

Alice M. Rivlin

Senior Fellow
Brookings Institution



Targeting Urban Revitalization

Economist Alice M. Rivlin has had many significant roles in Washington. She was vice chairman of the Federal Reserve Board, the director of the White House Office of Management and Budget, and the founding director of the Congressional Budget Office. Currently, she is a visiting professor at Georgetown University and a senior fellow in economic studies at the Brookings Institution, where one of her key concerns is urban revitalization.

Rivlin was born in Philadelphia and raised in Indiana. She earned a bachelor's in economics from Bryn Mawr College and a Ph.D. from Radcliffe. A winner of a MacArthur Foundation Prize Fellowship, she has published numerous articles and books. In 2003, she wrote "Revitalizing Washington's Neighborhoods: A Vision Takes Shape" about targeting specific neighborhoods for public improvement efforts. Targeting, which is meant to make a splash that will ripple outward, is being tested in various forms around the country. In 2005, for example, the Federal Reserve Bank of Richmond measured the impact of a successful local targeting initiative called Neighborhoods in Bloom.

Because of a growing interest in this concept, *Communities & Banking* decided to ask Rivlin about the Washington experience and how it might apply to New England.

How did you get involved in efforts to revitalize Washington neighborhoods?

AR: From 1998 to 2001 I chaired the financial control board that the federal government created to help the city pull out of financial crisis. That assignment got me heavily involved in Washington's financial condition and its economic development.

What challenges faced the city as it recovered?

AR: A big challenge related to the fact that the city had lost more than a third of its population and much of its middle class. Washington had lost far more people than jobs. The loss of residents was especially crucial to Washington because the city is prohibited by Congress from taxing people who work in the District but live outside it. That is a serious prohibition. All states with income taxes tax nonresident income. In Washington, two-thirds of income is earned by non-residents. Increasing the number of resi-

dent taxpayers is essential to the city's fiscal future. Hence, we needed a focus on reviving neighborhoods and rebuilding a middle class.

You have written that improving schools is critical.

AR: It's the classic chicken and egg problem. People with children avoid the city because the schools aren't good, and the schools aren't good because the middle class population with children moved out. So the question is, How do you break this cycle? One answer is: try to do a lot of things at once in neighborhoods where the collective effort is likely to be successful. Public funds are limited, so if you can concentrate them in neighborhoods that have potential, maybe you can leverage those funds. Brookings and the D.C. planning office worked together to choose target neighborhoods that were neither the worst nor the best but had development potential.



What criteria did you use to identify suitable neighborhoods for targeting?

AR: The city identified "emerging" neighborhoods with generally positive characteristics (relatively stable population, few abandoned buildings, relatively low crime) that had not had much new investment yet and "transitional" neighborhoods that were already showing evidence of rising property values. The target neighborhoods were of both kinds, but they required different investment strategies. In retrospect, there were probably too many target neighborhoods.

How did people react to your recommendations?

AR: The first thing to recognize about targeting is that it has political risks. People who live outside the targeted neighborhood wonder why you aren't targeting them. There is pressure to broaden the area. After the planning office and Brookings selected neighborhoods, the mayor officially endorsed the policy. However, the city's implementation was uneven and not sustained. Some neighborhoods received considerable attention from city agencies. Money flowed in, and the strategy worked. Elsewhere, targeting worked less well, either because of community opposition or because the city didn't follow through.

Why would there be community opposition?

AR: Mostly because of fear of change and gentrification. Long-time low-income residents fear being pushed out by newcomers and rising housing costs. In recent years, the Washington housing market has taken off. There has been a lot of building and a disproportionate rise in both home-purchase prices and rent. The rate of growth in housing prices has tapered off in Washington's



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more affluent sections but is still rising in the lower-priced areas. The bottom line is that although Washington has put a good deal of money into creating and preserving affordable housing, it is disappearing.

It’s hard to tell how much of the recent economic growth results from targeting and other public efforts. In a strong market city, such as Washington right now, much development would have happened anyway. Possibly, targeting is more necessary for weaker market cities.

Has the economic development succeeded in adding middle-class residents?

AR: We haven’t had a census since 2000, but the decline in population appears to have been arrested, and the number of households is growing. However, the decline in household size continues. That adds up to more housing units, but not necessarily more people or more children in the schools.

Did the city follow your recommendations closely?

AR: Actually, Washington shifted targeting strategies in midstream. The impetus for the original targeting strategy was to jumpstart economic development. The impetus for the current strategy is reducing crime. But the two strategies are not really far apart. The more that people looked at high-crime areas, the more they realized that the problem was not just lack of law enforcement. It was neighborhood deterioration, lack of employment opportunity, poor schools—everything that goes with really bad neighborhoods. Out of that understanding came the New Communities Program, which focuses on high-crime neighborhoods that have revitalization potential.

Are there revitalization lessons that we could apply in New England?

AR: First, a city with a strong housing market can lose a lot of affordable housing quite quickly, and only a major public effort can counteract that. For example, a Washington task force that I recently co-chaired recommended doubling current efforts on low- and moderate-income housing.

Second, a targeting strategy is complex to implement. You can't just announce the targeted neighborhoods. You need a strong hand directing public spending to those neighborhoods and working hard to form public-private partnerships. Public money can only go so far, and you need the support of neighboring institutions, such as universities. It's quite hard to pull off.

Does Washington have a strong leader for New Communities?

AR: The city administrator, Robert Bobb, pushed it very hard. The first project is a major effort in an area with a badly deteriorating public housing project, Sursum Corda. The initiative is

best described as a local version of HOPE 6. HOPE 6 is a federal program that has been used successfully in Washington to transform deteriorating public housing to mixed-income communities. New Communities uses local money instead of federal to preserve subsidized housing while adding market-rate housing and big improvements in public services.

You mention partnerships. In Boston, the Federal Reserve Bank partners with a local high school to offer city youth mentoring and internships. What kinds of institutions do you think should help communities?

AR: The importance of educational institutions to the economy of cities—especially in New England—cannot be overstated. When I visited Worcester, I was impressed with Clark University's community partnering, and Trinity College has built strong partnerships in Hartford. In Washington, Howard University worked with Fannie Mae to help revitalize the neighborhood around the university and aid local home-buyers. George Washington University aided and mentored a high school. Since public dollars are usually focused on affordable housing, schools, and street improvements, other partners have to help in order to finance market-rate housing and retail.

Describe a targeted revitalization that is working.

AR: The Anacostia River waterfront in Washington is an exciting example of an major project that involves numerous public and private partners with the community itself. Federal agencies are moving their offices to the waterfront, and there will be mixed-income housing and mixed development, including a baseball stadium. Success breeds success. If a targeted area makes visible changes, the progress will spread.

Are there any downsides?

AR: First, economic development puts pressure on housing prices and rents, hurting low-income renters the most. And in Washington, which is segregated historically, the conflicts are seen as racial. As economic development moves from the west to the east, blacks fear that the city will become too white. Secondly, targeting is difficult politically. It's always easier to spread the money in a broader area, but then the impact is diluted. Right now we are pinning big hopes on the Anacostia waterfront, and it seems to be going well. As long as nothing occurs to disrupt the regional economy, Washington should continue to become a more attractive and livable city for a diverse population. An important goal is to grow, attract, and retain more middle-income families—and, with them, better schools and more prosperous neighborhoods. Attaining this goal involves both opening opportunities for low-income people to move into the middle class and stay in the city, and attracting more middle-income families with children. What we don't want to become is a city of upper-income families with few children.