Look at Rent Control in DC, 2011). I propose expanding this protection to units built before 1998 in order to stabilize rents across more buildings as well as ending the hardship provision that guarantees owners of rent controlled buildings a 12% return on their investment in the building that currently allows the owners to raise rents; up by 98% in one case (Weiner, Losing Control, 2014). Currently, there is also a loophole that allows for rent increases to cover the cost of extensive renovations to increase the safety and security of tenants, regardless of the fact that the landlord should ensure the safety and security of the units anyway. The city should eliminate these loopholes to maintain affordability for the tenants and reduce the ways developers can increase rents.

This approach may seem counterintuitive for the city. At first glance it requires the city to increase the amount of below market-rate housing while making the enterprise less profitable for developers. At the same time, market-rate housing is being built and demand for market-rate decreases as demand for cheaper rent controlled apartments increases. But this measure would actually stabilize demand. If the demand for market-rate units decreases, the market for them won’t be as competitive and prices will lower. Owners of rent-controlled buildings will have demand for their units and will have the security of long-term profit they had previously. Since the new rent-controlled buildings would be newer, maintenance and deterioration concerns would be less pressing and the continued profit from the units and the decrease of the rent gap from rent controlled to market rate housing wouldn’t leave the developer with incentive to let the building deteriorate so the residents would leave, and the owners could renovate it and then sell the building at market rate prices.

Through the removal of loopholes such as the provision that guarantees developers a return on their investment, the renovation loophole, and expanding the stock of rent controlled units the exploitation of the rent control system can be eliminated and
the program can expand to protect lower cost housing and slow down rent increases in D.C. With the rent gap between current rents and potential rents growing, the incentive for the developer is to maximize their profit from either current tenants, or future tenants if current tenants cannot pay the new rent. Profit maximization is inherently part of the developer’s decision-making process, but from the planner prospective, rapid rent increases have a social cost in lost neighborhood tenure. By expanding the number of units covered by rent control to units built before 1995, newer units could become part of the stock and increase the city’s supply of reasonably priced housing. In Los Angeles, units built before 1995 are covered under the city’s rent control laws and has provisions to prevent rent increases for developers who stop offering Section 8 housing. Section 8 refers to the section of the U.S. Housing Act that provides vouchers to eligible families to apply towards rent. These same closing of loopholes that allow developers to claim hardship or sell rent controlled housing thus ending the rent controls would increase tenant housing security as long term rent would continue to be stable and more housing could be stabilized.

Many economists criticize rent control measures based on the premise that the government intervention into the housing market harms more tenants than it helps. They argue that housing is not a public utility and that rent control is ineffective. In this view, rent control increases the prices for housing units that are not rent controlled. The major economic impacts according to critics are that rent control widens the gap between controlled rents and true market rents, inhibits construction, leads to the deterioration of existing housing, reduces consumer mobility, and leads to high consumer entry costs (Blackwell, 2016). These criticisms are based in the idea that rent control would be used to apply to all units in a city regardless of age. In this environment, rent control would limit new development because a developer would not have a guarantee of getting a market rate return on their investment in the project through rent revenues. This is not the case in D.C. as there is already a form of rent control that has not inhibited the recent
growth and construction of housing in the city. Continuing rent control in D.C would not impact the gap between market rate and affordable units as more market rate units are being built. Since the supply of market rate units rises with the supply of rent-controlled units, the relationship between the two rents should have a net change of zero. The impact on consumer mobility is in my opinion a positive aspect of the program. Protecting occupancy rights of tenants long terms means protecting the rights of tenants “who contributed to this being a desirable place to live have a legitimate interest in staying in their apartments” (Blumgart, 2015).

In response to the criticism, rent control need not lead to the deterioration of housing, since nowhere in D.C’s rent control law is any provision preventing landlords from maintaining their units, a service that should be part of their operating costs, not dependent on additional profits from rent for funding. This is not to say that maintaining the housing in luxury conditions is required, but maintaining the standard of living enjoyed by residents when they first moved in. Not allowing the building to fall into disrepair that can lead to serious health problems due to the conditions. Blackwell’s mentioning of a finder’s fee being necessary for new tenants to find rent controlled housing and thus creating a barrier to entry, seems like a circumstantial problem. Since there are petition courts to hear grievances from rent control tenants and at least 28 organizations dedicated to assisting rent control tenants, dependency on a “finder” should not be a barrier to locating rent controlled housing in Washington D.C.

Rent control has non-economic benefits for renters as well. It provides long term security for renters and gives “tenants a greater stake in their community and incentivize[s] them to put time, energy, and even money into their homes” (Blumgart, 2015). Increasing rent controlled units also fits into the goals from the latest Comprehensive Plan for Washington D.C. Multiple action items under the implementation section of the plan call for keeping housing affordable and finding new ways to “provide new or rehabilitated affordable housing in the city” (Office of Planning,
2010, p. 24). Instead of depressing the housing stock, expanding and altering the existing rent control law would accomplish a city goal and increase the housing stock in one category. Expanding the number of rent controlled units would stabilize the rents across the city, prevent developers from using renovation costs as an excuse to raise rents and push out renters as some of the rent controlled units would be newer and not in need of extensive renovations, and increase affordability across the housing market.

LIHCT: Protecting Affordable Housing Units by Closing Loopholes

By ending the provision that allows the removal of Low income Housing Tax Credit housing from the market, the minor flaws of an overwhelmingly successful program can be maintained. The program, established in 1985 as part of the federal tax code, benefits households that make less than 60% of the Area Median Income. Nationally it provides over two million housing units as shown in Table 3 below. LIHTC funding supports the most affordable housing of any program in the United States (Schwartz, 2010).
Table 3: LIHTC Sample Description

<table>
<thead>
<tr>
<th>LIHTC Sample Description</th>
<th>All LIHTC units</th>
<th>16 State Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Developments</td>
<td>33,777</td>
<td>12,228</td>
</tr>
<tr>
<td>Total Units</td>
<td>2,027,838</td>
<td>762,695</td>
</tr>
<tr>
<td>Average Development Size</td>
<td>60</td>
<td>62</td>
</tr>
</tbody>
</table>

**Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>All LIHTC units</th>
<th>16 State Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>13.50%</td>
<td>9.60%</td>
</tr>
<tr>
<td>Midwest</td>
<td>22.70%</td>
<td>21.80%</td>
</tr>
<tr>
<td>South</td>
<td>39.80%</td>
<td>48.20%</td>
</tr>
<tr>
<td>West</td>
<td>23.90%</td>
<td>20.40%</td>
</tr>
</tbody>
</table>

**Geographic Distribution**

<table>
<thead>
<tr>
<th>Distribution</th>
<th>All LIHTC units</th>
<th>16 State Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central City</td>
<td>50.80%</td>
<td>45.30%</td>
</tr>
<tr>
<td>Suburb</td>
<td>34.50%</td>
<td>41.80%</td>
</tr>
<tr>
<td>Rural</td>
<td>14.70%</td>
<td>13.00%</td>
</tr>
</tbody>
</table>

**Developer Type**

<table>
<thead>
<tr>
<th>Type</th>
<th>All LIHTC units</th>
<th>16 State Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-Profit</td>
<td>80%</td>
<td>75.10%</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>20%</td>
<td>24.90%</td>
</tr>
</tbody>
</table>

Source: Moelis Institute for Affordable Housing Policy, 2012

Housing units built using subsidies that accept government vouchers are not designed to maintain their affordability in perpetuity. Affordable housing built using Low Income Housing Tax Credits only need to remain affordable for between 15 to 30 years (Joint Center for Housing Studies of Harvard University, 2009). When the program was first instated, projects needed to comply with the affordability terms for 15 years. Developments built after 1989 are required to meet the affordability terms of the program for 30 years (Moelis Institute for Affordable Housing Policy, 2012). The program “gives State and local LIHTC-allocating agencies the equivalent of nearly $8 billion in
annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households” (Department of Housing and Urban Development, 2016). At the end of this affordability term, the affordable housing units can be switched to market rate units. As the program currently stands, “the statute allows for owners to opt out by requesting that the state HFA find a “qualified contract” purchaser to buy the property during the fourteenth year of the initial 15-year compliance period. If no purchaser is found, the owner may exit the LIHTC program” (National Housing Law Project, 2016). This provision allows situations experienced by the residents of Mount Vernon Plaza Apartments and the Adams Morgan housing complex discussed previously.

Since LIHTC developments can receive up to 70% of their funding from the tax credits allocated by the program, it is not entirely unreasonable to expect them to serve the entirety of their affordability contract (Congressional Budget Office, 2013). Modifying this part of the law to allow for the phase out of units from the program and extending the time owners to opt out to year 20 of the program from year 14. Extending the time owners can opt out ensures a longer term of affordability for the low-income household living in the unit and adds to long term housing stability in the neighborhood. Allowing for units to be phased out at the end of the affordability period, whether it be after the full 30 years or 20 years into the program, allows for a smoother transition out of LIHTC funded housing as tenants have more time to find new housing for their household. As the initially funded units expire as the LIHTC program turns 31 years old this year, improving this transition will become important as the program continues to exist. As seen below in Figure 18, hundreds of thousands of LIHTC units will expire each year for the foreseeable future.

Allowing these units to remain operational longer might would not necessarily mean the number of proposed LIHTC developments would be limited. Requiring an additional six years of commitment before allowing owners of LIHTC funded projects to
be sold would attract developers more committed to fulfilling their obligations as part of
the law. Furthermore it would slow down the loss of LIHTC units expected in the next
eight years, as shown in Figure 17. Requiring additional years of commitment before
being able to sell the development would not reduce the number of planned developments
because of the benefits in funding. The program can provide a sizeable tax credit to
proposed housing projects and the requirement to own and operate the building with
affordable units for 20 years is worth the benefit in reduced taxes for that period of time.

![Figure 18: LIHTC Unit Loss](source: Lew, 2014)

By staggering the end of the LIHTC rent for households and the transition to
market rate rent, the immediate demand for new LIHTC housing will not be as dire
because the entire portion of the development dependent on the LIHTC lowered rents
will not all need to move to a new project at one. For example, LIHCT developments
follow either a 20-50 or a 40-60 rule. This means that a developer can choose to reserve
at least 20% of the available units for households making at or below 50% of the Area
Median Income or AMI, or they can reserve at least 40% of the units for households
making at or below 60% of the AMI (Moelis Institute for Affordable Housing Policy, 2012). The developments with units for households making more of the AMI are the units that would transition to market rate rent earlier, leaving those making even less of the AMI more time to find housing.

Preserving LIHTC housing in D.C and extending transition periods would manage the increase in demand for LIHTC housing at the end of the 15 or 30 year affordability period and allow for the lowest income households to have more time to find new housing options for themselves. The LIHTC program adds to the nation’s affordable housing stock and by amending the program, its effects in Washington D.C can ameliorate the tendency to displace low income residents in favor of market rate paying tenants.
Conclusion

As we move away from decades of disinvestment in cities, gentrification is becoming discussed more and more as an agent of change in the urban environment. Gentrification has the power to change neighborhoods and cities dramatically in a fairly short period of time. The increase in property values, possible rent revenue, and investment is a valuable asset to cities, but like any asset, it has to be properly managed. So to answer the question posed by the title of this thesis “Why does no one care about gentrification?” is more about why people care about it. Everyone cares about gentrification; from the policies that court it, the newcomers it attracts, the property owners and investors that benefit from it, and the existing residents it can alienate. Making sure everyone\(^3\) supports it and benefits from it is the crucial aspect of managing gentrification- the process by which investment and investors enter a city where they had previously been lacking and change the local demographics, economy, and physical structure of the city. Or at the very least, make sure no one is better off without making another person worse off than when the process of gentrification began.

In Washington D.C, years of neglect lead to the perfect storm of conditions for gentrification to take hold of the housing market. The population influx leads to rising economies, rents, and property and land values. The rise in value leads to a rise in the rent gap and occupants of rental units, specifically affordable housing units are left burdened with the cost of abruptly shifting market rate rents. Managing gentrification in Washington D.C. by encouraging new developers to work with and for communities, encouraging continued production of affordable housing, reinvesting in transportation infrastructure, and slowing the rate of rent increases can lead to a gentrification that has modified its negative aspects into workable situations for all parties involved. Rents can

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\(^3\) Or at the very least that no one benefits by making anyone else worse off
increase to reflect a more robust market, local needs can be met, and a mix of housing
types is not sacrificed in the name of pure unfettered capitalism.

Gentrification is a process that needs to be managed carefully, not opposed outright
because it is a form of change. As terrible as it is to not be able to afford your apartment,
it is also bad to only be able to afford living somewhere where no business will ever
invest. Managing the growth and investment aspects are key to ensuring the future long
term economic viability of cities. The policy recommendations I made in this paper are
designed to stabilize and destigmatize aspects of gentrification while also encouraging
investment and growth. Implementing these strategies could create an environment in
which ideally, change and transformation are welcomed instead of feared. Gentrification
could itself transform from a negative term, an accusation of authenticity-stealing,
opportunistic speculation into the name for a carefully managed government intervention
into a positive aspect of free market capitalism.
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