

**PERSPECTIVES ON NEIGHBORHOOD TRANSITION IN MODERN
WASHINGTON, DC**

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Table of Contents

I. Introduction.....3

II. A Brief Overview of Neighborhoods in Washington, DC.....7

III. Perspectives on Transition: City Personnel.....10

 Gerry Widdicombe, Director of Economic Development, Downtown DC Business Improvement District.....10

 Ellen McCarthy, former Director of the District of Columbia Office of Planning.....18

 Steve Green, former Director of Development, Washington DC.....24

 Neil Albert, former Deputy Mayor for Planning and Economic Development, Washington, DC.....34

IV. Perspectives on Transition: Developers.....40

 Jair Lynch, Founder of Jair Lynch Development Partners.....40

 Monty Hoffman, Co-Founder of PN Hoffman.....43

 James Duncan, Partner of Jefferson Apartment Group.....47

V. Conclusion.....49

I. Introduction

Neighborhoods within a given city comprise citizens and built environments which are dynamic in nature, changing in their characteristics and feel as market forces and lifestyle trends influence the residents who live or work there and the buildings that house much of those residents' daily lives. The District of Columbia, unlike most other major cities, was founded as a location to run the country, rather than as a location of commerce along a port, railroad or other transportation hub. Washington DC is unique in its origins and in the events that have influenced its evolution over the years. Through this rich history and a variety of circumstances, certain neighborhoods have experienced rejuvenation and rebirth, while others have languished. The intent of this research paper is to explore the transformation of these certain neighborhoods in DC.

The topic has academic merit as neighborhood transition is partly a sociological phenomenon and impacts both cities and residents to a great extent. As will be seen throughout the case studies and interviews, neighborhood improvement is frictional change, with past residents being displaced by condemnation, eviction, or rising tax rates. Potential violations of social justice throughout neighborhood improvement would be a rich topic, and worthy of examination. This paper, however, focuses primarily on the neighborhood change itself, and does not attempt to explore implications for social justice or resident displacement.

Neighborhood transition also has great economic significance. The City benefits from increased tax revenues, and developers can greatly enhance returns by identifying a neighborhood which is improving. Developers typically seek to add value to a property beyond

the cost of improvements to earn a profit. In an area of upward transition, the land itself gains value, enhancing potential gain even further.

Originally, this paper was conceived as a primarily statistical analysis of leading and lagging indicators of neighborhood change. Through the course of initial research however, two key challenges arose: 1) DC lacks firmly established boundaries for the 131 neighborhoods identified by the Office of Planning and 2) reliable time series data does not exist at the micro level. Consequently, a statistical analysis of the relationship between education level and building starts in an area is impossible unless significant resources are devoted to data collection and data mining. In addition to lack of requisite data, there were other, more fundamental challenges. Firstly, a statistical analysis of how elements relate to transition would require some threshold as to when an area has “transitioned” in order to identify factors that led or lagged neighborhood characteristics to or after that point. As was discovered throughout the course of research for this paper, such a threshold is largely subjective, and there is no apparent consensus on what constitutes a “transitioned” neighborhood.

Due to the challenges of a quantitative analysis, the methods for the paper had to shift towards qualitative study. As there appeared to be little direct scholarly work on the topic of transitioning neighborhoods in the District of Columbia, the source material was limited to interviews with experts in the field. Interviews were conducted with Government Personnel and Developers who had played a significant part over the past ten to twenty years in transitioning neighborhoods of DC. It should be noted that the author of this paper also works for a local firm which focuses on multifamily development, and that firm is a direct competitor for most of the Developers who were interviewed. Additionally, the assignment for this paper states that the

information will be public realm, and that proprietary information is not appropriate content. As a result of these two factors, it is understandable that Developers were slightly more reserved in the information they shared with their experiences. Though their time and content was generously provided and deeply appreciated, the interviews from past holders of public office, with minimal or no concern regarding a potential leaking of trade secrets, are generally more descriptive and detailed.

Throughout the interviews conducted for this paper, it became clear that a transitioned neighborhood is primarily identified qualitatively, and that the definition of a transitioned neighborhood varies from one expert observer to the next. For Gerry Widdicombe, Director of Economic Development for Downtown DC BID, a transitioned neighborhood is defined primarily by walkability and safety, as was implied by his rephrase of the question: “When would I let my daughter live there?” This was also the case for renowned DC developer, Monty Hoffman, who defines a transitioned neighborhood as one with “babies and dogs.” Others, however, dub a neighborhood as “transitioned” based upon the commercial development and dynamism within its bounds. Jair Lynch defines an area as transitioned (“Stage V: There”) once it becomes “a regionally significant place”. Ellen McCarthy, former Director of Planning for the Office of Planning, shares these sentiments as having identified both Columbia Heights and NoMa as transitioned areas. Steve Green, however, views an area as having “transitioned” once the private market takes hold, and public investment is no longer feasible due to rising property values.

What has become particularly clear throughout research for this paper is that transition is a process, rather than a destination. Consequently, this paper explores that path of

neighborhoods along that process and attempts to identify various factors that have contributed significantly to positive economic and demographic change in a given area. Though many elements contribute to neighborhood improvement, the most salient across interviews and case studies appear to be a combination of public (streetscape, transit and parks) and private (large and small scale) investment, a strong proximity story (adjacency to established neighborhoods or economic drivers) and the development of all uses (especially neighborhood serving retail).

II. A Brief Overview of DC Neighborhoods

Katheryn Schneider Smith wrote that “neighborhoods [in Washington DC] are organic, not official, and their boundaries and even their names change over time. The differing boundaries of civic and citizens associations, advisory commissions, school districts, and census tracts can be confusing.¹” She goes on to cite examples of areas that disappear and re-emerge such as Pleasant Plains and Columbia Heights which merged with Cardozo in the mid 20th century, only to more recently reemerge as Pleasant Plains and Columbia Heights. She also points out that “Tenleytown disappeared for much of the 20th century, but came back on a new metrorail station in the 1980s.²” Smith also gives examples of neighborhoods created by third parties, such as Shaw, which was labeled by city officials, and of North Cleveland Park, which was created by real estate agents. With continued development and demographic changes, the boundaries and identities of neighborhoods will continue to evolve, as will the residents and structures they contain (IBID).

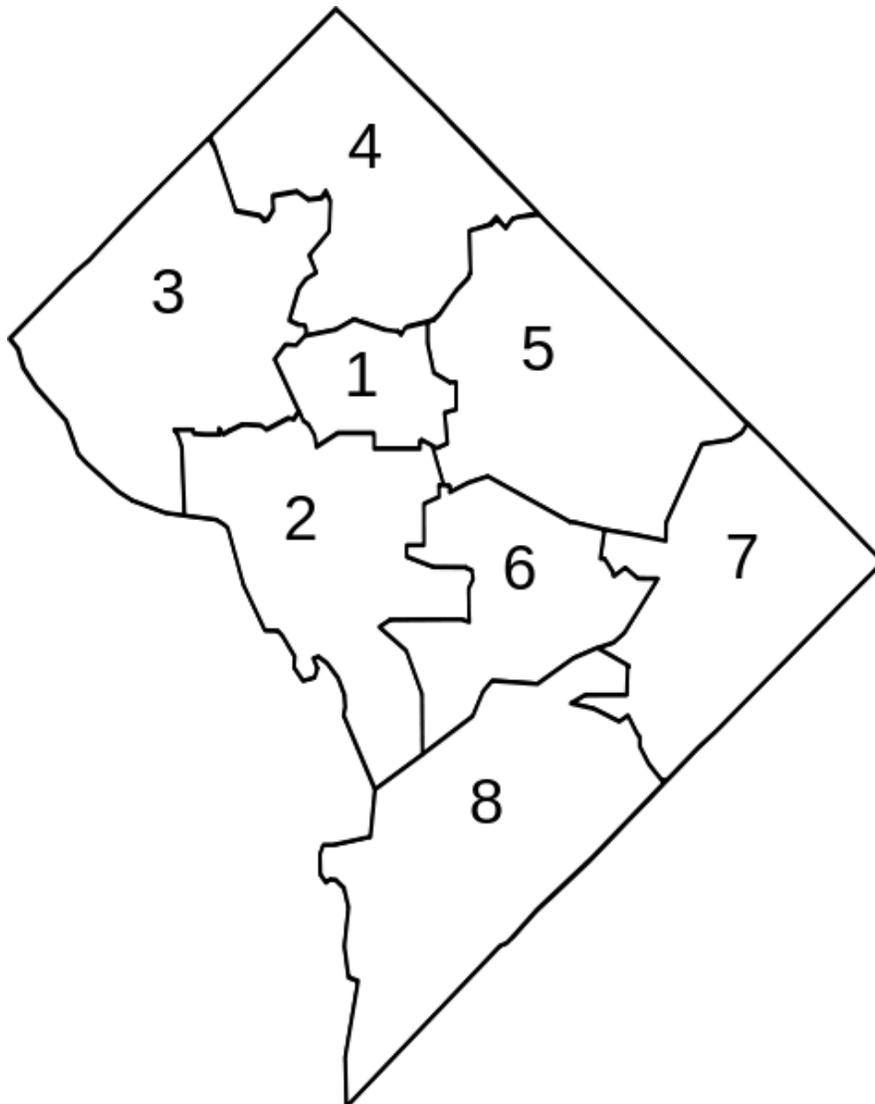
Though various civic and tenants associations exist at the neighborhood level, the most significant such organizations are the Advisory Neighborhood Commissions (ANCs) which are defined as “neighborhood bodies that advise the District government on issues affecting their

¹ Katherine Schneider Smith, “Introduction,” in *Washington at Home*, ed. Kathryn Schneider Smith (Baltimore: The Johns Hopkins University Press, 2010), 1.

² Katherine Schneider Smith, “Introduction,” in *Washington at Home*, ed. Kathryn Schneider Smith (Baltimore: The Johns Hopkins University Press, 2010), 1-2.

local areas.”³ ANCs give residents a means by which to influence government action which will affect them (such as transportation improvements, zoning, budgetary measures, etc). There are 37 such ANCs across the 8 wards of DC, meant to represent the 131 neighborhoods of DC. As shown in the table on the next page, many neighborhoods (bolded) are represented by more than one ANC.

A Map of Washington DC’s 8 Wards



³ Unknown, “Neighborhood Democracy,” *Advisory Neighborhood Commissions*, 2012, <<http://anc.dc.gov/anc/site/default.asp>> (28, March 2012)

Neighborhoods by Ward (8 wards, 37 ANC's, and 131 neighborhoods per DC Office of Planning)

Ward	ANC	Neighborhood
1	1A	Columbia Heights , Park View, Pleasant Plains
	1B	U Street , Cardozo, Howard University, Pleasant Plains , LeDroit Park, Shaw
	1C	Adams Morgan, Kalorama Heights, Lanier Heights, Western U Street
	1D	Mount Pleasant
2	2A	Foggy Bottom, West End
	2B	Dupont Circle
	2C	Blagden Alley, Chinatown, Logan Circle , Mount Vernon Square, Shaw
	2D	Kalorama, Sheridan
	2E	Burleigh, Georgetown, Hillandale
	2F	Logan Circle
3	3B	Cathedral Heights , Glover Park
	3C	Cathedral Heights , Cleveland Park , Massachusetts Heights, McLean Gardens, Woodley Park
	3D	American University , Foxhall, Kent, The Palisades, Spring Valley, Wesley Heights
	3E	American University Park , Friendship Heights, Tenleytown
	3F	Forest Hills, North Cleveland Park , Tenleytown
	3G	Chevy Chase
4	4A	Brightwood , Colonial Village, Crestwood, Shepherd Park, Sixteenth Street Heights
	4B	Brightwood , Lamond-Riggs, Manor Park, Riggs Park, South Manor Park, Takoma
	4C	Columbia Heights , Petworth , Sixteenth Street Heights
	4D	Petworth , Brightwood Park
5	5A	Brookland , Fort Lincoln, Michigan Park, North Michigan Park, University Heights, Woodridge
	5B	Arboretum, Brentwood, Brookland , Carver, Langdon, Langston, ivy City, Trinidad
	5C	Bloomingdale, Eckington, Edgewood
6	6A	North Lincoln Park, Rosedale, Stanton Park
	6B	Barney Circle, Capitol Hill, Eastern Market
	6C	Near Northeast, Penn Quarter, Union Station
	6D	Carrollsborg, Fort McNair, Navy Yard, Near Southwest/Southeast, Waterfront
7	7A	Fort Dupont, Greenway, River Terrace
	7B	Faifax Village, Hillcrest, Penn Branch, Randle Highlands
	7C	Burrville, Deanwood, Grant Park, Lincoln Heights
	7D	Eastland Gardens, Kenilworth, Kingman Park, Mayfair
	7E	Benning Heights, Capitol View, Fort Davis, Marshall Heights
8	8A	Anacostia, Fairlawn, Fort Stanton, Hillsdale
	8B	Garfield Heights, Knox Hill, Shipley Terrace
	8C	Barry Farms, Bolling Air Force Base, Congress Heights , St. Elizabeths Hospital
	8D	Bellevue, Far Southwest
	8E	Congress Heights , Valley Green, Washington Highlands

III. Perspectives on Transition: City Personnel

Gerry Widdicombe

*Biography*⁴

Over the past decade, Gerry Widdicombe has worked for the Downtown DC BID, with the primary responsibilities of conducting economic research and analysis on Downtown DC, facilitating public and private partnerships, assisting in implementing the Mayor's 2000 Downtown Action Agenda and creating the 2008 Center City Action Agenda. Gerry produces annual State of Downtown Reports, retail reports and brochures, Leadership Papers, Quarterly Development Reports, Downtown Neighborhood Surveys and DC Office Studies, topical analyses of a variety of Downtown economic sectors and analyses of the performance of city-supported economic development investment. Gerry's thorough research and analysis has helped support programs such as the 2001 Downtown Housing Tax Abatement, the 2003 Downtown Retail TIF Program and the 2010 DC Business Retention and Attraction Program, and projects such as the Convention Center Headquarters Hotel.

Thoughts on Washington DC: Formative Events and Turning Points

Gerry remembers the City prior to 2000 as a "dirty, poorly maintained place". His assertion is not surprising given the challenges that the district faced in its recent history. While winning home rule in 1973 was a significant achievement, he suggests that having the power was

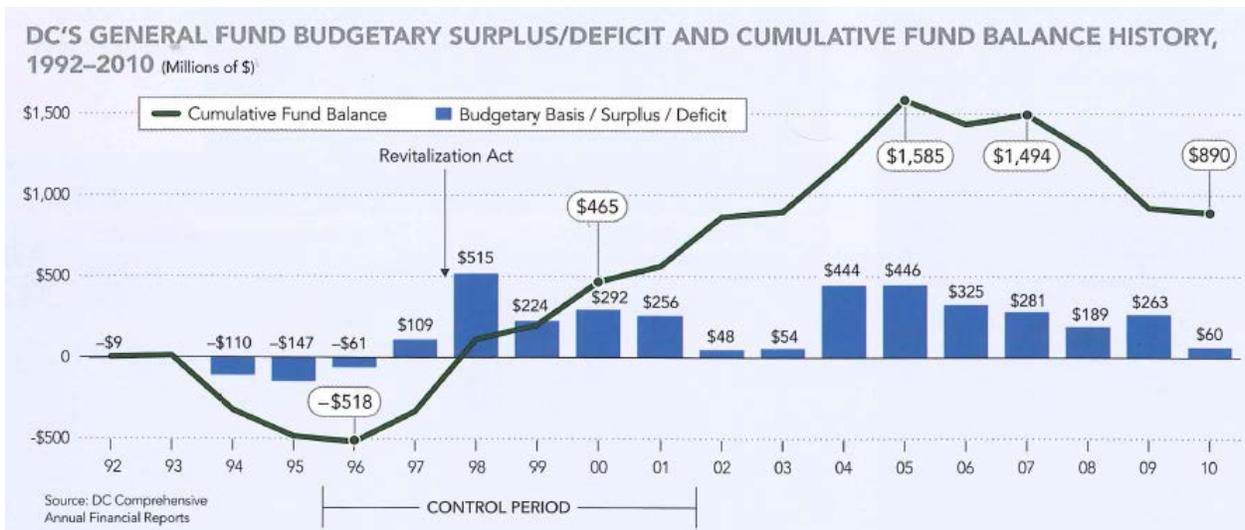
⁴ Unknown, "Staff," *Downtown DC*, year unknown, < <http://www.downtowndc.org/about/who-we-are/staff> > (15, March 2012)

not as important as knowing what to do with it. He cited a lot of early failures, including a lack of attention to basic investment in infrastructure and city services. One of the most significant early failures that Gerry mentioned was not addressing a \$300 million unfunded pension liability which DC took over from the Federal Government along with home rule in '73. That pension liability grew to be approximately \$3.5B by 1995, and, in Gerry's opinion, was one of the key issues that triggered DC's looming insolvency of the mid 1990s (see graph next page). As of 1995, congress created the District of Columbia Financial Responsibility and Management Assistance Authority (more commonly referred to as the DC Financial Control Board) to oversee the City's finances, with the power to override decisions made by the mayor and city council. Gerry stated that DC's financial crisis was a significant turning point, allowing the city to wake up to economic reality. As of September 30, 2001, the DC Financial Control Board suspended operations as the District had satisfied the four pre-conditions for suspension⁵:

1. All obligations arising from the issuance by the Authority of bonds, notes, or other obligations have been discharged;
2. All borrowings by and on behalf of the District of Columbia from the U.S. Treasury have been repaid;
3. The District Government has adequate access to both short term and long term credit markets at reasonable rates to meet its borrowing needs; and
4. For four consecutive fiscal years the District has achieved a balanced budget as determined in accordance with generally accepted accounting principles ("GAAP").

"The last of the pre-conditions was achieved February, 2001, when the fourth consecutive balanced budget for the District of Columbia was certified." (IBID)

⁵ Unknown, "The District of Columbia Financial Responsibility and Management Assistance Authority Will Suspend Operations." *DCFRA*, year unknwn, <
<http://web.archive.org/web/20011009210117/http://www.dcfra.gov/index.html>> (1, April 2012)



Gerry suggests that this rehabilitation of the city budget was very much a turning point for development in the City. “It was around the same time that DC started investing in itself and taking a serious look at how to invigorate the downtown area.” Gerry pointed to the importance of attracting Abe Pollin to the City, with the Verizon Center opening in the late 1990s, and pointed to subsequent investment in Gallery Place (Herb Miller and Akridge) which was subsidized by government (TIF) financing. Gerry pointed out that until late 1990, residential land in Downtown DC had a negative value (i.e. a developer would need to be paid in order to take land and build apartments-further detailed in interviews with Ellen McCarthy and James Duncan). Gerry asserted that the primary driver of this negative value was residential tax rates, and, as seen in the table below, the residential tax decreases beginning in 2000 coincide with a significant increase in total project completion (projects impacted would likely deliver in 2002 or 2003).

SELECTED DC TAX RATE HISTORY, FISCAL YEARS 1996–2011

Decrease Increase

Year	Individual Income Tax		Commercial Income Tax	Office Real Property Tax	Residential Real Property Tax ⁽¹⁾		Deed Recordation and Transfer Tax	Sales Tax		
	Lowest	Highest			Multi-family	Single		General	Restaurant	Hotel
	1996	6%	9.5%	9.975%	2.15%	1.54%	0.96%	2.20%	5.75%	10%
1997	6	9.5	9.975	2.15	1.54	0.96	2.20	5.75	10	13.0
1998	6	9.5	9.975	2.15	1.54	0.96	2.20	5.75	10	13.0
1999	6	9.5	9.975	2.15	1.54	0.96	2.20	5.75	10	14.5
2000	5 ⁽²⁾	9.5	9.975	2.05 ⁽²⁾	1.34	0.96	2.20	5.75	10	14.5
2001	5	9.3 ⁽²⁾	9.975	1.95 ⁽²⁾	1.15	0.96	2.20	5.75	10	14.5
2002	5	9.3	9.975	1.85 ⁽²⁾	0.96	0.96	2.60	5.75	10	14.5
2003	5	9.3	9.975	1.85	0.96	0.96	3.00 ⁽⁴⁾	5.75	10	14.5
2004	5	9.3	9.975	1.85	0.96	0.96	3.00 ⁽⁴⁾	5.75	10	14.5
2005	5	9.0 ⁽²⁾	9.975	1.85	0.96	0.96	2.20	5.75	10	14.5
2006	5 ⁽²⁾	8.7 ⁽²⁾	9.975	1.85	0.92	0.92	2.20	5.75	10	14.5
2007	4 ⁽²⁾	8.5 ⁽²⁾	9.975	1.85	0.88	0.88	2.90 ⁽⁵⁾	5.75	10	14.5
2008	4	8.5	9.975	1.85	0.85	0.85	2.90 ⁽⁵⁾	5.75	10	14.5
2009	4	8.5	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	5.75	10	14.5
2010	4	8.5	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	6.00	10	14.5
2011	4	8.5	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	6.00	10	14.5
2012	4	8.9 ⁽⁶⁾	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	6.00	10	14.5

TOTAL VALUE OF DOWNTOWNDC BID AREA PROJECTS COMPLETED, 1997–2010

(Billions of \$)

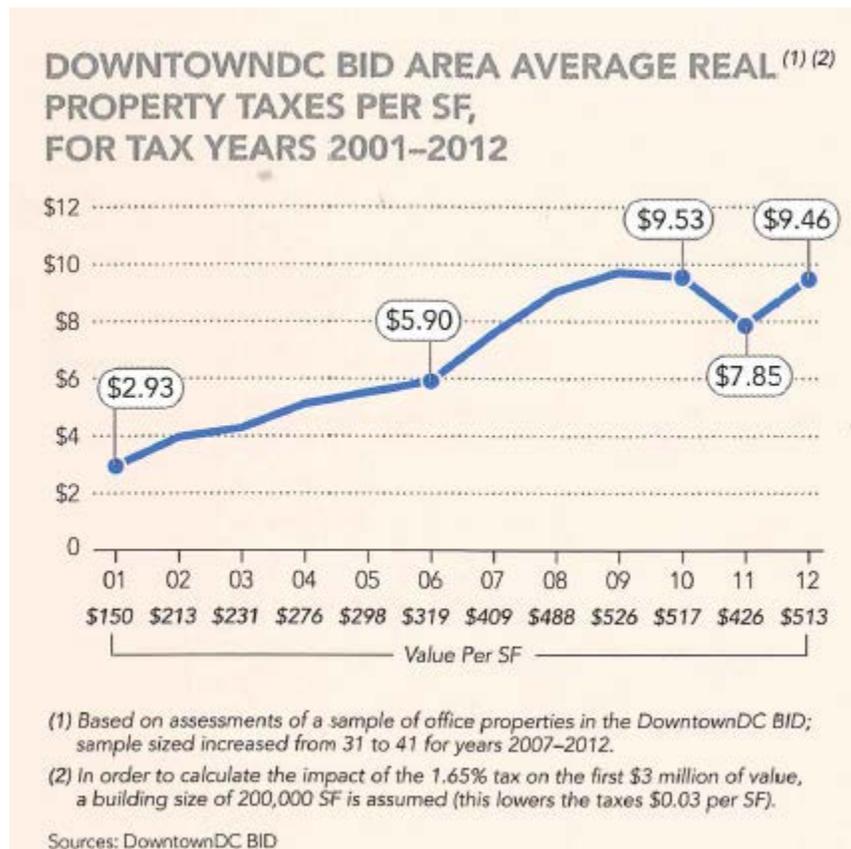


NUMBER OF PROJECTS COMPLETED

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	6	9	18	25	35	51	64	82	98	110	124	138	153	157
By year	6	3	9	7	10	16	13	18	16	12	14	14	15	4

Source: DowntownDC BID

The political intelligence of this decision can be seen in the table below. Though taxes charged per square foot of property were *decreased*, the average real property taxes per sf of real estate *increased* as a result of the increase in the underlying value of properties. Note that these values are real, and therefore adjusted for inflation, which suggests that these increases imply increased value in the properties, which was likely tied to neighborhood improvement which was driven by increased development in the area.



Mr. Widdicombe sees public investment and involvement as critical to changing neighborhood dynamics. He points out that getting the city involved to make sizeable infrastructure and other investments help minimize risk for investors, and in that way help to serve as a catalyst for development. As an example, the non-profit National Community

Reinvestment Coalition (NCRC) provided \$47M in tax exempt bond financing to build 3 levels of underground parking (a total of approximately 1,000 parking spaces)⁶.

In addition to serving as a catalyst for investment (through a reduced risk profile), he also emphasized the importance of simply beginning physical change in an area. Gerry mentioned the streetcar program and creation of Yards Park as examples of direct investment by the City which have had a salient impact. Gerry also made the point that lowering tax rates, or providing incentives through abatements or grants are also an important form of government investment in transitioning neighborhoods.

Gerry pointed out that the District of Columbia is a part of a regional economy, and that the government needs to be actively investing and positioning the city in order to compete for market share. “The regional economy does not respect geographic boundaries” and job creation and development projects will go where they make the most sense. Gerry pointed to Northern Virginia as the District’s primary competitor and suggested that Arlington’s growth in the 1990s stemmed, in large part, from the political and economic turmoil of the District during that time, essentially forcing major retail, residential and office development across the river.

He has been encouraged by DC’s recent success, and states that DC is now starting to hold, and even increase its market share of regional jobs, after years of steady decline. A lot of that is due to new development projects, infrastructure initiatives, etc. Gerry points towards an increasing diversification in its economic base, as DC is moving away from exclusive dependence on government, with Lincoln Center for Learning, Living Social, and BlackBoard,

⁶ Unknown, “DC USA.” *Columbia Heights News*, February 2006, <<http://www.columbiaheightsnews.org/News/Retail-News/DC-USA.html>> (20, April 2012)

among others, coming downtown. Though diversification is beneficial, Gerry goes on to acknowledge that the city itself exists for a different reason than most major cities. DC, unlike most other major cities, was not founded as a place of commerce at river or railroad, but rather formed to run the country. The recession-resistant economic engine of the Federal Government and its contractors which that unique legacy has provided for DC is something that Gerry appreciates and recognizes as a major benefit for the regional economy.

Thoughts on Transitioning vs. Transitioned

Gerry suggested that labeling neighborhoods is likely too simplistic given that neighborhoods are *always* changing. This is a somewhat different take than the views of Monty Hoffman and Jair Lynch (as presented later, they shared concepts of neighborhoods reaching steady-states or plateaus along the path of change), though the views are not necessarily mutually exclusive (*i.e.* neighborhoods can still be experiencing some change during the “steady-state” between larger scale change).

Gerry asked the rhetorical question, “What does it really mean to say that a neighborhood has ‘transitioned,’” and went on to offer a potential rephrasing of the question as “when would I let my daughter live there?” Given his regard for his daughter he clearly implies that safety is a requisite element of a fully transitioned neighborhood. He also, somewhat in jest, asserts that “if you have a parking problem, you’ve transitioned.”

In our further discussions, Gerry identified the following characteristics of “transitioned” neighborhoods:

- No boarded up houses or store fronts
- Improved schools
- High percentage of college graduates
- Turnover in retail space (low vacancy)
- No or little government land
- National and Regional retailers

While most characteristics are self-explanatory, his comments regarding no or little government land begged some additional clarification. Gerry pointed out that the government does not have a carry cost (no taxes) for the land it held in an area, and consequently, had little pressing incentive to dispose of underutilized/underperforming land holdings. To be clear, Gerry is speaking to Government owned *land* with no cost of carry. He suggested that this was a major delay in the transition of the Southeast waterfront (i.e. Capitol Waterfront). As will be covered further in the section on Steve Green, it wasn't until 40+ acres of Navy Yard land was turned over to the private sector, a la Forest City Development, that the neighborhood could begin to transform.

Gerry then turned his attention to what he saw as key elements of a *transitioning* neighborhood.

- Private (new construction) and Public (city) Investments.
- People and Businesses moving into the area (increasing demand, increasing rents)
- Redevelopment of public housing
- Increasing percentage of college graduates
- Development or implementation of a small area plan (planning attention)
- Decreasing crime
- Need a grocery store (higher end, the better)
- National and Regional retailers starting to move in
- Bicycle shops, sit-down restaurants and outdoor cafes are supported

Ellen McCarthy

*Biography*⁷

Ellen McCarthy is the director of planning and land use for Arent Fox. Previously, Ellen was the director of the District of Columbia Office of Planning under Mayor Anthony Williams. Her projects included getting city council adoption of a new Comprehensive Plan, the re-engineering of the development review function, and the crafting of a strategy to revitalize dilapidated affordable housing projects into lively, mixed-use, mixed-income neighborhoods while retaining existing low-income residents. She also directed the integration of the Historic Preservation Office into the Office of Planning from the permitting department, revamping its financial accountability system, and oversaw planning efforts for the Anacostia Transit Station Area, Northeast Gateway, Shaw/Convention Center Area, NoMA and Georgia Avenue, along with completion of new zoning for waterfront districts and numerous large development projects.

Ellen worked under Tony Williams, and played an active role in an administration that has had a positive and lasting impact on the District of Columbia. Ellen's involvement in DC, however predates her work with the Williams administration, and even predates her involvement as a planning consultant. Ellen has spent most of her lifetime in and around the District of Columbia, and has seen firsthand the evolution of many neighborhoods, including downtown DC and NoMa, both of which she has taken an active role in shaping and encouraging. Ellen spoke

⁷ Unknown, "Ellen McCarthy," *People*, year unknown, <<http://www.arentfox.com/people/index.cfm?fa=profile&id=448>> (15, March 2012)

of the importance of a plan to provide a “solid regulatory framework” along with public and private investment. She also emphasized the importance of having entertainment and residential uses to create an actual vibrant neighborhood, rather than a single-use office or residential area which would lose vibrancy during non-working or working hours. In our interview, she spoke primarily of individual neighborhoods and her experience with their process of transition.

Experiences with Transition: NoMA/Constitution Square

Ellen worked on the NoMA plan while at Department of Planning. “Previously [the neighborhood] had been rezoned entirely to C3C (high density commercial), with no requirement for ground floor retail or housing. This was a big upzone for office density, but gave no thought about what kind of neighborhood/environment do we want this to be?” Ellen recalls her experience working at 801 North Capitol, after the commercial upzoning, as “like being in the Gulag”...and stated that “if you can’t find a CVS within a 4-5 block radius,” (as was the case there at the time), “it’s not an urban neighborhood.”

It was decided that they needed to craft a new master plan. “In developing the NoMa plan, we asked ourselves, ‘what we do we NOT want?’” Their answer was that they didn’t “want the single use environment of Crystal City or West End.” It became clear that they needed to incorporate housing and retail into the apparently strong office demand emerging for the area

Ellen spoke of her great respect for the importance of vision/action from the private sector in shaping NoMa, and credited Doug Firstenburg of StonebridgeCarras with seeing the possibilities. “Before there was any regulatory requirement to incorporate residential and retail,

he built a mixed use property as ‘Constitution Square’” (Federal Office Building, luxury residential, and retail (Harris Teeter anchor) “which completely changed the neighborhood.” Ellen pointed out that the project was not without challenges, giving the example of “both the developer and planning [going] through hoops for subsidy to make free parking available to Teeter” which they required in order to come to the site.

As a demonstration of how that neighborhood had shifted, Ellen recalled her recent experience leaving a meeting at 1st and M at 8:30 pm. “I got to see people walking in and out of the Harris Teeter, dogs being walked etc...[It was] a significant change from the barren office-scape that NoMa was before Constitution Square.” Ellen stated that “that one project—first out of the box—was a major catalyst for residential and retail—and ultimately for creating a neighborhood.” Ellen thinks that “it’s very rare that one project can turn a neighborhood,” and pointed out that you need market forces to be aligned.” The bold visions of both public and private sectors need to be supported by demand in order to justify continued investment and transition.

Experiences with Transition: 14th Street / U Street

Ellen went on to point out an instance of a large project which failed to spark redevelopment due to a lack of contributing market forces. “The Reeves Center at 14th and U was put up after the riots [in the 1980s under Marion Barry] to encourage/stimulate the area which had been so devastated. And then nothing happened for years.” Ellen recalled that while she was in college, “you couldn’t drive through Logan Circle at night and not see prostitutes.” She also recalled that under the Kelly Administration, there was a thrust to establish halfway

houses (classified by the city as Community Based Residential Facility to avoid the prohibited use of tenement housing) on 14th street over by Logan Circle. There were hard won battles by residents in the area to avoid the creation of those halfway houses (BZA appeals etc). Ellen suggests that if the residents had not been so active, the area's transition might have been delayed or thwarted by a negative social element being present in the area. Mrs. McCarthy's favorite example of neighborhood advocacy was Wayne Dickson's hard won battle to get Whole Foods, originally slated for 13th and V Streets to locate instead at 14th & P Streets⁸. Whole Foods opened at 14th and P Streets in 1999, and that location has been credited by most interviewed for this paper with serving as a catalyst for new development on Logan Circle and the extended 14th Street corridor. The Whole Foods was able to serve as a catalyst in large part because the economy was significantly better in 2000 when the Whole Foods had opened rather than the early 80s when the Reeves Center opened. Ellen gave another potential reason, emphasizing the additional benefits of neighborhood-serving retail: "with the Whole Foods, you had a gathering place—a sense of community [could be built] through seeing your neighbors at the grocery store."

Experiences with Transition: Penn Quarter/Downtown

When Ellen turned her attention to Penn Quarter, she expressed frustration with the common conception that Abe Pollin single-handedly transformed downtown. "It was a big part of the transformation, but not all." Ellen believes the transformation of downtown "started in the early '80s when Oliver Carr saw that development was going to go east (to that point no new office buildings had been built east of 15th St)." Ellen recalled that along with Home Rule in '73,

⁸ Heath, Thomas. "For D.C. Couple, Community Activism Launches Lucrative Real Estate Careers," *Washington Post*, 18 January 2010, sec. Business

came the drafting of the first comprehensive plan for DC. “Ollie Carr encouraged the committee crafting the comprehensive plan to realize that development was coming (Connecticut and K were getting built out, and eventually it would heat east of 15th).” So, as the planners would later ask themselves in NoMa, the designers of the comprehensive plan had to ask, “when it redevelops will it revitalize? Or will it just be single-use buildings? If exclusively office uses, there will be no neighborhood presence after working hours.” The planners, as they would in NoMa, decided that they wanted a true neighborhood—with a combination of all use types.

The first comprehensive plan (published ’82-’83 and adopted in ’84) for the area encouraged living downtown. It encouraged housing, retail, arts, and the preservation of historic neighborhoods. Ellen went on, “BUT even though the comprehensive plan was in place, Office of Planning failed to enact zoning that would require incorporation of those elements.” In 1988, Planning submitted draft zoning to the Zoning Commission, and a battle dragged on for 2 years through a series of heated public meetings (developers felt the requirement to build residential was an impairment of value—in fact, at the time, residential land downtown had *negative* value as also mentioned by Gerry and James).

Ultimately, the zoning was passed in 1991 which required concurrent development of residential and commercial uses through Combined Lot Development in an overlay district. Through this mechanism, a project’s residential obligation didn’t need to be built by the project’s developer, or even on the developer’s land, but it did have to be built, and it had to be built in the same overlay district. Initially, the certificate of occupancy for office was tied to the completion of the residential building. Ellen acknowledges that the government did not foresee a flaw with

this requirement: “the problem is that financiers are not comfortable investing in a project when its C/O is tied to the completion of another building.” By 1999, the Office of Planning realized that it was a problem for financing, and changed the regulation to require escrow contributions (funds released once residential completed).

The irony of implementing the zoning in 1991 still seems rich for Mrs. McCarthy, who points out with a slight smile that it was “just in time for the bottom to fall out of commercial development.” She mused, “So there was finally a good regulatory framework in place...but while that can keep bad things from happening, it can’t make good things happen; you have to wait for the market.”

Ellen recalls a “gloomy outlook at the time” of the early ‘90’s in DC. There was no trust in the government due largely to the inefficiency, nepotism and waste of the Barry and Kelly administrations, in addition to a tumultuous market landscape with crack wars, and a struggling national economy. Ellen credits Herb Miller with helping to reignite enthusiasm for what the downtown area could be by initiating the downtown task force. “It created more optimism. It got people talking about it—what they wanted to see.” Herb also introduced the concept of downtown retail “he was thinking outlets downtown, a la his early successes with ‘The Mills’ concept, but it got people thinking about retail. Most critically, it generated activity and attention to downtown, which was a factor in Abe Pollin’s decision to move downtown. Because of the task force, there was then strong interest in joining together for a BID.”

Ellen went on to recall, “in 1996, the MCI Center was about to open, and Abe realized that the user experience of getting to the MCI Center was as important as the experience once there. If people didn’t feel safe in the City their first time, they probably wouldn’t be back.” The BID was in early stages and still working out finer points of funding and staffing. “Abe lent the BID money to get started, confident he would get paid back by the increased tax revenue once the center was up and running.” As a result, the BID was able to hire and begin neighborhood improvements, starting with the area around the MCI Center. Ellen contrasted the success of the MCI Center against entertainment centers she toured in Louisville and Corpus Christi—“they spent money on the catalyst, but failed to create the environment.” Ellen stated that it was absolutely critical to create and manage “clean, safe public space.” As further detailed in the interviews with Gerry Widdicombe and James Duncan, the MCI Center and the 1999 election of Mayor Williams further encouraged the revitalization of the downtown area.

Steve Green

*Biography*⁹

Steve Green is a Senior Vice President with W.C. Smith. Prior, Mr. Green served as Director of Development and also as a special assistant for planning and economic development under Mayor Williams. Mr. Green played a key role in developing housing policies and economic development strategies, and he has negotiated more than \$2 billion of economic development projects, including a 10-acre mixed-use project in downtown DC and a convention

⁹ Unknown, “Stephen M. Green,” *Mayor announces New Appointees*, January 2005, < <http://www.dccwatch.com/mayor/050119.htm> > (15, March 2012)

center hotel. Other accomplishments include the successful negotiation with Major League Baseball to bring the Montreal Expos franchise to Washington, DC, and the 2002 Housing Act, which created a dedicated revenue stream for housing across the District.

Mr. Green has spent years analyzing and categorizing neighborhoods in transition, and stated at the outset of our discussion (in reference to the interview questions) that “these are good questions, but not easy to answer.” Steve shared some of the powerpoint presentations he crafted and presented detailing planning initiatives that they developed during the Williams administration. The documents reveal a comprehensive and well-reasoned approach to planning the revitalization of DC neighborhoods. In my brief time as a real estate professional and student, I have encountered similar planning documents, outlying ambitious, sometimes utopian ideals and visions for a given area. What makes Mr. Green’s documents all the more remarkable (particularly “Neighborhood Ten”) is the success that Williams’ administration had in creating traction such that 10 years later, the DC environment, has significantly changed—with an increasingly dynamic Capitol Waterfront area, a thriving residential and retail market in Columbia Heights, and the resurgence of the 14th street corridor.

Transitioning Neighborhoods and Policy under Mayor Anthony Williams

When asked about to describe the landscape that the Williams’ administration inherited, he said that during the 80s and 90s, “neighborhoods outside of NW were disasters. Developers wouldn’t invest in DC because it was regarded as a cesspool—the political and economic landscapes were irrational and unpredictable.” Like most interviewees, Green specifically mentioned Marion Barry and the crack wars as key elements of that instability. “The city

government detached from reality and was spending itself into bankruptcy.” Green got to DC in 2000 and characterized the environment as still dysfunctional. “The major problems were getting better—we had balanced the budget, and we could get mail. But agencies were siloed.” Steve commented that the Departments of Planning, Housing, Transportation and Public Works were all working independently and not communicating. He said of Mayor Williams, “Tony was very focused on getting those agencies better coordinated.”

Mayor Williams’ 2003 Inaugural goal (reelected after first term ’99 through ’03) was to attract 100,000 New Residents¹⁰. In an effort to achieve that goal, he set out a series of programs and initiatives to transform DC into a city that would attract and retain residents. One of the PowerPoint presentations which Steve shared was crafted in 2003 and outlines the Williams’ administration approach to building DC into a great city. Part of the presentation focused on the “four characteristics of great cities,” which are set forth below, along with the administration’s goals and strategies to achieve them:

Four Characteristics of Great Cities

1. Living Downtowns
 - Goals: refine the vision of a living downtown, direct new growth, identify strategic public/private actions.
2. Vibrant Waterfronts
 - Goals: Reclaim the waterfront as a magnet of activity and embrace the Anacostia as the District’s central natural feature.
3. Prominent Corridors
 - Goals: Prominent Corridors play a key role in the identity of many residential neighborhoods. Will reach their full potential by offering a mix of housing, retail, entertainment, offices, and strong connections to transit.
4. Strong Neighborhoods
 - Guiding principles:

¹⁰ According to the U.S. Census Bureau report DC’s population was 572,059 in 2000 and was estimated to be 617,996 in 2011. This represents population growth of approximately 45,000 residents since 1 year after Mayor Williams’ first term.

- Empower and engage citizens
- Align government action with citizen priorities
- Strategically invest scarce resources to demonstrate meaningful and visible impacts
- Enhance unity of purpose and democracy

The presentation went on to detail the Neighborhood 10 Initiative: Ten Strategies for a Stronger Washington. The plan clearly sets out an action-oriented agenda in order to transform the District of Columbia into a “Great City” as defined above. These strategies are listed below:

Neighborhood 10 Initiative: Ten Strategies for a Stronger Washington

- Strategic Neighborhood Action Plans
- Generating Quality, Affordable Housing
- **Eliminating Blight** (emphasis per document)
- Taking Advantage of Transit
- Enhancing Neighborhood Commercial Centers
- Modernizing and Re-envisioning Schools
- Creating New Neighborhoods
- Partnering with Anchor Institutions
- Delivering Quality Services
- **Investing in Strategic Areas** (emphasis per document)

Steve observed that “public policy needs to be focused...you can’t be everywhere.” Consequently, they performed comprehensive analysis of DC’s neighborhoods, and identified areas where they could target public investment in an intelligent and limited way in order to encourage the private sector to follow. Steve pointed out that with a “limited amount of capital, [there is a] need to be judicious—where will investments be the most effective, and intelligent—thinking through what elements or partnerships can be used to reinvigorate a neighborhood.”

Defining Neighborhoods (Stable, Transitional, Emerging, Distressed)

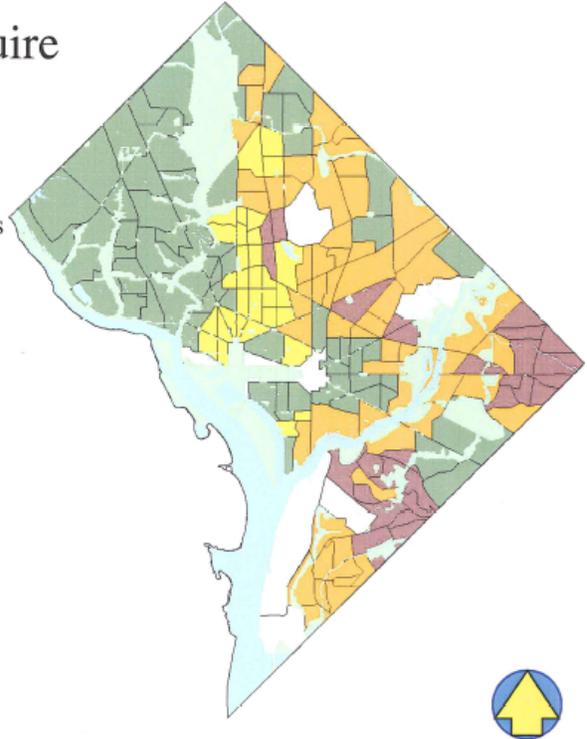
Neighborhood Ten appropriately recognizes that “Different Neighborhoods Require Different Strategies.” Steve and his team worked through the entire city, to identify where each area was in its development. In order to do so, they first needed to develop a conceptual framework, and established four categories of neighborhoods:

- ***Stable:*** Neighborhoods with ample market-driven, private investment and social indicators consistent with or higher than the city average
- ***Transitional:*** Fast-developing neighborhoods subject to rapid home sales, rising property values and displacement pressures.
- ***Emerging:*** Neighborhoods that under-perform based on their market potential usually with moderately positive indicators
- ***Distressed:*** Neighborhoods that face to most extreme challenge of low social indicators and extreme private disinvestments.

In our conversation, Steve pointed out that it is easy to identify stable and distressed (the extremes). He went on that “the challenge, and the key, is to identify what is transitioning, and what is emerging. What is on its way?” The map below, excerpted from the presentation, provides a color-coded analysis of how each area stood.

Different Neighborhoods Require Different Strategies

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-  *Transitional:* Fast-developing neighborhoods subject to rapid home sales, rising property values and displacement pressures.
-  *Emerging:* Neighborhoods that under-perform based on their market potential usually with moderately positive indicators.
-  *Distressed:* Neighborhoods that face the most extreme challenge of low social indicators and extreme private disinvestments.



Consistent with their emphasis on judicious and intelligent investing, the administration identified areas of focus based upon the ability to build on the following strengths:

- Leveraging Potential with Private/Philanthropic Partners
- Areas Where Some Advanced Planning Has Occurred
- Areas with Synergy around Housing and Commercial Development Opportunities
- Areas that are Metro accessible and near major arterial streets
- Areas with parcels owned or controlled by the district or another public entity
- Key Institutional and Community Partners

Additionally, to gain momentum quickly, the administration wanted to focus on areas where “visible and significant outcomes can be achieved in 3-5 years”. On this basis, the following areas were targeted for FY ’02-’04: Georgia Avenue Corridor, Columbia Heights, H Street NE & Ivy City / Trinidad, Shaw Howard U. / Le Droit Park, Congress Heights, Bellevue, Pennsylvania Ave SE / Fairlawn. The administration created the Home Again Initiative wherein

“The District gains control of vacant houses and sells them to developers who will convert them into homeownership opportunities.” The initiative was created consistent with the 3rd goal of Neighborhood Ten (eliminating blight). This initiative targeted blight in Columbia Heights, Shaw, H Street, Ivy City, and Rosedale using tax foreclosure and condemnation to acquire vacant buildings.

Green also spoke to his satisfaction in having played a role in the successful implementation of the DC USA project. Green educated me that the site of the Target had been burned down in the race riots of '68, which he regarded as an “understandable, irrational reaction to a horrible thing.” It had sat as a burned out husk for approximately 40 years, until the Williams’ administration engineered the DC USA project to revitalize the site.

Southeast DC: The Ball Park Area and “Remarkable Change”

When asked to speak about his experiences with the SouthEast waterfront, Steve smiled slightly and acknowledged that there had been “remarkable change” in that area. Steve pointed to Clinton’s executive order in 1995 to move Naval Sea Systems Command (NAVSEA) from Crystal City to the Federal land at the old Navy Yard in Southeast DC. With that Executive Order came a \$400M investment into creating a high-tech campus in southeast DC and 10,000 jobs coming from Crystal City to the Navy Yard. Steve pointed out that it was not just NAVSEA itself that served as a major boost, but also contractors that were interested in winning their business. Proximity to NAVSEA alone wouldn’t win the contract, but they wouldn’t win the contract without proximity to NAVSEA. As a result, the relocation led to the construction of 4 Class A office buildings to satisfy contractor demand. The next major event in Green’s history

of the area was the privatization of the southeast Federal Center in the late 1990s (44 Acres went to Forest City, and 11 Acres was disposed of separately (i.e. DoT site). Described in further detail later in the Neil Albert interview.

When Mayor Williams entered office in 1999, he couldn't understand why the Anacostia River Waterfront was not an asset for the city, and he started taking additional action to shape that. The first major victory of that effort was that they won a \$35M federal grant through the HOPE VI program (HUD) to revitalize the Arthur Capper/Carrollsburg housing projects.¹¹ At this point in my interviews I had heard this project mentioned several times and asked Steve how simply improving low-income housing would serve as such a major catalyst, if the same residents were simply returning to a more attractive building? Steve informed me that the project became a mix of approximately 1,000 market rate and 700 affordable units, and that there were re-entry criteria for returning residents—"They are guaranteed the *opportunity* to return". The 23 Acre (7 city blocks) redevelopment will ultimately include 707 public housing rentals (equivalent to the previous number) and approximately 1,000+ market-rate and workforce rental and for-sale units. The project will also include 700,000 square feet of office space and approximately 50,000 square feet of retail. So the redevelopment is clearly much more than just a renovation for public housing—it is the creation of a vibrant, mixed-income community. There are 5 future mixed-income apartment buildings to come. Photos below illustrate the dramatic change between 2003 and 2012 through this program.

¹¹ Unknown, "FY 2001 Hope VI Revitalization Grants," *Public & Indian Housing*, year unknown, < http://www.hud.gov/offices/pih/programs/ph/hope6/grants/fy01/rev_grantlist.cfm> (1, April 2012)



Looking east on K Street at Fourth Street, just before demolition in late 2004. (11/04)



The same location, completed. (1/10/10)



Looking at the east side of Fourth Street from L Street, in June 2003, as relocation of Capper residents was just getting underway. (06/03)



The same location, with the second row of townhouses in the development completed in late summer 2009. (6/25/09)

Photo credits: <http://www.jdland.com/dc/capper.cfm>

The next critical event in Green's accounting of the revitalization in the Capitol Riverfront was the development of National's Park. Both Gerry Widdicombe and Steve alluded to a major benefit of the Stadium being the noxious uses that it landed on. Where National's Park now sits was formerly host to an asphalt plant, trash transfer stations, and a strip of night clubs that were reportedly home to drug dealing and prostitution. These properties were seized in 2005 by eminent domain, with groundbreaking for the stadium in early 2006. Green points out that it's not truly an anchor for the neighborhood as the stadium is dark 6 months of the year,

which is a drawback to hosting baseball, but instead “just a great catalyst for development”. See photos below for before and after illustrations of the Ball Park area.



The southeast corner of South Capitol and P, with the raised South Capitol Street viaduct at right, in April 2006. (04/06)



A slightly different angle of same location, 28 months later, with the viaduct demolished and South Capitol Street reopened, showing how the Administration building attaches to the ballpark. (8/3/08) **NEW**



The east side South Capitol Street, south of N Street, in February 2006. (02/06)



A backed-up and slightly shifted version of the same location, 28 months later. A little different. (8/3/08) **NEW**



The northwest side of the stadium footprint, looking down South Capitol Street from just north of N Street, in February 2006. (02/06)



The same location, now just about unrecognizable, 22 months into construction; structure at center is the west parking garage. (3/23/08) 

Photo credits: <http://www.jdland.com/dc/stadium.cfm?tab=no2>

Neil Albert

*Biography*¹²

Neil Albert, currently a senior policy advisor for Holland & Knight, previously served as City Administrator, and Deputy Mayor for Planning and Economic Development in the administration of Mayor Adrian Fenty. In these roles, Mr. Albert was responsible for the district's day-to-day operations, and was responsible for development and execution of DC's

¹² Unknown, "Neil O. Albert," *Extended Bios*, year unknown, < <http://www.hklaw.com/id77/extended1/biosNOALBERT/> > (1, April 2012)

economic development strategy. Mr. Albert managed a development pipeline worth more than \$13 billion in public-private housing, retail, office and parks projects throughout the district.

Transitioning vs. Transitioned

Mr. Albert opened our interview by making the statement that “few neighborhoods are ‘there’.” And went on to give the examples of Georgetown, West End, Foggy Bottom, and Tenleytown as the few neighborhoods that he would considered being fully “there”. In defining his understanding of what it means for a neighborhood to be “there”, Neil gave the following requisite elements:

- Retail mix to support residents
- Recreational mix to support residents (parks, bars, restaurants, clubs)
- Educational element (adequate and organized schools)
- People with sufficient disposable income to support the local economy

Neil went on to describe the “opposite end of the spectrum” as exhibiting the following characteristics:

- Static (i.e. no development activity) for a number of years, regardless of change in government or economic climate
- Lack of quality housing, retail, and education level

As for the area in between (which would include “Emerging” and “Transitioning” areas in the conceptual framework developed by Steve Green), Mr. Albert went on to say, “There’s *a lot* in between that spectrum. Mr. Albert stated that “the elements that define how a neighborhood transitions are economic, social, political, and geographical.

Economic Elements: Anchors and Catalysts

Mr. Albert stated, “It is critical to have economic elements that anchor the neighborhood.” Mr. Albert gave the example of a metro station as a very common driver of economic value and activity. Neil gave the example of the New York Avenue metro station, which opened in November, 2004¹³ as an example of a metro station which had a significant impact on improving a neighborhood (NoMa), and also mentioned the catalyst of the private development, Constitution Square, which Ellen McCarthy detailed above. Neil said that the metro was critical for the early success of NoMa and that he was stunned when hotel projects went up and were successful in NoMa. He went on to say that when he’s in that neighborhood he sees “people walking their dogs now, which is something I never would have expected.”

Neil shared his personal experience with the Columbia Heights neighborhood, where he worked circa 2000. “The neighborhood was rough. The police would use our headquarters for drug strings.” In Neil’s estimation, the metro center there was critical to encourage change, and part of what justified the catalyst of the DC USA project, which were “huge elements to change that neighborhood.” Neil also alluded to Columbia Heights having had the benefit of an existing, attractive housing stock in that “beautiful old row homes were suddenly near metro” which was very good for attracting residents.

¹³ Unknown, “New York Avenue Metro Station, Washington DC,” *Case Studies*, year unknown, < <http://www.ncppp.org/cases/nystation.shtml> > (1, April 2012)

Social Elements

Neil said that “the types of people that are locating to and investing in those areas matters a lot.” As a private real estate investor, he was looking for opportunities in Columbia Heights, and by 2001, there were bidding wars with big name private developers and wealthy individuals looking to move into the area (driven in part by attractive housing stock proximate to metro). “As more and more [individuals with greater disposable income] move in, the demographic and feel of the neighborhood changes.” Neil pointed out that the “people moving into these areas had very high levels of disposable income, and expected (and more importantly could support) amenity retail uses like bars, restaurants, nightclubs, etc.” In order to attract and maintain this young cohort, “the city had to become more sensitive to their needs (retail, parks, dog parks, recreation centers, and new transit options.” Mr. Albert stated that it is through that attention and intentional focus that “DC is getting more people to live here.”

Political Elements

As he moved on to discussing the Political Elements for transition, Neil made the comment that “throughout it all, you need intentional investment and political leadership from the government.” Neil went on to cite the TIF used for DC USA funding, the \$50M DC contribution to establishing the New York Avenue metro station, and the \$750M investment in the baseball stadium as examples of intentional investment which had significant impacts on their respective neighborhoods. He went on to give examples including the \$42M TIF for Market at O in Shaw, and the billion dollar streetcar program which Neil expects to have a significant impact on the H Street neighborhood.

Later in our interview, Neil detailed his list of requisites for successful governance: “you need vision, leadership, and a good team.” “Fenty was a great athlete, and had a great eye for talent.” They hired the mind behind TIFs in Chicago and brought him to DC. They also brought in experienced and intelligent leaders like Andy Altman, and Eric Price. Neil said they “were always looking for new tools to add to [their] toolbox. Since each neighborhood had different needs, different economic and political tools were warranted in different situations.” Neil was also proud to point out that they actively sought fresh talent at job fairs at elite universities, including Harvard, Columbia, and UVA (with only slight prodding, Yale was included as well). Neil’s point being that they “hired smart, dynamic talent.” “The majority of our staff was in their late 20s and early 30s—[which] made for a great atmosphere to foster fresh ideas”

Geographic Elements

As Neil moved on to describe the geographic elements which encourage transition, it was clear that he was referencing the Proximity Story which was emphasized by the developers interviewed for this paper. “You can see it. There’s not a mystery to it. [Development] typically spreads east and north, primarily along transit corridors.”

Favorite Deals and Case Studies

When asked about his favorite deals/neighborhood stories Neil pointed out that when he became Deputy Mayor, NoMa was just an idea and the Capitol Riverfront was just a Ballpark. “To see NoMa’s growth over the past six years is remarkable...shows how a plan can work well”. The NoMa BID came to Neil, emphasizing that they did not just want single use (all the

GSA office as Ellen mentioned) so they needed/wanted housing. Neil's team put into place a \$50M tax abatement to encourage residential development. This allowed "fully abated taxes for as long as ten years. It has been effective."

Another project that he appreciates is Mayor Williams' vision of streetcars (which are intended as a next round of anchors for greater accessibility to encourage more development). When he took office in 2007, people said that he should kill Williams' dream of a street car program. Neil smiled as he summarized their response, "not only are we not going to kill it, we're going to expand it". Neil said that he "really like[s] the potential connection with Capitol Hill extended to Union Station, and sees the program as "linking neighborhoods and encouraging development." Neil believes the program encouraged the new Giant on H Street, amenity retail (bars and restaurants), and continuing gentrification. He, like Steve Green, also spoke of the satisfaction of seeing new development in corridors like H Street (for Steve it was in Columbia Heights) which had been ravaged by the race riots, and had simply sat as burnt husks for the better part of forty years. As an explanation for why they sat for so long, Neil explains, "it's a vision thing...and it started with the vision of Tony Williams."

Neil also mentioned the PILOT used on the Department of Transportation (DOT) HQ as one of his favorite deals. Ultimately, Federal land, through a disposition process, went to JBG, who then won the build to suit for GSA tenant DOT. The city offered JBG a PILOT (Payment In Lieu Of Taxes) and then securitized that 20 year income stream. With that securitization, they had approximately \$120M to finance the Yards Park initiative, and relocate certain businesses to continue neighborhood improvement.

IV. Perspectives on Transition: The Development Community

Jair Lynch

*Biography*¹⁴

Jair Lynch founded Jair Lynch Development Partners in 1998 and focuses primarily on public and private real estate development and construction. Mr. Lynch has managed more than 1.2 million square feet of development, valued at more than \$270 million, and has another 825,000 square feet of development planned or under construction valued at more than \$285 million. Mr. Lynch's projects include urban infill residential, commercial, and retail. Many of Mr. Lynch's projects have targeted transitioning areas.

Thoughts on Analysis of Transitioning Areas

Jair has devoted much of his professional career to investment and development in emerging neighborhoods, and has developed a series of metrics to approach and analyze transitioning neighborhoods. In discussing a potential regression analysis or similar statistical analysis of key characteristics of neighborhood change, Mr. Lynch agreed that the data simply is not there on a neighborhood level. Consequently, thoughtful analysis on a micro level needs to rely heavily on a qualitative approach. Jair also pointed out that this is why the local developers, those with first-hand observations of a given neighborhood or market, are typically the first to enter a market.

¹⁴ Unknown, "Founder," *Team*, year unknown, < <http://www.jairlynch.com/team/founder.php>> (18, March 2012)

Jair Lynch Development Partners have developed a five-stage conceptual framework to qualitatively analyze where a neighborhood is in its evolution. The Five Stages are qualitative, and subjective. Per my conversation with Jair, he explained that there were no formal definitions for a given stage, and that it was really more “know it when you see it”. The five stages are:

- I. Neglect
- II. Hope
- III. Rebirth
- IV. Awareness
- V. There (regionally significant place)

Though he did not provide a literal definition of the stages, he did provide an example of applying the framework in describing the transition of Southeast (specifically Capitol Waterfront, which is further detailed herein under the Steve Green interview). When asked about his favorite deals he said that he “love[s] what Forest City has done in the Ball park area.” He identified that the stage was set for them with the Capper Carrolsburg Hope VI project, which moved the area from Stage I to Stage II. Subsequently, The Yards (i.e. Forest City project and DC’s investment in The Yards Park) moved the neighborhood from Stage II to Stage III. With consistent press and coverage through real estate news outlets, and a recent article “Diamond in the Rough” on the front page of The Washington Post (Sunday, April 1, 2012) one could fairly easily argue that the area has emerged into Stage IV. Jair spoke to the looming development of retail in the area, including restaurants at the Boilermaker shops and the Harris Teeter in a mixed-use residential building, as potentially moving the area into Stage V.

Key Elements of Transition

The conversation then moved to the more general characteristics of neighborhood transformation. When asked to identify the key characteristics for an area that is transitioning, or has the potential to transition, he provided the following:

- Proximity Story (to existing established neighborhood or economic driver)
- Premium Transit (metro, potentially streetcar in the future)
- Community Involvement
- Existing Historic Fabric (Especially through Brownstones or Rowhouses)
- Catalyst of a large project
- Need Leadership (public and/or private)

These same areas also serve as examples of the benefit of an attractive historic housing stock, as do Logan Circle and 14th Street. The attractive facades of many such historic townhouses allow and encourage individual investors to get involved. Young professionals and first-time home buyers who believe in the neighborhood's emergence will buy one of these historic homes and then renovate it. Or a private investor may acquire and renovate the property to then sell to a similarly situated investor looking to invest in an appreciating neighborhood without taking on a project home. In the case of the single-family pioneer, Jair emphasizes the Proximity Story. He says single-family investors are "always willing to go one block further out" and suggests that this was the case in the Shaw neighborhood even before the Metro opened. Jair points out that such a housing stock was lacking in both Ball Park (only have multifamily pioneers and new product built by EYA), and Southwest, wherein the existing housing stock was wiped out by urban renewal of the 1950's.

As further illustration of the benefits of single family presence, he points to the Rosslyn-Ballston corridor of Arlington, which has “homes and smaller multifamily in addition to large complexes that ultimately provide for more of a sense of place.”

Monty Hoffman

Biography

Monty Hoffman moved to DC in 1984, and began his real estate career in project management with Donohoe Construction. In the early 90’s, he saw “a mass exodus of people from the District and real estate was ugly.”¹⁵ In that time, Mr. Hoffman saw opportunity, and started buying and renovating small properties in the greater Dupont Circle area along with Donohoe colleague Pete Nazelrod (hence, PN Hoffman). The duo continued projects in this area, and expanded their scope. In the years since 1993, the company has successfully completed 28 developments in the City,¹⁶ with particular attention to Greater Dupont Circle and the 14th Street corridor.

Thoughts on Transitioning Neighborhoods

When asked to define a *transitioning* neighborhood, Mr. Hoffman described it as “clusters of construction projects occurring with most having been generated organically (not by one developer or catalyst; but rather a series of individual investors.” This is certainly consistent with the *transitioning* neighborhoods that defined much of his early successes in Greater DuPont,

¹⁵ Unknown, “An Interview with: Monty Hoffman,” *Bisnow On Business*, August 30, 2006, <http://www.bisnow.com/washington_dc_commercial_real_estate_news_story.php?p=405> (12, April 2012)

¹⁶ Unknown, “About,” *PN Hoffman*, year unknown, <<http://www.pnhoffman.com/about/about.asp>> (12, April 2012)

and more recently in the 14th street corridor, where single family pioneers, described Shaw and U Street in the Jair Lynch interview, are joined by retail pioneers in changing a neighborhood parcel by parcel. Mr. Hoffman points out that he does not look for other developers in a transitioning area. “As an entrepreneurial investor, I want to get there first, to capture the most gain. I look for pioneering on a small scale.” Consistent with the Proximity Story emphasized by others, Monty said that he typically looks next to established neighborhoods: “Look at the perimeter, and look for opportunities for logical expansion.” He pointed to Dupont Circle of the early 90s, which didn’t go much beyond the circle itself (maybe 18th street as an eastern edge), and now which is considered to extend to 16th street. He also points to Logan Circle (detailed in the Ellen McCarthy interview) as an example of an area which emerged as something of an island, and then eventually grew out and kind of merged into Greater DuPont. “We saw that early, and that initiated our attention on 14th street. The Whole Foods on P Street was a big deal.” He also mentioned new uses coming to the area (arts, theaters, retail, and real estate values climbing. “Ultimately, gut and vision matter a lot too. Asking yourself, ‘Would people live here?’”



In continuing to speak on characteristics of a transitioning area, Mr. Hoffman also alluded to “a lot of movement in values” as demand for housing stock in an area quickly changes with more and more investors gaining faith that the area is on an upward trajectory. Mr. Hoffman stated that 14th street was still transitioning to a higher level, with redevelopment continuing along the corridor. He made the point that there was a pause in redevelopment as a result of the economic recession.

When asked to define a transitioned neighborhood, Monty readily delivered a refreshingly simple and straightforward response: “babies and dogs”. He went on to say that once a neighborhood has become established (with supporting retail uses etc) and safe enough for young families it “hits equilibrium in a new formal scale or standard” and you’ll notice it in the people who walk the streets (i.e. you’ll see babies in dogs). He cited the example of Barracks Row (an neighborhood within Capitol Hill) which was transitioning 5-8 years ago, but now has a Harris Teeter, Class A residential stock, and streets that are regularly walked by babies and dogs.

Investing in Projects in Transitioning Areas

Monty's interest in being the first developer in an emerging neighborhood presents significant opportunity for profit, but also presents challenges as far as finding investors who will put their money at risk for the sake of a developer's vision. When asked about how he gets investors for relatively riskier, pioneering developments he spoke to the importance of reducing those risks. "As an entrepreneurial developer, I use my own equity to make the deposit, navigate entitlements and go through ANC. I define our capabilities and the comps we are reading to, and then tell the story convincingly. Once that has taken shape, a lot of risk is off the table, and it's time to shop for additional equity." Monty also pointed out the additional benefit of having personal capital to put at risk is the ability to act quickly (i.e. without first going through a lengthy investment committee process).

When asked to name some of his favorite deals, he avoided naming any particular projects, out of respect to his investors across projects, but said more globally that his "favorite projects are deals with a hook—an idea that no one else saw or came up with, like adding another floor, a useable basement, or an assemblage. Ultimately, *creating value*—being creative on the real estate side and developing a breakthrough idea." He also spoke to his SW waterfront project (The Wharf) which he has been advancing for six years now. The Stage One PUD is now done, with 3.3M developable square feet and water rights. Monty will be investing approximately \$50M of his own capital to get to a point where he can break ground, but points out that "in spending that money, we are creating certainty and reducing risk: getting approvals, tying down retail anchors, and getting to the final stages of permitting."

James Duncan

*Biography*¹⁷

James Duncan is Senior Vice President and Partner for Jefferson Apartment Group, founded in 2009. Prior, Mr. Duncan was Senior Vice President and Managing Partner for JPI's Eastern Division where he directed an \$850 million portfolio of multifamily assets in the Mid Atlantic and New England. Mr. Duncan headed the formation of JPI East's regional condominium business, acquisition platform, and retail operations. Over his twelve-year career with JPI, Mr. Duncan managed the disposition of approximately \$1 Billion in assets.

James used the project, The Jefferson at Penn Quarter (subsequently condominiumized as Clara Barton and The Lafayette) as a case study for key elements to changing a neighborhood. James described downtown DC as an area that had still not recovered from the race riots which ran down 7th street in 1968. He provided an example of the area's prolonged lack of development in John F Kennedy's inaugural drive in which he commented on the blight along Pennsylvania Ave in what is now Penn Quarter. James also recalled equity and lender tours in the late 90s where drug dealers, prostitutes, vagrants and bums were a common sight. He went on to provide three key elements of the story that they used in order to justify investment in the area to investors: i) a proximity story ii) the presence of a major, transformative project, and iii) sensible government policy (a la reduced tax rates for residential).

¹⁷ Unknown, "About," *Team*, 2010, <<http://jeffersonapartmentgroup.com/about/team/>> (3, March 2012)

The first element of a transitioning area that James stressed in our discussion was that “there has to be a location/proximity story to tell investors.” In the case of Jefferson Penn Quarter, JPI emphasized to potential investors that it was “7 blocks to The Capitol; 9 to White House.” For an area which isn’t necessarily “there” yet, as we’ve seen throughout the interviews for this paper, proximity to existing drivers or known hubs is an important element.

The next important element which Mr. Duncan cited was a large project or catalyst to help paint the picture that the neighborhood’s transition was coming quickly. “In order to overcome [existing blight or negative elements], you need something big to accelerate change. If the transition is store-by-store, (like it was on 14th St) it take time.” In the case of Jefferson at Penn Quarter, the Verizon Center (then the MCI Center) “transformed an entire block, and brought people there the next day.” James stated that this catalyst was a “big part of the story” that they used to justify investment in the neighborhood. James went on to point out that a major GSA use, or other large institutional use can have the same effect.

James pointed to “sensible government policy” as the final critical element for an area to transition. James stated that “until 1999, multifamily was taxed in DC the same as office which made a lot of deals prohibitive—any deal that was equal on another basis would go office (typically higher rental revenue per foot)” As was the case with many interviewees, James credited Anthony Williams with transformative policy decisions, stating that his plan to reduce taxes (in a conscious effort to gain residents in downtown), was essential to making residential development in DC possible.

V. Conclusion

Though many elements contribute to neighborhood improvement, the most salient across interviews and case studies appear to be a combination of public (streetscape, transit and parks) and private (large and small scale) investment, a strong proximity story (adjacency to established neighborhoods or economic drivers) and the development of all uses (especially neighborhood serving retail). Public investment can take many forms, including the investment of time to create a strong plan and regulatory framework for transition in a neighborhood. The plan must include attention to ideals (what should the neighborhood become) and pragmatism (how can this plan become realized). Public investment can also be in economic terms, through incentives, grants or infrastructure investments which can all help to foster development activity in an area. Private investment, too, can vary. The small scale of individual, single-family pioneers are just as significant, in the aggregate, as large-scale projects which can transform entire blocks at a time.

The interviews for this paper were informative and enjoyable, and have paved the way for future interviews with developers (Abdo Development, Forest City, Herb Miller, etc) and other public officials (Andy Altman, planners under Barry and Kelly, etc). Beyond additional interviews, there are many potential avenues for additional exploration. The initial focus for this paper of a quantitative analysis (specifically through regression analysis) could be accomplished through extensive data mining and analysis. As information and information processing become more and more readily available in the real estate industry, such an analysis will likely become feasible.

Additionally, a refined scope would provide for the potential of greater insights into neighborhood transition. This paper was intended as a survey, and ultimately proved to be a

satisfying and educational experience. However, greater insight into the mechanisms of transition will be afforded through more in-depth study of individual neighborhoods and their stories of transition and the micro-dynamics that cumulatively shaped that transition. In preparing multiple such in-depth studies, one could more directly compare elements of transition across varying types of neighborhoods (commercial vs. residential, those with metro and without, etc).

Finally, a comparison of transitioning neighborhoods in the District of Columbia against those in other municipalities could provide for deeper insights into the fundamentals of how neighborhoods change. In the case of DC, a transient population likely contributes to neighborhood change as new potential residents are unaware of any previous stigma that an area might have had as they were never living in the area during those times.

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