2017

H Street, Once Again

AN ASSESSMENT OF THE H STREET NE STRATEGIC DEVELOPMENT PLAN

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1. Executive Summary

Washington, DC, has undergone tremendous change since the turn of the 21st century. Where it was once a dull and blighted place to avoid, it is now a bustling metropolis attracting new visitors, residents, and business alike. The city's Office of Planning contributed to this growth. It pushed a program of planning initiatives beginning in the early 2000s, which have helped to revitalize some of its long-dormant commercial corridors. The H Street/Benning Road NE corridor was one of their first and most successful efforts. This report will examine key parts of the H Street NE Strategic Development Plan, its context, and results.

Section two will provide background into the history of Washington, DC. It was formed as the result of a political experiment; a new independent capital accountable only to the federal government. It remained a political experiment until it matured into a multi-faceted city during the Civil War era. It continued to mature and evolve into the early 20th century; with consistent growth in population and industry. However, following the upheaval of the Great Depression and World War II, the city fell on hard times. Population decline and disinvestment characterized the latter half of the 20th century—accelerated by the Riots of 1968. Fortunately, that narrative was rewritten during the 21st century.

Section three will paint a more precise portrait of 21st century DC. The portrait displays a couple of important narratives. The city is once again a desirable place to live. The city population has swelled by about 100,000 in the last 15 years, property values are high, and the city has a large population of highly-educated professionals. However, it is a bifurcated city. Relatively few people are drawing in middle incomes, housing is very old, and nearly half of renters in the city are barely able to afford their monthly rent. The city's West-East demographic disparity highlights these inequities. Wealthy and White neighborhoods largely dominate the Western-most areas of DC, and slowly transition to the poorest and most Black neighborhoods to the Eastern-most areas. Fortunately, the municipal government has a large budget able to put resources into its social services. Its budget is not primarily dependent on property taxes, but has an ample and growing tax base that leaves the city on good footing for the future.

Section four will determine how the H Street Corridor largely followed the ups-and-downs of its city. It had its origins in the late 1700s, at the very edge of historic Washington City. The rural crossroads connected travelers from the North and East to one of the early tollgates allowing access into the core. Significant development remained elusive until a streetcar line was installed down H Street NE during the 1870s. Construction took off, and by the 1930s, H Street was a dense neighborhood of working-class immigrants, and a nightlife center of the city.

Unfortunately, H Street was locked into a path disinvestment and decline after 1950. White residents slowly trickled out of the area, the streetcar network was dismantled and much of its commercial core was burned down in the Riots of 1968. It became a testing ground for federal urban renewal efforts during the 1970s; however, the efforts came up short. Over the 1980s and 1990s, it was plagued by high poverty, unemployment, and vacancy rates. By the early 2000s, it was a prime candidate for a new round of redevelopment planning.

Section five details the legal framework that would guide redevelopment on H Street. It haf its origins in the establishment of the DC Redevelopment Land Agency in 1945 and reform of the National Capital Planning Commission in 1952. The Commission was empowered to develop and execute small and comprehensive plans where the Agency was empowered to acquire property—including through eminent domain—in furtherance of those plans.

After the scheme was upheld in *Berman v. Parker* (1954), planners initiated the city's urban renewal era; which wrought upheaval in many neighborhoods, displaced residents, and yielded only limited positive results. With DC's 1973 charter, eminent domain powers were transferred to the Mayor's office, but its history and controversies have rendered it impractical. The charter granted the Mayor's office more useful powers to pursue community development and comprehensive planning initiatives. Financial incentives—like tax-increment financing—and coordination of development or promotion activities—including through business improvement districts—can be pursued much more easily and may be more effective tools of rehabilitation.

Section six delves into the H Street Strategic Development Plan, key projects, and their impacts. In 2004, DC planners approved the ambitious plan and vision for a revitalized mixed-use H Street NE. It intended to realize this vision by using a diverse array of financial incentives, community organizations, and government services. DC planners first acted to spur creation of an Arts and Entertainment District at the Eastern end of the area; they worked from two fronts.

The first was to support an existing, but modest, community movement to rehabilitate the historic Atlas Theater. City officials helped it secure financing by offering interest-free loans, technical advice, and connecting it to community development entities. This support helped the group obtain New Markets and Historic Tax Credits and, ultimately, open the theater in 2006. Alongside the theater, planners encouraged commercial development by offering technical advice and grants to small businesses in the corridor—much of which was coordinated through the local Main Street Initiative. Together, the new arts and commercial environment helped establish the neighborhood as a cool place to visit, and spurred a reinvigoration of the area.

DC planners later moved to spur development in the planned Western Gateway district of the corridor; to be a primarily residential but mixed-use neighborhood. The effort centered on encouraging the construction of the apartments at 360h; it would deliver a much-needed grocery store and 215 higher-end apartment units. City officials encouraged the development by taking advantage of tax-increment financing bonds—which yielded about 7% of the project's financing. It's delivery in 2013 helped catalyze large-scale residential construction in the corridor.

Section seven will consider the overall impact of the H Street Strategic Development Plan, important themes and relate this to development issues elsewhere. Since 2004, H Street has transformed into one of the most expensive and trendy areas of the city. Positive economic trends in the city helped lift the neighborhood, but the plan nurtured it into a cultural center and a desirable place to live. Its small business grant and technical programs enabled diverse local businesses to succeed and weave engaging experiences. Encouragement of the Atlas Theater and 360h also attracted a new wave of foot traffic and residential development. Moving forward, DC planners should continue to support its small business environment. They should also begin to plan H Street in context with its surrounding neighborhoods. Redevelopment of the Hechinger Mall may well impact development of the Benning Road area as well as areas across the Anacostia. It could become an important center of employment and housing within the region. In many ways, the corridor has had a similar experience with redevelopment to New Brunswick.

Both communities experienced significant White flight out to the suburbs and its associated neglect and disinvestment. Later on, both communities were roiled by the racial tensions of the 1960s and displacement due to urban renewal projects. New Brunswick found much more success in its renewal attempts; longer-term and more-detailed planning horizons invited a slower but sustained redevelopment that continues today. Ultimately, both areas paid special care to nurturing an arts and entertainment center, and used financial incentives to great effect. However, redevelopment efforts overall must be focused more on rehabilitating and supporting the existing business and housing environment. The federal bulldozer severely shrunk the housing stock in both communities and replaced some of them with more expensive new construction. Instead, governments could avoid some of the displacement associated with redevelopment by doling out capital and technical advice to local businesses and homeowners.

2. Washington DC History

Settlement in the area that would become Washington, DC, dates back at least 400 years. The first record of the area comes from Explorer John Smith. During his voyage up the Chesapeake Bay and the Potomac River, in 1608, he recorded two peoples in the area near present day DC. He noted a Piscataway settlement called Patawomeke, and a nearby settlement of the Nacostan people. Both would be unrecognizable by the 18th century but their names live on; the Potomac River was named after Patawomeke (literally meaning "Trading Place"), and the Anacostia River was named after the Nacostan people.

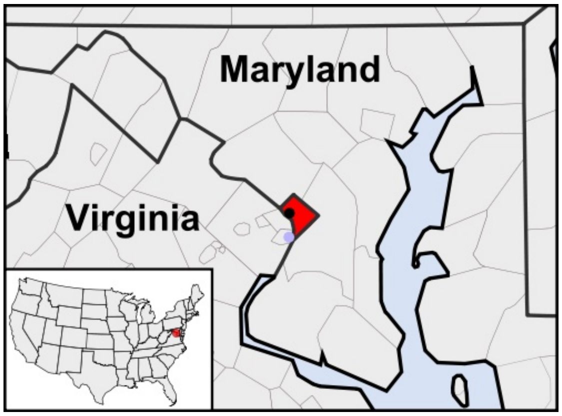

Figure 2.1: Red denotes Washington, DC. Black dot marks Georgetown and Purple dot marks Alexandria

Europeans steadily populated the area into the 18th century. By the 1790s, a village of over 5,000 people grew up near the remains of the Patawomeke settlement. It attracted a population of missionaries, scots fleeing persecution and others looking to take advantage of one of the most important tobacco trading posts in Colonial America; by 1790 most knew it as Georgetown. Down the river, the young city of Bellvue took shape. Established in 1749, it was an effort by the largest landowners in Northern Virginia to boost the area. They planned for it become the "hub of commerce in the Potomac River Valley and the link between Ohio Country and the Atlantic world." The effort was mainly led by George Washington's older brother, Lawrence; by the 1790s, it was home to over 2,000 people. The city would later be called Alexandria.

In 1790, Washington, then President of the young United States of America, chose to build its new capital between Alexandria and Georgetown. Right in the middle of the nation, close to his own Mount Vernon estate, and in the area he had been promoting for years. After his brother died, Washington worked feverishly toward the dream of a prosperous Potomac—planning for a Potomac canal project, buying up property in what would be Alexandria, and working with other landowners to boost the area. Though many of his projects failed, his idea of a "grand" metropolis on the Potomac would eventually come to fruition; unfortunately, it would take many years before DC would earn that status.

The 19th century was a formative but precarious period for the District of Columbia. At the turn of the century the city of Washington had only 2,500 white inhabitants and 750 enslaved or free black inhabitants.[1] It was a half complete city for years—once aptly called a "Backwoods Metropolis[2]—with very little infrastructure, and sparse development. What little was built of the spartan city burned to the ground by the end of the War of 1812—a devastating nadir for the young capital. The experiment of an independent capital was nearly smothered in its infancy.

Instead, the young country waxed optimistic in the War's aftermath. Dismayed by its weakness, but buoyed by military successes against the British, a wave of nationalists rode into the highest offices of Washington. They brought a fresh sense of optimism for their fledgling nation, and a collective interest in internal improvements (public works). This marked the beginning of Washington's rebirth out of the ashes of war, a slow but steady development. By the Civil War, the District grew to a respectable 75,080 inhabitants.

[1] Page 64; Lewis
[2] Page 80; Lewis

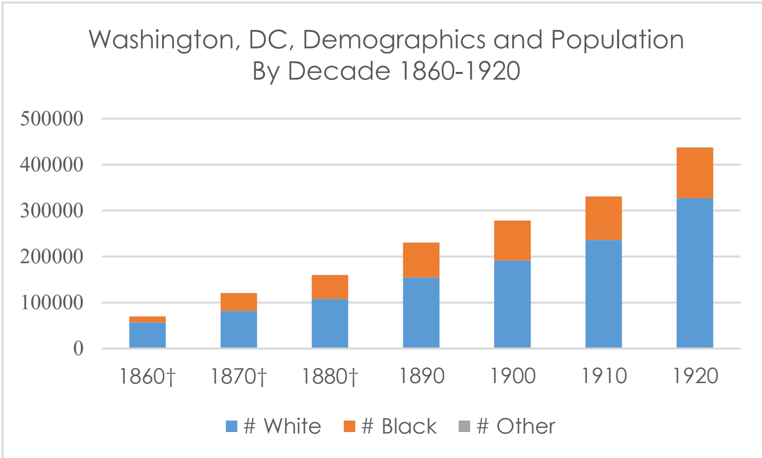

Figure 2.2: Note the rise in overall population and black population
† 1860-1880 Censuses excluded rural Washington County, DC (defunct)

The Civil War set a new narrative for the District of Columbia as increased military spending attracted new people and private capital to the city. Population soared to 131,700 inhabitants by 1870, and more than doubled by 1900 to 278,000. Over time new bridges spanned the Potomac, motorized trolley cars traversed the region, and an industrial economy surged. These investments along with new cultural landmarks, like national monuments and grand museums, upgraded Washington from a respectable to a fashionable city. By 1920, the city surpassed 437,000 inhabitants.

The Great Depression and the Second World War brought hundreds of thousands more to the city in seek of work. FDR's New Deal and wartime programs employed many of them, but the postwar government cut spending and employment dramatically—a bitter pill to swallow for thousands in DC. Unemployment and poverty rose across the city, meanwhile many white people and those of means fled to the suburbs of Maryland and Virginia. With less tax revenue, less government investment, and less general interest in cities, DC charted a new narrative of decline. The 1950 census noted over 800,000 inhabitants, but by 2000 the population was down to 572,059. Half-hearted Urban Renewal projects around the city did very little to reverse this trend. Rather, programs like the Urban Renewal projects in Southwest DC ripped up working class neighborhoods, and amplified long-standing racial tensions.

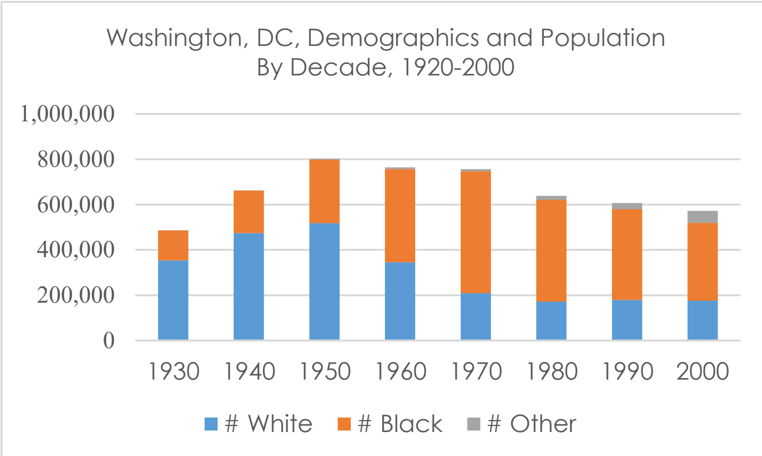

Figure 2.3: Note the decline in population after 1950 and significant rise in proportion of black population

DC has always been a flashpoint for racial tensions. It was a battleground for abolition before the Civil War, and a refuge for freed slaves after it—over 40,000 of them. Amidst a very hostile and segregated region, the black community doubled down. All-black institutions like Howard University brought forth the first generations of educated blacks and nurtured a burgeoning jazz culture in areas like U Street (what was then "Uptown"). Despite that progress, the black community in DC was powerless to prevent white flight and an onslaught of disinvestment by the public and private sector. By the end of the 1950s, DC was a majority black city and it was languishing.

Martin Luther King's March on Washington in 1963 offered a vision of a better future for the many stuck in Washington's blighted communities. A newfound spirit of activism and advocacy gripped Black Washingtonians. They were hungry for change, but in the aftermath of King's assassination in 1968 an air of hopelessness and anger prevailed. As a result, one of the worst American riots broke out across the 14th Street NW and H Street NE neighborhoods; buildings were burning or looted for days. This only reinforced the lack of investment in the city. The city's population declined by nearly 200,000 between 1970 and 2000. By the 1990s, DC maintained one of the highest murder rates in the country, suffered staggering unemployment, and its municipal government declared bankruptcy.

The 21st century was much more forgiving. In 1997, the city's young CFO, Anthony Williams, engineered an end to the municipality's fiscal crisis. That success propelled him to victory in the 1998 mayoral election and heralded the beginning of a new golden age for DC. His administration (1999-2007) poured money into public works projects and pursued a robust program of economic development initiatives. All the while, an expanding Federal government increased investment in infrastructure and spurred a surge in employment—both in the public and private sectors.

Today, the city has over 670,000 inhabitants and new developments are springing up all over the city. New baseball and basketball stadiums, new live theater venues, reinvigorated public spaces, and revitalized retail corridors draw in thousands of people every day. DC is once again a place people want to live, work and visit. The city's Office of Planning has played an important part of this resurgence. Their myriad neighborhood and comprehensive planning efforts strategically focused government resources on transformative initiatives around the city. These efforts began under the Williams administration, and have been sustained or expanded during each of the three that have followed. One of the first, and most successful, of these initiatives completely reshaped the H Street NE Corridor.

3. City Socioeconomic and Public Finance Profile

3.1 Demographics[3] [4]

In 2015, the Census Bureau estimated that Washington, DC, was home to 672,228 inhabitants—about 11% of its overall metropolitan (metro) area population; a 17.5% increase since 2000, when the population was only 572,059. Its metro area grew about 21% over that period, however, DC grew faster than the metropolitan area after 2010. The city is 61.05 square miles, and with over 11,000 people per square mile; a high level of density for a major American city, a level similar to the densities of Chicago or Philadelphia.

The District's median household income was $70,848 in 2015; lower than the $93,294 of its metro area. It is important to note that the distributions of wealth are different between DC and its metro area. In DC, households with an income of under $50 thousand accounted for about the same proportion as those who made over $100 thousand—37% and 40%, respectively. Whereas in the overall metro area, households with an income of under $50 thousand account for a much smaller proportion of the population than those making $100 thousand in income—25.3% and 47.1%, respectively.

Persons 25 or older who attained a Bachelor's degree or higher accounted for 53% of the city's population. Persons 25 or older who graduated from high school or higher accounted for 89% of the population. Both measures were similar to the DC metro area overall—49.3% and 90.2%, respectively.

[3] "2014 Data Profiles." *American Community Survey Office*. N.p., n.d. Web. 21 Dec. 2016. <https://www.census.gov/acs/www/data/data-tables-and-tools/data-profiles/2014/>.
[4] h "Total Employment, 2014." *District of Columbia QuickFacts from the US Census Bureau*. N.p., n.d. Web. 21 Dec. 2016. <http://www.census.gov/quickfacts/table/BZA110214/11>.

The 2015 ACS[5] estimated that about 24% of workers in DC were employed by the government; about the same as its metro area, but down from 27% in 2009. The three largest sectors of employment were in "Professional, scientific, and management, and administrative and waste management services" (23%), "Educational services, and health care and social assistance" (19%), and "Public administration" (16%); similar to the DC metro area averages of 21%, 20% and 13%, respectively. These industries generally require higher or specialized educations. However, DC had higher unemployment and poverty rates—7.3% and 17.3%—than its overall metro area—6.4% and 8.3%.

There were about 270,000 housing units in DC; 11.8% of the 2.2 million units in its metro area. Single family detached homes made up a small minority of the housing stock in comparison to its overall metro area—12% in DC versus 46.6%. Rather, DC housing was comprised mainly of single-family attached homes (townhouses) and multi-family housing of 20 units or more—56% combined in DC versus 35% in the overall metro area. The proportion of multi-family housing of 20 units or more in DC was second only to New York City (48%), and the proportion of townhouses in DC was below only Philadelphia and Baltimore (both over 50%). Renter-occupied units accounted for a majority of the housing in DC, whereas owner-occupied units were the majority in the

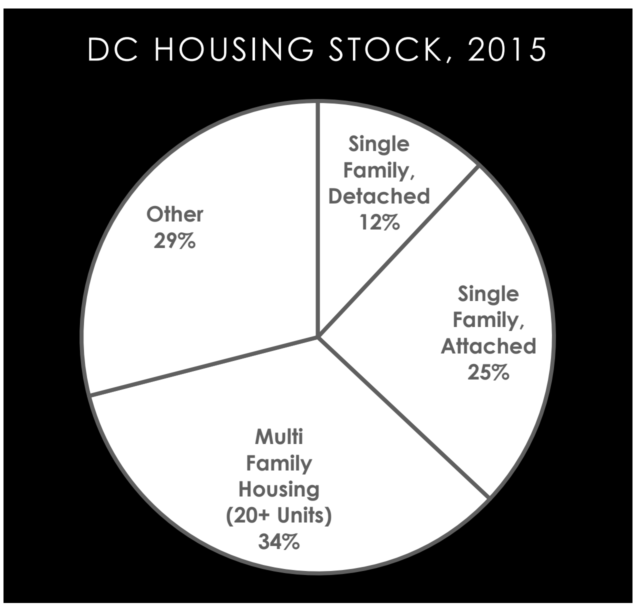

Figure 3.1: Note that single family units account for less than a third of the housing stock

[5] "American Community Survey"

metro area overall—about 60% and 60%, respectively. The proportion of non-family households in DC and that of the overall metro area broke down similarly—60% and 36%, respectively.

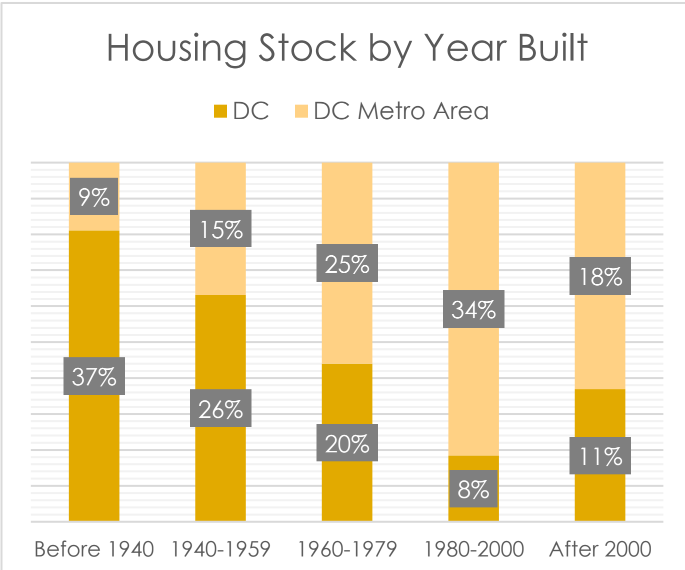

Figure 3.2: Note the significant difference in distribution of ages

The housing stock in DC was much older than that of the overall metro area. About 63% of housing units in DC were built prior to 1969, whereas only 24% of the overall metro area's housing units date to the period. On the other hand, only 19% of housing units in DC were built after 1980, compared to 42% of the housing units in the overall metro area. It had a significantly higher vacancy rate than its metro area overall—9.9% versus 6.5%. Despite that, a high proportion of renters in both DC and the overall metro area paid more than 30% of their income on rent—48.7% and 48.6%. Interestingly, a significantly smaller proportion of DC residents paid more than 30% of their income on mortgage costs—14.8% in DC versus 30.2% of the overall metro area. The median value of households in DC was also higher than that of its metro area—$475 thousand versus $378 thousand.

Washington, DC, was a majority-minority city. About a third of the city identified as non-Hispanic White, whereas almost half of the city identified as Black. The proportion of Black residents in the city was 36 points above the national average of 12%, and 23 points above the

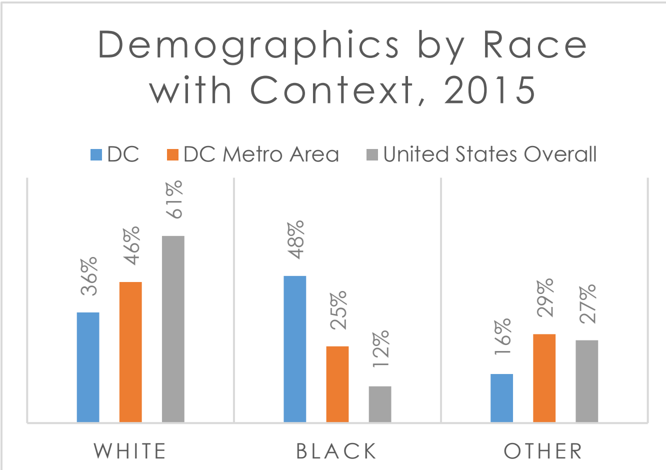

Figure 3.3: Note the disparity between regions

DC metro area average of 25%. This theme is important to understanding the city. The politics of redevelopment have increasingly taken on racial undertones. As DC has grown, many Black communities have felt either marginalized or steamrolled by the wave of development. This feeling seems to be supported by the decreasing proportion of Black residents in the city since it began growing again. It remains an overwhelmingly black city, but 2015 marks the first year since the 1950s that Washington, DC, is not a majority black city.

It is important to note that many demographic characteristics and figures about DC can sometimes be misleading. In many ways, much of the city can be understood to exist on an East

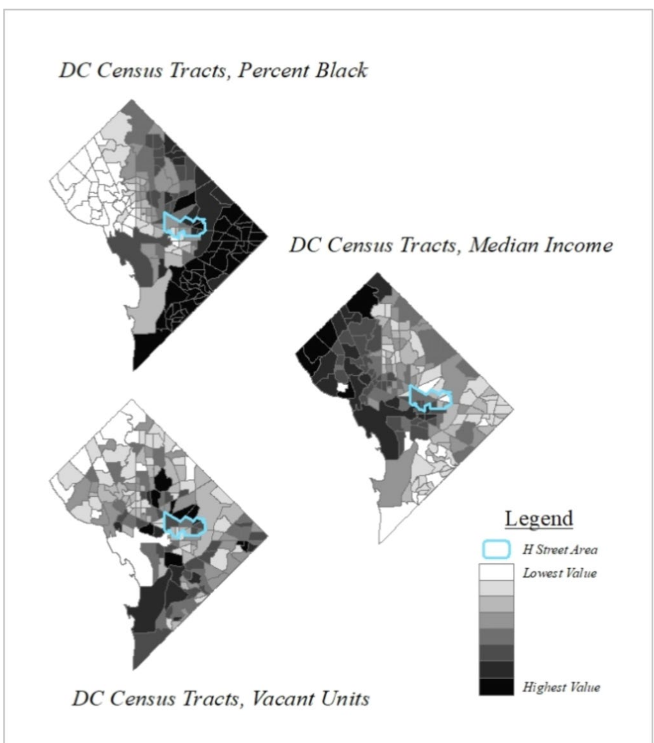

Figure 3.4: Note the disparities between Eastern and Western Areas of DC

to West continuum. The Western-most areas of DC are home to many of the whitest and wealthiest areas of the city. Many of the most Black and blighted communities lie across the Anacostia River to the Eastern-most areas of DC; the area is often called “Anacostia.” In between the extremes of DC there is a sort of continuum, whereby wealth, development and racial makeup are in transition. The H Street NE neighborhood lies at the middle of the geographic and demographic continuum. To its immediate East are heavily Black and poorer areas, whereas to its West are neighborhoods experiencing record development and growing White populations. Most of the so-called "up-and-coming" neighborhoods lie within this buffer zone between the extremities and the development within them also tends to begin in the Western areas and move toward the Eastern areas.

Overall, the District of Columbia is a very complicated city. It has a highly-educated workforce, and many who make high wages. A workforce dominated by professional services and public sector employment. Its housing consists mostly of rowhouses and multi-family housing, and with high property values. However, there is another narrative for much of the city. Very little of the city's housing was built in the last 30 years. Mortgage owners have an abnormally easy time affording their housing costs, whereas nearly half of renters cannot afford their rent. The middle class of the city is very small, and it is not because wealthy households abound. Further, these diverging experiences of DC are reflected in the city's segregated geography. The East-West divide in characteristics ranging from income to racial makeup remain significant issues in politics and are important factors driving development and redevelopment.

3.2 Public Finance Profile[6]

The Washington, DC, municipal government collected $11.6 billion in revenue for the fiscal year ending September 30th, 2015. Of that amount, $6.9 billion (about 60%) was raised through various taxes, of which: property taxes generated 33%, sales taxes generated 20%, income and franchise taxes generated about 33%, and the remainder of tax revenue was raised through gross receipts and other taxes. The other main sources of revenue came from federal contributions and operating grants, generating $554 million (about 4.8%) and $2.9 billion (about 25%), respectively.

Statement of Revenues (figures rounded)	
Revenues	Total Government Funds
Property taxes	$2.4 billion (21%)
Sales and use taxes	$1.4 billion (12%)
Income and franchise taxes	$2.3 billion (20%)
Other Revenue†	$5.5 billion (47%)
Total Revenue	$11.6 billion

Figure 3.5: Note that property taxes account for only a fraction of revenues.
†includes $3.5 billion from Federal government contributions and grants

Statement of Expenditures (figures rounded)	
Expenditures	Total Expenses
Governmental direction, support	$1.0 billion (8%)
Economic development, regulation	$0.5 billion (4%)
Public safety and justice	$1.5 billion (12%)
public education system	$2.2 billion (18%)
Human support services	$4.4 billion (36%)
Public works	$0.4 billion (3%)
Public transportation	$0.4 billion (3%)
Debt Service	$1.9 billion (15%)
Total Expenditures	$12.3 billion

Figure 3.6: Note the most significant expenditures relate to social services and education

City expenditures were larger than revenues. The District spent $12.3 billion for the fiscal year ending September 30th, 2015. This accounts for a deficit of $661 million. Of the overall expenditures, only $6.7 billion (about 54%) was spent directly on local government services or expenses. Another $3.4 billion (about 28%) was

[6] Slack, Bill. "ANNUAL FINANCIAL REPORT." 59.7 (1966): 677-78. DC.GOV. 27 Jan. 2016. Web. <http://app.dc.gov/pdf/FY_2015_DC_CAFR.pdf>.

paid either to private sources or federal sources—for many government services. The largest expenditures were related to human support services (36%), public education (18%) and public safety and justice (12%).

Washington, DC, maintains a unique financial situation. For one, DC is a federal district. Thus, unlike every other city in the country, DC is answerable only to the federal government. This special situation presents opportunities as well as obstacles. The District has one less level of bureaucracy to deal with than all other cities. However, the District is instead subject to the wills of Congress, a body in which the District has no substantive representation. The municipal budget is, technically[7], subject to the whims of the US Congressional appropriations process; a situation which sometimes leaves the city's finances prey to national political posturing.

DC also maintains a uniquely large budget. In 2014, it operated the second largest city budget in the country, only behind New York City. It maintained the highest per capita spending in the nation ($15,624 per capita), where New York City spent $8,690 per capita.[8] Comparing the 2015-2016 budget of DC to that of a more similar city like San Francisco further shows the disparity. San Francisco is home to about 200,000 more residents than DC, while it inhabits 20 fewer square miles of land, is set amidst only a slightly smaller metropolitan area population, and one which generates only a slightly smaller GDP. Though most of these differences are not large, DC spent about 42% more per capita. In the 2015-2016 fiscal year, San Francisco spent about $12 thousand per capita, whereas DC spent over $17 thousand per capita.[9]

[7] In 2013, a referendum was passed that would amend the city charter to lessen federal oversight of locally raised funds. A superior court upheld the authority of the referendum, but it is still a point of contention with Congress. <See http://dc.gov/release/district-columbia%E2%80%99s-fy-2017-budget-becomes-law>

[8] https://ballotpedia.org/Analysis_of_spending_in_America%27s_largest_cities

[9] (Page 54) http://sfmayor.org/ftp/uploadedfiles/mayor/budget/SF_Budget_Book_FY_2015_16_and_2016_17_Final_WEB.pdf

The DC tax code is very complicated and nuanced—property taxes are likely the simplest. It taxes residential properties the least (.85%); it taxes commercial properties at two rates—the first $3 million of property value at 1.65% and value above that at 1.85%; it taxes vacant and blighted properties at the highest rates—5% and 10%, respectively. Property values are calculated at full market value. In 2006, the city recorded about $99 billion in taxable property, and an overall tax rate of 1.34%. By 2015, that figure almost doubled to $176 billion but with a slightly lower overall tax rate—1.32%. In recent years, commercial property value has grown at a faster pace than residential property; an opportunity for the city, as commercial properties generally consume fewer government services. Ratings agencies, like Fitch Ratings[10], maintain very positive ratings of DC's finances.

Estimated Value of Taxable Property, 2006-2015 (figures rounded)

Fiscal Year	Commercial	Residential	Total	Direct Tax
2006	$40 billion	$58 billion	$99 billion	1.34%
2009	$68 billion	$85 billion	$153 billion	1.29%
2012	$66 billion	$81 billion	$147 billion	1.26%
2015	$82 billion	$95 billion	$177 billion	1.32%

Figure 3.7: Note the doubling in value of commercial property over 9-years, as well as the significant increase in residential property value over the same period

Overall, Washington, DC, maintains a large budget. It derives only a fifth of its revenue from property taxes, and it spends most of it on social services and public education. It was operating at a deficit in 2015 but it has an ample tax base it can depend on and that is likely to continue growing. Its residential property tax is lower than surrounding jurisdictions, but its commercial and other property tax rates are much higher; Arlington, VA, maintains a uniform .996% property tax rate, and municipalities in Montgomery County, MD, are generally between 1.1% and 1.2%.[11] Thus, property tax incentives could be very desirable to potential developers.

[10] "District of Columbia's $96MM Income Tax Revs 'AA+." *Press Release*. FitchRatings, 6 Nov. 2015. Web. 21 Dec. 2016. <https://www.fitchratings.com/site/pr/993581>.
[11] See Section 3 Citations 6 and 7

4. Redevelopment History and Strategy

4.1 Neighborhood History (1800-1968)

In the early 1800s, Bladensburg Turnpike—today Bladensburg Road NE—was one of the few routes running into Washington City from the Northeast. It entered the city when it passed the area that is now known as the Starburst intersection[12], where it also connected to one of the few bridges spanning the Anacostia River. By at least 1805, Captain William Benning operated the early incarnation of today's Benning bridge and ran a path through his property to connect it to the Bladensburg Turnpike; that path is now Benning Road NE. The area was mainly farmland at the time.

By 1860, streets provided for in the original L'Enfant Plan for Washington, DC, were finally realized. Bladensburg Road NE and Benning Road NE were connected to H Street NE, Maryland Avenue NE and 15th Street NE—rounding out the current Starburst Intersection. This crossroads was one of the few entrances into Washington City, with an important tollgate to boot. The following decade, a new streetcar line was built along H Street NE and on through Benning Road NE; it was then that the road network became a neighborhood. A construction spree gripped the area for years, a period when "[c]onstruction of commercial

Figure 4.1: 1860 Map of Washington City, DC, showing buildings in dark black—the blue square outlines the H Street NE corridor; note the lack of black shading

Figure 4.2: 1873 Map of Washington City, DC, showing buildings in red—the blue square outlines the H Street NE corridor; note how there is a significant amount of red shading

[12] The colloquial name is a reference to the five streets that converge on it, as the five points in a star.

buildings grew from 75 buildings in 1880, to 427 in 1910." In 1908, a shiny new Union Station sustained the growth of the neighborhood. The H Street NE area was populated mainly by working class Irish and Scottish immigrants, whereas the adjacent Benning Road NE area was primarily poorer African Americans.

During the 1930s and 40s, H Street NE matured into an important commercial destination in the city. The corridor was home to four movie theaters, the first Sears and Roebuck department store in the metropolitan area, and numerous other thriving businesses. Unfortunately, the prosperity of H Street NE did not last. The neighborhood reached its development capacity, and white residents began a steady trickle out to the suburbs. This came at a time when Black neighborhoods were rapidly expanding in the city, and White residents were increasingly feeding segregationist impulses.

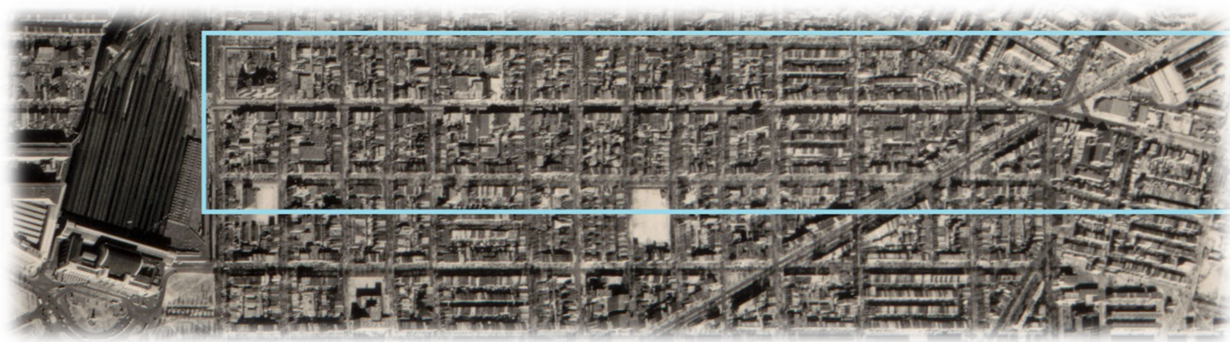

Figure 4.3: 1946 Map of Washington, DC, using aerial photography—the blue square outlines the H Street NE corridor, note the dense development across the area

By the 1950s, the area's prosperity nearly vanished. Streets were constantly congested by a sheen of shiny new cars and buses, while public transit ridership sharply declined, commercial buildings remained vacant, and the area languished. The area's misfortunes were only exacerbated when the whole streetcar network was dismantled in the early 1960s. The true death knell for the neighborhood, however, was the 1968 riot that gripped H Street NE and nearby 14th Street NW for three days; 12 died, 1,097 were injured, over 6,000 were arrested and over 1,200 buildings were burned—including over 900 storefronts. Images on the television of over 14,000 federal troops and national guardsmen swarming the neighborhoods cemented it as an area to avoid. This also marked the beginning of redevelopment efforts in the area.

4.2 Early Efforts at Redevelopment (1969-2004)

In the aftermath of the 1968 riots, the federal government and the DC government were desperate to revitalize the many blighted areas of the city. Tools to effect that change were already granted by Congress years earlier. The District of Columbia Redevelopment Act of 1945 established the powers to initiate "Urban Renewal" projects. It created the DC Redevelopment Land Agency (DCRLA)[13], an entity which would work in concert with the regions' planning agency—later called the National Capital Planning Commission. Together these two institutions were empowered to broadly remake neighborhoods across the city.

This system was first used to redevelop the Southwest quadrant of DC, beginning in 1950. Over the course of 15 years, 550 acres of dense urban area was bought up and bulldozed—including "slum" houses, small businesses, and row houses; the neighborhood was entirely replaced. At the time, the effort was largely considered a success, attracting a middle-class residential population and a successful office market. However, in recent years its success has been questioned. The project left little provision for housing the area's previous residents, or for the mixed uses and walkability desired today.

[13] See Section 5.1

It was under this same process and framework that H Street NE was initially redeveloped. In 1969, Congress authorized “Urban Renewal” projects for several DC neighborhoods, but primarily targeted the areas hit hardest by the riots. As with the project in Southwest DC, the DCRLA got to work condemning and buying up land around the corridor. Thus, an enormous swath of the H Street NE neighborhood was soon appropriated—much of which to be demolished. That process was relatively simple, as many properties were vacated after the riots or too blighted to resist.

Figure 4.4: Top--H Street NE, between 12th and 13th Street, 1969; Bottom—Same block in 2007

Overall, the DCRLA purchased about 10 acres of land, including 17 residential properties, 40 commercial properties, 1 mixed-use property and 174 vacant lots. The redevelopment plan centered on selling new subdivisions to developers, and subsidizing construction of the Hechinger Mall in 1979—to spur commercial activity. The city built 259 housing units in the decade after the riots, and the Hechinger mall was considered a success. However, that success was also questionable. Thousands of residents left or were forced out of the neighborhood, commercial activity remained weak and the Hechinger proved to benefit mainly those driving through the neighborhood. Rather, its most enduring impact was the widespread demolition of sub-standard housing, replaced by newer rowhouses, parking lots or public housing facilities.

Urban renewal projects did little to return the corridor to its former vitality. Between 1900 and 1940, an average of 40 buildings were built on H street NE each decade; between 1969 and the early 2000s, only 12 buildings were built—most of them were only a single story. Between 1940 and 2000, the area changed significantly: the White population decreased from 73.6% to 12.4% of the area's population; the building vacancy rate rose from 4.4% to 16%. The 1980s were a particularly hard time for the corridor, between 1980 and 1990: markedly fewer residents of the area were high school graduates —from 71.8% to 60.7%; the area's median household value rose by only 1.5%, at a time when the overall DC median value rose 16.2%. By 2000, unemployment and poverty rates in the area both hovered over 2 points higher than the city average. Fortunately, it was also when Mayor Anthony Williams empowered DC planners to try a new approach to revitalizing H Street.

5. Legal and Planning Redevelopment Framework

5.1 Planning and Redevelopment Framework

Congress first codified a planning agency for DC in 1924. It established the National Capital Park Commission, with limited authority to implement the 1901 McMillan Plan—a product of the City Beautiful Movement of the early 1900s. In subsequent years, the Commission was tasked with expanded powers to create comprehensive plans for the Capital Region.[14]

The District of Columbia Redevelopment Act of 1945 further strengthened the planning establishment in the Capital. It established the DCRLA[15], a vehicle for acquiring—including through eminent domain—and assembling properties for redevelopment; it had broad authority to do so. Its redevelopment activities need only be in pursuit of the "prevention, reduction or elimination of blighting factors or causes of blight."[16] The DCRLA was limited, however, as an instrument to help implement the comprehensive plans prepared by the National Capital Parks and Planning Commission. In 1952, the Commission was renamed to National Capital Planning Commission (NCPC). It was also empowered to create and update comprehensive plans as well as specific redevelopment plans. This system was tweaked and expanded upon the passage of the District of Columbia Home Rule Act of 1973.

The Home Rule Act granted the city a modern form of locally representative government; still, Congress retained a great degree of authority over its affairs. The Act set up the DC Code

[14] https://www.ncpc.gov/ncpc/Main(T2)/About_Us(tr2)/About_Us(tr3)/History.html
[15] The powers of the DCLRA have since been transferred to the Mayor's office
[16] S. 1426, 79th Cong., 790 (1946) (enacted). Print. District of Columbia Redevelopment Act of 1945, Section 5a. <http://legisworks.org/congress/79/publaw-592.pdf>

framework that is largely in place today. Provisions on municipal planning and redevelopment were included in the first section.

Section 1-204.23 of the DC Code established the Mayor's responsibility to coordinate municipal planning activities, as well as preparation and implementation of the city's elements of the comprehensive plan for the National Capital. Its plan, "…may include land use elements, urban renewal and redevelopment elements, a multi-year program of municipal public works for the District, and physical, social, economic, transportation, and population elements."[17] These elements, and amendments to them, must be approved by the NCPC and the DC Council following public hearings.

Section 6-1007 of the Code established the powers and intents of community development. It lists 10 primary objectives of the community development powers. Among them, objectives include:

> *(1) The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community;*
>
> *(2) The elimination of conditions which are detrimental to health, safety, and public welfare and the establishment of programs to protect and improve the quality of the urban environment;*
>
> *(3) The conservation and expansion of the District's housing stock in order to provide a suitable living environment for all persons, principally those of low and moderate income…*

This section proffers upon the Mayor broad authority to designate community development areas around the city. Section 6-1003 further permits the Mayor to take advantage of many activities upon these designations. Some of them include powers to conduct many kinds of public works

[17] "Code of the District of Columbia." *DC Code-Subchapter IV. Part B. The Mayor.* District of Columbia, n.d. Web. 21 Dec. 2016. <https://beta.code.dccouncil.us/dc/council/code/titles/1/chapters/2/subchapters/IV/parts/B/>. (§ 1–204.23)

improvements, to enhance code enforcement, to rehabilitate buildings using direct or indirect financial tools, and a broad authority to acquire or demolish real property—essentially a function of eminent domain. Interestingly, the code requires efforts to alleviate the effects on existing residents.

5.2 Eminent Domain and Condemnation

The District of Columbia Redevelopment Act of 1945 first authorized the use of Eminent Domain in Washington, DC. This power was vested in the DCRLA, in conjunction with the NCPC. In *Berman v. Parker, 348 U.S. 26 (1954),* this scheme for redevelopment was challenged and upheld. Here the appellants owned a department store in Southwest DC, at the edge of an area designated a slum and marked for clearance and redevelopment. The appellants argued that condemnation of their property violated their 5th amendment rights—citizens may not "be deprived of life, liberty, or property, without the due process of law." They argued that by condemning their property, which was not in slum-like condition, it was being condemned without due process. However, the court disagreed.

The court noted that the condemnation power was based in the police power afforded to federal and state government. It derives from the interest of promoting general welfare, and the court has generally deferred to legislative bodies on what "general welfare" means. In this case, congress established that "substandard housing and blighted areas, including the use of buildings in alleys as dwellings for human habitation, are injurious to the public health, safety, morals, and welfare." They argued slums were bad for people and the state must act to prevent them from forming, through redevelopment. Planners determined that taking of the appellant's property was necessary to the proper redevelopment of the area. The court accepted that determination and allowed the condemnation and the DC Redevelopment Act of 1945 to remain constitutional.

Berman v. Parker famously established that cities have the right to be, “beautiful as well as healthy.” It also affirmed he constitutionality of using eminent domain for redevelopment purposes; recent challenges have mainly concerned compensation. The current code of the District of Columbia elaborates somewhat on when it is appropriate to use the power. Per the aforementioned Section 6-1003, all real property acquired is:

> *“A) Blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth;*
>
> *(B) Appropriate for rehabilitation or conservation activities;*
>
> *(C) Appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development;*
>
> *(D) To be used for the provision of public works, facilities, and improvements; or*
>
> *(E) To be used for other purposes;”*[18]

Further, the rest of the code regarding condemnation contains very few restrictions on its use. Instead, the mayor’s office presents applications for condemnation to the DC council, which are then decided on a case by case basis. However, political hurdles to achieving condemnation tend to limit its use to larger projects—like sports complexes. Therefore, it would generally be wise to use other less expansive, or invasive, forms of improving neighborhoods.

[18] "Code of the District of Columbia." *DC Code-Subchapter III. Excess Property for Development of Seat of Government.* District of Columbia, n.d. Web. 21 Dec. 2016. <https://beta.code.dccouncil.us/dc/council/code/titles/16/chapters/13/subchapters/III/>. (§ 16–1331)

5.3 Business Improvement Districts

In 1996, the DC Council first passed enabling legislation for Business Improvement Districts (BIDs).[19] They are expected to perform services or activities which are "designed to improve the economic development climate in the area."[20] These activities range from transportation services to marketing or even to public space improvements. BIDs are very versatile operations, governed and incorporated like a nonprofit corporation; however, the Council retains more oversight. Unlike non-profits, BIDs may also levy fees on contributing properties, and parcel it out any number of ways. In creating a BID, the applicant must specify a geographic area and, among other paperwork, obtain approval from 51% of property owners or tenants within the area.

Currently, there are ten BIDs currently operating in the city. They collectively spend over $27 million per year, and manage areas that account for about 40% of the city's tax revenue.[21] Major operations generally include cleaning and improving public areas—including sidewalks and parks—as well as developing branding or marketing strategies for the corridor. A BID was planned for the H Street Corridor, however, the effort has not yet materialized.

5.4 Tax Increment Financing

In 1998, the DC Council first passed legislation enabling Tax Increment Financing Bonds (TIFs).[22] These TIFs limit the amount of property and other taxes paid by owners within the specified TIF area, and earmark much of that money for services specific to that area. These forms of financing are powerful incentives for development. The CFO is responsible for

[19] United States of America. Council of the District of Columbia. *DC-LAW 11-134 Business Improvement Districts Act of 1996.* N.p.: n.p., 1996. Print.
[20] *Ibid* (Section 2(6))
[21] http://www.dcbidcouncil.org/
[22] United States of America. Council of the District of Columbia. *DC Act 12-354 Tax Increment Financing Act of 1998.* N.p.: n.p., 1998. Web. 21 Dec. 2016. <http://app.cfo.dc.gov/services/economic/tif_program/dc_act/index.shtm>.

approving or rejecting applications for them, and administers the program. The Mayor's office will send the CFO applications, then if the CFO approves the application, it is then sent to the DC Council for approval. TIF disbursements are currently limited to a total of $300 million in the central business district, and $500 million in total.

In approving a TIF, there are six criteria the CFO must consider. Significant criteria include the financial feasibility of the project, whether there will be a net increase in taxes payable to the city, consistency with the comprehensive plan, and assessment of any other public benefits. Several TIFs have been authorized in the District. Large TIFs garner the most attention, and are generally awarded to large projects—like sports complexes. Smaller TIF allocations are awarded in designated priority districts—like H Street NE—they receive less public attention but have significant impacts. The development at 360 H Street NE was one such project—it was awarded a $5 million TIF.[23]

[23] See Section 6.4

6. Redevelopment Project Analysis

6.1 The H Street NE Strategic Development Plan

Mayor Anthony Williams (1999-2007) took advantage of his planning powers more so than previous administrations. He maintained "…unequivocal political support for a strong planning role in the city and for allowing public planning to shape decisions in the city and to shape the built environment."[24] Thus, he directed real support and resources to see to the success of his Office of Planning (OP). His OP focused less on comprehensive city planning, but more on strategic transformative projects—with planning horizons of ten or fifteen years. The revitalization of the H Street NE was one of their first efforts.

The H Street NE Strategic Development Plan was realized over a relatively short period of time. Preliminary work began in 2002, and the final plan was approved by February of 2004. The plan, "…was developed to guide community, private sector, and public agency actions and investments in revitalizing this traditional neighborhood corridor over the next ten years." DC planners envisioned a robust, vibrant, and mixed-use H Street Corridor.

In their vision the corridor would develop as four distinct segments. The first segment would be the "Western Gateway," a medium to high density residential neighborhood with some retail;

Figure 6.1: H Street development segment map
**Note the black box at left is the 360h development, and the blue box at right is the Atlas theater.*

[24] "Washington DC's Revival Rests On A Mayor and Planning Director's Vision." The Planning Report. N.p., 27 Oct. 2005. Web. 30 Mar. 2017. <http://www.planningreport.com/2005/10/27/washington-dcs-revival-rests-mayor-and-planning-directors-vision>.

located between North Capital Street and 7th Street NE. Between 7th and 12th Street NE, there would be a "Central Retail" zone, with mixed use buildings and extensive retail opportunities. The following three blocks would constitute an "Arts and Entertainment District"; anchored by a rehabilitated Atlas Theater. This district would retain a mix of retail, small office, moderate-density residential and arts-oriented retail uses. Lastly, the Starburst intersection and the adjacent Hechinger Mall would gradually be made more pedestrian friendly, and eventually redeveloped.

The plan laid out an exhaustive program for realizing that vision. Overall, its recommendations can be broken down into three groups. One set consists of more general and open ended initiatives to be undertaken by public officials: Update and better enforce land use and zoning policy for the corridor—including a set of form-based guidelines; Assess the regulatory environment to dismiss any onerous regulations; Develop strategies to encourage education about the history of the corridor and promote heritage tourism; Develop programs to educate local stakeholders on any public incentives, tax credits, assistance programs or any other public services that could benefit them.

Another set of recommendations advocated for services that would specifically improve the commercial environment of the corridor: Leverage the Main Street Initiative to provide local businesses with the technical assistance that it offers—including best practices on accounting, inventory control, budgeting, marketing and other technical advice; Improve corridor façades and signage through programs offering funding, design assistance and other general technical advice; Leverage the services of the DC Marketing Center (a public entity) to develop a branding and marketing strategy for the corridor; Set up a business improvement district.

The last set of recommendations laid out specific financial programs, tax incentives and subsidies that should be made available to local stakeholders: Financial assistance from the Main

Street Initiative; Grants offered through the Commercial District Technical Assistance Program—$25,000 grants for short term, highly visible projects or activities; Matching funds provided to non-profits who acquire, redevelop or build on commercial properties in the corridor; Storefront Improvement Grants, which provide 80% of costs to improve storefronts; A small business development program, which would provide training, workshops, conferences, technical assistance and access to capital. Lastly, access to the Neighborhood Investment Fund (NIF). The NIF offers TIF incentives for large projects, and connects small businesses with DC Enterprise Zone financial incentives as well as the DC Revenue Bond Program—the NIF would have a budget of $25 Million.

Beyond those recommendations, the District Department of Transportation (DDOT) would invest in a complete refresh of the public realm spanning across the corridor. The streets were repaved, sidewalks replaced and a new streetcar line was installed. It was all completed in 2010, however, the streetcar began operation only in early 2016—thus, its impact on the corridor remains controversial.

Most of the services and programs that the plan advocated for were ultimately provided or managed through the Main Street Initiative. They helped to sustain redevelopment in the corridor, particularly in supporting smaller projects and businesses. However, the OP initiated redevelopment with a focus on larger transformative projects. Rehabilitation of the Atlas Theater was the first major project, which would jumpstart efforts to nurture an Arts & Entertainment district in the corridor. Later, the 360h development would help jumpstart large scale residential development at the Western Gateway part of the corridor.

6.2 The Arts and Entertainment District—The Atlas Theater

In redeveloping the neighborhood, planners sought to emphasize the history of the neighborhood as well as promote the arts. The Atlas Theater satisfied both aims. The Art Moderne structure itself harks back to the 1930s-era of H Street nightlife. A time when the corridor was one of the busiest in the city, lined with retailers and glitzy theaters. Atlas was built in 1938 as part of a local movie theater chain, which hit hard times by the late 1960s, and shut down in 1976. The theater was near-abandoned for years—as with much of the area. The iconic façade remained an aging landmark looming over the neighborhood. The H Street Community Development Corporation bought and rehabilitated the building in the late 1980s. However, that effort stalled and it remained unused until after the H Street Plan was formulated.

Figure 6.2: (Above, Left) Atlas Theater before renovation; (Above, Right) Atlas after renovation.

Just down the block from the Atlas Theater, another historic building was first reimagined as a neighborhood live theater. The building itself dated back to 1928, used variously as a car dealership, furniture store, and movie theater. In 2002, while the H Street plan was being put together, it was turned into a live theater venue by owners of a local newspaper. As the H Street Playhouse, it attracted a small but significant following in the neighborhood. It was a small venue, but its success inspired support for a larger theater to become a centerpiece of the neighborhood. Thus, the Atlas Theater was positioned to take on that role.

Jane Lang, a local philanthropist, spearheaded the initial effort to acquire it for a new non-profit entity in 2002—the Atlas Performing Arts Center. She contributed $450 thousand dollars and secured a mortgage from the city for the rest of the asking price. Unfortunately, it had deteriorated significantly in the 20 years since its rehabilitation in the 1980s. Early fundraising efforts were not enough to cover the required renovation and equipping costs. Instead, it was the adoption of the H Street plan—and its prioritization of the project—which guided the project to its opening in 2005.

City officials collaborated with Community leaders to realize a creative approach to financing the project. At the time, it was difficult to obtain capital in the area, but New Market Tax Credit (NMTC) and Historic Tax Credit (HTC) funds were leveraged to entice US Bank to join the project. The tax credits were obtained through a complex arrangement struck between stakeholders, the Atlas Performing Arts Center, and US Bank. A for-profit entity was created that would own the ground lease of the property. Atlas owned a majority stake in it through a subsidiary, whereas US Bank and other stakeholders held the remainder. The tax credits were allocated to this entity and then onto US Bank, as its private equity investor.

Ultimately, the project cost a total of $20.4 million. Acquisition cost $1.2 million, satisfying historic preservation standards cost $1.3 million, renovating and equipping the Theater cost $17.6 million, and soft costs came to about $300 thousand. The tax credit arrangement yielded a net of $7 million to the project. A reinvigorated fundraising campaign covered the remaining costs. Over 300 stakeholders contributed to the effort, at least 140 of whom were from the community, with some donations as low as $5. By the end of its first year in operation, the theater had collected over $12 million in donations.[25]

The city was involved in the project the whole time. The city had loaned Jane Lang the remaining $750 thousand of the $1.2 million acquisition cost, and forgave it years later. It had provided technical assistance throughout and a $7 million interest-free loan to Atlas in 2013 to help pay off the tax credit financing. Atlas will pay off the loan by offering various community benefits, worth over $260 thousand annually. Those include subsidies for low-income artists and performing arts groups, maintaining low ticket prices and hosting space for community events. Overall, DC contributed over $7.7 million in interest free—or later forgiven—loans. It is difficult to compare the direct benefits of the Atlas on the neighborhood with the effort and money the city invested in it. However, the neighborhood clearly changed after it was completed.

When the Atlas Performing Arts Center acquired the theater in 2002 there had been 25 vacant buildings on its block—the 1300 block of H Street NE. In the year after it opened, eight buildings were renovated into cafes or taverns, and renovations were underway on another dozen. Between 2000 and 2010, the Atlas' census tract experienced significant change. The number of vacant homes decreased by 35, even when the city was experiencing a surge in vacant

Selected Census Data, Tract 84.02 and DC Overall

	Tract 2000	Tract 2010	Overall 2000	Overall 2010
Median Household Value	$143 thousand	$558 thousand	$157 thousand	$446 thousand
Median Household Income	$32 thousand	$54 thousand	$40 thousand	$59 thousand
Median Gross Rents	$506	$1,097	$618	$1,112
Vacant Housing Units	131	96	26,507	30,012
% Below Poverty Line	24.6%	19.7%	20.2%	18.7%
Total Housing Units	1,245	1,270	274,845	296,719

Figure 6.3: Note the significant change between 2000 and 2010; particularly, in comparison to the city overall.

[25] The donations and tax credits account for about $19 million of the project cost, the rest appears to be the acquisition cost—paid for by Jane Lang's initial donation plus a loan from the city.

homes. Median gross rents more than doubled, nearing the city median in 2010. The percentage of people below the poverty line decreased by almost 5 points, also nearing the city overall. The median value of homes rose by about $415 thousand, surpassing the city's median value in 2010. Using the current residential tax rate (.85%), the amount of tax paid by the median house in 2000 would have been about $1,215, whereas in 2010 it would be $4,743. If the Atlas contributed to even $1 thousand of that rise in tax burden, then it could potentially have helped bring in over a million dollars in residential tax revenue for the census tract. In addition, the total tax bill of commercial buildings on Atlas' immediate block rose by over $31,000 between 2006 and 2010; between 2006 and 2015, it rose over $200,000.[26]

Atlas may not have been the sole driver of change in the census tract or its block, however, many community stakeholders believe it was one of them. Per a local ANC representative, the Atlas "…has served as anchor for many more investments…[and] acted as the catalyst for further development and revitalization of H Street." He added that due to the Atlas, the immediate area "…has become a very sought-after place to live."[27]

Figure 6.4: H Street Festival in 2014; estimated attendance—125,000.

The Atlas also benefited the corridor in other ways. In 2007, the Atlas was central to the rebranding of the long-running but low-profile H Street Festival. It celebrated the designation of the community as the Atlas Arts District, and positioned the local art scene—partly incubated by the

[26] These numbers are slightly skewed by commercial tax abatements that ended during that period.
[27] Stewart, Pg. 17

Atlas—as one of its major themes; in recent years, the festival has been estimated to attract between 60,000 and over 100,000 people.[28] The Atlas itself brings hundreds of people to the neighborhood each performance, and holds its own festival that attracts over 5,000. The Atlas has also helped attract other arts venues to the neighborhood, such as the Capital Fringe Theater and Festival.

The Atlas Theater redevelopment certainly helped pave the way for more development in the neighborhood. It made the area more attractive, more interesting, and brought in more foot traffic. It likely helped raise residential and commercial property values. In the period since, it has become the ubiquitous landmark for the entire corridor; it is no coincidence that the area is often called the “Atlas Corridor.”

This project would not have happened were it not for the Federal tax credits and the city’s involvement. The H Street plan provided public support and technical advice for the project. The tax credit provided financing at a time when it was difficult to obtain, and yielded $7 million toward the project’s cost. Lastly, the city’s loans helped the project progress throughout its development. It is difficult to judge exactly what the Atlas’ financial impact was on the area, but it certainly contributed to the many thousands of dollars in increased revenue the city would rake in from its immediate area—the foot traffic it attracted may have yielded many more in sales taxes. However, the Atlas Theater was only one facet of the plan to develop an “Arts and Entertainment District.”

[28] Dick, Jason. "H Street Festival Could Be HUGE." Roll Call. N.p., 17 Sept. 2013. Web. 30 Mar. 2017. <http://www.rollcall.com/news/h-street-festival-could-be-huge>.

6.3 The Arts and Entertainment District—Commercial

No doubt much of the increase in commercial activity around the Atlas theater can be ascribed to the incentives and grants advocated for in the H Street plan. The H Street Main Street Initiative provides and manages most of those services and grants for the H Street Corridor.

The Main Street Initiative is a national model for commercial revitalization supported by the National Trust for Historic Preservation. The program works to organize commercial revitalization efforts, promote neighborhood commercial districts and their individual businesses, improve the physical environment of the district, and provide economic restructuring services—such as business retention, recruitment, and expansion.[29]

It provides best practices advice to commercial establishments throughout the corridor. It coordinates marketing strategies for the corridor. It also uses and manages several grants, mainly from the DC government. Most importantly, as of 2006, H Street Main Street connects and nominates businesses to receive Great Street funds. These grants must be used for storefront improvements, and come from an annual pot of $5 million for the entire city. These grants have been enormously helpful for the area—for instance, in 2012, 13 H Street Corridor businesses received grants ranging from $5 thousand to $85 thousand (2 of which were on the same block as Atlas). The Main Street also manages the H Street Festival, and assists other forms of development in the corridor.

The Initiative has been integral to the development of the corridor. Between 2002 and 2013, the Initiative helped lower retail vacancies from around 30% down to 10%, nurtured the creation of

[29] "DC Main Streets Program." *Department of Small and Local Business Development.* DC, n.d. Web. 21 Dec. 2016. <http://dslbd.dc.gov/service/DCMS>.

286 new businesses—amounting to over 2,600 jobs—as well as around 3,000 new housing units.[30] These changes yielded millions of dollars of new revenues for the city.

<u>6.4 The Western Gateway and 360h—Background</u>[31]

The Main Street Initiative and Atlas spurred commercial activity and drew people to the corridor. However, large residential projects were not quite so forthcoming. Thus, one of the other big projects the H Street plan encouraged was the development at 360 H Street NE (360h). It is located almost 10 blocks to the West of the Atlas, in the area planned to become the "Western Gateway." The area was intended to become a medium to high density residential neighborhood with some retail. 360h is just that, a more traditional mixed-use development with five stories of residential uses above a retail-centric ground floor. It is a large building, consisting of 215 apartments with a 41,200 ft^2 grocery store on the first floor—as well as a 1,500 ft^2 bank.

Figure 6.5: 360 H Street NE

The development at 360 H Street NE (360h) has turned out to be a great investment for the city. However, that was not foreordained from the start. Construction began back in 2011, when much of the H Street NE corridor was still "up-and-coming". The Atlas certainly elevated the prestige of the corridor, but large scale residential development was slow to materialize. At the time, the lot 360h was destined for was surrounded mainly by vacant or underutilized property. Area retail and apartment rents were also much lower than what is asked today.

[30] https://www.austintexas.gov/sites/default/files/files/HStreet_Presentation.pdf
[31] See figure 8.1 at end of document, for Pro Forma; for building information see Section 6 Citation 6 & 7

The development at 360h was ultimately the first large scale higher end apartment building to enter the area. The city successfully encouraged the development by taking advantage of Tax Increment Financing (TIF) funds. The $5 million TIF proved a powerful incentive for the development. This can be demonstrated in examining plausible pro-forma scenarios.

6.5 The Western Gateway and 360h—Pro Forma

In this pro-forma, certain characteristics remain constants—except for unit sizes, the following is public information about the development. The building is about 286,500 ft^2, with about 42,700 ft^2 in retail space. It contains 32 studio units, 140 one bedroom units, and 43 two bedroom units. For the sake of this exercise I assumed that the studio units were 500 ft^2, the one bedroom units were 1,000 ft^2, and the two bedroom units were 1,218 ft^2. Overall, the cost of the project was estimated to be about $65 million;[32] though without complete information, I assumed that land acquisition was not included in that number—thus I added on an estimate based on the property's taxable value in 2010.

In today's market the building would make for an excellent investment. The studio units could fetch $2,000, one bedrooms could fetch $2,500, and the two bedrooms could fetch $3,000; these numbers would be on the low-end of the current market. Retail rent for the development could get $60/$ft^2$—which could also be on the low end. In this scenario, the development is financed with a 60% first position mortgage, 12% mezzanine financing, 20% equity and the rest from the TIF. Using that information, as well as other common assumptions, the development could have a DCR of 5.66 and a 22% return on equity. This project would be attractive assuming those

[32] This figure may seem low, but it was reported by WDCEP, http://search.wdcep.com/property_detail.aspx?id=927

numbers, and could likely do better. However, these numbers were not inevitable when the project was first devised.

To illustrate, the second scenario assumes studio rents fetch $1,800, one bedrooms fetch $2,200, and two bedrooms fetch $2,400. It further assumes a lower retail rent of $45/ft^2$, and a 20% equity share of financing to replace the TIF. Under this scenario, the development would retain a 2.41 DCR but an anemic 11% return on equity. This scenario would be a no-go for most investors, too much risk for so little reward. Using this same scenario but adding in the TIF to the financing mix makes the project more palatable. The DCR rises to 3.94, and the return on equity rises to 14%. With the TIF, the project retains a much safer DCR with a legitimate return. Thus, the TIF could have been integral to getting this project off the ground when it did.

6.6 The Western Gateway and 360h—Fiscal Impact Analysis[33] [34]

1	**Number of residential parcels** *[includes apartments and condominiums]*	178,744
2	**Residential parcels (%)** *[178,744 / 194,394]*	91%
3	**Value of all residential parcels**	$94,623,356,000
4	**Total value of parcels**	$176,911,153,000
5	**Residential parcel value (%)** *[94,623,356,000 / 176,911,153,000]*	53.4%
6	**Average of Residential # [3] + Residential Value [6]**	72.7%
7	**Assumed residential share of municipal cost**	72.7%
8	**2014 property tax-supported municipal expenditures** *[(property taxes/total revenue) * total expenditure]*	$2,459,842,800
9	**Estimated residential share of total municipal expenditures (8*9)** *[2,459,842,800 * .727]*	$1,788,305,716

[33] Vacant parcels are not included, as they are considered another class of property
[34] See Section 3 Reference 2

10	**Estimated population of Washington, DC (2015)**	672,228
11	**Average 2015 municipal property tax-supported expenditures per capita (10/11)** *[1,788,305,716 / 672,228]*	$2,660.267
12	**Assumed nonresidential share of municipal expenditures (9-10)** *[2,459,842,800 - 1,788,305,716]*	$671,537,084
13	**Estimated employment in Washington, DC (2015)**	774,600
14	**Average municipal expenditures per worker (13/14)** *[671537084 / 774,600]*	$866.9
15	**Property-tax supported district school expenditures** *[2,246,209,000 * .2]*	$449,241,800
16	**Approximate School Children (2015)**	48,439
17	**Approximate cost per school student** *[449,241,800 / 48,439]*	$9,274
18	**Person related costs** *[(1.507 * 172) + (2.303 * 43) = 358 * 2,660.3]*	**$952,387**
19	**Worker related costs** *[(1.71 * 42.7) = 73.017 * 866.9]*	**$63,298.4**
20	**School related costs** *[((0.076 * 172) + (0.245 * 43) = 23.607) * 9,274]*	**$218,931.3**

The development at 360h exacts a sizable impact on city services. All told, it seems that the development would cost the DC government about $1,234,616.7 each year. This is a considerable burden. Property and income taxes would likely cover most of it. The city tax code treats mixed-use buildings as multiple properties according to their uses, and thus taxed separately; however, here, the entire building will be treated as residential. If the building were assessed at $65,000,000 in 2013 (the year it was completed), then under the normal tax rate structure it would have a tax bill of $552,500.

The city would also draw income taxes from the added residents. In 2015, the city collected about $3,421 per capita in income and franchise taxes.[35] If income taxes account for half that

[35] This number was calculated using data from Section 3.1

figure, 360h may generate another $367,757.5 in taxes.[36] Together the $920,257.5 in potential taxes would still be about $300 thousand short of its potential cost on public services. The TIF froze the taxable value of the land upon which it sits at 2010 levels for 10 years—which would rise in 10% increments for the 10 years after, until it is normalized. Thus, property tax revenue would raise slightly over the years—as the improvements assessment will continue to appreciate—but it will not rise as fast as it would otherwise. The income tax figure may also be larger when actually applied to the residents. However, to judge the development's fiscal impact purely on its own tax generation is to miss the forest for the trees.

Much of the immediate area had been vacant—properties abutting the project as well as across the street. This building, with its higher-end apartments and grocery store, helped to initiate a wave of new development. Since it was finished in 2013, new apartments and commercial buildings have drawn hundreds of residents to the neighborhood as well as quality retail. For example, the Station House apartments—caddie corner to 360h—house 377 units, over 20,000 ft^2 of retail, and had a total tax bill of over $220 thousand in 2015—the year it opened. These new residents would burden city services, but they would also contribute income taxes and sales taxes, through their use of the retail establishments. The added retail establishments added sales tax revenue, and property tax revenue, while consuming fewer city resources. These other developments reinvigorated the

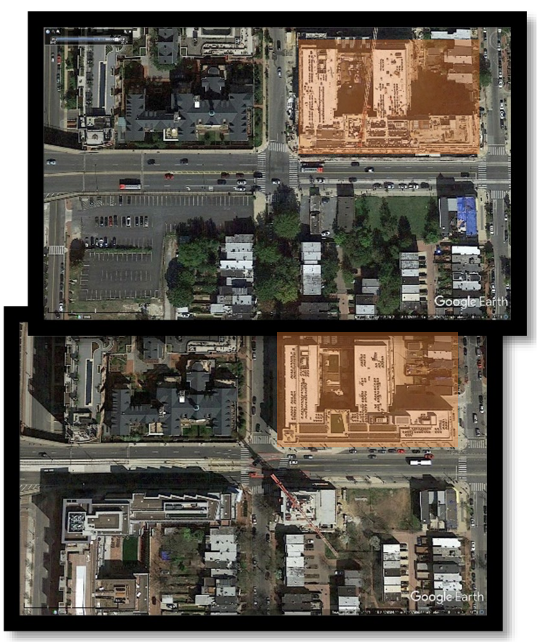

Figure 6.6: Intersection of 3rd and H St NE, 2011 (above) and 2015 (below); orange box is the 360h lot.

[36] This was determined by multiplying half of the per capita figure by the 215 units delivered through 360h

neighborhood with less intervention by the city. Thus, the development at 360h helped to catalyze development in its area. Its impacts seem to justify the investments made by the city to see the project to completion.

7. Conclusion

The H Street NE Corridor has fundamentally changed since the H Street NE Strategic Redevelopment Plan was approved in 2004. Where there was once a dilapidated—but affordable—Murray's Grocery Store at 6th and H St NE, there is now a high-end apartment building with a full service Whole Foods on the ground floor. That development now looms nine stories high overlooking a neighborhood that was once smothered in fire and riots. Yet, Niche cafes, trendy bars, a Starbuck's and other high-end apartment buildings keep it company.

H Street is now among the most trendy and expensive areas of the city. It is a center of nightlife, a local mecca for food, and home to a shiny new streetcar line. Before the plan was enacted the neighborhood was unsafe, under-developed and very cheap. The easiest way to get to the area was by car, but there was too little parking, too much traffic, and not enough going on for many to justify the trip. Even with limited public transportation options, the area was just too hard to get to, without any strong draw to the area. The H Street Plan remedied this by nurturing an "Arts & Entertainment" district.

It steered city and community resources toward rehabilitating the Atlas Theater; completed thanks to federal tax credits, technical advice, and city loans. The Main Street Initiative also doled out façade improvement grants, offered technical advice, and coordinated a marketing strategy to lift the commercial atmosphere in the area. Together, the commercial establishments and the Atlas cultivated an artsy character for the neighborhood.

By 2010, all kinds of trendy restaurants and bars dotted the corridor—the trendiest area remained around the Atlas. It was a destination for younger Washingtonians, both to have fun and live; particularly as the aged housing was still inexpensive compared to other trendy areas of the city. However, the corridor was not attracting new residents as much as it was new bar patrons.

The planned “Western Gateway” district was intended to be a mainly residential-mixed-use area. However, even into 2010, there was little new residential development at all. Instead, the city leveraged a tax increment financing bond to encourage the project at 360h. In 2013, it added a full-service Giant grocery store and over 200 apartments to the corridor. It brought in increased foot-traffic to local businesses, and paved the way for several other multi-family housing projects in the area.

Beyond those efforts, there were two other major projects of note. The first was the H Street and Benning Road streetscape refresh that ended in 2010. The refreshed sidewalks and their new benches made exploring the corridor much more enjoyable. Second, the prospect of a new H Street/Benning Road streetcar line loomed large over the neighborhood after the tracks were installed in 2010. It encouraged some development and it joined the Benning Road area’s fate to that of H Street, but it was not clear the line would operate until it finally did in 2016.[37]

The H Street plan’s biggest success was its focus on the smaller projects. In the time of Urban Renewal, planners seemed to think that encouraging any commercial development would help the area. For H Street, they built up the Hechinger Mall in the 1970s. However, it ended up as an island of retail, with little connection to the rest of the neighborhood. It was populated with national chains and surrounded by a moat of parking, while it sat in the middle of a dense urban neighborhood. Instead, the modern H Street planners created façade improvement grant funds and technical programs that were reserved for local businesses. In effect, it preserved what was so interesting about the H Street commercial corridor. Narrow building after narrow building of dense retail, each with a distinctive facade. This allows for a diverse array of stores, restaurants,

[37] Alpert, David. "The DC Streetcar Starts Service on Saturday. It Took a Wild Ride to Get Here." Greater Greater Washington. N.p., 23 Feb. 2016. Web. 30 Mar. 2017. <https://ggwash.org/view/40860/a-history-of-dcs-streetcar-saga>.

and bars to populate each block; it allows for experimentation; it also excites a curiosity in visitors to keep traversing the block to see what else they might find. On top of all that, the grants helped incubate small businesses—gave them access to limited capital and advice; in fact, one restaurant called *&pizza* has since grown into a very popular chain in the region, and is expanding into New York City and Philadelphia.

Conversely, the Plan also succeeded in where it did focus on larger projects. The rehabilitation of the Atlas Theater and the encouragement of the development at 360h were integral to the corridor's development. The Atlas attracted a lot of foot traffic at a time when the neighborhood needed more of it. Its cultivation of local artists, promotion of the arts, and presence in the community, also made the corridor a more dynamic and interesting place to live in and visit; it is central to the draw of the annual H Street Festival. The development at 360h was not particularly distinctive but it introduced large scale mixed-use development into the corridor—serving as a catalyst for the many that followed it.

In truth, the Plan has mostly succeeded. Over ten years out, it is clear that H Street is no longer blighted nor suffering from disinvestment. However, a Business Improvement District was never formed for the corridor. It would function in much the same way as the Main Street Initiative already does for the area. Instead, a BID could have slightly more teeth—and funding—in coordinating marketing or public realm strategies, particularly as it would be able to levy a fee on all the properties. This may have been more difficult to accomplish in a time where development was scarce, but that is not the case today.

As the neighborhood continues to grow, DC planners should maintain the character of the neighborhood. In the sense that smaller projects should continue to be prioritized. This should be in stark contrast to what has occurred in areas like Downtown DC. There, instead, large monolithic buildings dominate entire city blocks. At many of them, retail spaces are large and occupied by national chains. That emphasis on small businesses and buildings on H Street allows a much more unique experience to develop; which is what has made the area so popular.

Planners must also start to look to the East of H Street. Development in DC tends to read like a book, in that it moves from Left to Right—or rather, West to East—on the map. The most developed neighborhoods are by-and-large towards the West in the District. Whereas, the most blighted and under-developed areas are likely in the area known as East-of-the-River; the area to the East of the Anacostia River, comprising DC's Wards 7 and 8. Each DC Ward has a similar population, and yet Ward 7 and 8 only have between a third and a half as much commercial development and contain a large majority of the city's economically distressed areas.[38]

The redevelopment of the Hechinger Mall and other projects on Benning Road NE will determine whether H Street's successes can be translated to its neighbor. If so, Benning Road's development could be hugely influential to areas across the River. For, per current plans, the Streetcar will eventually connect the H Street/Benning Road NE area to the Benning Road NE neighborhood across the River in Ward 7. Therefore, planners should be careful of this fact going forward. It would be prudent to shape a Hechinger Mall redevelopment as regional node rather than a center of the H Street/Benning Road Corridor. It should have high density residential and commercial opportunities to further attract activity from across the river.

The experience of the H Street Corridor has strong parallels to that of New Brunswick's redevelopment. For one, both areas were once major commercial centers with major streetcar

[38] Stein, Perry. "D.C.'s Poorer Residents Are Increasingly Concentrated East of the Anacostia." The Washington Post. WP Company, 14 Apr. 2015. Web. 30 Mar. 2017. <https://www.washingtonpost.com/news/local/wp/2015/04/14/d-c-s-poorest-neighborhoods-now-more-concentrated-east-of-the-anacostia-study-shows/?utm_term=.44d75de0d3cc>.

networks before and during World War Two; both densely populated by working-class European immigrants. Both communities then suffered the rapid White flight and Black concentration that began in the 1930s and only began subsiding in the 1990s. The associated disinvestment, neglect and segregation hit both communities hard. Riots plagued H Street whereas New Brunswick narrowly averted them, but both were torn asunder by Urban Renewal projects. The federal bulldozer cleared out hundreds of homes in both communities, many replaced by shiny new parking lots. However, the Urban Renewal plans in New Brunswick were much more ambitious. The H Street Renewal era yielded little more than parking lots and a strip mall. In New Brunswick, New Brunswick Tomorrow (NBT) hired I.M Pei to craft a master plan for the downtown area. It guided development for the next few decades. New Brunswick's redevelopment thus was a slow process over multiple decades, whereas H Street's actual redevelopment was entirely a creature of the 21st century.

Interestingly, both redevelopment projects were very concerned about having a cultural center to draw people into local businesses. I.M. Pei thought of a new cultural center on Livingston Avenue as one of the cornerstones of New Brunswick's development. In effect, this amounted to the rehabilitation and creation of three new live theaters—George Street Playhouse, State Theatre, and Crossroads Theatre. In fact, all three were built or rehabilitated as part of the second phase of redevelopment efforts by DEVCO; following development of an office building and the Hyatt Regency. Today, the theaters are an integral part of the George Street corridor. Just like Atlas, they bring in foot traffic as well as contribute to the character of the area.

New Brunswick's redevelopment in many ways ignored some of the city's biggest opportunities. Too many blocks of historic townhouses were replaced by large parking garages, or new residential developments that lacked the mix of uses that should exist in a downtown. For example, the Hiram Square development demolished an entire historic neighborhood but replaced it with nondescript townhouses and multi-family housing that hid the only two restaurants that remained. The adjacent Route 18 extension also cut off the city from one of its greatest potential amenities—its waterfront; the waterfront parks that were built are far too removed from Downtown to be accessible. DEVCO's more recent works have started to reverse this narrative. For instance, Rockoff Hall combined student housing, parking, and retail on a central downtown parcel, while also meshing it into and improving the pedestrian experience of George Street—its little plaza is a joy to linger within.

The experiences on H Street and in New Brunswick highlight the importance of tax credits, grants and other public assistance programs. For New Brunswick, programs such as UDAG or UEZ tax credits have been integral to the completion of many projects. On H Street, the more important tools were NMTCs, TIFs, and façade improvement grants. These programs have attracted significant private capital into these neighborhoods. They have also generally raised property values—and ratables—in their areas, thereby justifying the city's initial investments. These efforts to bring in private capital to rapidly redevelop neighborhoods have been resounding successes in many ways. Overall, they seem to result in a higher quality public and private realm for the city. However, what of the residents and businesses that existed there already?

Instead of demolishing entire neighborhoods of historic townhouses, Cities could target their incentives at improving existing structures. One of the unfortunate features of an economically distressed area is a lack of access to loans or other private capital. With those resources, redevelopment might happen more organically—with a steady rehabilitation of blighted homes or a rise in local entrepreneurship. This could help retain the neighborhood's distinctive character as well as its residents. The façade grant program on H Street attempted this for local commercial establishments, and it has yielded a diverse and interesting commercial corridor. It was not perfect, but that sort of tool does not seem to be so prevalent in New Brunswick.

Still, in both neighborhoods affordable housing is an even more dire casualty. It seems the housing market forces at play in traditional redevelopment projects fail a large portion of the community—including the area's current residents. The quest for higher ratables and the inherent risk for private institutions in at-risk areas result in developments that must bring in sizable returns. Tax credits can help more affordable projects reach that threshold, but new buildings remain expensive. The housing stock in both New Brunswick and H Street was significantly higher before the federal bulldozer ripped up their historic neighborhoods. Had they directed public aid toward improving the existing stock, it may have resulted in more affordable housing and a more distinct city experience than that of most traditional redevelopment projects.

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Figure 6.1: H Street Plan Page 33

Figure 6.2: Stewart (Source 6.2), Pages 31 and 33

Figure 6.3: Census Data for Tract 84.02 in the District of Columbia

- 2000
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Figure 8.1:

360h Street Pro Forma Possibilities

Estimate of Real Condition: With TIF, Current Market

1. DEVELOPMENT ASSUMPTIONS

Building Size:

Units	Studio Units	32	500
	1 BR Units	140	1,000
	2 BR Units	43	1,218
		215	

Average unit size	969
Grossing factor (hallways, stairs, comr	1.17
Total residential portion of building	243,798
Total Retail SF	42,700
TOTAL BUILDING SF	286,498

Type of Construction:
- 6 Stories, Underground Parking, Masonry
- Ground floor includes two retail bays, as well as residential + common areas.

Revenue and Cost Assumptions:

Residential Rent	Studio	$2,000	/month
	1 BR	$2,500	/month
	2 BR	$3,000	/month
Retail Rent		$60	/sf
Operating costs (rule of thumb)		24%	of revenues
Occupancy		95%	
Annual income multiplier		2%	
Annual expense multiplier		3%	

2. DEVELOPMENT BUDGET

		$/sf	Total Cost
Land Acquisition Costs			15,000,000
Hard Construction Costs		$ 125.00	35,812,198
Soft Costs	25.0%	$ 31.25	8,953,049
Financing Costs	15.0%	$ 18.75	5,371,830
TOTAL PROJECT COST:		$ 175.00	65,137,077
			(Real Project est. 65 Mil*)

3. FINANCING ASSUMPTIONS

*assumes land acquisition included

First Position Mortgage	60%	39,082,246
Mezzanine Financing	12%	7,983,587
Equity	20%	13,027,415
Tax Credit as Equity	8%	5,000,000
TOTAL PROJECT COST:	**100%**	**65,093,248**

	Mortgage	***Mezzanine***
Principal	39,082,246	7,983,587
Term	30	30
Interest R	5.0%	6.5%
Annual D/	2,542,356	611,363

4. OPERATING PRO FORMA - Stabilized Year

Gross Residential Revenues		5,748,000
Gross Retail Revenues		2,562,000
		8,310,000
Less Reserve for Vacancy	5%	(415,500)
Adjusted Gross Revenue/Income		7,894,500
Less Operating Expenses	24%	(1,894,680)
Net Operating Income		5,999,820
Less D/S on First Position Mortgage		(2,542,356)
Cash Flow Available for Equity Return		3,457,464
DCR		2.36
Less D/S on Mezzanine		(611,363)
Cash Flow Available for Equity Return		2,846,101
DCR		5.66
Return on Equity		22%

SCENARIO 1: Without TIF, Less Stellar Market

1. DEVELOPMENT ASSUMPTIONS

Building Size:

Units	Studio Units	32	500
	1 BR Units	140	1,000
	2 BR Units	43	1,218
		215	

Average unit size	969
Grossing factor (hallways, stairs, comr	1.17
Total residential portion of building	243,798
Total Retail SF	42,700
TOTAL BUILDING SF	286,498

Type of Construction:
- 6 Stories, Underground Parking, Masonry
- Ground floor includes two retail bays, as well as residential + common areas.

Revenue and Cost Assumptions:

Residential Rent	Studio	$1,800	/month
	1 BR	$2,200	/month
	2 BR	$2,400	/month
Retail Rent		$45	/sf
Operating costs (rule of thumb)		24%	of revenues
Occupancy		95%	
Annual income multiplier		2%	
Annual expense multiplier		3%	

2. DEVELOPMENT BUDGET

		$/sf	Total Cost
Land Acquisition Costs			15,000,000
Hard Construction Costs		$ 125.00	35,812,198
Soft Costs	25.0%	$ 31.25	8,953,049
Financing Costs	15.0%	$ 18.75	5,371,830
TOTAL PROJECT COST:		$ 175.00	65,137,077
			(Real Project est. 65 Mil*)

3. FINANCING ASSUMPTIONS

*assumes land acquisition included

First Position Mortgage	60%	39,082,246
Mezzanine Financing	20%	13,027,415
Equity	20%	13,027,415
Tax Credit as Equity	0%	-
TOTAL PROJECT COST:	**100%**	**65,137,077**

	Mortgage	***Mezzanine***
Principal	39,082,246	13,027,415
Term	30	30
Interest R	5.0%	6.5%
Annual D/	2,542,356	997,606

4. OPERATING PRO FORMA - Stabilized Year

Gross Residential Revenues		4,934,400
Gross Retail Revenues		1,921,500
		6,855,900
Less Reserve for Vacancy	5%	(342,795)
Adjusted Gross Revenue/Income		6,513,105
Less Operating Expenses	24%	(1,563,145)
Net Operating Income		4,949,960
Less D/S on First Position Mortgage		(2,542,356)
Cash Flow Available for Equity Return		2,407,604
DCR		1.95
Less D/S on Mezzanine		(997,606)
Cash Flow Available for Equity Return		1,409,997
DCR		2.41
Return on Equity		11%

SCENARIO 2: With TIF, Less Stellar Market

1. DEVELOPMENT ASSUMPTIONS

Building Size:

Units	Studio Units	32	500
	1 BR Units	140	1,000
	2 BR Units	43	1,218
		215	

Average unit size	969
Grossing factor (hallways, stairs, common)	1.17
Total residential portion of building	243,798
Total Retail SF	42,700
TOTAL BUILDING SF	286,498

Type of Construction:
- 6 Stories, Underground Parking, Masonry
- Ground floor includes two retail bays, as well as residential + common areas.

Revenue and Cost Assumptions:

Residential Rent	Studio	$1,800	/month
	1 BR	$2,200	/month
	2 BR	$2,400	/month
Retail Rent		$45	/sf
Operating costs (rule of thumb)		24%	of revenues
Occupancy		95%	
Annual income multiplier		2%	
Annual expense multiplier		3%	

2. DEVELOPMENT BUDGET

		$/sf	Total Cost
Land Acquisition Costs			15,000,000
Hard Construction Costs		$ 125.00	35,812,198
Soft Costs	25.0%	$ 31.25	8,953,049
Financing Costs	15.0%	$ 18.75	5,371,830
TOTAL PROJECT COST:		$ 175.00	65,137,077
			(Real Project est. 6

3. FINANCING ASSUMPTIONS

*assumes land acquisition i

First Position Mortgage	60%	39,082,246
Mezzanine Financing	12%	7,983,587
Equity	20%	13,027,415
Tax Credit as Equity	8%	5,000,000
TOTAL PROJECT COST:	**100%**	**65,093,248**

	Mortgage	***Mezzanine***
Principal	39,082,246	7,983,587
Term	30	30
Interest Rate	5.0%	6.5%
Annual D/S	2,542,356	611,363

4. OPERATING PRO FORMA - Stabilized Year

Gross Residential Revenues		4,934,400
Gross Retail Revenues		1,921,500
		6,855,900
Less Reserve for Vacancy	5%	(342,795)
Adjusted Gross Revenue/Income		6,513,105
Less Operating Expenses	24%	(1,563,145)
Net Operating Income		4,949,960
Less D/S on First Position Mortgage		(2,542,356)
Cash Flow Available for Equity Return		2,407,604
DCR		1.95
Less D/S on Mezzanine		(611,363)
Cash Flow Available for Equity Return		1,796,241
DCR		3.94
Return on Equity		14%