DC Chamber of Commerce
DELIVERING THE CAPITAL

2018 STATE OF THE BUSINESS REPORT:

TOWARDS A MORE INCLUSIVE ECONOMY

ABOUT THE DISTRICT OF COLUMBIA CHAMBER OF COMMERCE

The DC Chamber of Commerce is the voice of business in the nation's capital, Washington DC. It advocates on behalf of businesses and entrepreneurs and provides invaluable services to improve the District's business climate and attract new companies to the District of Columbia. As a leading advocate for economic growth, the DC Chamber reflects the diversity and prosperity of the District's robust business community, from tech startups to Fortune 500 corporations.

ACKNOWLEDGEMENTS

Washington, DC, is a flourishing and diverse global city. Its leadership including Mayor Muriel Bowser, the Council of the District of Columbia, and the DC Chamber of Commerce under the stewardship of President and CEO Vincent B. Orange, Sr. are the catalysts for the production of the *2018 State of the Business Report: Toward a More Inclusive Economy*.

The Office of the Deputy Mayor for Planning and Economic Development, under the leadership of Deputy Mayor Brian Kenner and Karima Woods, Director of Business Development and Strategy, provided financial support and guidance for the production of this report.

ABOUT THIS REPORT

This report was prepared and produced by the D.C. Policy Center, *for the DC Chamber of Commerce. The D.C. Policy Center is* an independent think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia.

The views expressed are those of the author and should not be attributed to the D.C. Policy Center, members of its Board of Directors, or its funders. Funders do not determine research findings or the insights and recommendations of the D.C. Policy Center employees and experts.

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MESSAGE FROM THE CHAMBER

The District of Columbia Chamber of Commerce is pleased to present the **2018 State of the Business Report: Toward a More Inclusive Economy.**

Last year, the DC Chamber's *2017 State of Business Report* examined the 20 years of change from 1997 to 2017 following the enactment of the National Capital Revitalization and Self-Government Improvement Act of 1997. What happened in those momentous 20 years has completely reshaped the District of Columbia.

The District is now a more desirable place to live, work, raise a family, and conduct business. But the 2017 report also demonstrated that making the City more inclusive—so it can house people of different colors and cultures, families of all structures, residents of all ages, and businesses of all types—still remains DC's single most important challenge.

Businesses in the District are working hard and doing well. By conventional metrics of economic heath, 2017 was a very good year. Private sector jobs and jobs overall increased, and employment among DC residents grew by 6,500 jobs. The employment rate is returning to pre-recession levels; gross state product grew by 4 percent; total wages and salaries increased by 3.3 percent; business establishments grew by 4 percent; more than 3 million people attended sports events in DC; and 22 million people visited our City and paid for 9 million hotel rooms. The District's economy generated $7.4 billion in revenue during the last fiscal year, realizing a growth of 3.3 percent.

While the economic resurgence of Washington, DC continues, businesses are well aware that their long-term success depends on the welfare of all District residents. While our City as a whole is thriving, not all of our residents are benefiting during this renaissance.

The exodus of low- and middle-income families from the District continues unabated and has stunning implications. The income divide across neighborhoods is widening. Concentrated poverty divides the City into the haves and have-nots. While some parts of the City are flourishing, in others, work opportunities, a good education, and a comfortable, affordable home—all necessary ingredients for a high quality of life—are missing.

Since 2009, an additional 10,192 families, many earning more than $200,000 annually, have accounted for nearly all of the income growth in the City. This group now comprises 22 percent of all DC families compared to 16 percent in 2009. The consequence of this change is affluent families are displacing low and middle-income families who now comprise 52 percent of all families compared to 64 percent just 10 years ago.

Many of our children cannot successfully transition from elementary education to middle school to high school and graduation, and, ultimately, connect in a meaningful way to the workforce or enter college. Their disadvantages carry through generations. While jobs are plentiful in the District, the City's own residents cannot qualify for many of these jobs. The District has done well attracting talent from nearby jurisdictions, but the City has not been able to create opportunities for all of its residents.

Homeownership in the District has been on the decline, especially among communities of color. Middle-income housing and starter homes are disappearing. With gentrification and an influx of wealthier residents, housing is out of reach for some families. Affordable housing for our workforce is increasingly sparse, despite the fact that housing is a means of building a more stable and inclusive city.

The *2018 State of Business Report*, which documents these challenges, is the beginning of the DC Chamber's aggressive advocacy for quality education for all, affordable housing for all, and a highly trained workforce for every business. The DC Chamber's mission and goal are a more inclusive economy—one that, first and foremost, serves the needs of all District residents.

Some readers of this report might ask why the DC Chamber is examining the impact of these critical so-called social issues. After all, as an organization that serves the business community, the DC Chamber generally looks to resolve problems associated with the business community. Make no mistake, the issues of workforce development, international trade, and regulatory and tax reform are always high on our agenda.

The DC Chamber recognizes, however, that our long-term goals as an organization and as a City cannot be achieved if the social fabric of the District of Columbia is not stable, inclusive, and enduring. Our economic prosperity and robust employment levels depend on addressing the disruptive effects of population growth and development that have remade our neighborhoods.

Our experience tells us that the daunting problems of concentrated poverty, a lack of affordable housing, and a besieged education system can be overcome if District businesses work in concert with the government and civic organizations to find solutions.

The 2018 State of Business Report begins our conversation on these critical issues. When business acts in its own enlightened self-interest to support residents in every ward of the District, it has proven time and time again to be good for our bottom lines as well as for the people who live in the nation's capital.

Vincent Bernard Orange, Sr.
President and CEO

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contact@dcchamber.org | www.dcchamber.org
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EXECUTIVE SUMMARY

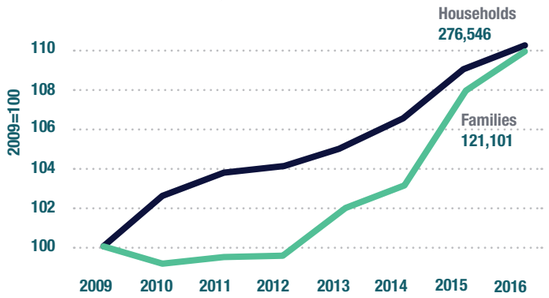
The continued success of DC businesses depends upon not just the fiscal and economic health of the District but also on its ability to become a more inclusive city. DC has long battled to become a city with thriving families and businesses; a diverse and self-sustaining, business-oriented economy with a stable and growing population; and no longer a government or university town that fills up during the day and empties at night.[1]

The District sought to grow its population for very practical reasons. Inclusive, flourishing cities are magnets for people from different income levels, diverse racial or ethnic backgrounds, dissimilar cultures and histories, and all walks of life—all of which come together as a productive economic unit that offers growth and economic prosperity. People learn to accept each other when they live near people who may not look or live like them. When cities are inclusive, the residents share not only wealth but also a welcoming and tolerant culture.

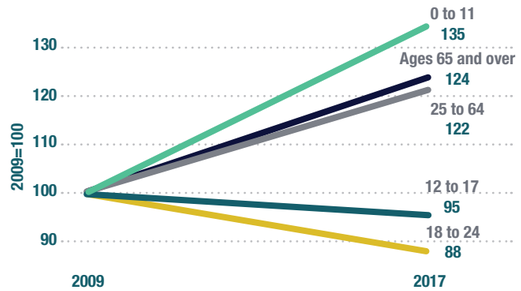
The District government fostered this goal of economic prosperityand social inclusion, and policymakers lobbied for decades to get young people and families to make their homes in DC. In 2003, the District government committed itself to growing its population by 100,000 by attracting more residents,[2] especially families, to strengthen its neighborhoods and reverse years of population loss.[3] This meant significant investments in schools, revitalizing neighborhoods, creating work opportunities for all who share the city, and ensuring there was enough housing stock with amenities that families needed to flourish. By these metrics, the city's achievements in 2017 are mixed.

FIGURE 1: DC HAS MORE FAMILIES, MORE HOUSEHOLDS, AND MORE YOUNG CHILDREN

• **Households and Families, Growth Since 2009**



• **Componenets of Change in DC Population Since 2009**



CATEGORY: Families Households

AGE GROUP: 0 TO 11 18 to 24 Ages 65 and over 12 to17 25 to 64

Source: US Census, Annual Estimates of the Resident Population by Single Year of Age and Sex for the United States, States, and Puerto Rico

An increasing number of families are choosing to live in the District

There is no doubt that the District has made significant progress towards its population goals. Resident population grew by 20 percent since 2008 as the city added 115,000 new residents, bringing its population to 700,000.[4] Families started coming back in 2011 and their numbers have grown at a rapid rate: the city added 11,000 families since then. ***(SEE FIGURE 1)*** With an increasing number of families choosing the city, young children under the age of 12 has become the strongest force of growth. Since 2011, 30 percent of the net population growth came from this group.

With changing demographics, total income earned in the City has grown by about 34 percent in the last 10 years, and real per capita income increased by 9 percent.[5] Thanks to its growing population, the District's own labor force is 24 percent larger than it was 10 years ago [6], and total employment and private sector employment are up by 13 percent and 19 percent, respectively.[7] This means, a larger share of income earned in the city and the metropolitan area is now being brought home to the District.

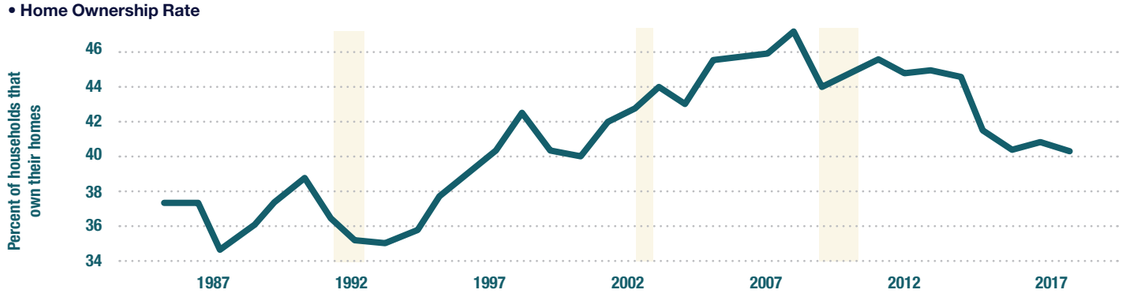
But not all families are benefiting from the opportunities the city has to offer

There is, however, a darker side to this picture. Improved education and better amenities in some parts of the City have encouraged more families to relocate and stay, but rapid appreciation of housing prices in neighborhoods with superior amenities, and a lack of amenities in parts of the city that remain affordable, have pushed out low- and middle-income families. Housing prices more than doubled between 2000 and 2007, and, after a brief period of respite during the Great Recession, housing prices escalated again. Housing prices have risen by another 50 percent since 2009.[8]

The homeownership rate in the City has been declining steadily since 2007. It now stands at 40.3 percent compared to 47.2 percent in 2007, right before the recession.[9] ***(SEE FIGURE 2)*** This decline is partly due to changes in the city's housing stock, as recent housing developments have favored rental units with the anticipation that most DC newcomers—young professionals—will prefer renting over buying. But homeownership also is declining because there are fewer starter homes in DC that are affordable to young families, forcing those who pursue their dream of becoming homeowners to look outside the city.[10]

FIGURE 2: HOMEOWNERSHIP RATES IN DC ARE DECLINING

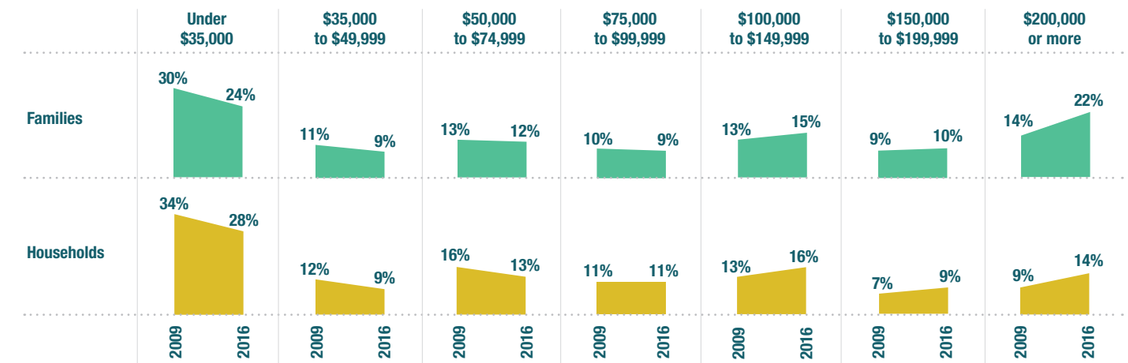
• **Home Ownership Rate**



Source: U.S. Bureau of the Census, Homeownership Rate for the District of Columbia [DCHOWN], retrieved from FRED, Federal Reserve Back of St. Louis; https://fred.stlouisfed.org/series/DCHOWN , August 16, 2018. The shaded areas denote recessions.

FIGURE 3: COMPOSITION OF DC HOUSEHOLDS BY INCOME IS CHANGING

• **Componenets of DC Households by Income**



Source: U.S. Census Bureau, 2016-2012 American Community Survey

High-income families are increasingly displacing low- and middle-income families

As the City is getting whiter and richer, displacement is becoming a larger source of tension. DC is unique in the sense that families are displaced not by young persons, artists, or other groups typically associated with gentrification but by wealthier families. ***(SEE FIGURE 3.)*** Between 2009 and 2016, DC lost 4,300 families with incomes under $35,000.[11] Middle-income families—those earning between $35,000 and $100,000—are also on the decline. We have 2,000 fewer families in this income group, and they now account for 30 percent of all families compared to 34 percent in 2009. In contrast, the number and share of families that earn more than $200,000 increased rapidly. There are 10,192 more families in this group—accounting for almost all growth since 2009. They now comprise 22 percent of all DC families compared to 16 percent in 2009.

Improved schools, especially the addition of universal pre-Kindergarten, have helped attract more families to the City.[12] Public school enrollment has been growing, but large achievement gaps across income and racial groups remain. Furthermore, trust in the public education system has been shaken by graduation scandals[13] and underreporting of disciplinary actions against students,[14] especially students of color.

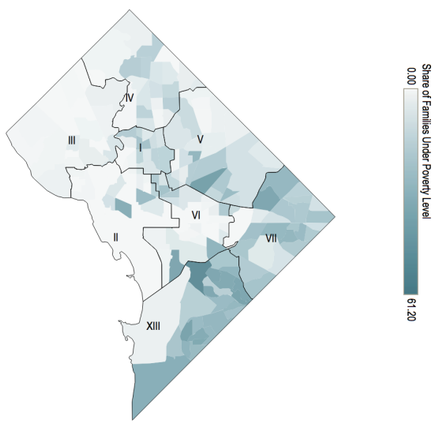
Numerous graduates of DC public schools successfully attend college and build successful careers, but too many others never finish. Yet others cannot develop the skills necessary to attend college and get a high-paying job to have a promising future. As a result, the city is still struggling to hang on to students at the middle and high school levels. Some families with middle and high school age children leave. We know this because the growth in the number of young children has not yet translated into growth in the number of older children and young adults. DC has lost 2,700 children between the ages of 12 and 17 (an 8 percent decline) and 7,000 youth between the ages of 18 and 24 (a 9 percent decline) since 2008.

Concentrated poverty divides the city into haves and have-nots

The income divide across neighborhoods is also widening. The City continues to experience concentrated pov-erty in neighborhoods where families live away from the amenities they need to thrive—good schools, a strong transportation network, quality retail, and proximity to employment opportunities. ***(SEE FIGURE 4.)*** In many neighborhoods east of the Anacostia River, poverty remains the norm: at least one in five families live in poverty in these neighborhoods.[15] Household incomes here hover around $30,000—less than half the median household income in the City and less than a quarter of the median household income in neighborhoods west of Rock Creek Park. While incomes continued to increase in 2017, disparities continue

FIGURE 4: FAMILIES WHO LIVE IN POVERTY ARE CONCENTRATED IN WARDS 7 AND 8

• **Share of Families in Poverty**



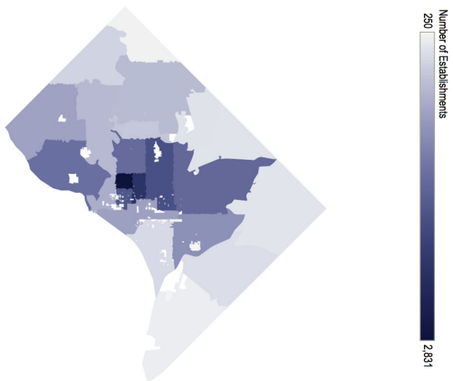
Source: U.S. Census Bureau, 2016-2012 American Community Survey

Work opportunities are extremely limited in some parts of the city

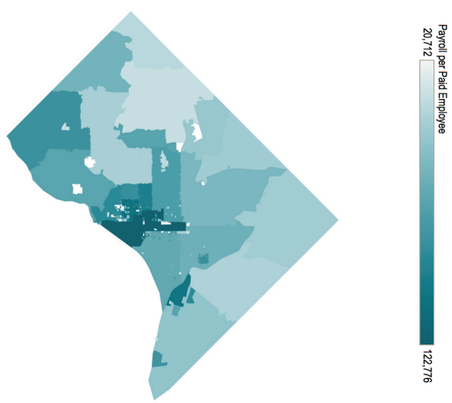
Expanding employment opportunities in DC have not benefited every resident. The unemployment rate in Wards 7 and 8 stood at 9.9 percent and 12.8 percent, respectively. These are three to four times the unemployment rates in Wards 1, 2, and 3.[16] The massive expansion in labor force and employment between 2007 (the last year before the Great Recession) and 2017 in Wards 1, 3, and 6 (each with about 16,000 employed residents) was not experienced in Wards 7 and 8. In the last decade, the labor force grew by 3,193 in Ward 7 and 2,012 in Ward 8, as employment grew by 2,685 and 2,207, respectively. Labor force participation in these parts of the City remains low. While 78 percent of all households have wage and salary income in the District, the percentage in these two wards is about 38 percent.[17] *(SEE FIGURE 5.)* Economic activity and job opportunities close to home are also meager. Of the 22,800 business establishments in the City, fewer than 1,000 are in Wards 7 or 8, which account for merely 15,000 of the District's 482,000 private sector jobs. [18]

FIGURE 5: NUMBER OF ESTABLISHMENTS AND PAID EMPLOYEES VARY ACROSS THE CITY

- **Number of Establishments by Zip Code**



- **Payroll per Paid Employee by Zip Code**



Source: 2016 ZIP Code Business Patterns and ZIP Code Shape Files from Open Data DC. The map excludes zip codes with fewer than 20 establishments

The next big challenge facing the District is to create an inclusive economy that benefits all its residents and employees and where businesses thrive in all parts of the city

The District faces three key impediments in meeting these goals:

- **THE PUBLIC EDUCATION SYSTEM.** The District must further improve its public education at all grade levels and in all neighborhoods, so all children who attend public schools, regardless of where they live and how much their parents earn, can receive quality education that prepares them for college and the labor market. This is particularly important if the District wants to continue attracting residents, because successful schools are essential to attracting and retaining families.
- **A BUSINESS ENVIRONMENT THAT SUPPORTS ALL RESIDENTS WITH OPPORTUNITIES FOR WORK.** Large portions of DC residents, especially those who have long ties to the city, are excluded from employment opportunities. While there are plenty of skilled workers ready to take available jobs, there are also many residents who face significant barriers to employment. At this time, businesses do not have the right incentives to locate in neighborhoods that are home to low-income residents, and the business climate does not support such investments. The District must take steps to ensure that DC residents in any part of the city have access to robust employment centers and can get the support they need to be able to succeed in the workplace.
- **HOUSING THAT PROMOTES INCLUSIVITY AND INVESTMENTS IN EVERY NEIGHBORHOOD.** Housing policies are central to the inclusiveness of a city. Housing defines, in large part, how residents share the wealth created by a city and how they access its assets and amenities. Where people live deeply affects their quality of life and the opportunities available to families, especially jobs and better schools. How a city invests in a neighborhood determines the desirability of the housing stock in that neighborhood, and how it regulates its housing markets can shape who stays in a city and who leaves. DC's extremely constrained housing market, and lack of investments in neighborhoods where housing is affordable but amenities are missing, is the central reason for increased displacement and growing income inequality. A healthy, self-sustaining DC community would offer housing options to all income groups and at every stage of life, from childhood to old age. To this end, the District must expand housing options for all its residents and invest in all neighborhoods to provide families with amenities they need to thrive.

In 2017, the District—its businesses and residents—continued its path to increasing wealth and prosperity. While this is good news, much needs to be done to extend opportunities to all residents by ensuring that every family has access to good schools, affordable housing in neighborhoods with good amenities, and a job that could take them to a brighter future. The continued growth of DC's economy and the success of its businesses depend upon having healthy, happy, and thriving residents and a vibrant workforce at home.

EDUCATION

Attracting Families and Building Talent

The quality and attractiveness of public schools is among the key factors that explain why families live where they live. When asked directly what matters to them most, parents frequently emphasize academics. In national surveys, parents often state that academic performance is their top priority when deciding on a school.[19] A 2014 survey of 500 public school parents in the District confirmed this finding: 80 percent of parents said that they chose a school based on academics instead of school safety or location. [20] Given parent interest in academic strength, as school quality increases, the District would expect more parents to choose the DC Public Schools (DCPS) over alternatives.

More students are attending public schools

By the metric of attractiveness, the District's public schools have improved significantly. After years of decline, public school enrollment has been increasing in the District since the 2009-10 school year. This growth began with the expansion of public charter schools, and later with concurrent expansions of both DCPS and charter schools. Enrollment had dropped from 145,704 students in the 1970-71 school year [21] to 80,674 students 20 years later. DC enrollments continued to fall to a low of 71,280 in the 2008-09 school year.

After Congress passed the District of Columbia School Reform Act of 1995, the District's first public charter school opened in 1996 with 160 students. Over the 20 years that followed, public charter school enrollment continued to expand, and charter schools accounted for 47 percent of all public school students by the 2017-18 school year. Total school enrollment began to turn around, as well, and DCPS enrollment stabilized in the 2009-10 school year, two years after the DC Council placed schools under mayoral control. ***(SEE FIGURE 6.)***

Enrollment growth came from families with school-aged children who live in DC and who increasingly selected public schools. Over the last 10 years, public school enrollment has grown by 29 percent, even as DC's school-age population shrank by 3 percent. The total population under 18 has been steadily increasing since 2010, after 15 years of decline, but this has been largely driven by an increase in the population under 6 years old. [23]

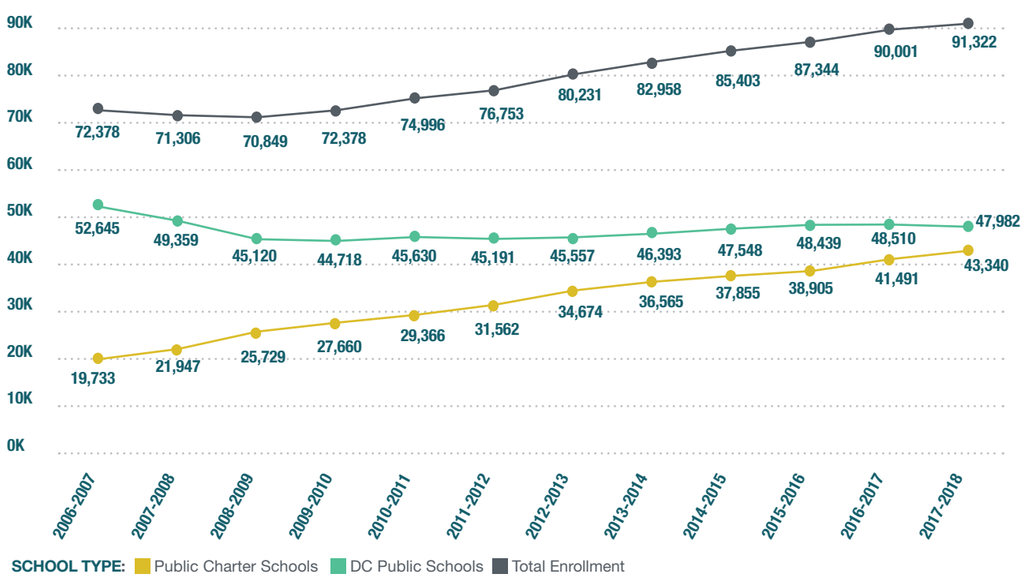
Yet the District still struggles to hold onto public school students as they progress to higher grades

Over the last 10 years, enrollment in pre-Kindergarten increased by 72 percent (over 5,000 students), mainly because of the expansion of pre-Kindergarten. Enrollment in Kindergarten through grade 5 increased by 37 percent. But growth in enrollment in early grades has not yet translated into growth in higher grades. Over the same period, middle school enrollment grew by just 8 percent and high school enrollment declined by 3 percent.

The increased demand for public schools at earlier years is also evident in the observed improvements in cohort retention rates. Cohort retention measures the public school system's ability to hold onto students as they progress through their education. It is measured as the ratio of births to enrollment in public schools as the children age. If a school system is completely closed—such as in rural systems with no alternatives nearby—cohort retention would be high since the only losses would come from those who drop out before graduation. However, in public education systems such as DC, where the population is transient and parents have a myriad of alternatives in private schools and schools in nearby school districts, cohort retention can be low. The District certainly falls into this category as it continuously competes for residents and families with nearby counties in Maryland and Virginia that have strong school districts and access to the same job centers.

FIGURE 6: PUBLIC SCHOOL ENROLLMENT IS INCREASING

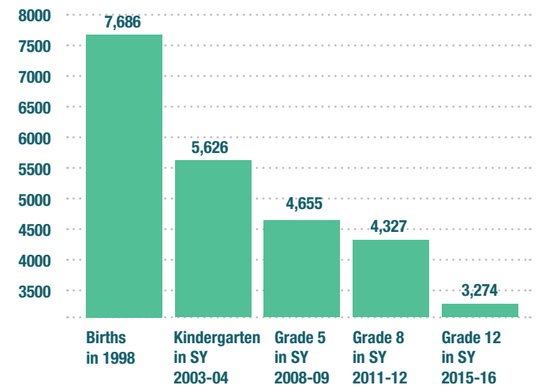
• **Public School Enrollment, School Year 2006-07 through School Year 2017-18**



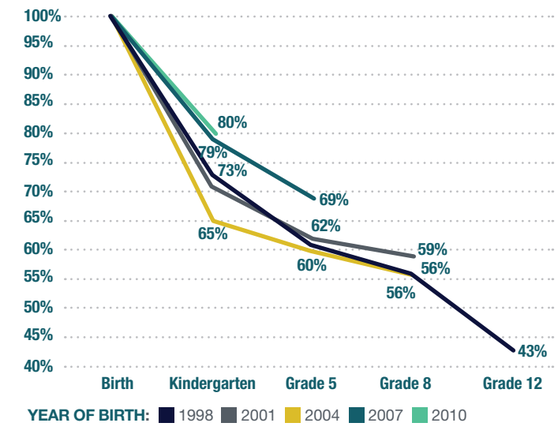
Source: Office of the State Superintendent for Edication (OSSE) enrollment audits

FIGURE 7: COHORT RETENTION RATES ARE IMPROVING AT EARLIER GRADES, BUT NOT AS MUCH IN LATER GRADES

• **Births Relative to Enrollments for the Cohort Born in 1998 at Different Grade Levels**



• **Cohort Retention Rates for Births in 1998, 2001, 2004, 2007 and 2010**



Source: Center for Disease Control's WONDER database and Office of the State Superintendent for Education (OSSE) enrollement audits

Cohort retention rates in DC are improving, but not yet at higher grades. In 1998, there were 7,686 children born in the District. By the time these children had aged through to Grade 12 in 2015, only 3,274 were still attending the DCPS. Some students had left for private schools while their families continued to live in the District, others had dropped out, yet others exited the DCPS altogether for schools elsewhere, leaving only 43 percent of this cohort in public schools.

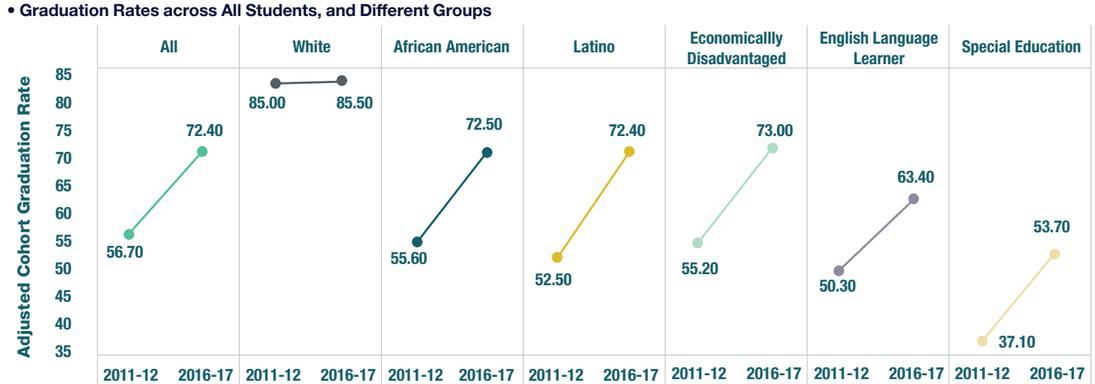
Cohort retention rates continued to decline in the few years that followed. ***(SEE FIGURE 7.)*** For example, among those children born in 2004, only 65 percent attended Kindergarten in DC public schools compared to 75 percent among those born in 1998. Among the most recent cohort that can be tracked—those born in 2010—the Kindergarten retention rate stands at 80 percent. Retention rates at higher grades also appear to be increasing. Of those born in 2007, 69 percent were in public schools at Grade 5 compared to 60 percent among those born in 1998. While these are improvements, the public school system still struggles to keep many of the students who start in DC schools at Kindergarten level.

Many students from disadvantaged backgrounds do not graduate

Only about half the students who begin at the Kindergarten level in DC public schools arrive in 12th grade, and among those only 72 percent officially graduate. ***(SEE FIGURE 8.)*** Graduation rates have increased dramatically in the last five years and the gains have been greatest among students from disadvantaged backgrounds. However, DC's graduation rate—at 73 percent in the 2016-17 school year—remains below the national rate of 83 percent. [24] Quality high schools with knowledgeable graduates may encourage more families to stay in the City's public schools as youth age into high school and improve long-term outcomes for all students. That trajectory may be a moot point given current graduation rates. News reports that improvements in graduation rates could be the result of administrative leniency have done significant damage to how DCPS is perceived. This news followed the City setting new graduation rate targets for itself as a part of state accountability and strategic planning efforts.

FIGURE 8: DC GRADUATION RATES ARE IMPOVING BUT STILL SHOW LARGE DISPARITIES

• **Graduation Rates across All Students, and Different Groups**



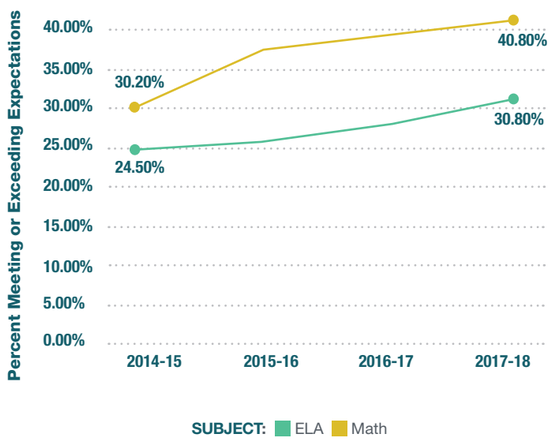
Source: Office of the State Superintendent for Edication (OSSE) enrollment audits

Achievement across DC public schools is low

Achievement averaged across all DC public schools—despite improvements—remains low. In the 2017-18 school year, 33.3 percent of students met or exceed expectations based on their score on standardized tests in the English Language Arts—up from 24.8 percent just three years earlier. In math, comparable figures are 29.4 percent for the most recent school year, and 22.1 percent for three years earlier. Achievement in early years, which is an important determinant of the educational achievement in later years, has been increasing in both math and writing *(SEE FIGURE 9.)* but is still unacceptably low.

FIGURE 9: STANDARDIZED TEST SCORES IN EARLY GRADES ARE IMPROVING

• **Percent of Grade 3 Students that Meet or Exceed Expectation, ELA and Math**



The share of students who meet or exceed expectations is relatively stable across grades in English Language Arts. They range between 31 percent and 36 percent during elementary school years, inch up to 40 percent in 7th grade, and fall as low as 30 percent during high school years.

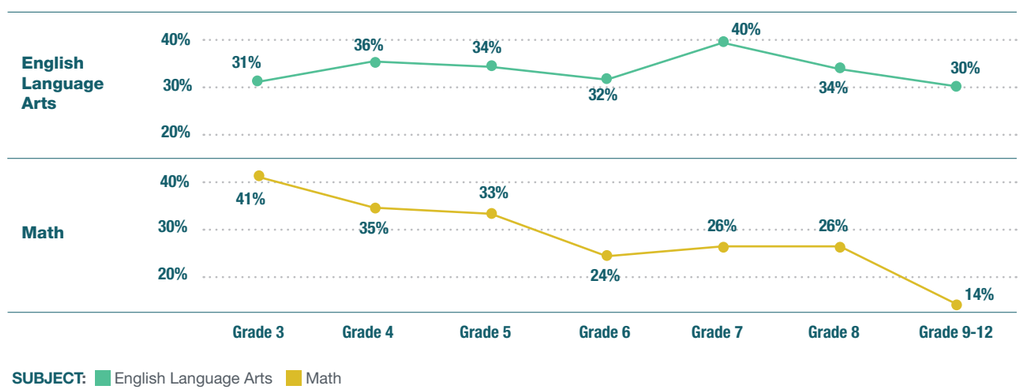
In math, however, it is harder for children to make up for losses in earlier grades and pass rates decline across years. At 3rd grade, 41 percent of students meet or exceed expectations—a beginning much stronger than English Language Arts—but by the end of elementary school this share goes down to 33 percent. Achievement holds steady through middle school years between 24 percent and 26 percent, but once students reach high school and math subjects increasingly get harder and more differentiated, the share of students who meet or exceed expectations dives down to 14 percent. *(SEE FIGURE 10.)*

DC's low scores are largely due to the massive achievement gaps. Among white students, 82 percent met or exceeded expectations in English Language Arts and 76 percent did the same in math. In comparison, only 22 percent of black students and 29 percent of Hispanic students achieved this outcome in English Language Arts. The comparable numbers for math are 19 percent and 26 percent.

This means three out of every four African-American students in DC schools are not prepared to graduate with skills necessary to successfully continue onto college. This share is slightly higher among Latino students. Achievement gaps are also strongly correlated to where a school is located. In Ward 3—home to the most desirable public schools in DC with the largest share of parents sending their children to in-boundary schools—72 percent of all students meet or exceed expectations in English Language Arts and 65 percent in math. In contrast, in Ward 8, with the worst performing schools and just a handful of charters that have no school boundary limitations, the comparable shares are 17 percent and 15 percent, respectively. Focusing solely on high school, across five high schools in Ward 8 that have available data, only 5 percent of the students have met or exceeded expectations in math in the last school year. This means 95 percent of the students—456 of the 482 who took the math examination—are not developing the academic skills necessary to succeed at higher education, even if they graduate from high school. *(SEE FIGURE 11.)*

FIGURE 10: STUDENTS HAVE A HARD TIME MAKING UP FOR EARLIER LOSSES, ESPECIALLY IN MATH

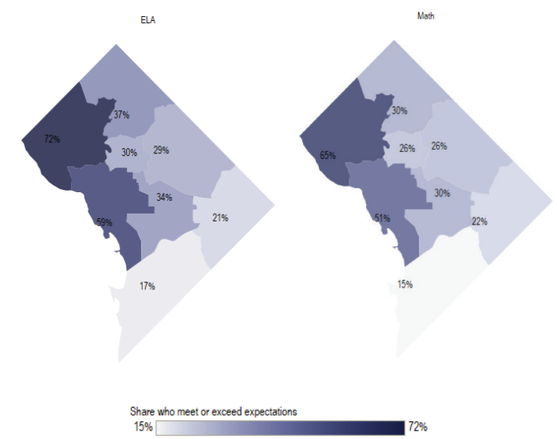
• **Share of Students that Meet or Exceed Expectations, by Grade Level and Subject, 2017-18**



Source: Office of the State Superintendent (OSSE). http://osse.dc.gov/node/1348731

FIGURE 11: ACHIEVEMENT GAPS SHARE THE SAME GEOGRAPHY WITH INCOME GAPS

• **Share of Students Who Meet or Exceed Expectations, 2017-18 School Year, by Ward**



Source: Office of the State Superintendent (OSSE). http://osse.dc.gov/node/1348731

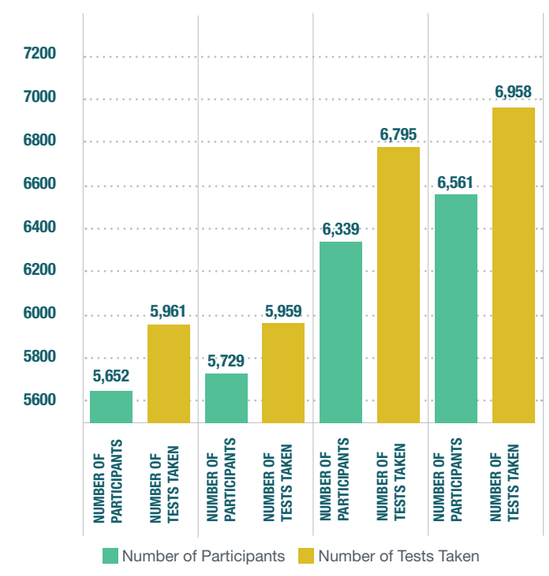
DC's SAT scores are increasing but higher education is beyond the reach of most DC public school students

In 2013, the District started subsidizing the cost of the standardized tests students take as a part of their college application process, such as the SAT. Since then, participation in the SAT has increased significantly. In 2017, 6,561 students took the SAT, up from 5,652 in 2014. Student scores have increased as well, rising from 425 to 488 in reading/writing and from 419 to 436 in math. *(SEE FIGURE 12.)*

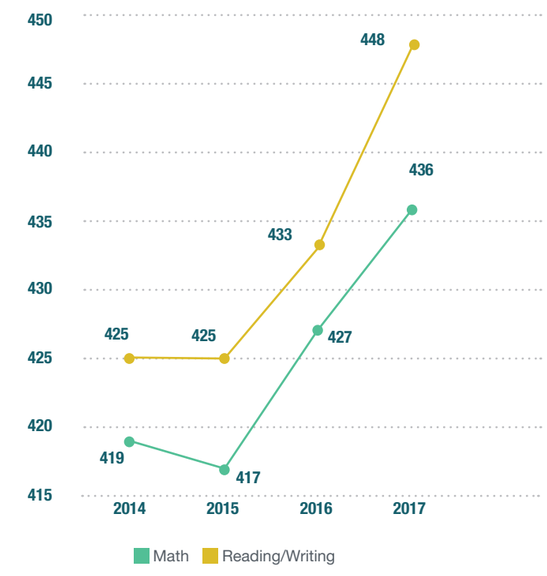
However, these average scores are significantly below what most colleges and universities consider as necessary for admission. For example, American University in the District accepts students with a combined SAT score of 1,320 (2016 data), on average, from a maximum possible score of 1,600. The combined average score in DC is 884. George Mason University looks for a score that is above 1,100. Given these requirements, an average DC public school student is unlikely to achieve acceptance in a nationally competitive school.

FIGURE 12: MORE STUDENTS TAKE THE SAT TEST, AND ACHIEVE HIGHER SCORES, BUT THE AVERAGE SAT SCORE REMAINS LOW

• **SAT Participants and Tests Taken**



• **SAT Scores**



Source: Office of the State Superintendent (OSSE). Oversight 2017 Q62 Attachment—SAT

Among DC residents, DC natives educated in the public schools have poorer outcomes in the job market

DC natives—those who were born and raised here and attended DC's public schools—have much lower levels of educational attainment and have much poorer job-market outcomes than those DC residents who were born and raised elsewhere. [25] Seventy percent of DC residents older than 25 who were born in DC and still live in the District do not have a college degree. In comparison, among those who were born elsewhere and have moved to the District, 71 percent have a college degree. Only 10 percent of DC natives hold a graduate or professional degree compared to 39 percent of newer residents.

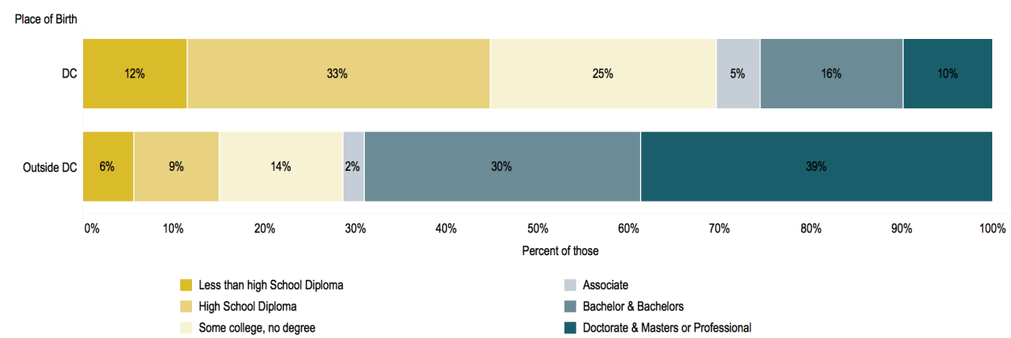
It is normal to observe a lower level of educational attainment among DC natives. In DC, like everywhere, those who attain a solid education have opportunities everywhere in the country and are more likely to leave. However, even among DC residents with similar education outcomes, DC natives consistently earn less than those with corresponding credentials but were born elsewhere. The wage gap between natives and non-natives is more than $10,000 across all private sector workers who do not have a high school degree ($13,000 compared to $23,000). *(SEE FIGURE 13.)* Work hours cannot fully explain this gap since the wage gap remains at $4,000 when comparing the annual wage earnings of those who work 35 hours or more. Similar gaps exist across all educational attainment levels except for those who hold masters or professional degrees. Among this group, DC natives earn $9,500 or more than those who have moved to DC later in life.

The economic and social prospects are daunting for the DC youth who have been failed by DC's public education system. They face an uncertain future without appropriate work or life skills. Their lack of skills impairs their abilities to get good jobs in desirable occupations, resulting in low and unstable incomes while exposing them to potentially long periods of unemployment. The adverse effects are also felt by the next generation since these youths' poor economic outcomes hurt their ability to provide favorable opportunities for their own children.

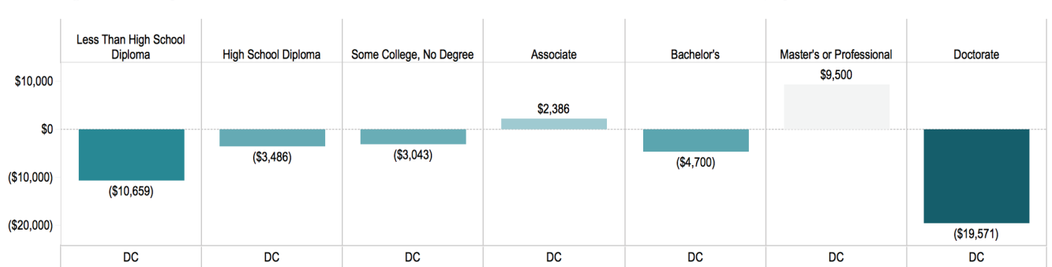
The District, at large, feels the impact of a public education system that has not maximized its potential. Economic growth in communities where schools are underperforming is constrained, limiting the revenue-raising capacity of the city, while the need for public expenditures—government health care, public welfare and housing assistance—are high. The youth who never graduate or graduate without adequate skills will likely have shorter lives than their peers who attended better schools, will be more likely to become teen parents and to commit crimes, and will be less likely to raise healthy children, engage in civic activity, or vote and volunteer in their communities. These differences are real barriers to work and building wealth, and those bound by them need more than an economic upturn to change their lives.

FIGURE 13: DC RESIDENTS WHO ARE NATIVES ARE LESS EDUCATED, AND HOLD LOWER PAYING JOBS

• Share of Workers by Educational Attainment and by Place of Birth



• Median Wage and Salary Income Differentials between those born in DC and those born elsewhere, by Educational Attacinment



Source: PUMS data from ACS five-year data summaries for 2012-2016. Data filtered for workers age 25 and over. The salary information is based on data for those who report 35 or more regular work hours in a week. The data excludes those without Class of Worker variable, and those who report working without any renumneration or report that they are unemployed.

WORKFORCE

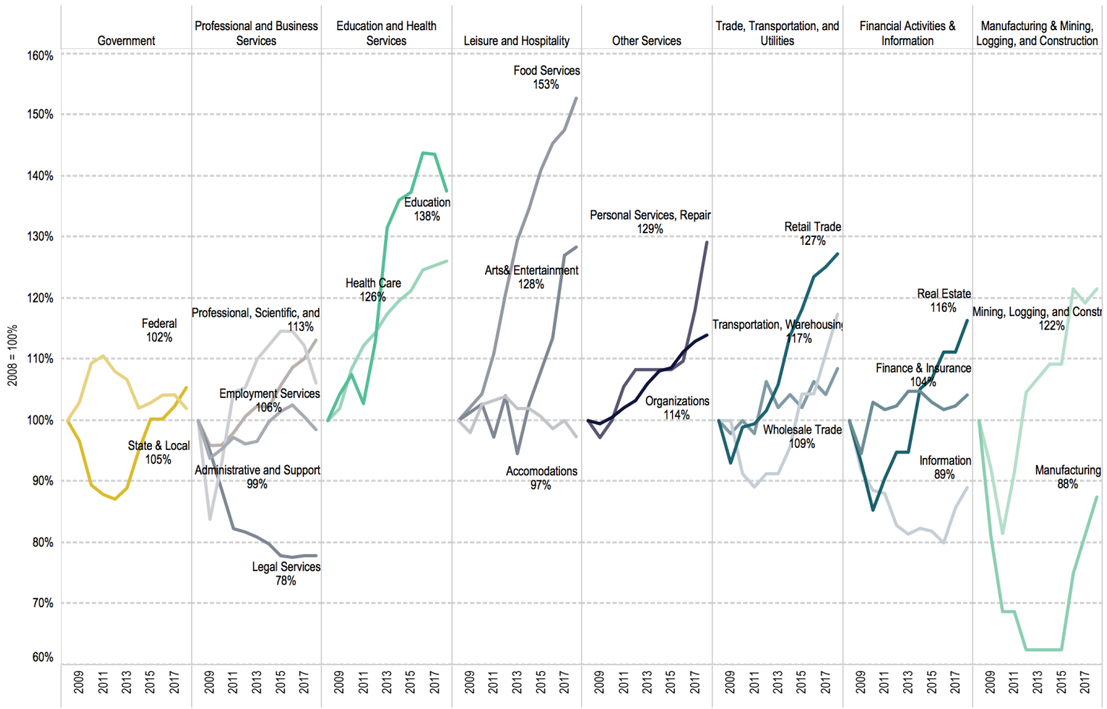
Creating jobs for those who face barriers

While it's useful to think about the future of work, many of the present-day workforce challenges that affect the welfare of DC residents are centered on those who are already being left behind.[26] In the District, employers draw workers from all over the United States (and the rest of the world) to fill high-skilled, high-paying jobs, but not all local residents are able to benefit from this job market. Among DC natives, they are more likely to be without credentials, unemployed, and hold lower-paying jobs. Only about one in 10 earn $75,000 or more per year, compared with one in three residents who moved here from other places.

Businesses in the District need a strong, productive workforce to be able to grow. They also benefit from having workers who live close by—especially in the service sector, where workers need to be close to customers and frequently cannot afford to commute. This makes it even more important to ensure that the District's workforce, especially its homegrown one, is ready for work.

FIGURE 14: EMPLOYMENT GROWTH BY SECTOR SINCE 2008 HAS LARGELY COME FROM LOWER PAYING JOBS

- **Employment Growth by Sector Since 2008**



Source: BLS Current Employment Statistics; data displayed for May of each year

DC continued its job growth in 2017, but its strongest sectors are seeing shifts in employment patterns

While employment in DC is growing, there are signs that the pace of this growth is slowing, even in the private sector. DC ended 2017 with 794,000 workers, 555,500 of which were employed by private sector establishments. Jobs grew by 1 percent, compared to 2 percent in the Washington suburbs and 1.6 percent for the nation. 2017 was the first year when job growth in DC fell behind its growth in the metro area and in the country. Both private sector and federal government employment slowed down from previous years. DC resident employment grew at a healthier rate of 1.8 percent in 2017, but this rate was still slower than what we experienced in earlier years—3.6 percent in 2015 and 2.7 percent in 2016.

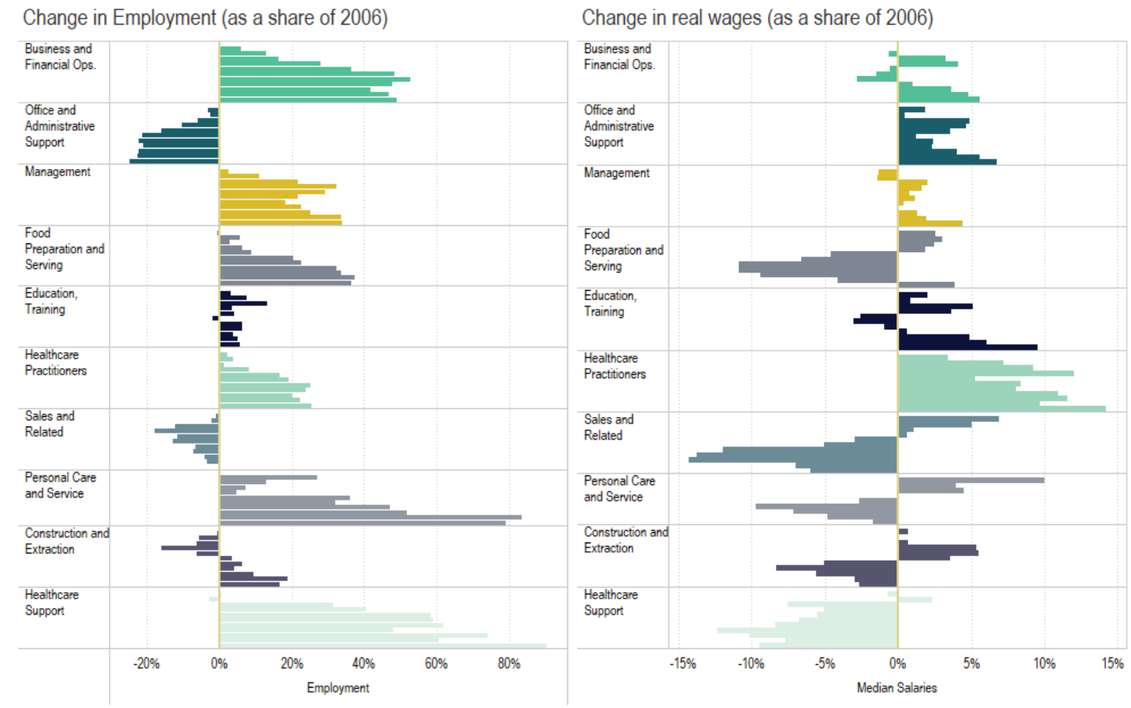
The longer-term trend suggests a shift in the types of employees who are working in the District. Between 2009 and 2017, private sector employment increased by 18 percent or about 82,000 jobs. This growth was largely fueled by rapid expansion of employment in education (accounting for 23 percent of the growth), food services (also 23 percent), health care and the bread-and-butter of DC employment, professional, scientific and technical services (both 19 percent). During this decade, of the 19 industries observed, [27] only two sectors lost jobs. Employment in legal services declined by 8,000 positions—one-fifth of legal services employees who worked in DC in 2009—and in information services by 1,900. These represent a loss of middle-income salaries, back office workers: paralegals, librarians, data analysts and office workers. *(SEE FIGURE 14.)*

Employment patterns across industries over the last two years highlight greater concentration in employment in certain sectors. Professional, scientific and technical services still drive employment growth in DC (35 percent of growth came from this industry), but now the second largest source of growth is non-profit organizations. Food service employment is continuing to grow. Moreover, health care and personal services (including maintenance and repair services) have become important contributors to employment, each accounting for 12 percent of employment growth in the last two years. Furthermore, seven of the 19 workforce sectors have contracted since 2015, which suggests a decline in diversification in employment in the city. Employment services lost one-tenth of its services (1,500 fewer jobs), and administrative support jobs are down by 1,300. The education sector reversed its rapid gains, losing 700 workers since 2015.

The District maintains its edge in professional services, but the bulk of its growth in employment is now coming from low-wage jobs with an increasing share of middle-wage jobs moving out to the suburbs. For example, jobs in personal services, including repair and maintenance, increased by 2,400—a small number given the total employment in DC but it represents a 34 percent growth in this industry since 2009 and 18 percent since 2015.

FIGURE 15: REAL WAGES HAVE BEEN DECLINING IN SOME OF THE FASTEST GROWING OCCUPATIONS

- **Change in Employment and Inflation-Adjusted Salaries, 2006-2017**



Source: BLS May Occupation and Wages Database, 2017; Median Salaries are adjusted by Urban and Clerical Workers CPI for the Metropolitan Washington Region, from Bureau of Economic Analysis

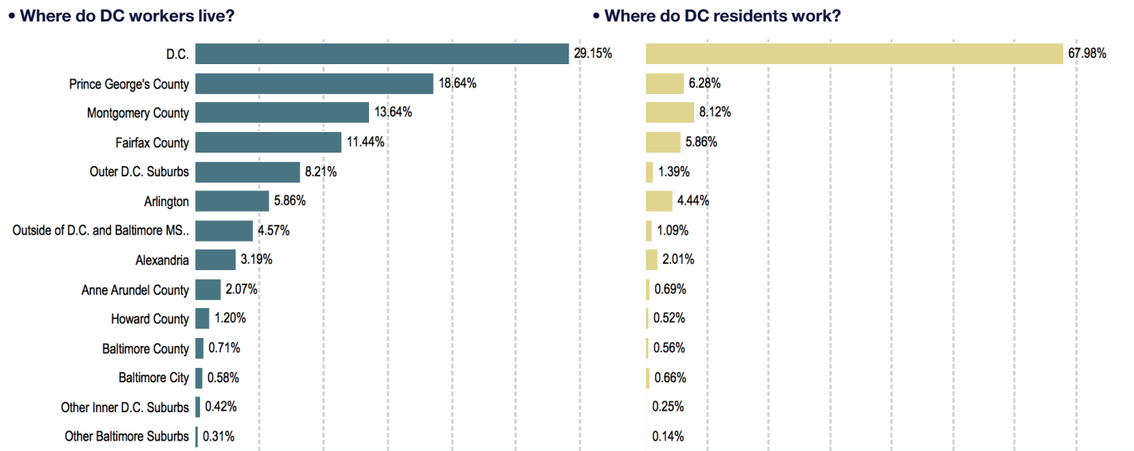
Middle-wage jobs are leaving the city while low-wage jobs are showing the strongest growth

Since the Great Recession, the District is increasingly creating jobs in lower-paid occupations and losing jobs in occupations that are typically seen as solid paths to the middle class. Occupations in business and financial operations is the largest part of District's private sector employment, and these occupations grew by 48 percent from their pre-recession levels and 28 percent between 2009 and 2017. *(SEE FIGURE 15.)* They account for more than a third of all job growth in the city's private sector. Real wages for these occupations fell during the recession but started growing again four years ago. Today they stand 5 percent above their pre-recession levels. The second largest source of employment—office and administrative support occupations—have also seen similar increases in real wages, but employment in these jobs are now only at 75 percent of their pre-recession levels. This, again, is the result of middle-wage jobs migrating out of the city: during the same period office and administrative support occupations grew by 10 percent (adding 37,000 workers) in the Washington metro area.

The two occupations that have shown the strongest growth—personal care and service and health support—pay less than what they paid in pre-recession years. Personal care and service occupations grew by 90 percent since 2006, but wages earned are 10 percent below where they were in 2006. Health support occupations grew by 79 percent but pay 2 percent less today than in 2006. There are 7,800 more managers in the District, but their wages grew by just 4 percent over 12 years. Growing demand for food service workers did not push wages up, either. After years of decline, food service salaries, in real terms, only began growing last year.

To summarize, salaries have been stagnant in the occupations that account for the bulk of the District's workers. This is not necessarily a bad thing if personal service-oriented jobs are growing faster than others to meet the demands of the increasing population. But in the context of the cost of living in the city—most notably its high cost of housing and child care—this means a smaller share of the District's workforce will be able to live in the city, and a larger share of the District's low-wage earners will struggle with poverty.

FIGURE 16: ONE THIRD OF DC RESIDENTS WORK OUTSIDE THE DISTRICT OF COLUMBIA



Source: U.S Census Bureau. 2018. LEHD Origin-Destination Employment Statistics (2015) [computer file]. Washington, DC: U.S. Census Bureau, Longitudinal-Employer Household Dynamic Program [distributor], accessed on July 17, 2018 at http://onthemap.ces.census.gove LODES 7.3

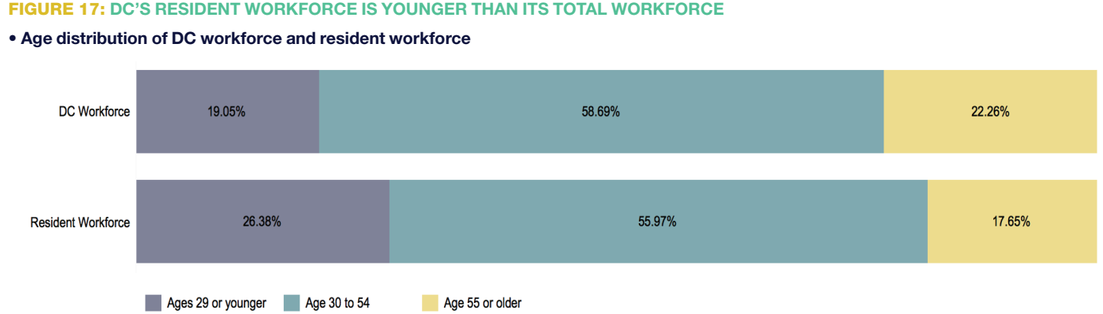
DC remains the employment center in the metro area

The District's strong employment growth, high wages and the high quality of life in the city and in surrounding jurisdictions have attracted a talented workforce. Reflecting the high-skill mix, DC wages are much higher than the rest of the nation and have experienced faster growth. Average weekly earnings of DC private sector workers is 1.7 times the earnings of private sector workers around the country, and these earnings grew by 39 percent (in nominal terms) since 2008, compared to 25 percent across the U.S. ***(SEE FIGURE 16.)***

The majority of people who work in the District do not live here. DC residents—excluding self-employed persons—make up less than one-third of total employment in the city.[28] That is, majority of our workforce commutes from outside of our eight wards. While the ability to attract talent from surrounding jurisdictions have always been a strength for DC businesses, it also means that most income earned in the city escapes DC taxes. In addition, having their workers commute from long distances can make it harder for some businesses—hotels, restaurants, and health care providers—to meet customer demands. Workers from just two counties in Maryland—Prince George's County and Montgomery County—collectively account for 32 percent of the DC workforce. Places in Virginia—Arlington, Alexandria and Fairfax County—are home to another 20 percent of DC workers. The remainder of the DC workforce, approximately 141,000 workers, commutes long distances from places such as Baltimore City or Howard County.

The District's resident workforce predominantly works in the city, as living closer to their workplace has been one of the main attractions of the District. Sixty-eight percent of DC residents work in the city and 23 percent work in surrounding counties and cities. Very few DC residents commute long distances to the outer suburbs to work. The shares of the District workforce that are reverse commuters have remained steady over time, but the composition of this workforce has been changing. Reverse commuters were thought to be residents who cannot find work in the District and therefore go to the suburbs, especially Maryland, to work jobs in retail, construction or building and grounds maintenance. Recently, with strong income growth among District residents, commuters work in higher-paying jobs.[29]

FIGURE 17: DC'S RESIDENT WORKFORCE IS YOUNGER THAN ITS TOTAL WORKFORCE



Source: U.S Census Bureau. 2018. LEHD Origin-Destination Employment Statistics (2015) [computer file]. Washington, DC: U.S. Census Bureau, Longitudinal-Employer Household Dynamic Program [distributor], ac.

DC workers are younger, partly explaining why salaries they earn are low

Overall, wages earned by DC residents who work in the District are lower than the wages earned by workers who live in Virginia or Maryland.[30] This is due, in part, to the fact that DC's resident workforce is much younger than average age of those who work in the City. Among DC workers, 19 percent are under the age of 29, 22 percent are over the age of 55, and the remaining 59 percent is between the ages of 30 and 54. By comparison, 26 percent of DC's workforce is under the age of 29, just at the beginning of their careers, and only 18 percent over the age of 55, or in a position to earn the highest salaries of their careers. ***(SEE FIGURE 17.)***

This difference in age distribution is largely the result of the influx of young professionals to the District and provides yet another picture of the biggest challenge the District is facing in the next few years: will these young professionals move to the suburbs when they want to start families or buy a house, as their predecessors did when they got older? Or will the District be able to keep them in the City?

DC residents face higher barriers to work

Some DC residents are systematically left out of increasing work opportunities. DC workers, especially those who are the products of the District's public education system, face significant barriers to work. And when they find employment, they are more likely to take lower-paying jobs with little prospect for growth. In DC, as in many places, networks of non-profit organizations, local, state and federal authorities, and higher education institutions work to connect job seekers to employers and sustained employment. In many cases, DC workers may need basic training in literacy and numeracy, as well as life skills. They may also face challenges related to transportation access, housing stability and family-caregiving needs, which further reduce their ability to find and maintain employment.

Each year, the District spends millions of dollars, both in federal money and from its own resources, to train residents who are not able to find or hold jobs. The barriers to work stubbornly stand in place, though, with little impact on employment or poverty. These suggest that successfully connecting D.C.'s job seekers with stable and quality employment will take much more than training a person in a skill and sending their resume to the right employer.

Returning citizens face the highest barriers

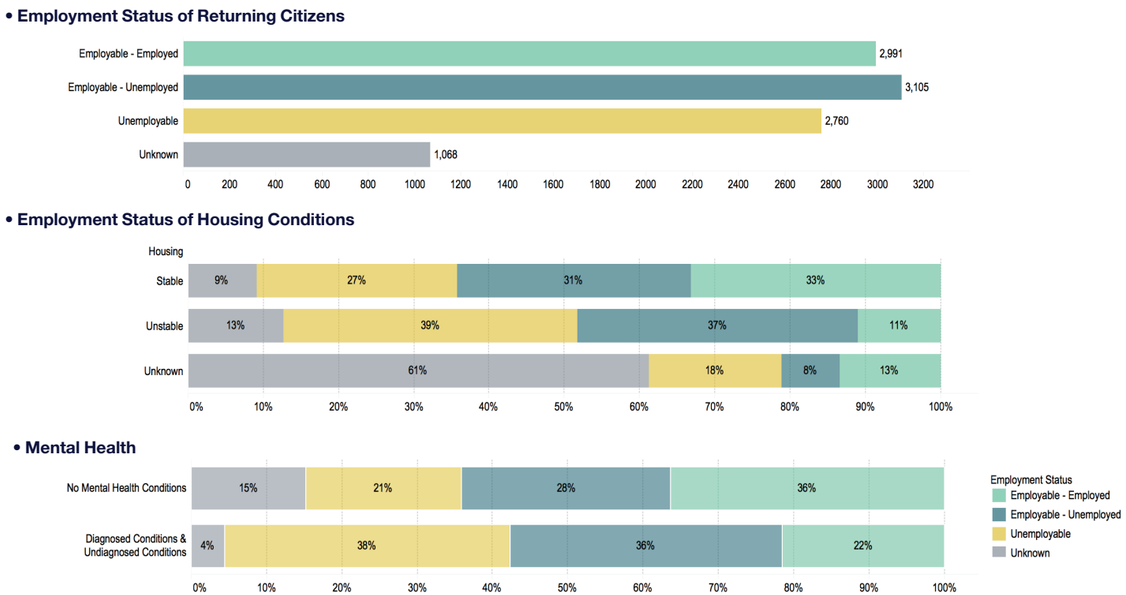
By one estimate, there are least 67,000 DC residents—about 10 percent of the population—with a criminal record, and approximately 2,800 are released from incarceration annually.[31] Even after these returning citizens are released, the consequences of their crimes continue. Former offenders continue to face hardships and challenges, including finding housing, financial support and jobs. The complex nature of DC's criminal justice system makes reentry even more difficult, as DC residents serve time at federal prisons around the country, far away from family and support systems, and have little to prepare them for a life in DC after their release. ***(SEE FIGURE 18.)***

Tracking the life outcomes of 10,000 of these returning citizens shows the profound challenges returning citizens' face and what it takes to give them a second chance, especially in the labor market. DC residents who have been released from prison and who are on supervised release, parole and probation are supervised by the Court Services and Offender Supervision Agency (CSOSA), which helps its clients obtain housing, receive mental health and substance abuse treatment and gain employment. Collected data shows that 40 percent of CSOSA clients are not employable because of health issues or because of other problems they are facing, such as homelessness. If this same formula applies to the entirety of the reentry cohort, there are close to 28,000 returning citizens in DC with little hope for employment. This can partly explain lower labor participation in some parts of the city.

Returning citizens face legal barriers, social stigma and significant skill gaps that prevent them from finding stable jobs. Among those who are employable, only about half are employed. These hardships, combined with an inability to find a job, often result in homelessness, substance abuse, and mental health issues, as well as recidivism. Unfortunately, housing and mental health problems go hand in hand with difficulties in finding a job. Returning citizens with stable housing conditions are three times more likely to be employed compared to those who don't have stable housing. Comparably, returning citizens who are not facing mental health problems are much more likely to be employed. Among this group, 36 percent are employed compared to 22 percent with a diagnosed mental health condition.

Creating opportunities for low-income residents and those who are persistently or chronically unemployed starts when a child is born, continues in the educational pipeline, and persists through an individual's lifetime. Well-meaning government interventions, including workforce training, have consistently fallen short of reversing poor outcomes. Much of the responsibility has fallen on the shoulders of local businesses that can truly create opportunities for work.

FIGURE 18: RETURNING CITIZENS FACE HOUSING AND MENTAL HEALTH RELATED BARRIERS TO WORK



Source: CSOSA's Office of Research and Evaluation's SMART database. Employment rates are among CSOSA clients who are not living with a significant medical condition or disability that would prevent them from working, and not in school or a training program.

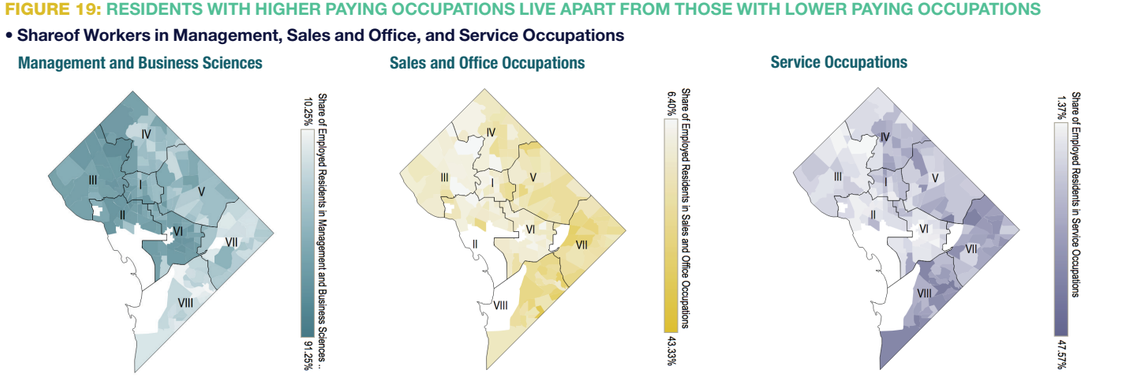
Highest paid workers in DC live far away from low-wage earners

In 2017, DC residents collectively earned $26.3 billion of the $71.4 billion of wages and salaries earned in the District, up by $0.7 billion or 2.5 percent from a year earlier.[32] 2017 was the first year in recent years where DC residents' wage and salary earnings grew at a pace below all the wages and salaries earned in the District (2.9 percent).

The rapid growth in recent years in DC wage and salary earnings has largely been the product of demographic change, with higher-income professionals moving into the city and staying. These professionals have flocked to certain neighborhoods, and they tend to live far away from lower-wage earners in the city. Those who work in professional, management, business, and technical occupations concentrate in the western part of the city and Capitol Hill in neighborhoods with desirable amenities.

On Capitol Hill, for example, more than 75 percent of residents who are employed hold a professional job. In some neighborhoods west of Rock Creek Park, that percentage could be as high as 90 percent. In comparison, only about 30 percent of residents in the Southeast and Southwest quadrants are in these higher-paying occupations. Residents who hold lower-paying jobs are being pushed out of the Northwest quadrant and, increasingly, even the Northeast quadrant. In communities east of the Anacostia River, on average six out of every ten worker holds a job in sales or services. *(SEE FIGURE 19.)*

FIGURE 19: RESIDENTS WITH HIGHER PAYING OCCUPATIONS LIVE APART FROM THOSE WITH LOWER PAYING OCCUPATIONS



Source: ACS 5-year data summaries for 2012-16; the map exludes census tracts with fewer than 50 households

HOUSING

Photo by Ted Eytan

A means for building an inclusive city

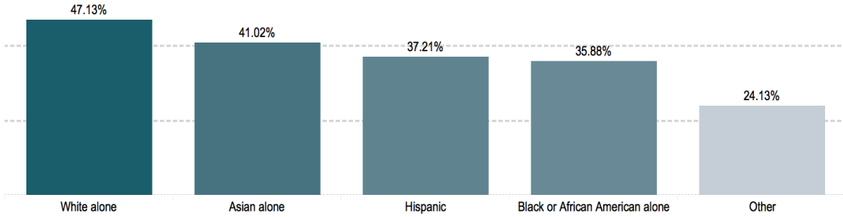
From 2012 to 2017, total housing units in the District of Columbia increased by 14,900 units, from 299,800 to 314,80.[33] During the same five years, DC added many more multifamily units—20,128 net new apartments and 2,196 condominiums. These new units partly offset 775 multifamily units, which were demolished or otherwise went out of existence.[34] This means, the new apartment and condominiums have replaced 7,424 other types of housing, including single-family homes.

DC looks largely suburban with its heavy concentration of single-family homes. So, increasing density, even when its concentrated in certain parts of the city, can be welcome news if it means more opportunities to live in the city for all types of residents. But data show that where DC is increasing density is not where many families are choosing to live. Many of the occupants of new housing units are not families; they are younger, childless professionals who could afford high rents because they don't have other obligations on their income, such as car payments or childcare expenses. According to data from tax filings, 83 percent of all tenants in new buildings filed their taxes as singles and 64 percent are new to the city.[35] Some hold a second job to supplement their traditional wage and salary income. Even with this significant growth in the number of available housing units, prices are still increasing—and rapidly. The District is not building enough units for ownership, especially for middle-income families.

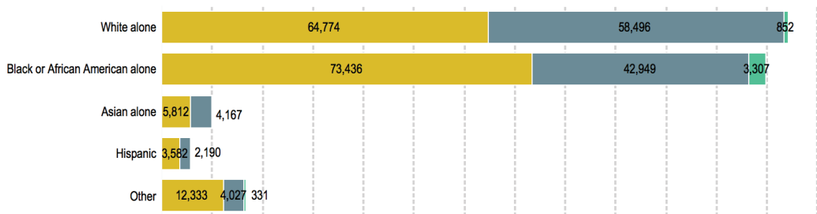
The District's housing stock suitable for families is extremely rigid. Many neighborhoods filled with single-family housing cannot accommodate new units unless older ones are demolished. In neighborhoods with good schools, quality retail and public transportation, there is little public acceptance of new multi-family buildings. Because of this rigidity in family housing, the influx of more affluent residents has resulted in increased segregation and displacement. Middle-income families are increasingly looking elsewhere for housing, which means that the city's workforce, especially the workforce in office, sales, and service jobs—types of jobs where telecommuting is difficult—is increasingly living somewhere else. And as data shows us, many employers follow these workers when they can.

FIGURE 20: HOMEOWNERSHIP RATES ARE LOWER AMONG COMMUNITIES OF COLOR AND MINORITIES

- **Home ownership by race**



- **Owners and renters by the race or ethnicity of head of household**



Source: ACS 5-year data summaries for 2012-16; the map exludes census tracts with fewer than 50 households

Homeownership in DC is on the decline, especially among communities of color

In a 2016 study, researchers at the Urban Institute found that the typical white household in DC had a net worth of $284,000, which is 81 times greater than the net worth of black households, which stood at $3,500.[36] This gap is a result of multiple generations of disparities, especially in homeownership, which is the primary way of building wealth and passing it on to future generations. The researchers also found that wealth gaps exist even among those who own a house, mainly because the home values of black households are as low as two-thirds of the values for white and Latino households.

Census data show that home ownership in the District is on the decline, and it is particularly low among communities of color. This is partly a function of household characteristics. There are many more black residents in DC than white residents, but many more households are headed by white residents. This is because many newcomers to the city are white singles whereas many black residents are living in larger households.

At the same time, income plays a significant role. The District's white population has a high concentration of young professionals who do not typically own their homes. Still, white families are significantly ahead when it comes to homeownership. Within households headed by a white resident, 47 percent own their home, compared to 36 percent among households headed by a black resident. During the five years between 2012 and 2016, black residents owned 42,949 housing units compared to 58,496 units owned by white households, but they rented over 73,000 units, mostly single-family homes, because they most likely cannot afford to buy. *(SEE FIGURE 20.)*

Families face fierce competition from affluent singles and couples

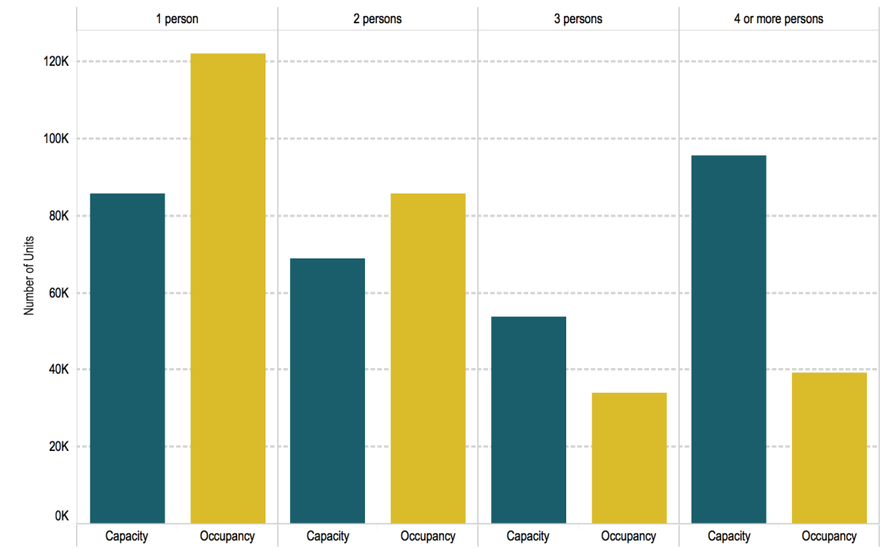
A common perception in the District is there is a shortage of family housing, but this is less a reflection of housing stock and more a result of the fierce competition DC families face from affluent households flooding the city. An inspection of the District's housing stock shows that there are plenty of family units—almost three times the number of families who live in the city. These units, however, are desirable to affluent singles and couples, who either cannot find a smaller unit or who want to buy to plant their roots.

A comparison of the estimated capacity of DC units to their occupancy shows a great discrepancy between household structure and the housing inventory in the District. There are an estimated 154,600 units that can comfortably accommodate one or two persons. In comparison, the estimated number of housing units with one or two occupants, based on our estimates using national survey data, is 207,800. In contrast, the number of units that can accommodate them dwarfs the number of families—households of four or more persons. The U.S. Census Bureau estimates that 39,350 households in DC occupy a unit that has four or more persons living there. The D.C. Policy Center's estimate of units that are large enough to accommodate such households is 95,600—more than double the number of large households. This means, smaller households successfully compete for and secure larger units. *(SEE FIGURE 21.)*

The most important source of price pressures in the family housing market in DC is the relentless demand from affluent singles and couples. For every family of three or more who earn between $60,000 and $90,000, there are nearly four households of singles or couples that make the same income. The same holds true for households that earn between $90,000 and $130,000. This means, every time a middle-income family looks to buy a house they must compete not only against more affluent families but also singles and couples who have similar incomes—and have much more disposable income for housing because most singles and couples do not have costs related to having children.

FIGURE 21: HOMEOWNERSHIP RATES ARE LOWER AMONG COMMUNITIES OF COLOR AND MINORITIES

- **Capacity of the Housing Units in DC Compared to the Number of People who Occupy Them**



Source: ACS 5-year data summaries for 2012-16; the map exludes census tracts with fewer than 50 households

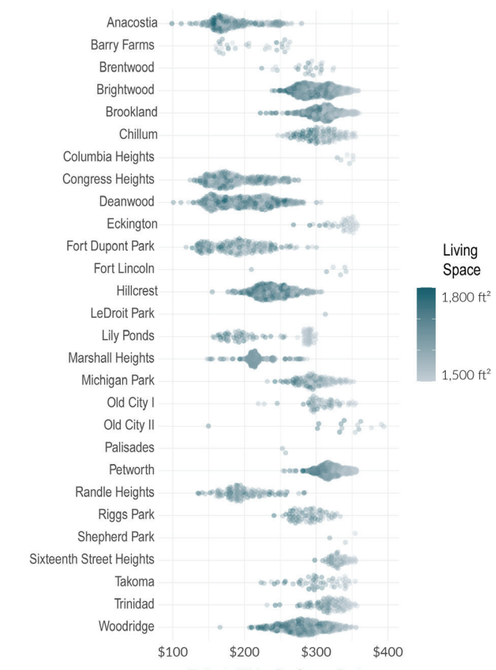
Middle-income housing and starter homes are disappearing

The starter home—a home large enough to hold a family of four—has long been the threshold for the American dream of homeownership. But young families are increasingly forced to look elsewhere to realize this dream. The District has about 304,00 housing units, yet there are very few single-family homes between 1,500 and 1,800 square feet that could accommodate a family of four and be afforded at or below the AMI or Area Median Income (not more than $560,000). Of the 16,900 single-family homes that meet these criteria, only 4,764 properties (28 percent) could be potentially affordable to a family making the AMI. (If one were to include condominiums and cooperatives of this size, this number improves by only 1,000.)

Three-quarters of these units are in the Northeast and Southeast quadrants in seven neighborhoods—Brightwood, Brookland, Petworth, Woodridge, Congress Heights, Deanwood, and Hillcrest. A review of the data found only two available out of 3,101 starter homes west of the Rock Creek Park, zero out of 431 in Capitol Hill, three out of 232 in Shepherd Park, and 57 out of 1,952 in the Old City I neighborhood, a historic designation for the original neighborhoods in the District. Old City I has more starter homes than any other neighborhood. *(SEE FIGURE 22)* [37]

FIGURE 22: POTENTIALLY AFFORDABLE STARTER HOMES IN DC FOR MIDDLE-INCOME FAMILIES

- **Affordable Starter Homes**

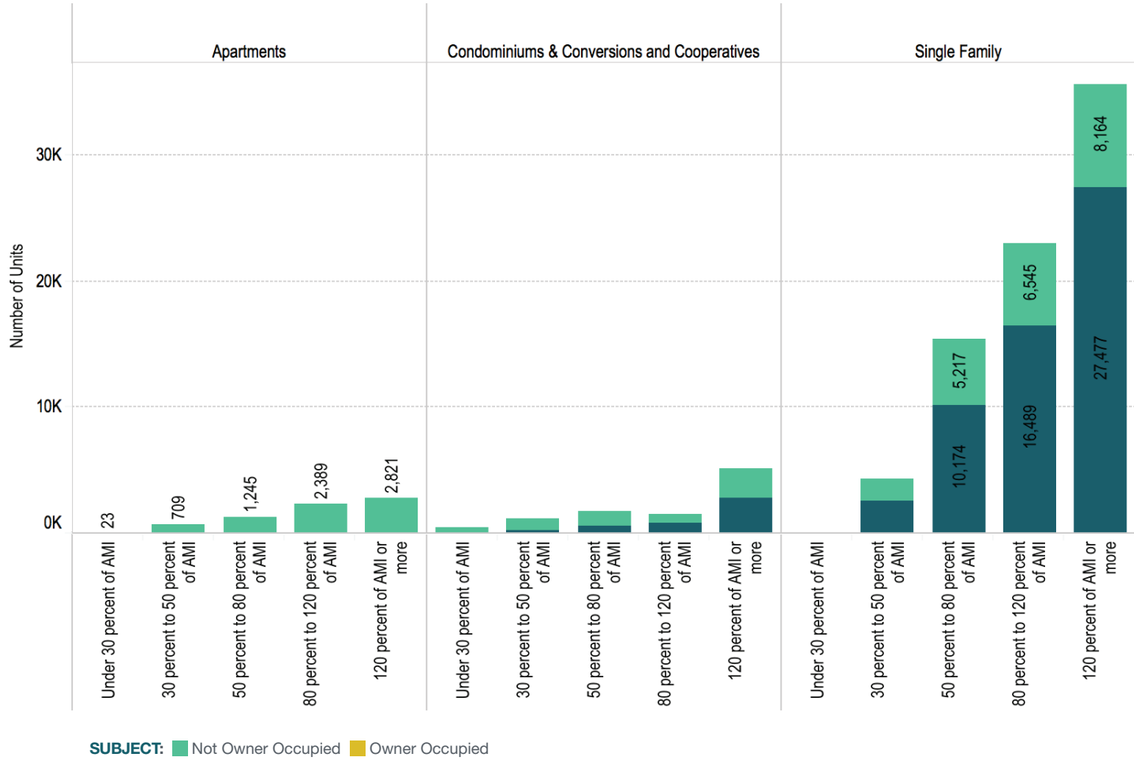


Note: Each point represents a home

Source: Housing database compiled by the D.C. Policy Center

FIGURE 22: MOST UNITS, REGARDLESS OF TYPE, REQUIRE INCOMES ABOVE 120 PERCENT OF THE AREA MEDIAN INCOME

• Family-sized Units by Type of Unit and Affordability for a Family of Four



Source: Housing data compiled by the D.C. Policy Center

There is a large shadow rental market catering to low-income families

Rental units are most often associated with apartment buildings, and not many of their owners rent those units. In the District, however, units rented by their owners are a significant portion of the housing stock and an important source of housing for low- and middle-income families. This shadow rental market is estimated to have 82,000 units—26 percent of all housing stock and 46 percent of all units earmarked for ownership. This includes approximately 22,000 single-family homes and 55,000 units in a condominium or a cooperative building.

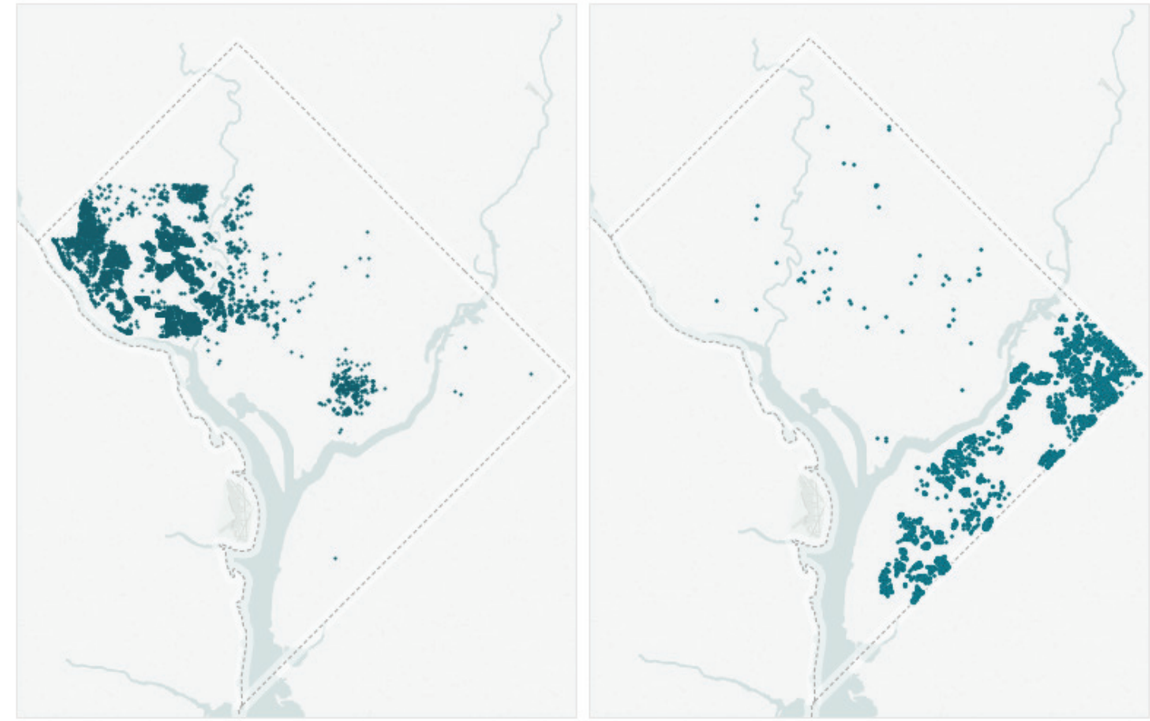
Examining this sub-universe of units that can comfortably accommodate a family of four or more, the largest source of affordable units is in the single-family housing stock that is already rented. For example, there are approximately 18,400 family-sized units affordable for families that earn between 50 percent and 80 percent of AMI. Of these units, their owners do not occupy 7,725 of them, and most of these units (5,217) are single-family homes. In contrast, among the District's more than 118,000 rental apartments, families have few choices—only 1,245 units are available, and they are mostly located in the southern neighborhoods of Ward 8. ***(SEE FIGURE 23)***

Many low- and middle-income families in DC live in apartment rentals and are in greater danger of displacement. For example, in Ward 7, neighborhoods around Deanwood and Fort Dupont have many single-family units that are potentially affordable to low- and middle-income families, and these units are largely rented to low-income families who pay for them with government vouchers and subsidies. Should there be increased competition for these units from affluent singles and couples, the owners could be persuaded to sell these units, as they have in gentrified neighborhoods in the Central Corridor, such as Mount Pleasant, Petworth, and Brookland.

FIGURE 23: HOUSING MARKET IN DC IS SEGREGATED

• Family Units Affordable at 2.5 time AMI

• Family Units Affordable at 50% of AMI



Source: Housing dataset complied by the D.C. Policy Center. The map shows units that can hold 4 or more persons.

There are pockets of affordability, but mostly in places where amenities are lacking

Cities like DC, given their histories, can also be prone to economic and racial segregation. Segregation in DC is the result of years of suspect policies, especially in the context of national housing policies that have kept residents of color in underserved neighborhoods, limiting their work and educational opportunities. It is alarming that neighborhoods are also becoming increasingly segregated because of the rigid housing market.

Some neighborhoods in the city have a high concentration of affordable family-sized units but lack the resources families need to thrive. Other neighborhoods with desirable amenities have extremely limited potential for future development under current zoning laws. Deanwood, for example, has 4,500 family-sized homes, Congress Heights has 2,900 units, Randle Heights has 2,500 units, and Marshall Heights has 1,200 units, almost all affordable at or under 100 percent of AMI. These neighborhoods appear to be affordable, but the homes here cannot compete with other family units in the District or surrounding counties when it comes to meeting the needs of middle-income families. The nearby public schools have records of low achievement; transportation networks are weak; few restaurants and supermarkets nearby; and job centers are far away. The lack of amenities makes these neighborhoods unattractive to growing families. Families that are not able to purchase homes in neighborhoods with superior amenities often leave the City for homes in nearby jurisdictions.

In the District, the most and least affordable homes are far away from each other

The geographic distribution of the most and the least affordable housing units in the District highlights the degree of economic segregation in the City. Units affordable for families making 50 percent of AMI are all east of the Anacostia River. Units that are only within the reach of families that make 2.5 times are, except for Capitol Hill, concentrated west of the Rock Creek Park, especially south of Massachusetts Avenue. ***(SEE FIGURE 24.)*** High- and low-income residents in the District live far away from each other. Residents in these disparate neighborhoods share very little in their day-to-day lives, such as schools, bus lines, libraries, restaurants, supermarkets, or gas stations. In the District, segregation by income shares many characteristics with segregation by race.

TOWARD A MORE INCLUSIVE CITY:

An Agenda for the D.C. Chamber of Commerce

By conventional metrics of economic wellbeing, DC is doing very well. Employment is growing, incomes are on the rise, more visitors come to the city, and each year, the strong entrepreneurial spirit of DC residents creates more businesses. Yet tensions are running deep across DC communities, which are increasingly segregated. DC's population, especially its number of families, is growing, but not in all parts of the city. Schools are improving, but children from the most disadvantaged families are still falling behind, amplifying the wealth divide that has plagued them for many generations. There are more jobs in the city, and still unemployment remains high among those residents who have missed out on the opportunities the city offers or who had a bad start in life. There are more housing units, however, long-time residents in the city—especially middle-income families and families of color—increasingly are forced to move or struggle with homelessness. DC businesses are growing, yet they are not able to make inroads into the lowest-income neighborhoods of the city.

Today there are three impediments to the District achieving its goal of becoming a fully inclusive and prosperous city. They are:

- **DC'S PUBLIC EDUCATION SYSTEM IS LEAVING TOO MANY STUDENTS BEHIND.** By many metrics, the District's public education system is a success. Enrollments are increasing, and many more families are choosing to stay in the city when their children start school. Charter schools have been a key source of attraction, and they have managed to offer academic success, inclusive education, and, most importantly, choice to parents that previously lacked opportunities for their children. As recent test results show, both DCPS and public charter schools are improving in terms of student achievement. Still, the academic losses children experience in early years are incredibly hard to make up and plague them throughout life. The low achievement at early grades for children from disadvantaged backgrounds is not only excluding them from future education and work opportunities but reducing their quality of life and increasing their need for social assistance. This must change.

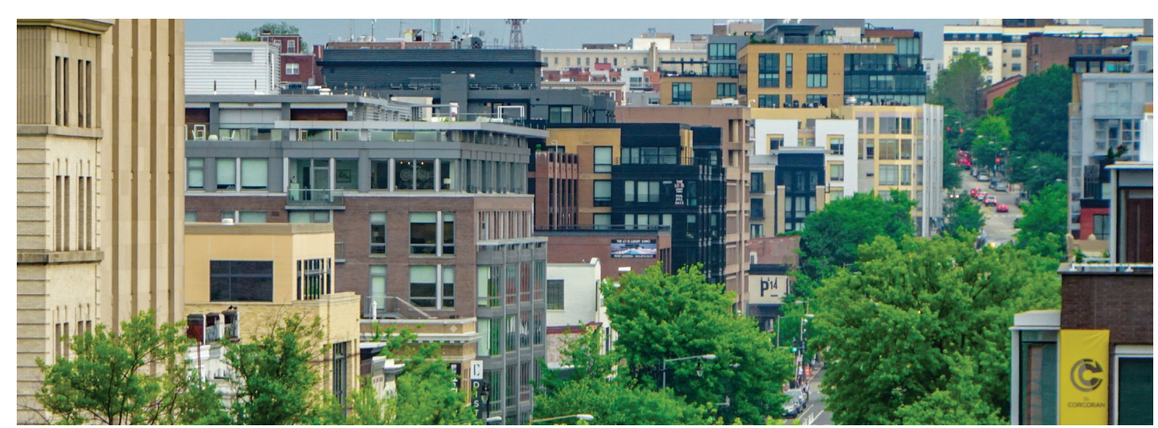
- **DC HAS AN UNEVEN WORKFORCE AND WORK OPPORTUNITIES.** Too many DC residents, especially those who have long ties to the city, are excluded from employment opportunities. While there are numerous skilled workers who are ready to take available jobs, there are also many residents who face significant barriers to employment. Businesses do not have the right incentives to locate in neighborhoods that are home to many low-income residents, and the business climate does not support such investments. Furthermore, DC residents who are born and raised in the city, generally, have the fewest work options and hold the lowest-paying jobs. This is especially the case for more than 67,000 DC residents who have returned to the city after incarceration. The District spends millions of dollars on workforce development every year, but few programs truly involve businesses that will eventually hire these returning residents. This must change.

  Furthermore, restrictive business requirements make it difficult for businesses to locate in parts of the city where resident incomes are low. Businesses will not thrive in East of the River communities (and offer employment to residents who live there) until it makes business sense to operate in these neighborhoods. The current tax and regulatory environment limit business opportunities in these neighborhoods. This must change.

  The District must take steps to ensure that DC residents in every part of the city have access to robust employment centers and can get the support they need to be able to succeed in the workplace. One concrete action DC's local business community can take is to form councils that specifically address poverty and chronic/persistent unemployment in certain areas. Working together, local businesses can assess their capacities to hire and train local workers and commit to hiring from specific pools of populations, such as older workers, returning citizens or citizens that reside in certain neighborhoods. Employers can target individual neighborhoods for specific hires, commit to certain standards (such as paying a living wage), and ultimately engage with communities in a real way to alleviate unemployment. The businesses can work collaboratively to ensure that DC government is investing resources in soft skill development, and training/education opportunities that meet the actual needs of employers and include employers at the table. They can have a voice in workforce training curricula to ensure they produce workers with skills that apply for the jobs in future employment pipelines.

  Finally, these local employers could use the council to address, if possible, other related issues that impact community unemployment patterns, i.e., housing, education, physical and mental health, etc., with community involvement and active engagement.

- **DC'S RESTRICTIVE HOUSING MARKET PUSHES LOW- AND MIDDLE-INCOME FAMILIES OUT OF THE CITY.** Faced with rapidly increasing prices, the District, like many other cities, has adopted policies to encourage housing production, preserve neighborhoods, and increase affordability. It also has employed rent control, public housing, participation in federal programs (such as FHA loans and Section 8 rental assistance), the Housing Production Trust Fund, DOPA and TOPA laws, Inclusionary Zoning requirements, and preservation efforts. Additionally, there are homeowner and elderly exemptions from taxes, a "circuit breaker" program that allows low-income taxpayers to deduct part of their housing costs from their income taxes and tax deferral for seniors who are struggling to pay property taxes. Yet none of these programs are enough—or will ever be enough—to relieve the price pressures for middle-income families. The District can address price pressures only by building more housing—through up-zoning, infill, and, in some cases, rezoning. Building new housing requires change, which many DC residents fear. But in the absence of change, the District will continue losing low- and middle-income residents and will become even more economically segregated.



Chamber Agenda

The DC Chamber of Commerce was founded 80 years ago on June 20, 1938, to advance the wellbeing of DC businesses and the residents who create these businesses. With this mission in mind, the DC Chamber makes the following recommendations:

A CITYWIDE DIALOGUE FOR PROGRESS. The DC Chamber believes that for the District and DC businesses to prosper in a sustainable manner, all of its residents need to be able to participate more fully in the city's strong and resilient local economy. We seek to elevate and expand the dialogue about the future of a more inclusive District.

The DC Chamber will convene discussions and promote policies and programs to harness the expertise, ideas, and energy of civic leaders and the business community to ensure all residents and families have equal access to opportunity in the District. We recommend that the District government consider launching an initiative to develop an inclusivity plan for the city.

K-12 EDUCATION. The DC Chamber believes that to strengthen our businesses and our community the DC Public Schools must provide the students with a strong foundation. At a minimum, 85 percent of its students who attend our public schools must transition through elementary school, middle school and high school on to college or the workforce. We also encourage a renewed focus on reading and math throughout the education pipeline.

The DC Chamber will promote policies and programs to close achievement gaps, support teachers, and provide the education community with tools and resources to address challenges.

CAREER AND TECHNICAL EDUCATION IMPROVES WORKFORCE DEVELOPMENT. The DC Chamber believes these programs should be aligned to meet the needs of DC and regional businesses. Toward that goal, DC must have stronger collaboration between employers and secondary and post-secondary institutions. Additionally, DC must focus additional effort preparing and qualifying residents with industry-recognized credentials, which leads to an improved DC resident workforce.

The DC Chamber will promote policies and programs to support workforce development and meaningful work opportunities dedicated to DC residents who have been failed by our education and criminal justice systems, and we will support career and technical education programs that expand opportunities and workforce development for DC residents.

AFFORDABLE HOUSING GAP. The DC Chamber believes all three of the District's housing markets (homes, rentals, and new construction) are constrained.

The DC Chamber will promote policies and programs to encourage the development of more housing for young adults, seniors, and growing families, as well as housing options for teachers, nurses, firefighters, and other vital DC professions. The emphasis will be on creating safe neighborhoods with more amenities to draw families. We also believe it is time for the city to have a serious discussion on its historic height limits to determine if they are effectively serving DC and its residents.

The DC Chamber of Commerce represents businesses in the city—large and small. While its members vary greatly in size, what they do, and whom they serve, they are all united in the belief that a well-functioning business environment requires a customer and employee base that benefits from the wealth the city generates. The District's business community has a deep and enlightened interest in building an inclusive city, which provides a home to many different residents of all income levels, age groups, and walks of life.

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28. Transportation, Warehousing, Utilities, and, Wholesale Trade.
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TOP 20 GLOBAL CITIES FOR THE FUTURE
Business Insider, 2017

#1 BEST CITY FOR WORKING WOMEN
Forbes, 2018

TOP 10 BEST PLACES TO LIVE (#8)
U.S. News & World Report, 2018

#1 STRONGEST ECONOMY IN THE U.S.
Business Insider, January 2018

#2 MOST EDUCATED CITY
Wallet Hub ,2018

TOP 10: BEST CITY FOR MILLENNIALS
Ranker, 2018

#1 CITY FOR PUBLIC TRANSPORTATION
Smart Asset, 2017

#1 IN GREEN BUILDING LEADERSHIP
U.S. Green Building Council, 2018

TOP 10 BEST FOOD CITY IN AMERICA
Jetsetter, 2018

TOP 10 BEST CITY FOR JOB SEEKERS
USA Today, 2018

TOP 5 MOST INNOVATIVE STATES
Wallet Hub, 2018

#1 HIGHEST R&D SPENDING PER CAPITA
Wallet Hub, 2018

#2 HIGHEST VENTURE CAPITAL FUNDING PER CAPITA
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#1 CITY OF STEM PROFESSIONALS
Wallet Hub, 2018

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