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The Wharf: A Monumental Waterfront Urban Regeneration Development in Washington, DC

Final Report

by

Arielle Levin and Derek Hyra¹

The Metropolitan Policy Center
School of Public Affairs
American University

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Introduction

As cities reinvent themselves from industrial to residential and commercial hubs, waterfront redevelopment has become a popular urban regeneration tool.² Certain cities have found that investments in large, mixed-use projects along their underutilized waterfronts can generate large tax revenues by attracting businesses, residents, and tourists. These festival-like developments can be an enticing way to stimulate economic development that potentially benefits the entire city.³

However, these large-scale redevelopments are often perceived as financially risky and typically require substantial public investments and support.⁴ For instance, seed capital from national or local governments is sometimes needed to attract sufficient private capital.⁵ Other government actions may include rezoning to accommodate new structure types, tax abatements to draw anchor commercial tenants, or the creation of special tax districts such as tax increment financing (TIF), payment in lieu of taxes (PILOT), and business improvement districts (BIDs) to support infrastructure improvements or development management over time.⁶

Sizable waterfront projects are often structured as public-private partnerships, where the government works closely with private real estate developers to execute these complex

² Brian Doucet, Ronald Van Kempen, and Jan Van Weesep, "Resident Perceptions of Flagship Waterfront Regeneration: The Case of the Kop Van Zuid in Rotterdam," *Tijdschrift voor Economische en Sociale Geografie* 102, no. 2 (2010): 125-145; Sylvia Hannan and Catherine Sutherland, "Mega-projects and Sustainability in Durban, South Africa: Convergent or Divergent Agendas?" *Habitat International* 45, no. 1 (2015): 205-212; Andrew Jones, "Issues in Waterfront Regeneration: More Sobering Thoughts-A UK Perspective." *Planning Practice & Research* 13, no. 4 (1998): 433-442; Jennifer Laidley, "The Ecosystem Approach and the Global Imperative on Toronto's Central Waterfront." *Cities* 24, no. 4 (2007): 259-272.

³ Paul L. Knox, "The Restless Urban Landscape: Economic and Sociocultural Change and the Transformation of Metropolitan Washington, DC." *Annals of the Association of American Geographers* 81, no. 2 (1991): 181-209.

⁴ Erik Swynedouw, Frank Moulaert, and Arantxa Rodriguez, "Neoliberal Urbanization in Europe: Large-Scale Urban Development Projects and the New Urban Policy." *Antipode* 34, no. 3 (2002): 542-577.

⁵ Richard C. Hula, "The Two Baltimores," In *Leadership and Urban Regeneration: Cities in North America and Europe* (Newbury Park, CA: Sage Publications, Inc., 1990).

⁶ Susanna F. Schaller, *Business Improvement Districts and the Contradictions of Placemaking: BID Urbanism in Washington, D.C.* (Athens, The University of Georgia Press, 2019).

endeavors.⁷ These partnerships are critical in today's fiscally constrained times as neither the public nor the private sector typically have the independent resources or risk tolerance to take on these massive developments. By sharing risk and resources, these joint ventures can collaboratively produce large-scale projects that are mutually beneficial to citizens and shareholders.

Economic development goals are often paired with social objectives in these public private partnership projects.⁸ For instance, these developments often have public participation in the project design. Furthermore, the government or citizens might negotiate a set of civic objectives with the development team including the creation of jobs, the production of affordable housing, small business development, or public amenities such as parks, walkways, and parking lots. Some of these projects also include environmental goals such as the minimization of stormwater runoff or the improvement of nearby water quality.⁹ Because public private developments often have economic and social goals, they can be complicated to produce, maintain, and evaluate.¹⁰

This report focuses on a major mixed-use, public private waterfront redevelopment project, known as The Wharf, in Washington, DC (DC). The Wharf is a massive development combining opportunities to work, play, and live in one large-scale 27-acre space along DC's Southwest waterfront. The total construction cost to redevelop this site stands at \$2.5 billion.

⁷ Chris Hagerman, "Shaping Neighborhoods and Nature: Urban Political Ecologies of Urban Waterfront Transformations in Portland, Oregon." *Cities* 24, no. 4 (2007): 285-297.

⁸ Nufar Avni and Raphaël Fischler, "Social and Environmental Justice in Waterfront Redevelopment," *Urban Affairs Review* (2019): 1-32; Susan S. Fainstein, "Mega-projects in New York, London and Amsterdam." *International Journal of Urban and Regional Research* 32, no. 4 (2009): 768-785.

⁹ Scott Campbell, "Green Cities, Growing Cities, Just Cities?: Urban Planning and the Contradictions of Sustainable Development." *Journal of American Planning Association* 62, no. 3 (1996): 296-312; Mike Raco, "Sustainable Development, Rolled-out Neoliberalism and Sustainable Communities." *Antipode* 37, no. 2 (2005): 324-347.

¹⁰ Lindsay Morgia and Thomas J. Vicino, "Waterfront Politics: Revisiting the Case of Camden, New Jersey's Redevelopment." *Urban Research & Practice* 6, no. 3 (2013): 329-345.

Phase One was completed in 2017 at a cost of \$1.4 billion and contained 2.2 million square feet of residential, hotel, office, restaurant, retail, and public space. This stretch of property is one of Washington’s most expensive and iconic developments in the 21st century. Phase Two of the project, another 1.2 million square feet of residential and commercial development totaling \$1.1 billion in investment, is currently under construction and projected to be completed in 2022. Three legislative acts of the United States (US) Congress were needed to transfer the land rights to facilitate the project and nearly \$300 million in national and local government support was allocated to undergird critical project infrastructure components.

Washington’s Southwest neighborhood is unique in that it was one of the country’s first large-scale urban renewal efforts in the 1950s.¹¹ This period of redevelopment displaced thousands of Southwest’s African American residents and businesses, and this history and its harmful impact are living memories in Southwest.¹² Furthermore, the area still contains a substantial number of low-income African American families living in public housing projects located not too far from The Wharf, and some scholars question whether Washington’s current waterfront urban regeneration project will benefit the lives of low-income people.¹³

In this report, we investigate a set of questions related to The Wharf’s redevelopment. What were the capital and debt challenges to financing The Wharf and how did public sector resources help to facilitate private sector investments in the project? How did Southwest history of urban renewal relate to current social equity concerns, conversations, and accomplishments

¹¹ Howard Gillette Jr., *Between Justice and Beauty: Race Planning and the Failure of Urban Policy in Washington, DC*. (Philadelphia, University of Pennsylvania Press, 1995).

¹² Paula C. Austin, *Coming of Age in Jim Crow DC: Navigating the Politics of Everyday Life* (New York, New York University Press, 2019); Paul K. Williams, *Images of America: Southwest Washington, D.C.* (Charleston, Arcadia Publishing, 2005).

¹³ Avni and Fischler, “Social and Environmental Justice in Waterfront Redevelopment”; Schaller, *Business Improvement Districts and the Contradictions of Placemaking*; Brett Williams, “Beyond Gentrification: Investment and Abandonment on the Waterfront” in *Capital Dilemma: Growth and Inequality in Washington, DC* (New York, Routledge, 2016).

associated with this waterfront development? Finally, how is The Wharf perceived by low-income people who live near the redevelopment site? By answering these questions, we hope to provide insights regarding how to effectively produce mega-development projects that are both profitable, replicable, and socially sustainable. Our aim is to understand how to maximize public and private gains so that urban regeneration projects become more mutually beneficial to real estate developers, government officials, and residents at all income levels.

Report insights were based on a case study design.¹⁴ Between December 2019 and September 2020, we interviewed 16 project stakeholders including real estate developers, city officials, non-profit and community leaders, and residents in DC's Southwest neighborhood. We asked those interviewed about the major economic and social challenges and benefits of The Wharf project. Our interview pool was based on scanning local planning documents and current newspaper articles for key individuals related to the project. We added to this initial list by developing a snowball sample through asking each person we interviewed to suggest others they thought had extensive knowledge about the project.¹⁵ Each interview lasted approximately an hour and all interviews were taped and transcribed. Additionally, we gathered and assessed important archival records including city council and zoning documents, scholarly publications, and demographic data related to Southwest, DC and The Wharf's development. We used this set of information to answer our research questions.

The report is structured in the following manner. First, we describe the history of Southwest, DC to provide meaningful context about the urban renewal that occurred in this community in the 1950s. We then present an overview of DC's social, political, and economic

¹⁴ Robert K. Yin, *Case Study Research and Applications: Design and Methods*. (Los Angeles, Sage, 2018).

¹⁵ Robert S. Weiss, *Learning From Strangers: The Art and Method of Qualitative Interviews Studies*. (New York, The Free Press, 1994).

circumstances since the 1990s, followed by an account of how Southwest, DC has changed during and after the 2000s. Next, we present The Wharf's redevelopment case study, focusing on how public and private actors drew upon a portfolio of public policies, including the project's \$198 million Tax Increment Financing/Payment in Lieu of Taxes (TIF/PILOT) subsidy, the concurrent creation of the Southwest Business Improvement District (SWBID), and intra-governmental and congressional land transfers (valued at an additional \$100 million), to help complete and maintain Phase One of the project (see Appendix A for a field analysis of the public and private organizations relevant to The Wharf's development). We also assess if government resource allocation was positively correlated to public participation efforts in the project's design, development, or community benefits agreement. Finally, we conclude with some important equitable development lessons learned from this project.

Historic Southwest, DC

Cities are spaces of contestation over the right to create, shape, and display national identity through the built environment, and no American city embodies this notion more than Washington, DC.¹⁶ In the early- and mid-twentieth century, following the Great Depression of 1929, waves of migration, and two World Wars, Washington, DC solidified both its identity as the symbol of American economic and political power and its lingering legacy of racial discrimination.

In the late 1800s and early 1900s, many African Americans moved to the nation's capital for better employment prospects and a possible reprieve from the violence and repression of the South. Although the Great Migration spanned almost 60 years, the movement of African Americans from the deep South to Washington, DC occurred in multiple waves—first during the

¹⁶ Gillette, *Between Justice and Beauty*.

antebellum period, again following Reconstruction, and once more in the New Deal and post-war eras.¹⁷ Between 1860 and 1960, DC’s African American population grew from 10,983 to 411,737 (see Table 1).

Table 1. Washington, DC Population Growth 1860-1960

| Year | Total Population | White | White (%) | African American | African American (%) |
|------|------------------|---------|-----------|------------------|----------------------|
| 1860 | 61,122 | 50,139 | 82.0 | 10,983 | 18.0 |
| 1870 | 109,199 | 73,731 | 67.5 | 35,455 | 32.5 |
| 1880 | 147,293 | 98,895 | 67.1 | 48,377 | 32.8 |
| 1890 | 230,392 | 154,695 | 67.1 | 75,572 | 32.8 |
| 1900 | 278,718 | 191,532 | 68.7 | 86,702 | 31.1 |
| 1910 | 331,069 | 236,128 | 71.3 | 94,446 | 28.5 |
| 1920 | 437,571 | 326,860 | 74.7 | 109,966 | 25.1 |
| 1930 | 486,869 | 353,981 | 72.7 | 132,068 | 27.1 |
| 1940 | 663,091 | 474,326 | 71.5 | 187,266 | 28.2 |
| 1950 | 802,178 | 517,865 | 64.6 | 280,803 | 35.0 |
| 1960 | 763,956 | 345,263 | 45.2 | 411,737 | 53.9 |

Source: US Census Bureau

While racially liberal in some respects, DC was far from an integrated city. The nation’s capital upheld rigid Jim Crow laws of residential, workforce, and social segregation and mandated separate housing, work, and recreational facilities for African American and White residents.¹⁸ Southwest, DC, considered unsuitable for middle- and high-income housing due to its low-lying proximity to the water, quickly became an African American enclave.¹⁹

As African Americans continued to migrate north from Southern states, many made homes and found a sense of community in Southwest, DC. Home to free and enslaved African Americans since the mid-1700s, Southwest was a vibrant hub of waterfront commerce along the

¹⁷ Chris Myers Asch and George Derek Musgrove, *Chocolate City. A History of Race and Democracy in the Nation’s Capital* (Chapel Hill, The University of North Carolina Press, 2017).

¹⁸ Blair A. Ruble, *Washington’s U Street: A Biography* (Baltimore, Johns Hopkins University Press, 2012).

¹⁹ James Borchert, *Alley Life in Washington: Family, Community, Religion, and Folklife in the City 1850-1970* (Champaign, University of Illinois Press, 1980).

docks as well as a strategic and active military site.²⁰ Southwest's poor and working-class African American communities grew substantially between the end of the Civil War and the United States' (US) entry into World War II.²¹ The influx of new residents, coupled with racially restrictive policies and the rapid physical expansion of the federal government during this period, combined to create a shortage of quality housing available to African Americans, especially those with minimal incomes. Segregation, poverty, proximity to jobs and necessity made the back alleys of Southwest one of the few feasible housing options available to many African American newcomers, who lived in secluded and tightly knit alley communities nestled behind the large homes of middle-income families.²²

Figure 1. Southwest Alley circa 1909



Source: Williams, *Images of America*

Southwest's African American alley communities experienced substandard living conditions and chronic poverty. Less than half of alley homes had indoor plumbing or adequate sanitation, and many lacked central heating, contributing to resident's high rates of illness,

²⁰ Williams, *Images of America*.

²¹ Austin, *Coming of Age in Jim Crow DC*.

²² Margaret E. Farrar, *Building the Body Politic: Power and Urban Space in Washington, D.C.* (Champaign, University of Illinois Press, 2008).

disease, and early mortality.²³ Faced with racial discrimination, most African Americans worked in low-wage positions such as domestic workers and waterfront laborers.²⁴ Segregation in employment and housing contributed to a lack of suitable accommodations and the overcrowding of Southwest's alley communities. With little expendable income, many residents were forced to make do with unhealthy and aging housing.²⁵ Despite these struggles, Southwest's alley neighborhoods were vibrant, tightly knit, and culturally rich.²⁶

In the 1930s and early 1940s, the US government directed its policies and spending toward New Deal recovery programs and war-related industries, lifting the country out of the Great Depression. Many newly created jobs were in or near the nation's capital as New Deal programs expanded the scale, power, and personnel of the federal government.²⁷ In the South, farming was undergoing rapid mechanization, leading to a simultaneous increase in production and a decrease in the demand for farm labor. Thus, economic stimulus in the North and mechanization in the South provided incentive for African Americans to migrate to Washington, DC. This population movement helped to spur on the redevelopment of downtown DC and the nearby Southwest neighborhood.

The City Beautiful and Urban Renewal

Concurrent to federal government expansion and rapid population growth, architects, developers, business-owners and politicians actively pursued the creation of a global-facing monumental core for the nation's capital according to the original 1791 L'Enfant DC city plan and "City Beautiful" aesthetics. The City Beautiful movement first gained traction with the

²³ Carolyn Swope, "The Problematic Role of Public Health in Washington, DC's Urban Renewal" *Public Health Reports* 133, no. 6 (2018): 707-714.

²⁴ Austin, *Coming of Age in Jim Crow DC*.

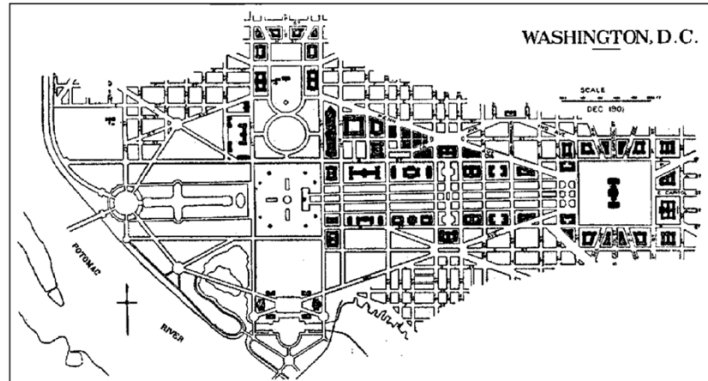
²⁵ Williams, *Images of America*.

²⁶ Mindy Thompson Fullilove, "Root Shock: The Consequences of African American Dispossession" *Journal of Urban Health: Bulletin of the New York Academy of Medicine* 78, no. 1 (2001): 72-80.

²⁷ Gillette, *Between Justice and Beauty*.

McMillan Plan of 1902, which provided a comprehensive plan for the National Mall, federal buildings, and the park system. Plans drew heavily on Parisian design, and advocates legitimized the plan by arguing that it restored and enriched L'Enfant's original vision while imbuing the city with a grand and imposing federal presence.²⁸

Figure 2. Map of the McMillan Plan



Source: Cornell Library of Urban Planning

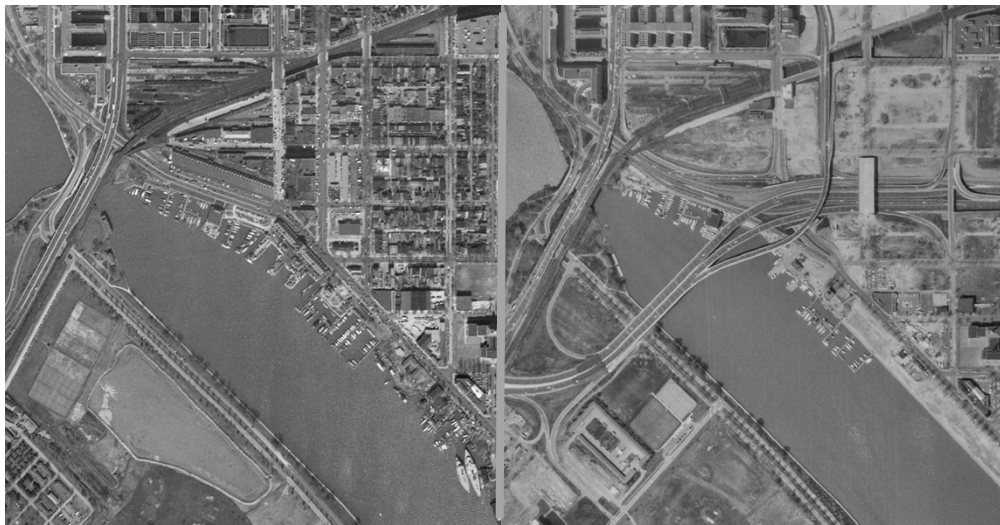
In 1926 Congress created the National Capital Park and Planning Commission and approved the implementation of the McMillan Plan, cementing the City Beautiful aesthetic onto downtown Washington. Accompanying this new development came an increased attention towards the removal and clearance of African American alley dwelling communities in Southwest due to their proximity to the city's downtown core. To address the issue, the federal government created the Alley Dwelling Authority in 1934, eventually becoming the National Capital Housing Authority (NCHA) in 1943.²⁹ The NCHA partnered with the newly created Redevelopment Land Agency (RLA) to demolish and redevelop much of Southwest.

²⁸ Gillette, *Between Justice and Beauty*.

²⁹ *District of Columbia Alley Dwelling Act of 1934*, HR 5522 (1934); Gillette, *Between Justice and Beauty*.

The National Housing Act of 1949 authorized and funded the renewal of urban areas, which were often near central business districts deemed blighted.³⁰ Southwest, DC was one first areas to undergo redevelopment under the national Housing Act, and it became the national model for urban renewal. Although the original development goals were to improve the health and living conditions of alley residents and to provide quality housing in the area, new aims emerged as urban renewal progressed. Private developers who were tasked with Southwest's redevelopment saw the area as a "first-class opportunity for private capital investment," with an RLA report noting that "no other section has comparable advantages of location."³¹ As government officials, commentators, and developers advocated that higher-income individuals and retail would help revive the city's declining tax base, the focus shifted decisively away from affordable housing and keeping low-income residents in place.³²

Figure 3. Aerial View of Southwest Waterfront in 1949 and Again in 1964



Source: US Geological Survey

³⁰ Derek Hyra, "Conceptualizing the New Urban Renewal: Comparing the Past to the Present." *Urban Affairs Review* 48, no. 4 (2012): 498-527.

³¹ Swope, "The Problematic Role of Public Health in Washington, DC's Urban Renewal," p. 710.

³² Asch and Musgrove, *Chocolate City*.

By 1960, only one percent of Southwest's original buildings remained standing, and of the almost 6,000 new buildings erected, only one apartment complex was built to provide low-cost rental housing.³³ Additionally, fewer than 20 percent of new housing developments provided moderate-income housing.³⁴ Thousands of homes, commercial structures, wharfs, religious institutions, and community centers were demolished to make way for high-income high-rise apartments and mixed-use complexes.³⁵ The clearance and redevelopment of Southwest had several negative consequences. Over 1,500 businesses and 23,000 residents were displaced in the process, many of whom were permanently priced out of the area when renewal was completed.³⁶ Southwest, a densely populated, historically African American enclave, was transformed into a white community with high rents and median household incomes.³⁷

For former African American residents of Southwest, the negative consequences of urban renewal displacement were exacerbated by a highly segregated housing market. In Washington's surge for high-end private development, very little housing or amenities were built for low- and moderate-income African Americans. As a result, urban renewal worsened segregation and the housing crisis for many African Americans, leading African American families to crowd into a decreasing supply of substandard and unhealthy housing units, most of which were plagued with the same conditions that inspired urban renewal in the first place.³⁸ Displaced people expressed deep regret over loss of their homes, feelings of alienation in their new communities, and loss of social networks and social capital.³⁹

³³ Gillette, *Between Justice and Beauty*.

³⁴ Farrar, *Building the Body Politic*.

³⁵ Williams, *Images of America*.

³⁶ Swope, "The Problematic Role of Public Health in Washington, DC's Urban Renewal".

³⁷ Asch and Musgrove, *Chocolate City*.

³⁸ Fullilove, "Root Shock: The Consequences of African American Dispossession".

³⁹ *Ibid.*

DC's Demographic Changes

In 1950, DC's population exceeded more than 800,000 residents, making it the ninth largest US city.⁴⁰ At that time, more than two-thirds of the city's residents were white. By 1960, in large part due to white backlash against desegregation and the concurrent middle-class movement from the city to the suburbs, DC lost one third of its white population and had become the nation's first majority Black, "Chocolate City."⁴¹ In 1968, DC's population reached its zenith at just over 854,000 people, of which 67 percent were African American.⁴² The city remained majority African American for several decades, until economic and demographic changes at the end of the 20th century and start of the 21st century remade DC's social and spatial landscape.

In the 1990s, patterns of urban disinvestment and population outmigration to the suburbs began to reverse and young professionals and investments returned to urban centers at rapid rates.⁴³ In Washington, this change reflected multiscale development dynamics as well as transitions in the local, regional, and global political economy. At the local level, the respective mayoral administrations of Anthony Williams (1999-2007) and Adrian Fenty (2007-2011) sought to increase the city's tax revenue by attracting new middle- and high-income residents and tourists. A 2003 Williams administration report urged city officials and business leaders to "compliment and extend Washington's tourist and city beautiful amenities,"⁴⁴ and proposed a return to urban renewal era interventions including the use of eminent domain to seize buildings for subsidized sale to private developers.

⁴⁰ Government of the District of Columbia, DC Office of Planning *Comprehensive Plan 2006*.

⁴¹ Asch and Musgrove, *Chocolate City*.

⁴² Brandi Thompson Summers, *Black in Place: The Spatial Aesthetics of Race in a Post Chocolate City* (Chapel Hill, The University of North Carolina Press, 2019).

⁴³ Derek S. Hyra, *Race, Class, and Politics in the Cappuccino City* (Chicago, The University of Chicago Press, 2017).

⁴⁴ Asch and Musgrove, *Chocolate City*, p. 440.

Williams' recommendations were well timed; the Washington region's economy was booming. A center for global financial institutions, the national defense industry, professional lobbying, and federal contracting, hundreds of millions of dollars flowed into the region between 2000 and 2010.⁴⁵ A plethora of young, white professionals followed.⁴⁶ Between 2000 and 2010, the Washington population aged 20 to 24 increased by 23 percent, aged 25 to 29 increased by 31 percent, and aged 30 to 34 increased by 12.6 percent—topping out at just under 30,000 new Millennial residents.⁴⁷ Additionally, as the US transitioned fully into a post-industrial economy and contemporary neoliberal globalization emerged, DC stepped into dominance as a key global financial regulator and actor.⁴⁸ By 2012, the Washington DC metropolitan region had the country's third largest concentration of households with incomes \$191,000 or above and contained 10 of the 20 wealthiest counties in the nation.⁴⁹

Between 2000 and 2010, Washington's total population grew by 5.2 percent, from 572,059 to 601,723, but population growth was not equally spread across all racial groups. While the white population grew by over 55,000, the city saw a decrease of 38,000 African American residents.⁵⁰ A shortage of affordable housing, the changing economic landscape, and the influx of wealthy residents contributed to gentrification and facilitated both direct and exclusionary displacement. This displacement was associated with a decrease in Washington's African American population and an increase in racial wealth and income inequality.⁵¹ No longer a

⁴⁵ Hyra, *Race, Class, and Politics in the Cappuccino City*.

⁴⁶ Hyra, *Race, Class, and Politics in the Cappuccino City*.

⁴⁷ Government of the District of Columbia, *The Legislative Districts and the Incorporated Place in 2010 in the District of Columbia: 2000 and 2010*. Washington: DC Office of Planning, 2011.
<https://planning.dc.gov/node/597902>.

⁴⁸ Hyra, *Race, Class, and Politics in the Cappuccino City*.

⁴⁹ Hyra, *Race, Class, and Politics in the Cappuccino City*.

⁵⁰ US Census Bureau. Population, Census, April 1, 2010. <https://www.census.gov/quickfacts/DC>.

⁵¹ Summers, *Black in Place*.

“Chocolate City,” DC’s African American population fell below 50 percent for the first time since the 1960s.

Since 2010, the pace of population growth has accelerated. In less than 10 years, Washington’s population has grown from 601,723 to 702,455, with Millennials now making up over 23 percent of the total population. Of those who identify as belonging to one race, 45.5 percent are African American, 42.2 percent are white, 3.9 percent are Asian, and 4.4 percent are of another race.⁵² Residential influx is also reflected in 2018 American Community Survey (ACS) statistics. The ACS reports that 47 percent of current Washington residents were born in a different state, 14 percent are foreign born, and a full 21 percent of all residents moved to the city after 2010.⁵³ In keeping with the regional economic demand for highly skilled service workers, both median and mean household incomes have increased. Census data from 2010 revealed a DC median household income of \$60,903 and a mean household income of \$92,959—by 2018 median household income had grown to \$82,604 and mean household income rested at \$121,698.⁵⁴

Rising home values and housing costs combined with a bifurcated service economy reinforced the region’s income inequality. Even as DC’s economy was booming, the affordable housing voucher program waitlist grew by almost 50 percent,⁵⁵ and top earning households made over \$500,000 per year while the bottom 20 percent of households earned less than \$10,000 per year. Income and wealth inequality also fell along racial lines. A 2017 Georgetown University report found that between 2007 and 2014, as average incomes for white families soared to \$121,000 per year, average annual incomes for African American households in DC remained

⁵² US Census Bureau, American Community Survey, 2018.

⁵³ Ibid.

⁵⁴ US Census Bureau, Population, Census, April 1, 2010; US Census Bureau, American Community Survey 2018.

⁵⁵ Summers, *Black in Place*.

stagnant at \$41,000. Additionally, the report found white residents' net worth to be 81 times greater than that of their African American counterparts—a difference of \$284,000 versus \$3,500.⁵⁶ Disparities between racial groups are also reflected in unemployment and poverty rates. Although the average unemployment rate in 2016 stood at 6.4 percent (slightly higher than the national average), unemployment rates for working-age African Americans in Washington remained over double that, at 13.4 percent.⁵⁷ That same year, white unemployment decreased to 1.6 percent and Hispanic/Latino unemployment fell to 3.6 percent for working-age adults.⁵⁸ Poverty followed unemployment—of the 110,500 DC residents (16.2 percent of the total population) living below the poverty line in 2015, three quarters of them were African American. Stated another way: in 2015, just as the city experienced unprecedented economic expansion, almost a third of DC's total African American population lived in chronic poverty.⁵⁹

DC's uneven economic boom came with a flurry of housing and neighborhood development. Between 2010 and 2018, Washington increased its housing stock by 8.8 percent, adding over 28,000 new residences for a citywide total of 311,545 units.⁶⁰ Of the 281,322 occupied units, 42 percent are owner occupied and 58 percent are renter-occupied.⁶¹ Whether units are rented or owned, housing costs are significantly more expensive in Washington than average housing costs nationally. Median housing values in DC are almost three times the national average, at \$617,900 and \$229,700 respectively, and the average price of a rental unit in

⁵⁶ Maurice Jackson, "An Analysis: African American Employment, Population & Housing Trends in Washington, DC" *DC Commission on African American Affairs* (2017).

⁵⁷ Linnea Lassiter, "Still Looking for Work: Unemployment in D.C. Highlights Racial Inequality" *D.C. Fiscal Policy Institute* (March 2, 2017) <https://www.dcfpi.org/all/still-looking-work-unemployment-dc-highlights-racial-inequity/>.

⁵⁸ *Ibid.*

⁵⁹ DC Fiscal Policy Institute, "DC's Racial Inequality Continues to Widen, Even as the City Sees Substantial Economic Growth" *DC Fiscal Policy Institute Blog* (September 15, 2016) <https://www.dcfpi.org/wp-content/uploads/2016/09/9.15.16-Census-poverty-data-FINAL.pdf>.

⁶⁰ US Census Bureau, 2018.

⁶¹ *Ibid.*

Washington is 50 percent more expensive than the national average, at \$1,516 per month.⁶² As rental housing costs have increased, the housing cost burden for many of Washington’s low-income residents has also increased—in 2016, 49.7 percent of renters spent over one third of their total monthly income on housing, not including utilities.⁶³ A 2019 National Community Reinvestment Coalition (NCRC) report found that 40 percent of low-income DC areas gentrified between 2000 and 2013, making it the fastest gentrifying city in the nation.⁶⁴

Southwest’s Demographic Changes

Southwest Washington’s demographic and economic shifts from 2000 to the present reflect the changes described above, with some important differences. While the rest of the city experienced unprecedented population growth, development, and gentrification, Southwest saw some property value increases but comparatively little new development. Suffering from at least a century of environmental degradation, pollution, and disinvestment, the Anacostia and Potomac rivers were inaccessible, serving as a physical barrier between lower- and higher-income communities.⁶⁵ Other factors contributing to Southwest’s slower rate of growth include a larger than average percentage of elderly and low-income residents, as well as greater than average concentrations of subsidized and public housing and large concentrations of federal buildings, surface parking lots, and federally owned parcels of land.⁶⁶

2000 census data indicated that of Southwest’s 11,795 residents, 47.5 percent were male, and 52.5 percent were female; 64.9 percent identified as African American while 26.2 percent

⁶² Ibid.

⁶³ Maurice Jackson, “An Analysis: African American Employment, Population & Housing Trends in Washington, DC”.

⁶⁴ Jason Richardson, Bruce Mitchell, and Juan Franco. *Shifting Neighborhoods: Gentrification and Cultural Displacement in American Cities*. (Washington, National Community Reinvestment Coalition, 2019).

⁶⁵ Avni and Fischler, “Social and Environmental Justice in Waterfront Redevelopment”.

⁶⁶ Government of the District of Columbia, *Lower Anacostia Waterfront/Near Southeast Area Element*. Washington: DC Office of Planning, 2011. <https://planning.dc.gov/publication/lower-anacostia-waterfront-near-southwest-area-element>.

identified as white; median income was \$37,000 per year (significantly lower than the city average of \$46,000 per year); 23.4 percent of families and 22 percent of individuals lived below the poverty line, and 66.4 percent of residents rented their home.⁶⁷ Both racially and economically diverse, 16 percent of Southwest residents made less than \$10,000 per year, 30 percent made between \$50,000 and \$100,000 per year, and 8 percent of residents made \$100,000 or more per year.⁶⁸ When describing Southwest’s built environment prior to the recent redevelopment boom, Southwest Advisory Neighborhood Commission Chairperson Gail Fast, noted that “the majority of the buildings other than being residential at that time were all really government buildings except for what was down at the waterfront which were these large box restaurants...so while it had its advantages in being a nice little quiet enclave, it just lacked a lot of services that the rest of the city was getting.”⁶⁹

Additionally, 2010 census data show that post-Great Recession, as incomes rebounded and the housing market tightened across the city, Southwest’s population declined slightly, homeowner and rental vacancy rates increased significantly (from 3 percent and 4.3 percent to 10.2 percent and 6.3 percent respectively), and 44.2 percent of the area’s children lived under the poverty line.⁷⁰ Unlike the rest of DC, in 2010 Southwest remained majority African American.⁷¹

⁶⁷ US Census Bureau, 2010.

⁶⁸ Ibid.

⁶⁹ Authors’ interview with ANC 6D Chairperson Gail Fast on 03/17/2020.

⁷⁰ US Census Bureau, 2010.

⁷¹ Ibid.

Figure 4. Map of Washington, D.C. with Southwest Highlighted



Source: Shutterstock

Southwest’s development trends now reflect much of the city overall. By 2015, mean income in Southwest rose to \$90,000 per year, the African American population fell below 50 percent, and young adults between the ages of 25 and 44 accounted for a full 41.5 percent of residents.⁷² Southwest’s population is expected to surge in the next 10 years, with a projected total of 15,500 residents by 2023 and 20,100 residents by 2033.⁷³ Although poverty in Southwest has decreased overall, wealth and income inequality has worsened, and as speculation and development have driven up the cost of land and housing, incomes have not increased unilaterally across income brackets or demographics. In 2017, while 12 percent of Southwest residents made less than \$10,000 a year and 43.9 percent of the area’s children lived below the poverty line, 30 percent of Southwest residents enjoyed incomes between \$100,000 and

⁷² US Census Bureau, American Community Survey, 2015.

⁷³ Government of the District of Columbia, *Southwest Neighborhood Plan*. Washington: DC Office of Planning, 2014

https://planning.dc.gov/sites/default/files/dc/sites/op/publication/attachments/SW%20Draft%20Report_112014%20final%20draft%20litet.pdf.

\$250,000 per year.⁷⁴ Stated more starkly, while 8.3 percent of Southwest’s residents made more than \$250,000 per year, 20 percent of Southwest’s residents lived below the poverty line.

The Wharf Redevelopment Case Study

Setting the Stage for The Wharf

How did Southwest transition from a quiet residential enclave to one of the fastest growing quadrants of the city? Large-scale redevelopment efforts south of DC’s National Mall began in earnest against a backdrop of fiscal turbulence and political scandal in the late 1990s. A declining tax base, a high percentage of tax-exempt parcels, and a congressionally imposed ban on taxing commuters trapped the city in a vicious fiscal downward spiral.⁷⁵ By April of 1995, the city maintained over a \$700 billion deficit and was nearly insolvent, while the newly re-elected Mayor Marion Barry Jr.’s reputation and political machine were tainted by corruption.⁷⁶ To prevent fiscal collapse and limit mayoral power, the US Congress created a five-person, congressionally appointed financial control board to oversee the Mayor and City Council and to return the city to solvency. Anthony Williams was appointed as independent chief financial officer, serving in this role until 1999 when he successfully won his first of two campaigns for mayor.⁷⁷ In 1997, while Williams was returning Washington’s balance sheet back to black, the federal government’s planning agency for the region, the National Capital Planning Commission (NCPC), released a comprehensive plan for the city titled: *Extending the Legacy: Planning America’s Capital for the 21st Century*.

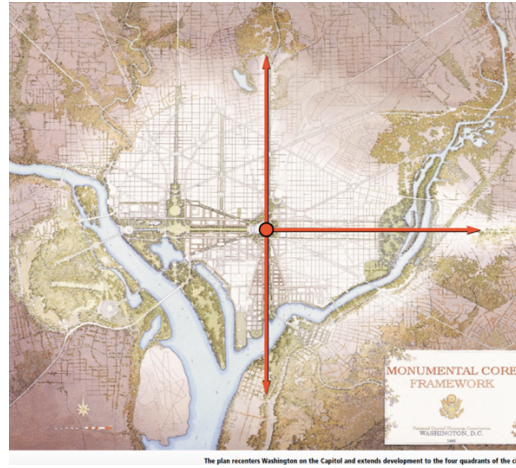
⁷⁴ US Census Bureau, American Community Survey, 2017.

⁷⁵ Michael T. Friedman and David L. Andrews, “The Built Sport Spectacle and the Opacity of Democracy.” *International Review for the Sociology of Sport* 46, no. 2 (2010): 181-204.

⁷⁶ Michael Janofsky, “Congress Creates Board to Oversee Washington DC.” *The New York Times* (April 8, 1995) <https://www.nytimes.com/1995/04/08/us/congress-creates-board-to-oversee-washington-dc.html>.

⁷⁷ Uwe Brandes, “Recapturing the Anacostia River: The Center of 21st Century Washington, DC.” *Golden Gate University Law Review* 35, no. 3 (2005): 411-428.

Figure 5. Projected growth in the “Extending the Legacy” Plan



Source: NCPC

The Legacy plan shifted the perceived center of the city away from the National Mall and towards the Capitol building, with the stated goal of directing federal and private growth outward radially toward all quadrants of the city.⁷⁸ Situating itself in the tradition, scale and scope of the L’Enfant and McMillan Plans, the Legacy Plan departed from its predecessors in its promise to “reclaim and reconnect the city’s waterfront, from Georgetown on the Potomac River to the National Arboretum on the Anacostia.”⁷⁹

Mayor Williams favored entrepreneurial governance strategies. With downtown limited in opportunities for expansion and in keeping with the goals of the Legacy Plan, Mayor Williams focused his revitalization and development strategies along the Anacostia River.⁸⁰ With sights on neighborhood expansion, the DC government began to develop comprehensive plans aimed at reclaiming, regenerating, and redeveloping Southwest and the city’s waterfront. Beginning with the Anacostia Waterfront Framework Plan and followed by the city’s Comprehensive

⁷⁸ National Capital Planning Commission, *Extending the Legacy Plan: Planning America’s Capital for the 21st Century*. (1997).

⁷⁹ *Ibid.* p. 3.

⁸⁰ Rana Amirtahmasebi, Mariana Orloff, Sameh Wahba, and Andrew Altman, *Regenerating Urban Land: A Practitioner’s Guide to Leveraging Private Investment*. (World Bank Group, 2016).

Framework Plan and the Lower Anacostia Waterfront/Near Southwest Small Area Plan, the city government commenced marketing and remaking the Southwest waterfront to attract private investment, mixed-use development, affluent new residents, and tourists. These plans, now over two decades in the making, successfully reimagined and remade Southwest, DC’s waterfront into an eco-chic, internationally recognized, and exciting new growth corridor.

In March of 2000, Mayor Williams forged a partnership among the city, more than a dozen federal agencies, and several quasi-governmental organizations that owned the land along the waterfront, to commemorate the signing of the Memorandum of Understanding in a public event at the Washington Navy Yard.⁸¹ This partnership, known as the Anacostia Waterfront Initiative (AWI), set out to remake Washington’s relationship to the water and to build a world-class waterfront attractive to residents and tourists alike. A 30-year, \$8 billion project, it incorporated seven planning zones in four distinct DC political wards to transform 2,070 acres of environmentally degraded land sited in predominantly low-income communities.⁸² The initiative’s goals included sustainable development, economic stimulus, community engagement, watershed remediation, the promotion of green space, and the creation of a “lively urban waterfront for an international capital city.”⁸³

⁸¹ Avni and Fischler, “Social and Environmental Justice in Waterfront Redevelopment”.

⁸² Friedman and Andrews, “The Built Sport Spectacle and the Opacity of Democracy”.

⁸³ Government of the District of Columbia, *Resurgence of the Anacostia Waterfront: 15 Years of Progress Along the Anacostia River 2003-2018*. Washington: Office of Planning, 2018.

Figure 6. The Waterfront as Envisioned by the AWI with The Wharf Area Highlighted



Source: The Anacostia Waterfront Framework Plan

While residents discussed remediation of the Anacostia River and potential gentrification in neighborhoods along its shores, Mayor Williams made use of newly enabled legislative tools such as tax increment financing (TIF) and payment in lieu of taxes (PILOT) to finance the AWI.⁸⁴ The federal government showed its support for the AWI by rapidly transferring land via the Southeast Federal Center Public Private Development Act of 2000.⁸⁵ The federal government’s General Services Administration also played a key role in the process by choosing a waterfront location for the new headquarters of the US Department of Transportation.⁸⁶ A year later, the US Navy chose to consolidate the Naval Sea Systems Command regional headquarters to the Navy Yard in Near Southeast Washington, further bolstering market favorability and investor confidence in the city’s waterfront redevelopment.⁸⁷ These initial federal government investments created the conditions for the first wave of development and revitalization along the Anacostia River.

⁸⁴ Brandes, “Recapturing the Anacostia River”.

⁸⁵ *Southeast Federal Center Public Private Development Act of 2000*, US Code 106-407 (2000).

⁸⁶ Brandes, “Recapturing the Anacostia River”.

⁸⁷ Government of the District of Columbia, *The Anacostia Waterfront Framework Plan*. Washington: Office of Planning, 2003.

After several years in the planning process, in September of 2003 the AWI released the *Anacostia Waterfront Framework Plan*. In 2004, the District of Columbia Anacostia Waterfront Corporation Act Passed City Council. The Anacostia Waterfront Corporation (AWC) was organized as a municipal public-private entity, run by the DC Office of Planning, with a mandate to coordinate, remediate, and develop waterfront parcels of land which previously fell under the jurisdiction of multiple federal and local authorities.⁸⁸ The federal government catalyzed support for the AWI with the goal of tax-base expansion through passage of the Federal and District of Columbia Government Real Property Act of 2006, a key piece of legislation which transferred almost 200 acres of federally owned waterfront property from the federal government to the city.⁸⁹ Simultaneously, private developers initiated a second, much larger wave of investment in Southwest and Near Southeast, where the city government invested heavily in the development of a multi-million-dollar Major League Baseball stadium.⁹⁰ Today, some of the AWI's most notable projects include two sports arenas, the redevelopment and rebranding of Near Southeast as the Capitol Riverfront neighborhood, the creation of Yards Park, and the transformation of the Southwest waterfront of the Potomac River's Washington Channel into The Wharf.

Becoming The Wharf

Although the Southwest Waterfront redevelopment was in the planning process as early as 2002, The Wharf's Phase One development did not break ground until 2014. In the twelve years between the first formal redevelopment proposals and the start of work, The Wharf grew into the largest Planned Unit Development (PUD) in Washington's history, received the largest TIF deployment in the city's history, and required multiple intragovernmental land transfers.

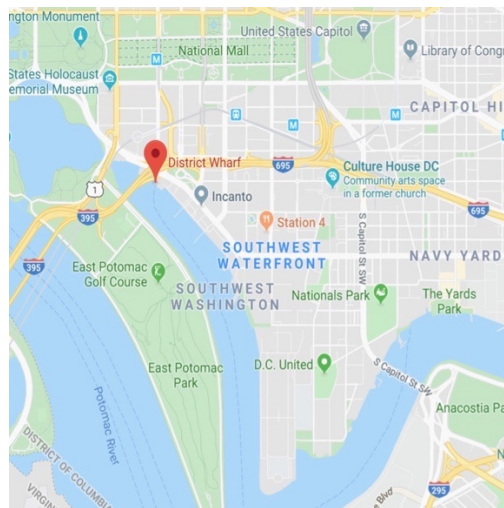
⁸⁸ Ibid.

⁸⁹ Amirtahmasebi et al, *Regenerating Urban Land*.

⁹⁰ Williams, "Beyond Gentrification".

Shortly after the AWC was formed by Mayor Williams and the City Council in 2004, a deal was struck with another quasi-public entity, the National Capital Revitalization Corporation, to convey a large piece of city property on the Southwest Waterfront to the AWC in exchange for other city properties.⁹¹ In 2006, the AWC announced that it would begin accepting proposals from private developers to redevelop the one-mile strip of waterfront property along the Potomac River. The proposed site encompassed 27 acres of land along the waterfront and 30 adjoining acres in the Potomac River's Washington Channel, including a historic, 200-year-old fish market on its western edge. Of the 17 companies to bid for the rights to revitalize the site, two teams were selected as finalists: Baltimore-based Struever Bros. Eccles and Rouse in partnership with PN Hoffman, and Madison Marquette in partnership with KSI.

Figure 7. Current Map of Southwest Waterfront



Source: Google Maps

Later that year, the AWC awarded the master development rights to Struever Bros. Eccles and Rouse, well-known for brownfield remediation and mixed-use redevelopment on Baltimore, Maryland's Inner Harbor, and PN Hoffman, a local residential developer with several

⁹¹ Roger K. Lewis, "Now Comes the Real Test: Putting the Southwest Development Plan Into Action" *The Washington Post* (November 11, 2006).

successful condominium projects throughout the city.⁹² The master development team was expected to immediately commence pre-development work with several dozen public, private, and public-private entities—and primarily with the District’s Office of the Deputy Mayor for Planning and Economic Development (DMPED) and the District of Columbia Office of Planning—in order to deliver what District Congresswoman Eleanor Holmes Norton championed would be “a pivotal transformation of perhaps the city’s most valuable underutilized site.”⁹³ City Council approved the land transfers for the project in April of 2007, at which point the DC Office of Planning, DMPED, and the selected development team began the master planning process and negotiation of financial terms.⁹⁴ In December of 2007, as negotiations neared completion on the Land Disposition Agreement, the Public Finance Agreement and the Development Agreement, the US economy entered the Great Recession.

During the Great Recession (2007-2009), The Wharf’s development process proceeded slowly. At the behest of the Mayor, City Council Chair Vincent Gray introduced Bill 17-591: The Southwest Waterfront Bond Financing Act of 2008. This key piece of legislation included the financing package provided by the city for the private development team to fund public infrastructure and improvements related to the project. The preliminary development plan presented in a public hearing for the Bill in May of 2008 called for approximately 450,000 square feet of rental housing, 600 condominiums, three 130-foot high hotels, up to 400,000 square feet of office space, 280,000 square feet of retail space, 150,000 square feet of dedicated arts and cultural space, five new parks, four new public piers, and a half-mile pedestrian and

⁹² Jonathan O’Connell, “New Partnership for SW Waterfront; Developer Signs Retail Specialist after Md. Firm Withdraws,” *The Washington Post* (May 24, 2010).

⁹³ “Hoffman-Madison Waterfront Opens The Wharf to the Public on October 12” *PR Newswire* (October 12, 2017).

⁹⁴ Council of the District of Columbia, Committee on Finance and Revenue, *Public Hearing on Bill 17-0591, “Southwest Waterfront Bond Financing Act of 2008”* (May 16, 2008).

bike-friendly promenade.⁹⁵ To fund the publicly owned infrastructure portions of the project, the legislation proposed the use of public funding through TIF and PILOT policy mechanisms, as well as the creation of a special area fund (see Appendix B).

A TIF is a public financing method in which a municipal government designates a special district and commits funding to help induce the private development or redevelopment of an otherwise underperforming or “blighted” area within the designated district.⁹⁶ The future tax revenue generated within the special district is used to pay off the initial redevelopment investment over time, typically a 30-year period. Although TIF designation rules vary by state, they all contain loose requirements that development or revitalization of an area would not occur “but for” the public subsidy.⁹⁷ Generally, a city will designate a targeted geographic area as a TIF district, award development rights to private market actors, and then the city and development teams will work together to analyze how much public financing is needed to supplement private funding. Then, the city will appraise the property values of all parcels within the proposed TIF district and assess a base property value.⁹⁸ The city will then set up a TIF district and provide the developer with the front-end funding (in the form of debt financing or bonds) necessary to ensure development. For the duration of the TIF district, the city will only spend taxes within the TIF district on the baseline estimated at year zero, with all other property tax revenues collected above the baseline going to pay off the TIF related development

⁹⁵ Ibid.

⁹⁶ Derek Hyra, *The New Urban Renewal: The Economic Transformation of Harlem and Bronzeville* (Chicago, The University of Chicago Press, 2008).

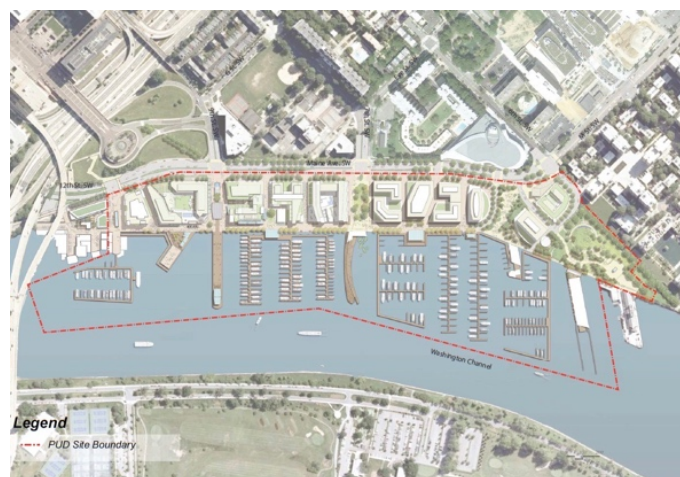
⁹⁷ Richard F. Dye, David F. Merriman, and Katherine Gould, “Tax Increment Financing and the Great Recession.” *National Tax Journal* 67, no. 3 (2014): 697-718.

⁹⁸ Robert T. Greenbaum and Jim Landers, “The Tiff Over TIF: A Review of the Literature Examining the Effectiveness of the Tax Increment Financing” *National Tax Journal* 67, no. 3 (2014): 655-674.

expenditures.⁹⁹ These districts usually terminate either 30 years after creation or upon the repayment of public funds.

TIF districts are frequently accompanied by PILOT agreements, which allow a developer to provide funding for a development project or another authorized use rather than paying real property taxes. The enabling legislative code in Washington, DC allows wide discretion regarding where and how PILOT funds are allocated by developers, as long as they are “in accordance with the terms of the PILOT agreement for any other use which will be deemed to contribute to the health, education, safety, or welfare of, or the creation or preservation of jobs for, residents of the District, or to economic development of the District, including the development, redevelopment, and expansion of business, commerce, housing, or tourism, or the provision of necessary or desirable public infrastructure improvements.”¹⁰⁰ With such vague requirements, PILOT funds are often used by local authorities as another tool to subsidize private development deals.

Figure 8. Southwest Waterfront TIF/PILOT area



Source: Government of the District of Columbia

⁹⁹ Ibid.

¹⁰⁰ *Pilot Agreements*, Government of the District of Columbia Code 1-308.02 (2004) <https://code.dccouncil.us/dc/council/code/sections/1-308.02.html>.

As noted above, the Southwest Waterfront Bond Financing Act of 2008 contained both TIF and PILOT enabling legislation. Passed unanimously by City Council, the legislation provided \$198 million in TIF/PILOT bonds to the developers of The Wharf to pay for the financing and construction of publicly owned infrastructure related to the project. Additionally, the legislation created a Southwest Waterfront TIF/PILOT district as well as a Special Assessment District to ensure debt service on the TIF/PILOT bonds. The Act also approved the use of the tax increment from the Downtown TIF for debt service on Southwest Waterfront TIF/PILOT bonds, if available funding from the project was inadequate.¹⁰¹ The \$198 million TIF would cover 14 percent of Phase One’s total projected cost of \$1.4 billion.¹⁰² In a 2008 public hearing before the Committee on Finance and Revenue, John Ross, Senior Advisor to the Chief Financial Officer for Economic Development, supported the project but noted that the legislation required the approval of “almost \$200 million before the area is zoned, before the land disposition agreement is complete, before the final size and configuration of the development is known, before the development brings any equity or debt commitments to the project, and before the amount of TIF/PILOT funds actually needed for the project can be estimated.”¹⁰³ Nonetheless, the Bill was adopted on the first reading, was signed by DC’s Mayor Fenty one month later, and was then transmitted to the US Congress for review and final approval.

The Southwest Waterfront Bond Financing Act became effective in October of 2008. Several months after the passage of the Southwest Waterfront Bond Financing Act, City Council approved the Land Disposition Agreement (LDA) with the master development team, a key

¹⁰¹ *Southwest Waterfront Bond Financing Act of 2008*, Government of the District of Columbia Law 17-252 (2008).

¹⁰² TIF funds have been deployed in stages: in 2015, \$145.5 million was released via project revenue bonds to cover Phase One infrastructure costs, with the additional \$52.5 million allocated for unspecified Phase One and Two expenses.

¹⁰³ Government of the District of Columbia, Committee on Finance and Revenue, *Public Hearing on Bill 17-0591, “Southwest Waterfront Bond Financing Act of 2008”* (May 16, 2008). Testimony of John Ross.

agreement which enabled the city to provide a free, 99-year lease—assessed at \$95 million—to the developers, bringing the city’s public project subsidies to \$293 million.¹⁰⁴ The developers were required to follow Anacostia Waterfront affordable housing provisions since they were within the Anacostia Waterfront Development Zone, which mandated that no less than 30 percent of all new residential units be affordable to low- and moderate-income households.¹⁰⁵ Half of all affordable housing were to be attainable for households making 30 percent of the area median income (AMI) and the other half of affordable units were to be designated for households making 60 percent of the AMI. As executed in 2008, the LDA did not contain a cap on Phase One affordable housing units, nor did it contain workforce housing units.

Describing the complicated land acquisition process in a Zoning Commission Public Hearing in July of 2011, PN Hoffman CEO Monty Hoffman testified, “this land has gone through several inner-city transfers, from the NCRC to AWC and then to the Deputy Mayor’s Office. In the beginning, the city only controlled about 60 percent of the waterfront. The rest belonged to five independent long-term lease holders for which Hoffman-Madison had to negotiate transaction agreements with in order to develop the waterfront.”¹⁰⁶ Similarly, Advisory Neighborhood Commission 6D Chairperson Gail Fast noted, “it took a really long time, just figuring out the land—who was going to sell it, how they were going to sell it, who they were going to sell it to, whose land it was...that was a big initiative that Congresswoman Norton was the champion of doing.”¹⁰⁷ However, at the same time as the city and the master developers worked out land transfers, the Great Recession was at its peak, jeopardizing the fate of the

¹⁰⁴ *Southwest Waterfront Bond Financing Act of 2008*, Public Hearing (May 16, 2008).

¹⁰⁵ *Provisions applicable to development projects located within the Anacostia Waterfront Development Zone*, Government of the District of Columbia Law 2-1226.02 (2003).

¹⁰⁶ Government of the District of Columbia, *Zoning Commission Public Hearing on Case Number 11-03*. (July 18, 2011) Testimony of Monty Hoffman, p. 45.

¹⁰⁷ Fast, interview.

project. The economic downturn hit master development partner Struever Brothers hard, forcing the company to walk away from its role in The Wharf.¹⁰⁸ To keep the project alive, Monty Hoffman injected millions of dollars of personal preconstruction capital into The Wharf, and in May of 2010, PN Hoffman brought retail specialist (and former competitor for The Wharf's development rights) Madison Marquette onto the development team.

Madison Marquette was an ideal partner for PN Hoffman for several reasons. Madison Marquette had successfully developed mid- and large-scale mixed-use projects on East and West Coasts, and more importantly, the company was well connected to institutional and private investors across the globe and offered the project financial stability.¹⁰⁹ Amer Hammour, Chairman of Madison Marquette, was simultaneously a successful real estate developer and managing director of Capital Guidance Corporation, a multi-billion-dollar international investment firm specializing in investment management, global industrial services, and international financial services. In an interview about the addition of Madison Marquette to The Wharf's development team, Washington's Deputy Mayor for Planning and Economic Development Valerie Santos candidly said, "most critical for us is that Madison Marquette will be injecting capital into the project, which will push the pre-development process."¹¹⁰ After joining the master development team, Madison Marquette injected \$65 million into the project to fund it through the entitlement process.¹¹¹ For the next several years, Amer Hammour traveled the world seeking investors for The Wharf.

¹⁰⁸ O'Connell, "New Partnership for SW Waterfront".

¹⁰⁹ Ibid.

¹¹⁰ Ibid, p. 2.

¹¹¹ Michael Neibauer, "Deal of the Year: The Wharf" *Washington Business Journal* (May 1, 2015)

Figure 9. The Wharf's Phase One Rendering



Source: Hoffman-Madison Waterfront

In 2011, after years in the zoning and pre-development process, the Zoning Commission approved Phase One of the Wharf's Planned Unit Development (PUD). The redevelopment plan changed the project design and the affordable housing requirements from those listed in the 2008 pre-Great Recession LDA. The 2011 PUD now proposed "11 mixed-use building parcels, a number of smaller landside and waterside structures, four major plazas, one large park, a waterfront promenade/shared space known as 'The Wharf,' as well as public and private piers,"¹¹² and was projected to create \$40 million in annual tax revenue for the city upon completion.¹¹³ Regarding affordable housing, while the original LDA required that the developer satisfy the city's affordable housing minimum and make 30 percent of all housing units affordable at 30 and 60 percent of AMI, the finalized PUD loosened the affordability requirement through the use of inclusionary zoning guidelines and made affordability mandatory only for the first 500 units produced, with any housing produced thereafter subject to much less stringent workforce housing requirements. These changes occurred without community involvement— one member of Southwest Resident Action Coalition noted in an interview with

¹¹² Government of the District of Columbia, Zoning Commission *Public Hearing on Case Number 11-03* p. 4.

¹¹³ *Ibid.*

the authors that “around the reduced affordability, no, there was no conversation with the community, no, because the community would have been very upset that you promised us one thing and you gave us another. And a lot of folks around the city were very upset with this 11th hour change.”¹¹⁴

In the finalized PUD, 30 percent of the first 500 housing units produced were required to be set aside as affordable. Half of the affordable units were reserved for those making 30 percent or less of AMI (\$26,000 for a family of two) and the other half were reserved for those making 60 percent or less of AMI (\$52,000 a year for a family of two).¹¹⁵ For the first 80,000 square feet of housing after the initial 500 units, the developer would provide no less than 20 percent “workforce” rate housing units at 100 percent of AMI.¹¹⁶ After 80,000 square feet, 20 percent of housing produced was required to be reserved for those making no more than 120 percent of AMI.¹¹⁷ All housing units produced outside of workforce housing requirements could be sold or rented at the market rate. Other public benefits detailed in the PUD included a first source employment agreement, a certified business enterprise agreement, and the creation of a business improvement district (BID) in Southwest.¹¹⁸

That same year, Washington, DC Congresswoman Eleanor Holmes Norton introduced two bills in Congress which were critical to The Wharf’s development. The first bill transferred more parcels of land along the water in the Southwest Waterfront TIF district, clarified the city’s ownership of other parcels of the waterfront, and reduced land use restrictions. The second bill renamed a portion of the waterfront and the adjacent riparian area as The Washington Channel,

¹¹⁴ Authors’ interview with member of Southwest Action Resident Coalition on June 18, 2020.

¹¹⁵ Ibid.

¹¹⁶ Ilana Boivie, “Lessons from the Waterfront: Economic Development Projects Must Do More to Lessen DC’s Worsening Economic Inequality” *DC Fiscal Policy Institute* (October 12, 2017).

¹¹⁷ Ibid.

¹¹⁸ Government of the District of Columbia, Zoning Commission *Public Hearing on Case Number 11-03*.

and expanded water and building rights.¹¹⁹ Aided by the hiring of a professional lobbyist, these bills passed through two different Congressional Committees, were combined into one bill, and then signed into law in July of 2012.¹²⁰ Between 2010 and 2012, city government spent an additional \$4.1 million on contracts for the project, bringing total city expenditure on The Wharf to \$297.1 million.¹²¹

Table 2. The Wharf’s Public Subsidies

| Type of Subsidy | Amount |
|---------------------------|-----------------|
| TIF/PILOT | \$198 million |
| 99-year land lease | \$95 million |
| Expenditures on contracts | \$4.1 million |
| Total | \$297.1 million |

In early 2014, after spending several years traveling the world seeking capital, The Wharf development team secured a \$220 million equity investment from the Canadian Crown Corporation PSP Investments, a \$136 billion firm which saw The Wharf as a prime way to invest in the global trend of mixed-use, waterfront mega-project development.¹²² A few months later, construction began on Phase One of The Wharf. In 2015, thanks in part to the financial security provided by initial public and private investments, Hoffman Madison Waterfront received the rest of The Wharf’s Phase One financing in the form of a \$400 million loan from a bank syndicate composed of Wells Fargo, Bank of America, SunTrust Bank, United Bank, M&T Bank, and BB&T Bank.¹²³ Additionally, a *Washington Business Journal* article exploring the composition of financing for Phase One reported a total of \$270 million in private equity in the

¹¹⁹ Congressional Documents and Publications, “Norton’s Southwest Waterfront Bill Culminates with Grand Opening of Phase I of the Wharf, Tomorrow” *Federal Information and News Dispatch* (October 11, 2017).

¹²⁰ Government of the District of Columbia, Zoning Commission *Public Hearing on Case Number 11-03*.

¹²¹ Boivie, “Lessons from the Waterfront”.

¹²² Daniel J. Sernovitz, “Exclusive: The Wharf’s Canadian Investor Breaks its Silence—PSP Believed in The Wharf Plan—and Backed it with Big Money” *Washington Business Journal* (October 5, 2017).

¹²³ Michael Neibauer, “The Wharf is Now Fully Financed. Here’s How Much They Needed” *Washington Business Journal* (September 8, 2015).

project’s Phase One – of which \$220 million was provided by PSP Investments – leaving an additional \$50 million in private equity still unaccounted.¹²⁴ While the total amount and composition of private investment for Phase One is not publicly available, in mid-2019 Hoffman Madison negotiated an \$800 million dollar refinancing loan to cover the debt it took out for The Wharf’s Phase One development.¹²⁵

Table 3. The Wharf’s Identified Phase One Private Financing

| Investor | Type | Amount |
|---------------------------|------------------|----------------|
| PSP Investments | Private Equity | \$220 million |
| Wells-Fargo-led Syndicate | Debt | \$400 million |
| Madison Marquette | Developer Equity | \$65 million |
| Unidentified Investors | Private Equity | \$50 million |
| PN Hoffman | Developer Equity | unknown amount |
| Identified Total | | \$735 million |

The Southwest Business Improvement District

At the same time as the developers worked out zoning conflicts and Congress passed the enabling legislation, major business interests in the area on and adjacent to the development site began organizing to form a business improvement district (BID) in Southwest. BIDs gained popularity in Washington in the mid-1990s at the same time as TIFs and PILOTs, and are geographically bounded, legislatively created districts in which additional taxes are levied from area businesses, allocated to a nonprofit organization made up of vested business- and property-owners, and applied towards the enhancement of the local business climate, economic growth, job creation, or towards supplemental BID activities such as holiday decorations, branding and

¹²⁴ Ibid.

¹²⁵ Daniel J. Sernovitz, “The Wharf Locks in a Major Refinancing Deal” *Washington Business Journal* (June 10, 2019). The total cost of Phase One was \$1.4 billion. Through publicly available records, we have accounted for \$297.1 million in public subsidy and \$735 million in identified private financing for this phase, totaling \$1.03 billion. We still have not identified the origins of the additional \$367.9 million contributed for Phase One.

marketing, security, maintenance of public space, and transportation.¹²⁶ Like TIF and PILOT legislation, a BID is a public policy tool for stimulating local economic growth utilizing a public-private-partnership model in which a city government supports private market-led, business-oriented economic growth and urban redevelopment. Although TIF, PILOT, and BID are all tax policy mechanisms, TIFs and PILOTs generally focus on attracting private redevelopment and the creation of new physical space while BIDs tend to focus on the maintenance of a clean, safe, and well branded business environment. To create a BID in Washington, a non-profit corporation must be formed for the express purpose of economic growth and improved business climate in a proposed area, and gain written support of the property owners holding at least 51 percent of interest in the proposed BID and at least 25 percent of support of those owning individual taxable properties, not including condominiums, in addition to going through an application review process.¹²⁷

Although BIDs tend to be lauded by supporters as mechanisms for grassroots community development, Washington's BID legislation requires that each BID contain a Board of Directors whose majority is made up of property owners rather than non-property-owning community members. Once formed, BIDs may use BID tax revenue on the planning, delivery, and management of services and activities designed to create economic growth, improve business climate, and financially benefit the BID or its members.¹²⁸ Thus, BID legislation empowers business-led, place-based economic growth more than it empowers other area stakeholders or grassroots forms of community economic development. While BIDs are required to have their Board of Directors made up of at least 51 percent property owners, they are not equally required

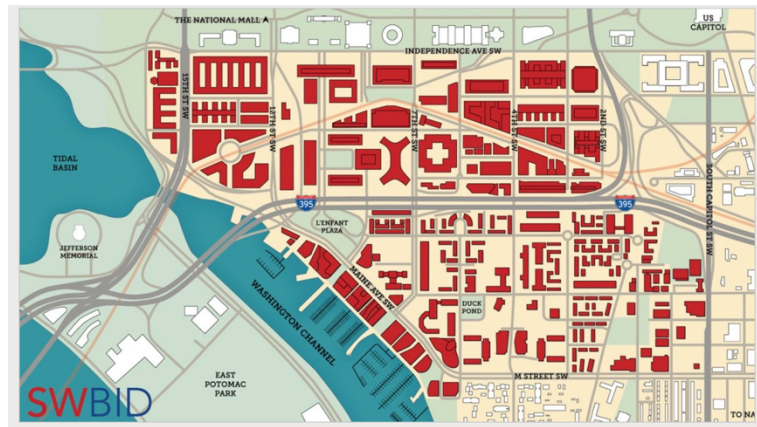
¹²⁶ Schaller, *Business Improvement Districts and the Contradictions of Placemaking*.

¹²⁷ *Business Improvement Districts Act*, Government of the District of Columbia Law 11-34 (1996).

¹²⁸ *Ibid*.

to have a single non-property-owning community member on the Board of Directors. Furthermore, a BID's Board of Directors is not subject to elections, term limits or community oversight, nor is BID spending subject to community review. In all the above-mentioned ways, BIDs tend to limit widespread citizen participation and representation and amplify the voices of vested business interests.

Figure 10. Southwest Business Improvement District Map



Source: Southwest Business Improvement District

Formed in 2014, The Southwest BID (SWBID) spans 500 acres south of the National Mall and encompasses three distinct areas: Southwest's residential neighborhood, The Wharf, and Federal Center South, home to 26 federal agencies.¹²⁹ It is bounded north and south by Independence Avenue and by the Potomac River's Channel and M Street Southwest and extends east to west from 15th Street Southwest to South Capitol Street. Launched formally in 2016, the SWBID collected \$1.47 million in business taxes for the fiscal year 2016, a noteworthy number considering the number of large, tax-exempt federal properties within its boundaries. With this revenue, the SWBID focused on "beautification and lively programming" and championed "major successes in cleanliness, staff development and space activation in Southwest DC."¹³⁰

¹²⁹ Southwest Business Improvement District, "Annual Report" (2016).

¹³⁰ Ibid, p. 2.

Although the SWBID is a nonprofit, local, public-private partnership, its Board of Directors contains executives from regional and global investment, development, and hospitality firms including MetLife Investment Management, CityPartners, the Holiday Inn, the General Services Administration (a federal agency), and The Wharf's master developer Hoffman-Madison Waterfront. Chairman of the Board Geoffrey Griffis also acts as DC Commissioner of the National Capital Planning Commission, having been appointed by the Mayor in 2015. Describing some of the SWBID's main activities, Executive Director Steve Moore noted a partnership role in the local shuttlebus, the BID's close relationships with The Wharf, major concert venues, hotels, the Smithsonian's South Campus, several privately owned museums, and other entertainment and cultural venues within the BID's boundaries, and defined the BID's mission as one of supporting a healthy tourism ecosystem.¹³¹ Now in its sixth year, the SWBID collected \$2.4 million in tax revenue for fiscal year 2019, which its Annual Report states is applied to the goals of community cohesion, better parks and public space, mobility solutions, and expanding opportunity.¹³² In keeping with the city's BID spending requirements, the SWBID activities in recent years include an autonomous vehicle pilot project, the establishment of Southwest as a Mobility Innovation District, data collection on pedestrian traffic flow, a video series featuring Southwest neighborhood residents, a "Pocket Change" community micro-grant competition, and community events including community dinners in a park every Sunday evening in August.¹³³ The SWBID helps to maintain a cohesive, business-friendly environment in and near The Wharf.

¹³¹ Authors' interview with SWBID Executive Director Steve Moore on 2/8/2020.

¹³² Southwest Business Improvement District, "Annual Report" (2019).

¹³³ Ibid.

Community Participation and Benefits

There were a variety of ways citizens living near the Wharf influenced its development. When describing The Wharf's PUD process, Development Review and Zoning official Joel Lawson at the DC Office of Planning noted that "the planned unit development process is also very, very public. ANC's are heavily involved. Communities are heavily involved. All of the zoning commission actions are made at public meetings and they hold public hearings...so it's not just DC agencies and the zoning commission who are commenting; it is also the neighborhood."¹³⁴ However, while accurate, the above quote could be misleading: not all comments made by members of the neighborhood were heard equally or carried equal weight with the zoning commission. In the case of The Wharf, community members who owned property and who were well organized by condominium boards tended to support the project and appeared to be more influential in the PUD process than low-income community members who rented their homes and tended to be critical of the project. Even among Southwest's homeowners and public representatives, support was conditional, and sometimes controversial.

Shortly after the project was awarded to Hoffman-Struever in 2007, the master development team, in partnership with several city agencies, local officials, and local organizations, began creating community working groups to advise on different aspects of the project. These included the Wharf Development Advisory Group, the Wharf Community Construction Committee, the Wharf Community Benefits Committee, and the Southwest Waterfront Heritage Group.¹³⁵ The Wharf Development Advisory Group, made up of City Councilmembers from four City Council political districts, several local Advisory Neighborhood

¹³⁴ Authors' interview with Joel Lawson of the DC Office of Planning on 2/28/2020.

¹³⁵ Hoffman Madison Waterfront, "Wharf Community Benefits: CBE/Apprenticeship/Affordable Workforce Housing Achievements" Internal Report (Hoffman Madison Waterfront) Unpublished. (2020).

Commissioners, and workforce and business development representatives, acted as the main vehicles for the area’s public agency partners, business interests, and local representatives to organize and voice their concerns to the master developer.¹³⁶ Of the four community working groups, only the Wharf Community Benefits Committee (CBC) included tenants or representatives from the neighborhood’s public housing developments.

In July of 2011, after hundreds of meetings between community, public, and private stakeholders spaced out over several years and just as the PUD was under public review, the Advisory Neighborhood Commission (ANC) met and voted unanimously in favor of Phase One of The Wharf.¹³⁷ However, the ANC also provided Hoffman-Madison a list of 28 major concerns that those in the community had with the proposed PUD, which ANC Chairman Andy Litsky described in the July PUD Hearing as ranging from “items on bus traffic, the Gangplank Marina, a dedicated walkway along the Washington Channel, the Waterfront Park construction staging, streetcars, parking south of M Street and east of 6th Street, transportation embellishments, maintaining existing tree canopy, prohibition on internet gaming, liquor licenses, official office space, parks within the development, and the Titanic Memorial.”¹³⁸ ANC Chairman Litsky also voiced ongoing concerns regarding traffic congestion, environmental issues, and the large capacity and impact of several proposed entertainment venues.¹³⁹ In an ANC meeting one month later, citing ongoing conversations with Hoffman-Madison, the ANC voted unanimously in favor of the PUD even though community members continued to voice project concerns.

¹³⁶ The Wharf, “Engaging in Community Development” (2020) <https://www.wharfdc.com/building-our-community/engaging-community-outreach/>.

¹³⁷ Government of the District of Columbia, *Advisory Neighborhood Commission 6D Meeting Minutes from July 11, 2011*.

¹³⁸ Government of the District of Columbia, Zoning Commission *Public Hearing on Case Number 11-03*. Testimony of Andy Litsky, p. 226.

¹³⁹ *Ibid.*

The Wharf's PUD also gained support from other important community organizations, with both the Near SE-SW Community Benefits Coordinating Council (CBCC) and the Southwest Neighborhood Assembly (SWNA) providing conditional approval of the project during PUD zoning hearings. CBCC Chairperson Rev. Ruth W. Hamilton, speaking on the living memory of urban renewal, stated in her testimony:

As residents of Ward 6 and specifically ANC6D, we are aware that within our community we have neighbors within a few blocks of this massive development living generation to generation in deep poverty and wary of promises that development will benefit them rather than remove them. Southwesterners see any new redevelopment as the chance to right the wrongs that were done to a community in the Urban Renewal of the 50s and 60s. Unless the current residents of this neighborhood are specifically targeted for services and preferences, it is as if the memory of the first removal had been forgotten.¹⁴⁰

Thus, while CBCC leadership expressed support for the project, they also explicitly voiced the need for housing and employment guarantees for area residents, a formalized process and an ongoing role in implementing and monitoring the delivery of benefits, and continued partnership in community enrichment and services, including the construction of a new community center.¹⁴¹ Altogether, The Wharf gained conditional or full support from over a dozen neighborhood stakeholders including Saint Augustine's Parish, The Anthem, the National Capital Planning Commission, Tiber Island Cooperative, Gangplank Marina, SWNA, CBCC, Riverside Baptist Church, Westminster Presbyterian Church, and several of whose organizational executives include ANC and city council representatives. However, residents on 6th Street and M Street, as well as Tiber Island Community residents and some residents of the Gangplank Marina live-aboard community continued to voice project opposition.¹⁴²

¹⁴⁰ Government of the District of Columbia, Zoning Commission *Public Hearing on Case Number 11-03* Testimony of Rev. Ruth W. Hamilton.

¹⁴¹ Ibid.

¹⁴² Ibid, p. 139.

The Wharf’s Phase One PUD contained several guarantees meant to protect and enrich DC’s low-income residents. Hoffman-Madison entered into a Certified Business Enterprise Agreement to achieve, “at a minimum, a 35 percent participation by small, local and disadvantaged businesses in the contracted development costs for the design, development, construction, maintenance, and security for the project to be created as a result of the PUD” and also committed to “set aside 20 percent of the retail space for ‘unique’ and/or ‘local’ businesses.”¹⁴³ Hoffman-Madison also entered a First Source Employment Agreement with the city’s Department of Employment Services to fill half of all project-related jobs with District residents—with at least 20 percent of hires from Ward 8, 30 percent of new apprenticeships filled by people living in Wards 7 and 8, (the lowest income and predominately African American areas of the city), and with the Department of Employment Services acting as primary recruiter and workforce intermediary.¹⁴⁴ Other PUD designated community benefits included public parks and cultural space, a workforce intermediary program, affordable housing minimum requirements, and the maintenance and upgrading of the Capital Yacht Club and the historic Fish Market.

Phase One Delivered

In October of 2017, The Wharf’s Phase One was delivered. Spanning 2.2 million square feet and at a total cost of \$1.4 billion, Phase One includes two office buildings, two apartment buildings, two condominium buildings, 31 restaurants, three concert venues, three hotels, four piers, three parks, upgrading of the fish market and the Arena Stage, and the development of additional public infrastructure.¹⁴⁵ It boasts 500,000 square feet of office space, 190,000 square

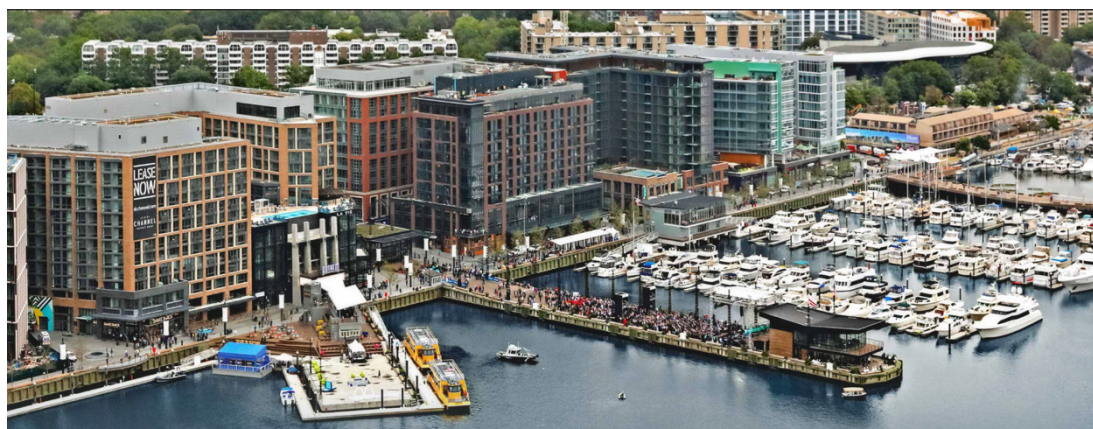
¹⁴³ Ibid. p. 15.

¹⁴⁴ Ibid.

¹⁴⁵ Daniel J. Sernovitz, “The Story of Monty Hoffman, The Wharf, and What’s Ahead” *Washington Business Journal* (October 5, 2017).

feet of retail and restaurant space, 140,000 square feet of cultural and entertainment space, 1,475 underground parking spaces, and 690 hotel rooms. Regarding tax-base expansion, current estimates show that by the completion of Phase Two in 2022, The Wharf will generate approximately \$70 million in annual tax revenue for the city, which would allow the TIF bonds to be paid off in record time.¹⁴⁶

Figure 11. The Wharf's Phase One Completed



Source: Hoffman Madison Waterfront

Housing Costs at The Wharf

Of the 870 residential units produced in Phase One, 649 are rental units and 220 are for-purchase townhomes and condominiums. Of the rental units, 101 are studios which average 375 square feet and command a market-rate rent of approximately \$2,000 per month, 297 are one-bedroom units which average 640 square feet and command a market-rate rent of between \$2,500 to \$3,500 per month, and 151 rental units are two-bedroom units averaging 900 square feet and at a market-rate rent of between \$3,700 to \$5,000 per month.¹⁴⁷ Residents of rental units at The Wharf also pay amenities fees of between \$450-750 per year, and are subject to additional

¹⁴⁶ PR Newswire, “Construction Begins on Second Phase of The Wharf” (Mar 30, 2019). However, it is important to note that with the COVID-19 pandemic national recession this is now unlikely.

¹⁴⁷ DC Refined, “By the Numbers: Breaking Down everything coming to the Wharf” (October 09, 2017). <http://dcrefined.com/city-living/by-the-numbers-breaking-down-everything-coming-to-the-wharf>

parking, storage, service and maintenance, and community space rental fees. As required in the PUD, only 150 units, all of which were rental units and not units for purchase, were made affordable for those making 30 percent and 60 percent of area median income.¹⁴⁸ However, a third of affordable units have footprints of only 330 square feet, making them unsuitable for couples or families.¹⁴⁹ A total of 74 units of workforce housing rental units, affordable to those making up to 120% of AMI, were also produced during Phase One. Of the 220 townhomes and condominiums produced, square footage ranges from 480 to 2700 square feet and floorplans vary from studios to three-bedroom units. Prices start at \$500,000 for a studio and increase precipitously with additional square footage—asking price for larger units frequently exceeds \$1.5 million.¹⁵⁰

Thus, a studio unit for purchase at The Wharf costs more than double the national median home value of \$229,700, and a three bedroom condominium for purchase can cost up to 6.5 times the national median home value.¹⁵¹ Even considering that Washington is one of the most expensive housing markets in the country, with the citywide median home value resting at \$617,900, units at The Wharf remain costly. Moreover, the delivery of The Wharf’s Phase One is associated with a significant increase in property values in adjacent neighborhoods across Southwest—with property values rising from an average of \$600,000 to \$990,000 in less than 3 years.¹⁵² Land without developed property has also seen a swift increase in value, and as Advisory Neighborhood Commission 6D Chairperson Gail Fast noted in a recent interview, “of course with the development of The Wharf the land value is extremely expensive. And it is very,

¹⁴⁸ Boivie, “Lessons from the Waterfront”.

¹⁴⁹ Afro, “Black Residents Say District Wharf Brings More Gentrification” (October 18, 2017).

¹⁵⁰ DC Refined, “By the Numbers”.

¹⁵¹ US Census Bureau, American Community Survey, 2018.

¹⁵² Moore, interview.

very hard for developers to get in there and to develop properties that can keep Southwest culturally and economically and socially diverse.”¹⁵³ Due to its very high rents, the rise in adjacent property values, and the subsequent development boom that followed Phase One, some DC residents associate The Wharf with gentrification. A recent report from the local community organization Southwest DC Action Resident Coalition found that “gentrification in the Southwest Waterfront neighborhood is largely fueled by the selling of public land cheaply such as The Wharf...the result is expensive, single-person housing that is not helpful to the middle class, families, African Americans, seniors, or couples looking to start a family.”¹⁵⁴

Although supporters of The Wharf claim job creation as a major economic benefit of this mega-project, the quality and accessibility of such jobs is contested by union advocates and labor policy experts. The Wharf created 1,000 new permanent service sector jobs and between 650 and 1,000 temporary construction jobs, of which 50 percent were filled by city residents.¹⁵⁵ However, despite large public subsidies, the city failed to require The Wharf to enter into any sort of arrangement with local labor unions, nor did it require the creation of a project labor agreement or a labor peace agreement. Recent analysis from the DC Fiscal Policy Institute found that if developers and associated businesses entered into labor and peace agreements, each worker at The Wharf could have earned up to an additional \$11,000 per year, gained health care and retirement benefits, and collectively gained an additional \$13.2 million in yearly earnings.¹⁵⁶ Less than one month after the opening of Phase One, a coalition of labor unions argued in front of the city’s zoning commission that the project fostered low-quality jobs, priced working-class

¹⁵³ Fast, interview.

¹⁵⁴ Southwest Action Resident Coalition, “Promoting Social and Economic Equity in Southwest-Waterfront” (May 2020).

¹⁵⁵ “The Wharf (Southwest Waterfront) Phase One,” Government of the District of Columbia, Office of the Deputy Mayor for Planning and Economic Development, accessed May 20, 2020, <https://dmped.dc.gov/page/wharf-southwest-waterfront-phase-1>.

¹⁵⁶ Boivie, “Lessons from the Waterfront”.

families out of the city, and violated the city’s Comprehensive Plan.¹⁵⁷ While The Wharf developers upheld their agreement to hiring minimums, the jobs created were largely non-union temporary construction jobs and part-time minimum-wage service sector jobs which do not provide a wage commensurate with local living costs and lack critical benefits such as healthcare, paid sick leave, family leave, or a retirement plan. Thus, few of those who work at The Wharf can afford to live there.¹⁵⁸

Aside from the rapid increase in housing costs associated with the development of the Wharf, multiple stakeholders in Southwest have mentioned concerns regarding the development’s inclusivity. In a recent interview, Matthew Jesick of the DC Office of Planning noted, “it does have somewhat of an air of exclusivity...one thing we required through the PUD was a certain number of local retailers, or a certain percentage. And I think that we anticipated that would mean less expensive or more retail, or restaurants that are in touch with the people or the neighborhood.”¹⁵⁹ Similarly, Southwest resident and founding member of the Southwest Action Resident Coalition Coy McKinney, articulating long-term community-members’ perception of The Wharf, “it’s not, to my conversations with other Southwesterners, it’s not really for us” and that “when the new residents are coming at the expense of old residents and the cost of living is increasing, which makes it harder for long-time residents or residents who don’t make a whole lot of money to stay here, then it becomes troublesome. So it’s pretty much been like the standard formula for gentrification.”¹⁶⁰ And while both the city and developers champion the public spaces and amenities that The Wharf’s development provides, a 2017 article in *The*

¹⁵⁷ Sara Gilgore, “The Wharf’s Phase II is Up Next—And With it Comes Opposition” *Washington Business Journal* (November 2, 2017).

¹⁵⁸ Boivie, “Lessons from the Waterfront”.

¹⁵⁹ Authors’ interview with Matthew Jesick of the DC Office of Planning on 2/28/2020.

¹⁶⁰ Authors’ interview with Coy McKinney of Southwest Action Resident Coalition on 6.12.2020.

Georgetown Voice cautions, “out of the full 74 acres of land and water space developed in the Wharf project, only ten are allotted as public space. In the view of this editorial board, the trend around this country of using public money to fund private investments is dangerous, and city governments and their citizens should be extremely wary of such projects.”¹⁶¹ Furthermore, while The Wharf’s proponents laud the developers for high levels of community engagement, it is unclear whether this was the result of developer initiative, or rather the result of mandates built in the PUD coupled with an active and organized community determined to avoid the mistakes of prior urban renewal efforts.

Lesson Learned

Phase One of this monumental multi-billion-dollar mega-project provides important lessons regarding place-based economic development, public financing mechanisms, and methods for equitable redevelopment in urban areas—especially for places living with the lasting consequences of urban renewal and displacement. First, the assemblage and transfer of the land was critical to the success of The Wharf. As noted throughout this report, the land originally fell under multiple city and federal jurisdictions and required several intra- and inter-governmental land transfers as well as three acts of Congress before the developers could break ground. Once the city had complete ownership of the land parcels that would become The Wharf, the land disposition agreement was negotiated through a protracted process with DMPED and the development team. Second, TIF and PILOT public subsidies were important for debt financing and public infrastructure development, which may have helped the developers attract critical private investment, such as the \$220 million in equity from Canadian Crown Corporation PSP Investments. Lastly, the development will likely be a financial success for the city. As noted,

¹⁶¹ The *Georgetown Voice*, “DC Wharf Brings Up Familiar Problems” (October 27, 2017).

once Phase Two is completed, it is estimated that the overall project will generate \$70 million annually in tax revenue.¹⁶² With this estimated future tax revenue, the TIF bonds will likely be paid back in full in a timely manner.

Although The Wharf has succeeded in expanding the city's tax base, economic growth has not reached all of Southwest's residents equally. When asked about the overall economic impact of The Wharf on the surrounding area, Joel Lawson of the DC Office of Planning stated, "I don't think that it's had the kind of spinoff effect that you might've expected for a development this size, and I think that's hopefully going to happen...it's still a little bit of a work in progress."¹⁶³ Similarly, while The Wharf's development has been associated with increased land value of those who own property in Southwest, it has also exponentially increased the cost of rental units without providing commensurate labor or housing protections—and it did so in a city section that is home to a large population of low-income families. In fact, in the same year The Wharf's Phase One was completed, a nearby public housing project, Greenleaf, was slated for redevelopment, which might mean the displacement of a sizable portion of the area's low-income residents of color.¹⁶⁴ The rapid increase in high-end property and amenities combined with a swift influx of new residents has resulted in an overall tighter and more expensive Southwest housing market, which could end up forcing more low-income people out of the neighborhood.

Additionally, the city missed the opportunity to secure a sizeable amount of affordable housing from the developers and thus allowed the development team to bypass important public

¹⁶² At this point we are cautious about deeming this project a financial success as the current COVID-19 health and economic crisis might change the financial trajectory of Phase Two as well as future tax revenue from Phase One of this project.

¹⁶³ Lawson, interview.

¹⁶⁴ District of Columbia Housing Authority, "Greenleaf Redevelopment Plan." (2017) <http://www.dchousing.org/docs/tjxnuk016.pdf>.

benefits. As community activist Coy McKinney succinctly states, “We get that in order to solve this affordable housing crisis you really have to build new houses. Our analysis is that it is important to focus on what type of units are built. You can’t just say build, build, build and expect the market to do something it has never done, which is actually address social justice issues. You have to be specific about targeting affordable housing and making that a priority.”¹⁶⁵ Furthermore, while the city and the developers champion the public parks, promenades, and piers created (in large part with the help of public subsidy) through the course of this mega-project, it is unclear whether the infrastructure and 10 acres of open space delivered ultimately justifies nearly \$300 million in public subsidies or whether long-term, low-income Southwest residents are still able to reside in the neighborhood and enjoy the newly developed public space. And, while the redevelopment of Southwest and the creation of The Wharf did not repeat the direct displacement that occurred during the urban renewal of the 1950s and 1960s, the city and the developers did not provide protections to keep the neighborhood affordable to low-income long-term residents, thus continuing urban renewal’s tradition of indirect, cultural, and exclusionary displacement to a certain extent. Indeed, the question remains: In the face of such large-scale, growth-oriented redevelopment, will Southwest’s low-income residents be able to remain in place long enough to reap the economic or social benefits, or will this massive redevelopment project simply result in another wave of displacement from the surrounding area?

Conclusion

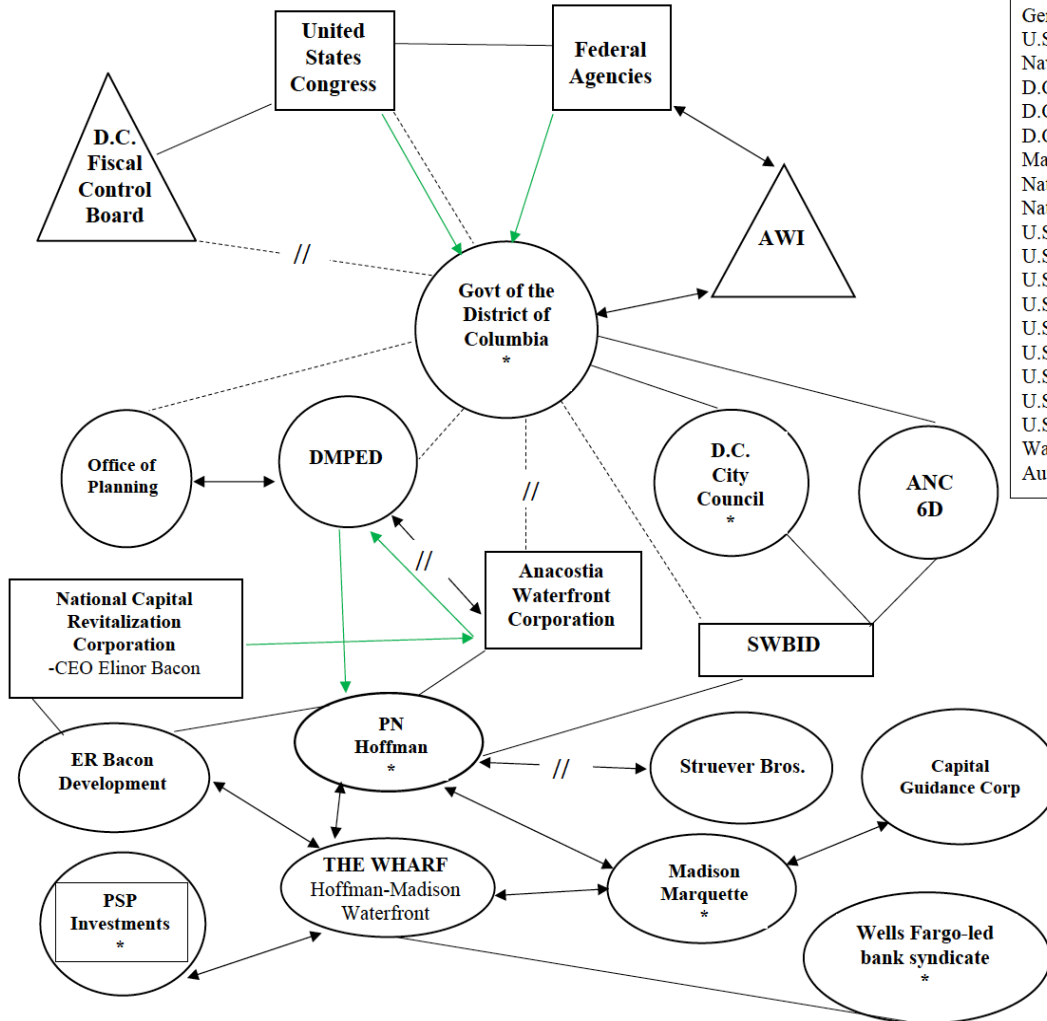
This report investigated the financial challenges and community benefits associated with the Phase One development of The Wharf, a multi-billion-dollar waterfront mega-project. The project seems to be on track to provide the city with advanced economic growth; however, there

¹⁶⁵ McKinney, interview.

are several important questions regarding equity and inclusion at and near this development site. To understand whether The Wharf truly accomplished inclusive and equitable growth, further research is needed to follow the trajectory of the area's public housing projects as well as their residents. By tracking Phase Two's development and the simultaneous outcomes at the nearby public housing projects, we will know more about the full economic development and community benefits of The Wharf.

Appendix A

The Wharf Organizational Field Map



- AWI Federal/Municipal Public Partners:
- Government of the District of Columbia
 - General Services Administration
 - U.S. Department of the Interior
 - Naval District Washington
 - D.C. Housing Authority
 - D.C. Sport and Entertainment Commission
 - D.C. Water and Sewer Authority
 - Marine Barracks of Washington
 - National Capital Planning Commission
 - National Capital Revitalization Corporation
 - U.S. Army Military District of Washington
 - U.S. Army Corps of Engineers
 - U.S. Dept. of Labor
 - U.S. Dept. of Transportation
 - U.S. Dept. of Housing & Urban Development
 - U.S. Environmental Protection Agency
 - U.S. Office of Management and Budget
 - U.S. Dept. of Agriculture
 - U.S. Small Business Administration
 - Washington Metropolitan Area Transit Authority

Legend:

| | |
|------------------------------|-------|
| Federal Organization | □ |
| Public Partnership | △ |
| Municipal Organization | ○ |
| Public-Private Partnership | ◻ |
| Private Organization | ◌ |
| Canadian Crown Corp. | ◉ |
| Involved in SW Redevelopment | — |
| Oversight | ----- |
| Land Transfer | → |
| Partnership | ↔ |
| Defunct | // |
| Financial Support | * |

Appendix B The Wharf Public Policy Support Mechanisms

Tax Increment Financing (TIF)

- Enabling Project Legislation: Southwest Waterfront Bond Financing Act (D.C. Law 17-252).
- Enabling City Code: 2-1217.01.
- Creates a special tax district in which a portion of the taxes therein (the increment) are captured and returned to developers in the form of bonds to support private-market-led infrastructure improvements within the TIF boundaries.

Land Transfers

- Development rights awarded to PN Hoffman by the AWC.
- DC government owned 60 percent of the waterfront - land for the project transferred between federal and city government agencies while developers negotiated with private leaseholders.
- The (2009) Land Disposition Agreement between DC government and PN Hoffman enabled a \$1, 99-year lease of ground, marina, and air rights.
- Acts of Congress required for additional land transfers, building rights, and water rights (Public Law 112-143).



Payment in Lieu of Taxes (PILOT)

- Enabling Project Legislation: Southwest Waterfront Bond Financing Act (D.C. Law 17-252).
- Enabling City Code: 1-308.02.
- Allows a developer to provide funding for a development project or another authorized use rather than paying real property taxes.

Business Improvement District (BID)

- Enabling Project Legislation: Zoning Commission Order No. 11-03
- Enabling City Code: 2-1215.01.
- BIDs collect a levy to maintain a business-friendly environment in a defined geographic area.
- BIDs must submit annual reports to the Mayor and City Council.
- BID boards are not subject to elections or term limits.

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