

## Remarks by Chairman Ben S. Bernanke

At Operation HOPE's Anacostia Economic Summit, Washington, D.C.

May 3, 2006

### Community Revitalization: Lessons from Anacostia

I would like to thank Operation HOPE and the host committee for inviting me to participate in today's summit. I would also like to congratulate John Bryant and the staff of the Anacostia HOPE Center on this anniversary and on your many contributions to this community over the past year. I recently visited the HOPE Center and saw some of the services it offers in financial education, small business development, job training, and computer literacy. These activities contribute to the revitalization of this community by helping residents gain access to resources they can use to improve their economic situations and prospects. Institutions such as the HOPE Center and THEARC (Town Hall Education, Arts, and Recreation Campus) bring people together and give them a sense of being part of a larger community.

Today, I will share some thoughts on economic revitalization, highlighting two general themes. The first theme is the importance in community economic development of strategic collaboration among public, private, and nonprofit organizations. Working together, these three groups of actors can achieve much more than they could on their own. The second theme is the need for a comprehensive approach to revitalizing communities, one that focuses on the economic and cultural viability of the community as a whole, not only on the construction or rehabilitation of individual homes and businesses. In my remarks I will focus on the experience of the Anacostia neighborhood in the District of Columbia, which offers useful illustrations of both themes.

### Anacostia: Looking Back

To think about Anacostia's future it helps first to recall its past. I recently toured some of the neighborhoods southeast of the Anacostia River and gained an appreciation for both the rich history of the area and its great promise. Many of the buildings in this area are architectural treasures. The older houses date from the late 1800s, when Anacostia was home to a large working-class community. The residents included, of course, Frederick Douglass, known as the Sage of Anacostia, a man whose dedication to lifelong learning and to the battle for racial equality still has the capacity to inspire.

In the early to middle twentieth century, Anacostia offered affordable homes and wide open spaces--at that time, it had only 5 percent of the District's total population but 40 percent of the District's vacant land. In the 1920s, Anacostia had a higher percentage of homeowners than other sections of the District, with apartments accounting for less than 1 percent of its dwellings. Indeed, during a six-year period of rapid expansion following World War I, when Anacostia's population surged 56 percent, more than 1,800 detached and row houses were constructed in the area, but only four apartment buildings.<sup>1</sup>

However, the pattern of residential construction and homeownership in Anacostia changed dramatically over the following decades. During the 1920s, 1930s, and 1940s, policies designed to eradicate tenements in central D.C. resulted in Anacostia, with its relatively large tracts of undeveloped land, becoming home to large numbers of lower-income families displaced from other parts of the city. In the 1950s and 1960s, the growth of the city's population, the expansion of the central business district to accommodate the burgeoning federal government, and urban renewal projects led to substantial increases in the demand

for new housing in the city, particularly for lower-income residents. By 1967, the need for affordable housing in the District led the planning commission to call for the construction of 65,000 units of new housing, with 30,000 of those units to be located in Anacostia.

The result of these developments was an apartment-construction boom that ultimately changed the character of the area. As the community's stock of public and rental housing increased, Anacostia shifted from being a community of homeowners to one of renters, with a high concentration of lower-income households. As we have seen in other cities, large-scale public housing projects have often become liabilities to the community. Anacostia struggled as public housing complexes fell into disrepair, many homes were abandoned, crime rates increased, and poverty rates climbed. The economic vitality of this historic community was undermined, and previously healthy neighborhoods were destabilized.

### **Anacostia Today**

Today, however, Anacostia looks to be on the way back. Leaders in the public, private, and nonprofit sectors have a new vision for the area--one of mixed-income neighborhoods, vibrant commercial and retail centers, expanded neighborhood amenities, and strong community institutions. These partners are playing different but complementary roles, bringing both capital and expertise and ushering in a new wave of economic development in the area.

In the public sector, both the federal and city governments are supporting development in Anacostia through their investments, often leveraged with private money. On the federal side, for example, the Department of Homeland Security's new communications center and other planned development on the St. Elizabeth's property will bring jobs and economic activity to the neighborhood. The city of Washington is making a number of important investments here as well. For example, the Anacostia Gateway project will include two buildings, one that will house offices of the D.C. government, the other (which will be a joint venture of the Anacostia Economic Development Corporation and the National Capital Revitalization Corporation) providing commercial office space. The city has also made a major commitment for the construction of a baseball stadium, as you know. In the sphere of housing, an entirely new community is rising up at Henson Ridge, bringing residents with a range of incomes. The city took a leadership role in this project, demolishing the public housing previously on the site and then arranging the financing of the new construction through a combination of public bond issuance, private equity, and a successful competitive proposal to the U.S. Department of Housing and Urban Development.

The promise of these investments for Anacostia's future is supported by recent research, which has highlighted how carefully targeted public investment can help to jump-start urban revitalization.<sup>2</sup> An illustration not too far from here can be found in Richmond, where the city played a lead role in finding the funds to develop mixed-income housing in seven distressed neighborhoods. After five years, the housing values in those communities increased nearly 10 percent per year faster than in the city of Richmond as a whole.<sup>3</sup>

But public investments alone are generally not sufficient to re-establish the economic viability of a community. For development to be truly sustainable, private capital is also needed. Successful private investment in economically challenged areas can be rewarding, but it requires substantial expertise, local knowledge, and a vision of what the community can become. In this community, several innovative private developers have shown what is possible by collaborating with the city, financial institutions, and nonprofit organizations to rehabilitate and construct thousands of new mixed-income housing units for both renters and owners.

A key element in the success of much of this private-led development is the insight that, to achieve economically viable communities, building housing units is not enough. For people to find an area an attractive place to live, they need a range of services, community

institutions, and places to shop and work. Accordingly, developers building in Anacostia have included in their plans community amenities such as day care centers, shuttle services, and recreation programs for resident children. Developments like Ashford Court, a new mixed-use, mixed-income community, will include a supermarket, restaurants, and shops. Even as they make communities more attractive, these amenities create new jobs and provide opportunities for small business development.

Together with actors in the public and private sectors, leaders in the nonprofit community have an important role in the redevelopment of Anacostia as well, particularly in creating the social infrastructure that improves the quality of life. I have already alluded to Operation HOPE and the important work that it does in helping residents become more financially literate, which paves the way for more people to own homes and to start small businesses. Nonprofit community development organizations, such as East of the River Community Development Corporation, the Anacostia Economic Development Corporation, and the Marshall Heights Community Development Organization have supported retail development. With the support of the Local Initiatives Support Corporation, over the past twenty years these organizations have worked to bring projects such as the Good Hope Marketplace and the future Shops at Park Village to the area. Guided by leaders who have a personal commitment to the success of their communities, these nonprofit organizations have led the way in meeting the needs of residents for affordable housing and in helping to attract private investment and development.

Nonprofit educational and cultural organizations are also at the heart of this community's revitalization. The network of nonprofits that worked together to create THEARC--the Washington Ballet, the Corcoran Gallery of Art, the Levine School of Music, and the Boys and Girls Club--is a model for strategic partnerships. THEARC also provides vital services, such as the Children's Hospital family wellness center, a significant resource in a community that previously had no health-care facilities.

Again, the development philosophy that we see at work in Anacostia is one that focuses not only on the construction of individual homes and businesses but on the broader social and economic environment in the community. As every successful developer knows, real estate markets are driven not only by the characteristics of the physical structures, though those are important, but also by the accessibility of goods and services that current and future residents want, such as schools, shops, and transportation.

Data on business patterns offer some insight into the positive changes in Anacostia, as well as the remaining challenges. In the communities which I had the opportunity to visit, the number of business establishments increased by about 7 percent between 1998 and 2003.<sup>4</sup> In light of the public and private investments in this community, it is not surprising that some of the most rapid growth was in the number of firms in construction (64%) and in the finance and insurance industries (47%). Industry data for these communities reveal significant increases in the number of establishments in educational services, such as academic and arts schools and training centers (a 118% gain); professional, scientific, and technical services such as offices of lawyers and engineers (a 35% increase); and health care and social assistance including medical care and daycare centers (a 15% gain).<sup>5</sup> Although the rate of homeownership in Ward 8 is still only about half the average for the city as a whole, progress has been made on that count as well. From 1990 to 2000, the homeownership rate in Ward 8 increased by 22 percent, and I have little doubt that further improvement has occurred since 2000, given the completion of 765 owner-occupied housing units since 2001 and an additional 210 under construction due to be completed by 2006.<sup>6</sup>

### **Beyond Anacostia**

What does Anacostia's experience offer for other communities confronting economic decline, given the reality of limited resources and the financial risks associated with redeveloping distressed areas? One lesson is that public, private, and nonprofit development

partners must be increasingly innovative in their work. First, they must identify the strategic investments that have the potential to transform neighborhoods and stimulate ongoing private investment and economic activity. As I have noted today, success in community development requires a comprehensive approach--one based on the recognition that vibrant communities offer their residents not only a place to live, but also access to services, to community institutions, and to places to shop, work, and enjoy recreation as well. Many of the development initiatives that have taken place in Anacostia have made good use of this insight, combining housing development with other amenities such as recreational areas, retail outlets, or cultural institutions like THEARC.

Second, the community leaders, government officials, lenders, and developers now involved in helping to rebuild communities must keep working to find new partners and new sources of capital. In this respect, it is encouraging to see how much more professional the whole field of community development finance has become. For example, over the past twenty-five years, innovative lenders at banks and at community development financial institutions have demonstrated that investments in community economic development can be rewarding in the financial sense as well as in the social sense. With that demonstration, new financing structures may continue to emerge that can help mitigate decreases in government funding. The expansion of secondary markets for affordable housing and community development loans will, I hope, provide increasing liquidity that allows the redeployment of capital for new development efforts. What we see today in Southeast D.C. demonstrates that smart public and private investment can create a virtuous circle of economic growth and opportunity. I am optimistic that the positive changes that we see in Anacostia can be replicated in economically challenged communities throughout the country.

My optimism also stems from the commitment demonstrated by the participation today of leaders from all levels of government, banking, the corporate sector, and nonprofit institutions. Today's summit underscores your commitment to increasing opportunity for lower-income individuals and communities. I join you in celebrating the ongoing revitalization of Anacostia and the potential for similar communities throughout our nation. I commend you for your leadership and look forward to your continued success.

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## Footnotes

1. American Studies at the University of Virginia, "[The Changing Face of Anacostia: Public Housing and Urban Renewal.](#)" [Return to text](#)
2. Bruce Katz, Brookings Institution, "[Transformative Investments: Unleashing the Potential of American Cities \(3.1 MB PDF\)](#)," April 5, 2006. [Return to text](#)
3. John Accordino, George Galster, Peter Tatian, "[The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development: Research based on Richmond, Virginia's Neighborhoods in Bloom Program \(3.1 MB PDF\)](#)," July 2005. [Return to text](#)
4. U.S. Census Bureau, North American Industry Classification System, [zip codes 20020 and 20032.](#) [Return to text](#)
5. Ibid. [Return to text](#)
6. D.C. Office of Planning and NeighborhoodInfo DC, [Neighborhood Profiles.](#) [Return to text](#)

▲ [Return to top](#)

