
A HOUSING MARKET ANALYSIS

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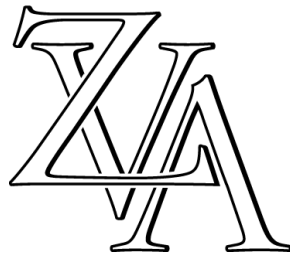
ACQUISITION STRATEGY

The Anacostia Study Area
City of Washington, District of Columbia

March, 2011

On Behalf of the
NATIONAL COMMUNITY REINVESTMENT COALITION
DC DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Conducted by
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Anacostia Study Area
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INTRODUCTION

The purpose of this study is to identify the market potential for new and renovated dwelling units located within the Anacostia Study Area in the City of Washington, DC. This information is to be used by the National Community Reinvestment Coalition (NCRC) and the District Department of Housing and Community Development (DHCD) during the implementation of the second round of the Neighborhood Stabilization Program. The conclusions of the analysis are intended to assist in the determination of how many housing units should be acquired in the Study Area, how many of the acquired units should be rental and how many for sale, and who the target markets are for these dwelling units. In addition, the study proposes implementation strategies covering unit pricing, derived from the financial capabilities of the target households, and timing, based on projected annual market capture, as well as policies/programs to maximize the success of the DHCD housing investment, including alternative homeownership strategies.

The Anacostia Study Area encompasses three census tracts—75.03, 79.03 and 75.04—and is bounded by the Anacostia Freeway and the Anacostia River to the northwest; Pennsylvania Avenue to the northeast; 25th Street, S Street, Minnesota Avenue, Good Hope Road, the Fort

Stanton Recreation Center, and Erie Street to the southeast; and Morris Road to the southwest. The Anacostia Study Area lies entirely within Ward 8, although its northeastern boundaries are directly adjacent to Ward 7.

The depth and breadth of the potential market for new and existing housing units within the Anacostia Study Area have been determined using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional supply/demand analysis—which is derived from supply-side dynamics and baseline demographic projections—target market analysis establishes the market potential for new and existing housing based on the housing preferences and socio-economic characteristics of households in the relevant draw areas.

The target market methodology is particularly effective in defining realistic housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifecycle, lifestyle patterns, and household compatibility issues (*see METHODOLOGY, pages 62 and 63 of this study*).

The current constrained market—characterized throughout most of the United States by significantly reduced housing values; high levels of unsold units, both builder inventory units as well as foreclosed and/or abandoned units; and high levels of mortgage delinquencies by speculators and investors as well as homeowners—has resulted in restrictive development financing and mortgage underwriting, dampening development below optimum levels and keeping some potential homebuyers out of the market. Although the housing market is healthier than the national average in the District of Columbia, the Anacostia Study Area has been subject to higher foreclosure rates than most of the rest of the District.

These market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they could reduce the initial percentage of the potential market able to overcome those constraints.

In brief, this study determined:

- What is the current housing context;
- What is the future housing context;
- Where the potential buyers and renters of new and existing housing units in the City of Washington and the Anacostia Study Area are likely to move from (the draw areas);
- How many households have the potential to move within and to the Study Area each year (depth and breadth of the market—the universe of households that represent the Anacostia Study Area market);
- How many of those households have incomes between 30 and 120 percent of the District area median income (income qualifications);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- Who those households are that represent the potential market for new and existing units in the Anacostia Study Area (target markets); and
- How many new and renovated units, affordable to households with incomes between 30 and 120 percent of the area median income, can be leased or sold each year within the Study Area (market capture).

BACKGROUND OF THE STUDY AREA

Based on past demographic trends, Nielsen Claritas, a respected demographic provider, projects that the Anacostia Study Area's estimated population of 9,185 persons in 2010 will fall to 9,020 by 2015, a decline of 1.8 percent. With an estimated 4,700 persons living in the neighborhood in 2010, the two census tracts that comprise the heart of Historic Anacostia—Census Tract 75.03 and 75.04—represented just over 51 percent of the Study Area population. Fairlawn—Census Tract 76.01—was home to an estimated 4,485 persons in 2010. The number of households in the Study Area as a whole is projected to fall by 1.3 percent, from 3,535 households in 2010 to 3,485 in 2015.

Currently, just under 59 percent of all households that live in the Study Area contain just one or two persons (matching the national percentage); 17.3 percent contain three persons, and the remaining 24 percent contain four or more persons. (*See* Table 1.) Households living in the Historic Anacostia census tracts are generally larger than the overall Study Area, with less than 52 percent containing one or two persons, nearly 20 percent containing three persons, and approximately 28.5 percent containing four or more persons. In contrast, the Fairlawn census tract has smaller households, with 64.5 percent containing one or two persons, over 15 percent with three persons, and the remaining 20.1 percent with four or more persons.

Approximately eight percent of the Study Area's households could be characterized as traditional families, *e.g.*—married couples with children under age 18 (compared to 21.6 percent of all U.S. households). Non-traditional families, *e.g.*—single persons with children under 18, represent 28.7 percent of the Study Area's households. The remaining 63.6 percent of Study Area households do not have children under 18 and include married couples (10.3 percent), other non-traditional family households (12.8 percent), and 40.2 percent non-family households.

Key Demographic Data
The Anacostia Study Area
City of Washington, District of Columbia
2010 Estimates

	District of Columbia*	Study Area*	Historic Anacostia*	Fairlawn**
Population†	595,935	9,185	4,700	4,485
Households†	262,975	3,535	1,660	1,875
Housing Units†	290,020	4,185	2,030	2,155
1&2 pp HHs††	72.0%	58.7%	51.9%	64.5%
3 pp HHs	12.6%	17.3%	19.6%	15.3%
4+ pp HHs	15.4%	24.0%	28.5%	20.1%
Married couples w/ children	8.2%	8.1%	7.4%	8.6%
Single persons w/ children	13.4%	28.7%	37.1%	21.2%
HHs without children	78.4%	63.3%	55.5%	70.2%
Median HH income	\$58,100	\$40,100	\$29,700	\$47,800
HHs below \$25,000	23.5%	33.9%	44.0%	24.9%
African American	52.5%	95.0%	95.8%	94.1%
White	36.6%	2.5%	1.4%	3.6%
Asian	3.3%	0.3%	0.6%	0.0%
Other	7.6%	2.2%	2.1%	2.3%
Single-family attached units	26.3%	27.9%	20.4%	34.9%
Single-family detached units	12.6%	10.4%	11.2%	9.6%
Units in 2-unit bldgs.	3.0%	0.9%	0.4%	1.4%
Units in 3- to 19-unit bldgs.	25.4%	55.3%	62.4%	48.6%
Units in 20+-unit bldgs.	32.6%	5.5%	5.6%	5.4%
Vacant units	9.3%	15.5%	18.2%	13.0%
Renter-occupied units	44.0%	59.8%	69.4%	51.2%
Owner-occupied units	56.0%	40.2%	30.6%	48.8%
Units new since 2000	7.8%	0.9%	0.2%	1.5%
Median housing value	\$379,000	\$245,200	\$231,400	\$252,300
No vehicle ownership	35.5%	42.1%	48.9%	36.0%
Own 1 vehicle	44.2%	40.7%	37.1%	44.0%
Own 2 or more vehicles	20.3%	17.2%	14.0%	20.0%
Take public transportation to work	36.4%	47.7%	54.9%	41.4%
Walk to work	11.9%	1.9%	1.8%	1.9%
Car-pool	6.6%	9.4%	8.3%	10.4%
Drive alone	37.1%	38.7%	32.9%	43.9%
Other	8.1%	2.3%	2.0%	2.5%
White-collar employment	75.7%	60.1%	57.9%	62.2%
Blue-collar employment	8.1%	16.7%	15.9%	17.4%
Service employment	16.2%	23.2%	26.2%	20.4%

* Census Tracts 75.03 and 75.04.

** Census Tracts 76.01

† Rounded to nearest five.

†† HH=Household

SOURCES: U.S. Bureau of Census; Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Employment Information
The Anacostia Study Area
City of Washington, District of Columbia
2010 Estimates

	District of Columbia*	Study Area*	Historic Anacostia*	Fairlawn**
Population 16+	494,210	6,840	3,250	3,590
By Employment Status*	494,210	6,840	3,250	3,590
In Armed Forces	0.93%	0.03%	0.03%	0.03%
Employed Civilians	61.5%	51.7%	51.8%	51.6%
Unemployed Civilians	5.3%	8.9%	9.4%	8.4%
Not in Labor Force	30.4%	39.4%	38.7%	40.1%
Employed Civilian				
By Worker Class†	277,450	3,090	1,470	1,620
For-Profit Private	50.7%	53.7%	52.0%	55.2%
Non-Profit Private	18.5%	9.8%	7.8%	11.7%
Local Government	6.6%	14.1%	17.0%	11.4%
State Government	2.2%	2.8%	3.9%	1.7%
Federal Government	16.8%	17.0%	16.7%	17.3%
Self-Employed	5.0%	2.6%	2.7%	2.5%
Unpaid Family	0.1%	0.0%	0.1%	0.0%
Employed Civilian				
By Occupation†	277,450	3,090	1,470	1,620
Architect/Engineer	1.4%	0.2%	0.0%	0.4%
Arts/Entertainment/Sports	6.1%	1.3%	1.8%	0.9%
Building Grounds Maintenance	3.8%	6.7%	6.4%	6.9%
Business/Financial	7.8%	6.2%	5.3%	3.5%
Community/Social Services	2.0%	2.4%	1.1%	3.9%
Computer/Mathematical	4.2%	3.2%	2.5%	4.8%
Construction/Extraction	2.3%	5.1%	5.6%	6.2%
Education/Training/Library	6.8%	4.0%	1.6%	0.1%
Farming/Fishing/Forestry	0.1%	0.6%	1.0%	0.1%
Food Preparation/Servicing	5.2%	4.7%	5.1%	4.4%
Health Practitioner/Technician	2.9%	2.7%	2.8%	2.5%
Healthcare Support	1.6%	2.4%	4.1%	0.8%
Maintenance Repair	0.9%	1.9%	2.2%	1.6%
Legal	7.4%	1.7%	2.4%	1.1%
Life/Physical/Social Sciences	3.2%	0.3%	0.7%	0.0%
Management	14.0%	7.2%	5.4%	9.0%
Office/Administrative Support	12.8%	21.8%	22.8%	21.0%
Production	1.1%	1.4%	1.2%	1.6%
Protective Services	2.7%	7.5%	8.1%	7.0%
Sales/Related	6.5%	8.9%	11.7%	6.4%
Personal Care/Services	2.9%	1.3%	1.5%	1.2%
Transportation/Moving	3.8%	8.3%	6.9%	9.4%

* Rounded to nearest five.

SOURCES: U.S. Bureau of Census; Nielsen Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Just 7.4 percent of the Historic Anacostia census tracts' households could be characterized as traditional families with children under 18; 37.1 percent are non-traditional families with children under 18. The remaining 55.5 percent of the neighborhood's households do not have children under 18 and include married couples (7.5 percent), other non-traditional family households (11.7 percent), and non-family households (36.3 percent).

In comparison, 8.6 percent of the Fairlawn neighborhood's households could be characterized as traditional families with children under 18, and 21.2 percent are non-traditional families with children under 18. The remaining 70.2 percent of Fairlawn's households do not have children under 18 and include married couples (12.7 percent), other non-traditional family households (16.4 percent), and non-family households (43.7 percent).

Median household income in the Study Area is estimated at \$40,100, considerably below the District's median of \$58,100. A third of the Study Area households have annual incomes below \$25,000.

Median household income in the Historic Anacostia census tracts is estimated at \$29,700, more than 25 percent lower than that of the overall Study Area. Nearly 44 percent of the Historic Anacostia neighborhood's households have annual incomes below \$25,000.

Households living in the Fairlawn census tract are generally financially better off than those who live in the Historic Anacostia census tracts, with a 2010 median household income estimated at \$47,800, 62 percent higher than that of Historic Anacostia. Less than a quarter of Fairlawn's households have annual incomes below \$25,000.

Just under 95 percent of the overall Study Area's current residents are African American, 2.5 percent are white, 0.3 percent Asian, and the remaining 2.7 percent are some other race or a mix of two or more races. Approximately 1.6 percent are Hispanic/Latino by origin, predominantly Mexican and Puerto Rican.

Approximately 12.2 percent of all Study Area residents aged 25 or older have a college or advanced degree, well below half the national average of 27.5 percent. In the Historic Anacostia census tracts, 10.2 percent of all residents aged 25 or older have a college or advanced degree, and in the Fairlawn census tract, that figure is over 14 percent.

Just over 10 percent of the Study Area's 4,185 housing units are single-family detached houses; 27.9 percent are single-family attached (rowhouses or townhouses); just under one percent are units in two-unit buildings; more than 55 percent are located in buildings of three to 19 units; and 5.5 percent are in buildings of 20 or more units. Less than six-tenths of one percent of Study Area units are mobile homes, trailers, boats, RVs, or vans. In 2010, more than 15.5 percent of the units are estimated to be vacant. Of the 3,535 occupied units, just under 60 percent are rented and 40 percent are owner-occupied, a higher ownership percentage than in most urban neighborhoods.

In the Historic Anacostia census tracts, approximately 20.4 percent of the neighborhood's 2,030 housing units are single-family attached units (rowhouses or townhouses); 11.2 percent are single-family detached houses; 0.4 percent are units in two-unit buildings; over 62 percent are located in buildings of three to 19 units; and 5.6 percent are in buildings of 20 or more units. More than 18 percent of the units are estimated to be vacant. Of the 1,660 occupied units, nearly 70 percent are rented and 30 percent are owner-occupied.

The Fairlawn census tract's housing stock contains a considerably higher percentage of single-family attached units (rowhouses or townhouses), nearly 35 percent of all units in the neighborhood; 9.6 percent are single-family detached houses; 1.4 percent are units in two-unit buildings; and 48.6 percent are located in buildings of three to 19 units. Approximately 13 percent of Fairlawn's 2,155 housing units are estimated to be vacant. Of the 1,875 occupied units, just over 51 percent are rented and 48.8 percent are owner-occupied.

Less than one percent of all dwelling units in the overall Study Area were built since 2000. Housing production posted double-digit growth rates through the 1960s, but has steadily fallen since then. Median value of owner-occupied dwelling units in the Study Area is estimated at \$245,200 in 2010, compared to the estimated \$379,000 median home value in the District. The median value of owner-occupied dwelling units in the Historic Anacostia census tracts is estimated at \$231,400 and in the Fairlawn census tract, the median exceeds \$252,000..

Over 42 percent of the Study Area's households do not own automobiles, and nearly 41 percent own only one vehicle. Just 17 percent own two or more vehicles. As a result, over 47.7 percent of employed residents over age 16 take public transportation to work, 9.4 percent car-pool, 1.8 percent walk to work, and under 39 percent drive alone. The remaining 2.26 percent either work at home (1.26 percent) or have other means of getting to work (1.0 percent). Over 60 percent of the Study Area's residents over age 16 are employed in white-collar occupations, 16.7 percent blue-collar, and 23.2 percent service occupations.

Automobile ownership in the Historic Anacostia neighborhood is well below that in Fairlawn: nearly 49 percent of the Historic Anacostia census tracts' households do not own automobiles compared to 36 percent in Fairlawn; 37 percent of the households in Historic Anacostia own only one car compared to 44 percent in Fairlawn; and only 14 percent of Historic Anacostia households own two or more vehicles, compared to 20 percent in Fairlawn. A greater percentage of Historic Anacostia residents—55 percent—take public transportation than in Fairlawn—41.4 percent; a smaller percentage—8.3 percent—car-pool in Historic Anacostia than in Fairlawn, at 10.4 percent; and comparable percentages—1.8 percent in Historic Anacostia and 1.9 percent in Fairlawn—walk to work. A third of Historic Anacostia's residents drive alone, compared to nearly 44 percent in Fairlawn.

Nearly 58 percent of the Historic Anacostia neighborhood's employed residents have white-collar occupations, 26.2 percent are service employees, and the remaining 15.9.3 percent are blue-collar workers. In contrast, over 62 percent of the Fairlawn neighborhood's employed

residents are white-collar employees, approximately 20 percent hold service jobs, and the remaining 17.4 percent are blue-collar workers.

Note: According to the Bureau of Labor Statistics, white-collar jobs fall into two broad categories: managerial and professional occupations, and technical, sales, and administrative support occupations. Blue-collar jobs include machine operators, fabricators, and laborers; transportation and material moving occupations; handlers, equipment cleaners, helpers, and laborers; as well as work in precision production, craft, and repair occupations. Service jobs include healthcare support; protective service; food preparation and serving-related occupations; building and grounds cleaning and maintenance; personal care and other service occupations.

SOURCES: Nielsen Claritas, Inc.; U.S. Census Bureau;
Zimmerman/Volk Associates, Inc.

THE CURRENT CONTEXT

What is the current housing context?

There are numerous affordable rental properties located in the Anacostia Study Area. These properties have been subsidized through a variety of programs, primarily low-income housing tax credits, tax-exempt bonds, Section 8, Community Development Block Grants, the Housing Production Trust Fund, public housing and HOME funds.

Among the largest are the Carver Hall Apartments, 95 moderate-income apartments; Finsbury Square, 134 tax-credit apartments and 50 HOME units; the 152-unit Douglas Glen Gardens; 30 units of transitional housing at Freedom House; 84 affordable rental units at Galen Terrace; the 45-unit Good Hope Senior Housing property; Graceview Apartments, 38 units; another 38 units at Morris Road; 48 units at Safe Haven; and 176 affordable apartments at Woodmont Crossing. In addition, there are several affordable properties with fewer than 20 units located in the Study Area.

The Grays on Pennsylvania is the newest of the affordable rental properties in the Study Area, opening in 2010. The property has 118 one- and two-bedroom units, with one-bedrooms ranging in size from 602 to 835 square feet leasing for \$1,164 per month, and two-bedroom units, containing between 918 and 963 square feet, leasing for \$1,398 per month. The apartments are restricted to those making at or below 60 percent of the area median income. There is a Yes Organic Market on the ground floor of the building, which is located on Prout Street and Pennsylvania Avenue at the foot of the John Philip Sousa Bridge.

Since the collapse of the housing market in 2007, there have been increasing numbers of foreclosed properties sold in the Anacostia Study Area, depressing values and inhibiting sales of non-foreclosed units. In 2007, there were 13 foreclosure sales and eight distressed sales in the Study Area. By the following year, the number of foreclosure sales had risen to 20, and distressed sales to nine.

By 2009, another 29 single-family homes and four condominiums had been sold through foreclosure in the Study Area. Nineteen of the single-family and all of the condominium foreclosures were located in Historic Anacostia. The 29 single-family foreclosures ranged in sales price from \$25,070 to \$417,955 and the four condominiums sold for between \$97,208 and \$188,793.

During the first nine months of 2010, there were 24 foreclosure sales of single-family homes and four condominium foreclosures, making 2010 likely to tally the highest number of involuntary sales.. Eighteen of the single-family and two of the condominium foreclosures were in the Historic Anacostia neighborhood. The median sales price of single-family foreclosures in that year was \$157,324, with the least expensive foreclosure selling for only \$61,395 and the most expensive for \$293,672. The median sales price of a foreclosed condominium was just over \$96,000, with the most expensive sale at \$192,973, and the least expensive sale with a value at \$94,804.

As a result of the competition from foreclosures, and high levels of caution on the part of the buyer market, several condominium projects located in the Study Area have struggled to achieve sales, or even to be built.

The Fendall Heights condominiums, an affordable housing property, with 29 newly-renovated units restricted to first-time homebuyers with incomes at or below 80 percent of the area median income, is located on Fendall and V Streets and opened for sales in 2010. The units were initially intended to provide subsidized artists' housing. The property includes seven one-bedroom units, ranging in size from 452 square feet to 756 square feet and in price from \$125,000 to \$193,000 (\$255 to \$277 per square foot), and 22 two-bedroom units, with one or two bathrooms, ranging in size between 751 and 954 square feet, and priced between \$191,000 and \$240,000 (\$252 to \$254 per square foot). The building has a green roof, as well as other "green" and energy-saving features, and 3,000 square feet of artist studio space on the ground floor. The property has limited parking, which is a challenge since it is not located in walking distance of retail or community amenities.

Manna, Inc. acquired six boarded-up townhouses located on W Street in 2009 and proposed a gut rehabilitation to create 24 two-bedroom, two-bath for-sale units ranging in size from 909 to 1,039 square feet. Marketed as the Buxton Condominiums, 16 of the units will be affordable to households earning between 61 and 80 percent of the area median income, and the remainder will be made available to households earning 60 percent or less of the AMI. Work has not yet begun on the project.

Located not far from the Buxton Condominiums, the W Street Condominiums is a proposed new construction project of 15 condominiums in a three-story building. Five of the units will be income-restricted to households earning between 40 percent and 60 percent of the area median income; these units range in size from a two-bedroom/one-bath apartment containing 860 square feet and priced at \$104,000 (income-restricted at 40 percent AMI) to an 1,840-square-foot four-bedroom/three-bath duplex priced at \$239,000 (income-restricted at 50 percent AMI). The remaining 10 units will not be income-restricted and will contain either two or three bedrooms, two or two-and-a-half baths. Prices are proposed to start at \$215,000 for an 860-square-foot two-bedroom unit with the highest price at \$320,000 for an 1,840-square-foot three-bedroom duplex (\$174 to \$250 per square foot). Site work has not yet begun.

In the past year, 123 residential properties were sold in the 20020 zip code, which extends beyond the Study Area, for an average sales price of just over \$189,000, down four percent from the previous year. Over the same period, nearly 2,600 residential properties were sold citywide, for an average sales price of \$556,624, for a year-to-year decline in value of three percent.

No units were sold within the Historic Anacostia census tracts in January 2011. Thirty-four units were on the market, at a median list price of \$135,000, and a median list price per square foot of \$115. The average length of time on the market before a unit was either sold or withdrawn was 170 days (180 days for single-family houses and 95 days for condominiums).

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

During the same month, one unit was sold in the Fairlawn neighborhood, at a sold price of \$170,000. Forty-one units were on the market at a median list price of \$170,000, and a median list price per square foot of \$120. The average length of time on the market before a unit was either sold or withdrawn was 75 days (87 days for single-family houses and 60 days for condominiums).

SOURCES: Preservation Catalog for the District of Columbia, June 2010;
The Urban Institute; Multiple Listing Service.

THE FUTURE CONTEXT

What is the future housing context?

Several residential and mixed-use projects have been proposed in the Anacostia Study Area and nearby neighborhoods in Ward 7 and Ward 8 that could potentially be developed over the next several years. None of them are likely to have any significant negative impact on the Neighborhood Stabilization Program, because they are either located at some distance from the Anacostia Study Area or because they will begin marketing units after the NSP undertaking is complete.

The largest projects include the Parkside new neighborhood (approximately 2,000 units) located several miles away adjacent to the Minnesota Avenue Metro Station; the redevelopment of Barry Farms, a New Communities initiative (approximately 1,400 units, of which a large majority will be replacement units), within walking distance of the Anacostia Metro station; St. Elizabeth's East, a mixed-use development to include 900 dwelling units, according to the DC Office of Planning; Four Points in Downtown Anacostia, a mixed-use project to include 335 dwelling units; and Sheridan Terrace, a redevelopment of the former public housing property, to include 344 new dwelling units and where site work is currently underway. A number of smaller projects are also planned for the next five to 10 years that could contain close to 500 units.

Also in the pipeline is Poplar Point, a major mixed-use development on the Anacostia River that is proposed for up to 1,500 residential units. This development is not likely to begin until some time in the next 10 to 15 years.

SOURCE: D.C. Office of Planning.

• • •

The District of Columbia is proposing a 37-mile long streetcar system to run along several corridors in the District. The streetcar is proposed to run through Historic Anacostia, and a spur of one of the lines is already under construction to the southwest of the Study Area. The market strength of existing and future residential development potential within the streetcar corridors was assessed to determine the extent to which the streetcar network will provide or improve residents' access to the following:

- Employment.
- A metro station.
- Goods and services.
- Entertainment.
- Eating and drinking establishments.
- Green space, parks, and recreation areas.

Based on those assessments, the impact of the streetcar network on future market potential has been determined to be significant in the area encompassing a major portion of the Anacostia Study Area, which should result in rising values and higher absorption paces of both rental and ownership units. In order to offset potential gentrification-induced displacement of lower-income households, the retention of existing affordable housing units, and the provision of additional affordable units in the Anacostia Study Area should become a high priority.

SOURCES: Nielsen Claritas, Inc.; U.S. Census Bureau; D.C. Office of Planning;
Zimmerman/Volk Associates, Inc.

CITYWIDE MARKET POTENTIAL

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is integral to the determination of the depth and breadth of the potential market for new and existing housing units within the District of Columbia and the Anacostia Study Area.

American households, more than any other nation's, have always been extraordinarily mobile. In 2009, approximately 10 percent of American households moved from one dwelling unit to another, which, because of the impact of the recession, is a considerably lower mobility rate than in previous years. In general, household mobility is higher in urban areas; a greater percentage of renters move than owners; and a greater percentage of younger households move than older households.

An understanding of these mobility trends, as well as analysis of the socio-economic and lifestyle characteristics of households currently living within defined draw areas, is integral to the determination of the depth and breadth of the potential market for new and existing housing units within a given area. The draw areas are derived primarily through migration analysis (using the latest data provided by the Internal Revenue Service, supplemented by the American Community Survey), but also incorporate information obtained from real estate brokers, sales and leasing agents and other knowledgeable sources, as well as from field investigation.

*Where are the potential renters and buyers of new and existing housing units
in the City of Washington likely to move from?*

Analysis of the most recent District of Columbia migration and mobility data available from the Internal Revenue Service—from 2003 through 2007—shows that the city continued to experience steady increases in in-migration throughout the study period, with the number of out-migrating households rising only slightly. More than 37 percent of the city's in-migration is from the four adjacent counties of Prince George's and Montgomery Counties, Maryland and Arlington and Fairfax Counties, Virginia, and from the City of Alexandria, Virginia.

Another seven to eight percent of the city's in-migration is from New York County, New York (Manhattan), Cook County, Illinois (including Chicago), Los Angeles County, California, Middlesex County, Massachusetts (including Boston), and the City of Baltimore.

Based on the migration data, then, the draw areas for the District of Columbia have been delineated as follows:

- The primary draw area, covering households currently living within the District.
- The regional draw area, covering households that are likely to move to the City of Washington from Prince George's and Montgomery Counties in Maryland, Arlington and Fairfax Counties and the City of Alexandria in Virginia.
- The national draw area, covering households with the potential to move to the City of Washington from all other U.S. counties (primarily urban and East Coast counties).

As derived from migration analysis—based on the most recent taxpayer records from the Internal Revenue Service—the draw area distribution of the potential housing market (those households likely to move both within and to the District) would be as follows:

Potential Housing Market by Draw Area
City of Washington, District of Columbia

City of Washington (Primary Draw Area):	49.4%
Prince George's, Montgomery, Arlington, and Fairfax Counties; City of Alexandria (Regional Draw Area):	19.4%
New York, Cook, Los Angeles, and Middlesex Counties; City of Baltimore (Urban Draw Area):	4.0%
Balance of US (National Draw Area):	<u>27.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Nearly half of the draw area households are moving from one unit to another within the District, 19.4 percent are moving to the District from elsewhere within the region, four percent are households moving from other large American cities (Manhattan, Chicago, Los Angeles, Boston, and Baltimore), and 27.2 percent are moving from elsewhere in the United States.

MARKET POTENTIAL OF THE ANACOSTIA STUDY AREA

Where are the potential renters and buyers of new and existing housing units in the Anacostia Study Area likely to move from?

The target market methodology differentiates the potential market based on neighborhood preferences, among a variety of other factors. Therefore, after discounting for those segments of the city's potential market that would choose other urban neighborhoods or more suburban locations, the draw area distribution of the potential housing market (those households likely to move both within and to the Anacostia Study Area) would be as follows (*see also* Appendix One, Table 8):

Potential Housing Market by Draw Area
THE ANACOSTIA STUDY AREA
City of Washington, District of Columbia

Anacostia Study Area (Primary Draw Area):	16.0%
Balance of the City of Washington (Primary Draw Area):	44.6%
Prince George's, Montgomery, Arlington, and Fairfax Counties; City of Alexandria (Regional Draw Area):	16.7%
Balance of US (National Draw Area):	<u>22.7%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

How many households have the potential to move within and to the Anacostia Study Area each year?

As derived by the target market methodology, more than 2,300 households represent the annual potential market for new and existing housing units in the Anacostia Study Area. These households comprise 4.2 percent of the approximately 54,900 households that represent the annual potential market for new and existing housing units in the City of Washington as a whole, a share of the market that is consistent with Zimmerman/Volk Associates' experience in other cities.

The housing preferences of these 2,330 households—according to tenure (rental or for-sale) and general financial capacity (incomes above or below 80 percent of AMI)—are shown on the following page: (*see also* Table 2):

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

**Annual Average Market Potential
For New and Existing Housing Units
THE ANACOSTIA STUDY AREA
*City of Washington, District of Columbia***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent*	900	38.6%
Multi-family for-rent† (lofts/apartments, leaseholder)	320	13.7%
Multi-family for-sale*	320	14.6%
Multi-family for-sale† (lofts/apartments, condo/co-op ownership)	270	11.6%
Single-family attached for-sale*	170	7.3%
Single-family attached for-sale† (townhouses/live-work, fee-simple/ condominium ownership)	210	9.0%
Single-family detached for-sale*	60	2.6%
Single-family detached for-sale† (houses, fee-simple ownership)	<u>60</u>	<u>2.6%</u>
Total	2,330	100.0%

* Affordable to households with incomes below 80 percent of AMI, calibrated by household size.

† Affordable to households with incomes above 80 percent of AMI, calibrated by household size.

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 2

Annual Average Market Potential For New And Existing Housing Units
 Distribution Of Annual Average Number Of Households With The Potential
 To Move Within/To The Anacostia Study Area Over The Next Five Years
 Based On Housing Preferences And Income Levels
The Anacostia Study Area
City of Washington, District of Columbia

*Anacostia Study Area; Balance of the District of Columbia;
 Prince George's and Montgomery Counties, Maryland; Arlington and Fairfax Counties, Virginia;
 City of Alexandria, Virginia; Balance of the U.S.
 Draw Areas*

Annual Average Households With The Potential
 To Rent/Purchase New And Existing
 Housing Units In The Study Area 2,330

Annual Average Market Potential

<i>..... Multi-Family</i>				<i>..... Single-Family</i>				
<i>..... For-Rent</i>		<i>..... For-Sale</i>		<i>.... Attached For-Sale</i>		<i>.... Detached For-Sale</i>		
<i>Below</i>	<i>Above</i>	<i>Below</i>	<i>Above</i>	<i>Below</i>	<i>Above</i>	<i>Below</i>	<i>Above</i>	<i>Total</i>
<i>80% AMI</i>	<i>80% AMI</i>	<i>80% AMI</i>	<i>80% AMI</i>	<i>80% AMI</i>	<i>80% AMI</i>	<i>80% AMI</i>	<i>80% AMI</i>	
900	320	340	270	170	210	60	60	2,330
38.6%	13.7%	14.6%	11.6%	7.3%	9.0%	2.6%	2.6%	100.0%

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

How many of those households have incomes between 30 and 120 percent of the District area median family income, and what are their housing preferences in aggregate?

The 2,330 households that represent the market for new and existing housing units in the Anacostia Study Area have been further detailed by income, as follows:

- Households with incomes below 30 percent of the District of Columbia MSA median family income (AMI), which, for fiscal year 2010 is \$103,500 for a family of four (a significant percentage of these households typically qualify only for public housing or older existing units);
- Households with incomes between 30 and 50 percent of AMI (these households typically qualify for new affordable rental housing or heavily subsidized ownership housing);
- Households with incomes between 50 and 80 percent of AMI (these households typically qualify for new workforce or affordable rental housing or subsidized ownership housing);
- Households with incomes between 80 and 120 percent AMI (these households typically qualify for existing market-rate rentals or new workforce or affordable for-sale housing); and
- Households with incomes above 120 percent AMI (these households generally have sufficient incomes to rent or purchase market-rate housing).

Of the 2,330 households that represent the annual potential market for new and existing housing units in the Anacostia Study Area, 1,780 have incomes between 30 and 120 percent of AMI.

The housing preferences of these 1,780 draw area households segmented by income bands are shown on the following page:

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Annual Potential Market for New and Existing Housing Units
THE ANACOSTIA STUDY AREA
City of Washington, District of Columbia

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (30 to 50% AMI)	390	21.9%
Multi-family for-rent (50 to 80% AMI)	240	13.5%
Multi-family for-rent (80 to 120% AMI) (lofts/apartments, leaseholder)	250	14.0%
Multi-family for-sale (30 to 50% AMI)	220	12.4%
Multi-family for-sale (50 to 80% AMI)	110	6.2%
Multi-family for-sale (80 to 120% AMI) (lofts/apartments, condo/co-op ownership)	160	9.0%
Single-family attached for-sale (30 to 50% AMI)	70	3.9%
Single-family attached for-sale (50 to 80% AMI)	100	5.6%
Single-family attached for-sale (80 to 120% AMI) (townhouses/live-work, fee-simple/ condominium ownership)	150	8.4%
Single-family detached for-sale (30 to 50% AMI)	10	0.6%
Single-family detached for-sale (50 to 80% AMI)	50	2.8%
Single-family detached for-sale (80 to 120% AMI) (houses, fee-simple ownership)	<u>30</u>	<u>1.7%</u>
Total	1,780	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Based on the housing preferences of the target households that represent the potential market for new and existing units in the Anacostia Study Area, the mix of new units should include 49.4 percent rental housing units (880 households) and 50.6 percent for-sale housing units (900 households).

TARGET MARKET ANALYSIS

*Who are those households that represent the potential market
for new and existing housing units in the Anacostia Study Area?*

The significant transformation of American households (particularly shrinking household size and the predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and fluctuating gasoline prices, has resulted in important changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density suburbs to higher-density apartments, townhouses, and detached houses in urban and mixed-use neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade.

This transformation has been driven by the convergence of the two largest generations in the history of America: the 76 million Baby Boomers born between 1946 and 1964, and the 78 million Millennials, who were born from 1977 to 1996. The convergence of two generations of this size—simultaneously reaching a point when urban housing matches their life stage—is unprecedented.

In addition to their shared preference for urban living, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are predominantly singles and couples. As a result, the 21st Century home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are equally likely to be non-traditional families (single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren).

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Based on the target market analysis, the potential market for new housing units within the Anacostia Study Area consists of a diverse mix of households. The general market segments that represent the potential market for new and existing housing units in Study Area are (*see also* Table 3):

- Younger singles and childless couples (62 percent);
- Traditional and non-traditional family households (29 percent); and
- Empty nesters and retirees (9 percent).

Excluding households with incomes below 30 percent and above 120 percent of AMI, the mix of general market segments that comprise the potential market for new and existing housing units in Study Area would be (*see also* Table 4):

- Younger singles and childless couples (65 percent);
- Traditional and non-traditional family households (25 percent); and
- Empty nesters and retirees (10 percent).

The household groups that represent the market for new and existing housing units in the Anacostia Study Area, their estimated DC-specific median and range of incomes, and estimated median home values in 2010, are shown as follows.

Primary Target Groups
(In Order of Median Income)
THE ANACOSTIA STUDY AREA
City of Washington, District of Columbia

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
<i>Urban Establishment</i>	\$100,700	\$50,000–\$145,000	\$489,000
<i>Cosmopolitan Couples</i>	\$64,100	\$35,000–\$95,000	\$327,400
<i>Middle-Class Move-Downs</i>	\$61,000	\$40,000–\$85,000	\$207,500
<i>Multi-Ethnic Retirees</i>	\$49,700	\$35,000–\$70,000	\$185,300
<i>Blue-Collar Retirees</i>	\$46,700	\$30,000–\$65,000	\$172,800
<i>Downtown Retirees</i>	\$31,000	\$20,000–\$45,000	\$180,100
<i>Second-City Seniors</i>	\$28,500	\$15,000–\$45,000	\$127,600
<i>Multi-Ethnic Seniors</i>	\$27,100	\$15,000–\$40,000	\$175,600

continued on the following page. . . .

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

... continued from preceding page

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Traditional & Non-Traditional Families			
<i>Full-Nest Urbanites</i>	\$73,700	\$50,000–\$100,000	\$366,900
<i>Blue-Collar Button-Downs</i>	\$65,900	\$40,000–\$90,000	\$333,000
<i>Multi-Cultural Families</i>	\$48,000	\$30,000–\$70,000	\$241,900
<i>Inner-City Families</i>	\$33,200	\$20,000–\$50,000	\$186,600
<i>Single-Parent Families</i>	\$25,400	\$10,000–\$45,000	\$172,300
Younger Singles & Couples			
<i>The Entrepreneurs</i>	\$101,100	\$50,000–\$150,000	\$476,000
<i>e-Types</i>	\$100,000	\$45,000–\$140,000	\$438,900
<i>Fast-Track Professionals</i>	\$78,100	\$45,000–\$105,000	\$380,700
<i>The VIPs</i>	\$75,600	\$50,000–\$100,000	\$320,400
<i>New Bohemians</i>	\$73,500	\$50,000–\$95,000	\$298,000
<i>Upscale Suburban Couples</i>	\$70,600	\$40,000–\$95,000	\$281,200
<i>No-Nest Suburbanites</i>	\$60,400	\$35,000–\$85,000	\$190,700
<i>Twentysomethings</i>	\$59,900	\$40,000–\$80,000	\$223,100
<i>Suburban Achievers</i>	\$58,500	\$45,000–\$75,000	\$240,200
<i>Urban Achievers</i>	\$48,800	\$30,000–\$70,000	\$245,600
<i>Small-City Singles</i>	\$47,400	\$25,000–\$70,000	\$187,700
<i>Working-Class Singles</i>	\$37,900	\$20,000–\$65,000	\$169,200
<i>Blue-Collar Singles</i>	\$34,900	\$15,000–\$60,000	\$123,000
<i>Soul City Singles</i>	\$28,300	\$10,000–\$55,000	\$163,800

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

APPENDIX THREE, TARGET MARKET DESCRIPTIONS, contains detailed descriptions of each of these target market groups and is provided in a separate document. The METHODOLOGY section at the end of this study describes how the target market groups are derived. Information on draw area origination of each household group is detailed within APPENDIX ONE, TABLE 8: Annual Average Number of Households with the Potential to Move Within/To the Historic Anacostia Study Area Over the Next Five Years, found in APPENDICES TWO AND THREE, TARGET MARKET TABLES.

Table 3

Annual Average Market Potential For New And Existing Housing Units By Household Type

Distribution Of Annual Average Number Of Households With The Potential
To Move Within/To The Anacostia Study Area Over The Next Five Years
Based On Housing Preferences And Income Levels

The Anacostia Study Area

City of Washington, District of Columbia

 Multi-Family Single-Family				
 For-Rent For-Sale Attached For-Sale Detached For-Sale ...		
	Total	<i>Below</i> 80% AMI	<i>Above</i> 80% AMI	<i>Below</i> 80% AMI	<i>Above</i> 80% AMI	<i>Below</i> 80% AMI	<i>Above</i> 80% AMI	<i>Below</i> 80% AMI	<i>Above</i> 80% AMI
Number of Households:	2,330	900	320	340	270	170	210	60	60
Empty Nesters & Retirees	9%	9%	3%	3%	15%	18%	10%	17%	33%
Traditional & Non-Traditional Families	29%	50%	16%	6%	7%	29%	10%	33%	67%
Younger Singles & Couples	62%	41%	81%	91%	78%	53%	80%	50%	0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 4

**Annual Average Market Potential For New And Existing Housing Units
By Household Type And Incomes Between 30% And 120% AMI**

Distribution Of Annual Average Number Of Households With The Potential
To Move Within/To The Anacostia Study Area Over The Next Five Years
Based On Housing Preferences And Income Levels

The Anacostia Study Area

City of Washington, District of Columbia

..... Multi-Family							
..... For-Rent For-Sale			
	<u>Total</u>	<u>30% to 50% AMI</u>	<u>50% to 80% AMI</u>	<u>80% to 120% AMI</u>	<u>30% to 50% AMI</u>	<u>50% to 80% AMI</u>	<u>80% to 120% AMI</u>
Number of Households:	1,370	390	240	250	220	110	160
Empty Nesters & Retirees	10%	8%	13%	4%	5%	0%	13%
Traditional & Non-Traditional Families	25%	46%	38%	16%	5%	9%	13%
Younger Singles & Couples	65%	46%	49%	80%	90%	91%	74%
	100%	100%	100%	100%	100%	100%	100%
..... Single-Family							
..... Attached For-Sale Detached For-Sale			
		<u>30% to 50% AMI</u>	<u>50% to 80% AMI</u>	<u>80% to 120% AMI</u>	<u>30% to 50% AMI</u>	<u>50% to 80% AMI</u>	<u>80% to 120% AMI</u>
Number of Households:		70	100	150	10	50	30
Empty Nesters & Retirees		0%	30%	7%	0%	20%	67%
Traditional & Non-Traditional Families		43%	20%	13%	0%	40%	33%
Younger Singles & Couples		57%	50%	80%	100%	40%	0%
		100%	100%	100%	100%	100%	100%

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

The largest general market segment, at 1,430 households, is composed of younger single- and two-person households. The target groups in this segment typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses. The revitalization of multiple urban neighborhoods in cities across the country has been pioneered by younger singles and couples, who, when appropriate housing options have been available, helped re-populate those neighborhoods. For the most part, these younger households tend to be risk-tolerant, rather than risk-averse.

Approximately 30 percent of the younger singles and couples that comprise the target markets for the Anacostia Study Area have incomes that fall within the 30 to 50 percent income band. These households—*Urban Achievers*, *Blue-Collar Singles*, *Working Class Singles*, *Suburban Achievers* and *Soul City Singles*, as well as the younger (and typically lower-income) households of *New Bohemians* and *e-Types*—are employed in lower-paying jobs, including entry-level retail, such as store clerks, and service occupations.

Another 20 percent of the households in this market segment have incomes that fall within the 50 percent to 80 percent income band. These include office and retail employees and medical personnel—*Twentysomethings*, *Urban Achievers* and *Small-City Singles*.

Just over 30 percent of the younger singles and couples in this market segment have incomes that fall within the 80 percent to 120 percent income band. These include a variety of free-lance entrepreneurs—the *Entrepreneurs*, *e-Types* and *New Bohemians*—as well as mid-level office workers and higher-education affiliates—*Fast-Track Professionals*, *the VIPs* and *Upscale Suburban Couples*.

The remaining 20 percent of this market segment have incomes that are either under 30 percent of the area median income, generally qualifying for public housing units, or over 120 percent of AMI, generally able to afford market-rate units.

Just 3.5 percent of this market segment would be moving from another unit in the Anacostia Study Area, 45 percent would be moving from elsewhere in the District, 23 percent from elsewhere in the region, and the remaining 28 percent from elsewhere in the U.S.

The next general market segment is comprised of family-oriented households (traditional and non-traditional families). An increasing percentage of family-oriented households are non-traditional families, notably single parents with one or two children. Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single mother or father with one or more children, an adult taking care of younger siblings, a grandparent responsible for grandchildren, to an unrelated couple of the same sex with children. Traditional families contain a married man and woman with children. These can also include “blended” families, in which each parent was previously married to another individual and each has children from that marriage.

In the 1980s, when the majority of the Baby Boomers were in the full-nest lifestage, the “traditional family household” (married couple with one or more children) comprised more than 45 percent of all American households. That market segment has now fallen to less than 22 percent of all American households, and the subset of the one wage-earner traditional family has fallen to less than 10 percent of all American households. In addition to reflecting the aging of the Baby Boomers into the empty-nest lifestage, this significant transformation also demonstrates the increasing diversity of households with children.

Approximately a third of the 680 traditional and non-traditional family households that comprise the target households for the Anacostia Study Area have incomes between 30 and 50 percent of the area median income and are spending close to, or more than 30 percent of their incomes on housing costs. These households are not the least affluent of the market groups *Inner-City Families* and *Single-Parent Families*, but are working families struggling to make ends meet. Most of them are renters, not homeowners.

Another 21 percent of the family-oriented households have incomes that fall within the 50 to 80 percent income band, including the higher-income *Multi-Cultural Families* and *Blue-Collar Button-Downs*, the more affluent of the *Inner-City Families* and *Single-Parent Families*.

Just over 13 percent of the traditional and non-traditional families have incomes between 80 and 120 percent of AMI. These households include *Full-Nest Urbanites* and *Multi-Cultural Families* who are, in large part, dual-income households, with one spouse holding a middle-management position and the other employed in lower-level administration.

The remaining third of the family households have incomes below 30 percent or above 120 percent of the area median income.

Nearly 40 percent of these households are already living in the Anacostia Study Area, and over 41 percent are currently living elsewhere in the District. Just under nine percent would be moving to the Study Area from elsewhere in the region, and the remaining 10 percent would be moving from elsewhere in the U.S.

The third general market segment is comprised of 220 older households (empty nesters and retirees). A significant number of these households have grown children who have recently moved out of the family home; another large percentage are retired, with income largely from social security, although, for some, supplemented by pensions, savings and investments.

In this market segment, just over 18 percent have incomes that fall within the 30 percent to 50 percent income band—older singles and couples struggling on limited incomes, mostly from social security, including *Downtown Retirees*, *Multi-Ethnic Seniors* and *Second-City Seniors*—nearly all of whom are already living in the Study Area, many in substandard housing.

Another 32 percent of the older households have incomes between 50 and 80 percent of the area median income and include *Blue-Collar Retirees* and *Multi-Ethnic Retirees*, as well as more financially secure households of *Multi-Ethnic Seniors* and *Second-City Seniors*. These

households would like to move to dwelling units that require less upkeep and maintenance expense, but if given the choice, would choose to remain in their current neighborhood.

Comprising 27.3 percent of the empty nester and retiree market segment, the *Cosmopolitan Couples*, *Urban Establishment*, *Middle-Class Move-Downs*, and more affluent *Multi-Ethnic Seniors*, have incomes between 80 and 120 percent of AMI. The remaining 22.7 percent either have incomes below 30 percent or above 120 percent of the area median income.

More than 22 percent of the households in this market segment would be moving to the Anacostia Study Area from elsewhere in the Study Area; over half would be moving from elsewhere in the District, and the remaining 27 percent would be moving elsewhere in the U.S.

CONCLUSIONS AND RECOMMENDATIONS

*How many new and renovated units can be leased or sold
each year within the Study Area?*

As noted previously in this study, the current constrained market is characterized in many locations by reduced housing prices, high levels of unsold and foreclosed units, and restrictive mortgage underwriting and development finance. As also noted previously, these market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they could reduce the initial percentage of the potential market able or willing to overcome those constraints.

After more than two decades' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term (next two to three years), those households that prefer (and are able) to purchase new construction, rather than existing or renovated units, currently represent approximately two percent of the potential ownership market, given the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation.) Over the near term, another two percent of the potential ownership market would purchase newly-rehabilitated or renovated units, for a combined capture of four percent of the potential ownership market.

Longer term (three to five years), with marked improvement in the national and local economies, the market capture of newly-constructed ownership units is likely to rise to three percent, and four percent for newly-renovated units, for a combined market capture rate of seven percent.

Over the near term (next two to three years), those households that prefer (and are able) to rent newly-constructed, rather than existing or renovated rental units, currently represent approximately three percent of the potential rental market. Over the near term, another three

percent of the potential rental market would rent newly-rehabilitated or renovated units, for a combined capture of six percent of the potential rental market.

Longer term (three to five years), with marked improvement in the national and local economies, the market capture of newly-constructed rental units is likely to rise to five percent, and five percent for newly-renovated rental units as well, for a combined market capture rate of 10 percent.

Based on these capture rates, the Anacostia Study Area should be able to support an average of up to 88 (52 rental and 36 ownership) newly-constructed and newly-rehabilitated housing units per year over the short term (the next two to three years) and up to 151 (88 rental and 63 ownership) newly-constructed or newly-rehabilitated housing units per year in the longer term (three to five years), as shown on the following page:

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

**Annual Capture of Market Potential
Newly-Constructed and Newly-Rehabilitated Housing Units
THE ANACOSTIA STUDY AREA
*City of Washington, District of Columbia***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Multi-family for-rent (30 to 50% AMI)	390	6% - 10%	23 - 39
Multi-family for-rent (50 to 80% AMI)	240	6% - 10%	14 - 24
Multi-family for-rent (80 to 120% AMI) (lofts/apartments, leaseholder)	<u>250</u>	6% - 10%	<u>15 - 25</u>
<i>Subtotal:</i>	880		52 - 88
Multi-family for-sale (30 to 50% AMI)	220	4% - 7%	9 - 15
Multi-family for-sale (50 to 80% AMI)	110	4% - 7%	4 - 8
Multi-family for-sale (80 to 120% AMI) (lofts/apartments, condo/co-op ownership)	<u>160</u>	4% - 7%	<u>7 - 11</u>
<i>Subtotal:</i>	490		20 - 34
Single-family attached for-sale (30 to 50% AMI)	70	4% - 7%	3 - 5
Single-family attached for-sale (50 to 80% AMI)	100	4% - 7%	4 - 7
Single-family attached for-sale (80 to 120% AMI) (townhouses/duplexes/ live-work, fee-simple ownership)	<u>150</u>	4% - 7%	<u>6 - 10</u>
<i>Subtotal:</i>	320		13 - 22
Single-Family detached for-sale (30 to 50% AMI)	10	4% - 7%	0 - 1
Single-Family detached for-sale (50 to 80% AMI)	50	4% - 7%	2 - 4
Single-Family detached for-sale (50 to 80% AMI) (urban houses, fee-simple ownership)	<u>30</u>	4% - 7%	<u>1 - 2</u>
<i>Subtotal:</i>	90		3 - 7
Total	1,780		88 - 151

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

These capture rates are well within the target market methodology's parameters of feasibility.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

—Rental Distribution—

The rent range covers leases by households with annual incomes ranging between 30 and 60 percent of AMI (or between \$21,750 and \$43,500 for a single-person household to \$33,550 and \$67,080 for a five-person household) for properties developed using low-income housing tax credits, as well as for households with annual incomes ranging between 60 and 120 percent of AMI. The rent ranges are predicated on the premise that households would pay no more than 30 percent of gross income for rent and utilities (the national standard for affordability).

Given the target household mix (*see* Table 5) and the incomes of the target households, the distribution by rent range and annual required incomes of the 52 to 88 newly-constructed and newly-renovated multi-family rental units that could be absorbed each year over the next five years in the Anacostia Study Area would be as follows:

**Multi-Family Rental Unit Distribution by Rent Range
Newly-Constructed and Newly-Rehabilitated Housing Units
THE ANACOSTIA STUDY AREA
*City of Washington, District of Columbia***

MONTHLY RENT RANGE	APPROX. ANNUAL INCOME RANGE	UNITS PER YEAR	PERCENTAGE
\$500–\$650	\$21,750 to \$26,900	10 to 17	19.2%
\$650–\$800	\$27,000 to \$33,100	12 to 20	23.2%
\$800–\$950	\$33,200 to \$39,300	10 to 17	19.2%
\$950–\$1,100	\$39,400 to \$45,500	8 to 14	15.4%
\$1,100–\$1,250	\$45,600 to \$51,700	5 to 9	9.6%
\$1,250–\$1,400	\$51,800 to \$57,900	3 to 5	5.8%
\$1,400–\$1,550	\$58,000 to \$64,100	2 to 3	3.8%
\$1,550 and up	\$64,200 and up	<u>2 to 3</u>	<u>3.8%</u>
Total:		52 to 88	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 5

Target Groups For New Multi-Family Rental Units
The Anacostia Study Area
City of Washington, District of Columbia

. Number of Households

Empty Nesters & Retirees*	<i>30% to 50% AMI</i>	<i>50% to 80% AMI</i>	<i>80% to 120% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Second City Seniors	10	10	0	20	2.3%
Multi-Ethnic Seniors	20	20	10	50	5.7%
Subtotal:	30	30	10	70	8.0%
Traditional & Non-Traditional Families†					
Blue-Collar Button-Downs	0	10	0	10	1.1%
Inner-City Families	90	40	20	150	17.0%
Single-Parent Families	90	40	20	150	17.0%
Subtotal:	180	90	40	310	35.2%
Younger Singles & Couples*					
e-Types	10	10	30	50	5.7%
Upscale Suburban Couples	0	0	10	10	1.1%
New Bohemians	50	30	70	150	17.0%
Twentysomethings	10	10	10	30	3.4%
Suburban Achievers	10	10	10	30	3.4%
Urban Achievers	40	30	30	100	11.4%
Small-City Singles	10	10	10	30	3.4%
Working-Class Singles	30	10	20	60	6.8%
Blue-Collar Singles	10	10	0	20	2.3%
Soul City Singles	10	0	10	20	2.3%
Subtotal:	180	120	200	500	56.8%
Total Households:	390	240	250	880	100.0%
Percent of Total:	44.3%	27.3%	28.4%	100.0%	

* 1- and 2-person households

† 3- to 5-person households

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

—For-Sale Distribution—

The price range covers unit purchases by households with annual incomes ranging between 30 and 120 percent of AMI (or between \$21,750 and \$79,900 for a single-person household to \$33,550 and \$120,450 for a five-person household). The price ranges are inferred from a calculation of the conservative maximum outlay of 30 percent of gross income for mortgage payments, taxes, insurance, and utilities. Down payments of 10 percent are deducted from the base prices to determine the mortgageable dollar amount, and interest is calculated at prevailing interest rates. Approximate unsubsidized income ranges, based on the rule of thumb that the price of the dwelling unit should not exceed three times annual household income, have been included in the tables that follow.

Given the target household mix (*see* Table 6) and incomes of the target households, the distribution by price range of the 20 to 34 for-sale multi-family units (condominiums) that could be absorbed per year over the next five years in the Anacostia Study Area is as follows:

**Multi-Family For-Sale Unit Distribution by Price Range
Newly-Constructed and Newly-Rehabilitated Housing Units
THE ANACOSTIA STUDY AREA
*City of Washington, District of Columbia***

PRICE RANGE	APPROX. ANNUAL INCOME RANGE	UNITS PER YEAR	PERCENTAGE
\$100,000–\$150,000	\$33,300 to \$50,000	5 to 8	23.5%
\$150,000–\$200,000	\$50,000 to \$66,700	4 to 7	20.6%
\$200,000–\$250,000	\$66,700 to \$83,300	4 to 7	20.6%
\$250,000–\$300,000	\$83,300 to \$100,000	4 to 6	17.6%
\$300,000–\$350,000	\$100,000 to \$116,700	1 to 2	5.9%
\$350,000–\$400,000	\$116,700 to \$133,300	1 to 2	5.9%
\$400,000 and up	\$133,300 and up	<u>1 to 2</u>	<u>5.9%</u>
Total:		20 to 34	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 6

Target Groups For New Multi-Family Ownership Units
The Anacostia Study Area
City of Washington, District of Columbia

. Number of Households

Empty Nesters & Retirees*	<i>30% to 50% AMI</i>	<i>50% to 80% AMI</i>	<i>80% to 120% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Urban Establishment	0	0	10	10	2.0%
Cosmopolitan Couples	0	0	10	10	2.0%
Downtown Retirees	10	0	0	10	2.0%
Subtotal:	10	0	20	30	6.1%
Traditional & Non-Traditional Families†					
Full-Nest Urbanites	10	10	10	30	6.1%
Multi-Cultural Families	0	0	10	10	2.0%
Subtotal:	10	10	20	40	8.2%
Younger Singles & Couples*					
The Entrepreneurs	10	0	10	20	4.1%
e-Types	30	40	40	110	22.4%
Fast-Track Professionals	10	0	0	10	2.0%
The VIPs	0	0	10	10	2.0%
New Bohemians	40	30	30	100	20.4%
Twentysomethings	10	0	10	20	4.1%
Suburban Achievers	10	0	0	10	2.0%
Urban Achievers	50	30	20	100	20.4%
Small-City Singles	10	0	0	10	2.0%
Working-Class Singles	10	0	0	10	2.0%
Blue-Collar Singles	10	0	0	10	2.0%
Soul City Singles	10	0	0	10	2.0%
Subtotal:	200	100	120	420	85.7%
Total Households:	220	110	160	490	100.0%
Percent of Total:	44.9%	22.4%	32.7%	100.0%	

* 1- and 2-person households.

† 3- to 5-person households.

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Given the target household mix (*see* Table 7) and incomes of the target households, the distribution by price range of the 13 to 22 for-sale single-family attached units (townhouses/rowhouses) that could be absorbed per year over the next five years in the Anacostia Study Area is as follows:

**Single-Family Attached Unit Distribution by Price Range
Newly-Constructed and Newly-Rehabilitated Housing Units
THE ANACOSTIA STUDY AREA
*City of Washington, District of Columbia***

PRICE RANGE	APPROX. ANNUAL INCOME RANGE	UNITS PER YEAR	PERCENTAGE
\$100,000–\$150,000	\$33,300 to \$50,000	2 to 3	13.6%
\$150,000–\$200,000	\$50,000 to \$66,700	4 to 5	22.7%
\$200,000–\$250,000	\$66,700 to \$83,300	2 to 4	18.2%
\$250,000–\$300,000	\$83,300 to \$100,000	2 to 4	18.2%
\$300,000–\$350,000	\$100,000 to \$116,700	1 to 2	9.1%
\$350,000–\$400,000	\$116,700 to \$133,300	1 to 2	9.1%
\$400,000 and up	\$133,300 and up	<u>1 to 2</u>	<u>9.1%</u>
Total:		13 to 22	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 7

Target Groups For New Single-Family Attached Ownership Units
The Anacostia Study Area
City of Washington, District of Columbia

..... Number of Households

Empty Nesters & Retirees*	<i>30% to 50% AMI</i>	<i>50% to 80% AMI</i>	<i>80% to 120% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Urban Establishment	0	10	10	20	6.3%
Cosmopolitan Couples	0	10	0	10	3.1%
Multi-Ethnic Retirees	0	10	0	10	3.1%
Subtotal:	0	30	10	40	12.5%
Traditional & Non-Traditional Families†					
Full-Nest Urbanites	10	10	10	30	9.4%
Multi-Cultural Families	10	10	10	30	9.4%
Inner-City Families	10	0	0	10	3.1%
Subtotal:	30	20	20	70	21.9%
Younger Singles & Couples*					
The Entrepreneurs	0	0	20	20	6.3%
e-Types	10	10	30	50	15.6%
Fast-Track Professionals	0	0	10	10	3.1%
The VIPs	0	10	10	20	6.3%
New Bohemians	10	10	20	40	12.5%
Upscale Suburban Couples	0	0	10	10	3.1%
No-Nest Suburbanites	0	0	10	10	3.1%
Twentysomethings	0	0	10	10	3.1%
Urban Achievers	10	10	0	20	6.3%
Small-City Singles	0	10	0	10	3.1%
Working-Class Singles	10	0	0	10	3.1%
Subtotal:	40	50	120	210	65.6%
Total Households:	70	100	150	320	100.0%
Percent of Total:	21.9%	31.3%	46.9%	100.0%	

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Given the target household mix (*see* Table 8) and incomes of the target households, the distribution by price range of the three to seven for-sale single-family detached units (detached houses) that could be absorbed per year over the next five years in the Anacostia Study Area is as follows:

Single-Family Detached Distribution by Price Range
Newly-Constructed and Newly-Rehabilitated Housing Units
THE ANACOSTIA STUDY AREA
City of Washington, District of Columbia

PRICE RANGE	APPROX. ANNUAL INCOME RANGE	UNITS PER YEAR	PERCENTAGE
\$150,000–\$200,000	\$50,000 to \$66,700	1 to 2	28.6%
\$200,000–\$250,000	\$66,700 to \$83,300	1 to 2	28.6%
\$250,000–\$300,000	\$83,300 to \$100,000	1 to 1	14.3%
\$300,000–\$350,000	\$100,000 to \$116,700	0 to 1	14.3%
\$350,000 and up	\$116,700 and up	<u>0 to 1</u>	<u>14.2%</u>
Total:		3 to 7	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 8

Target Groups For New Single-Family Detached Ownership Units
The Anacostia Study Area
City of Washington, District of Columbia

. Number of Households

Empty Nesters & Retirees	<i>30% to 50% AMI</i>	<i>50% to 80% AMI</i>	<i>80% to 120% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Urban Establishment	0	0	10	10	11.1%
Middle-Class Move-Downs	0	0	10	10	11.1%
Blue-Collar Retirees	0	10	0	10	11.1%
Subtotal:	0	10	20	30	33.3%
Traditional & Non-Traditional Families					
Blue-Collar Button-Downs	0	10	0	10	11.1%
Full-Nest Urbanites	0	10	10	20	22.2%
Subtotal:	0	20	10	30	33.3%
Younger Singles & Couples					
The Entrepreneurs	0	10	0	10	11.1%
Twentysomethings	0	10	0	10	11.1%
Urban Achievers	10	0	0	10	11.1%
Subtotal:	10	20	0	30	33.3%
Total Households:	10	50	30	90	100.0%
Percent of Total:	11.1%	55.6%	33.3%	100.0%	

NOTE: For fiscal year 2010, DC MSA Median Family Income for a family of four is \$103,500.

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

—Rent, Price, and Unit Size Ranges—

Based on the socio-economic and lifestyle characteristics of the target households, then, the base rents and prices for newly-constructed and newly-renovated residential units that could currently be sustained by the market in the Anacostia Study Area is shown as follows (*see also* Table 9 *for greater detail*):

Rent, Price, and Unit Size Ranges
Newly-Constructed and Newly-Rehabilitated Housing Units
THE ANACOSTIA STUDY AREA
City of Washington, District of Columbia

PERCENT	HOUSING TYPE	UNIT RENT/PRICE RANGE	UNIT SIZE RANGE	BASE RENT/PRICE PER SQ. FT.
49.4%	MULTI-FAMILY FOR-RENT			
	Apartments <i>(Over Retail)</i>	\$550 to \$1,450/mo.	550 to 1,000 sf	\$1.00 to \$1.64
	Apartments <i>(Mansion Buildings)</i>	\$600 to \$1,575/mo.	550 to 1,250 sf	\$1.02 to \$1.68
27.6%	MULTI-FAMILY FOR-SALE			
	Apartments <i>(Mansion Buildings)</i>	\$100,000 to \$315,000	650 to 1,400 sf	\$139 to \$231
17.9%	SINGLE-FAMILY ATTACHED FOR-SALE			
	Townhouses/Rowhouses	\$155,000 to \$335,000	1,000 to 1,450 sf	\$152 to \$235
5.1%	SINGLE-FAMILY DETACHED FOR-SALE			
	Houses	\$165,000 to \$345,000	1,100 to 1,550 sf	\$148 to \$227

100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

The rents and prices outlined above are in year 2010 dollars; the rental units are positioned to be affordable to households with incomes that fall between 30 and 120 percent AMI; the market-rate units are priced to be affordable primarily to households with incomes between 50 and 120 percent AMI. Since the foreclosure crisis—nationally and locally—has resulted in part because too many mortgages were issued to households with insufficient capacity to afford

them, it is highly recommended that potential buyers of all new units in the Study Area have adequate financial resources, either on their own or through carefully-structured subsidies. Foreclosures on newly-constructed/newly rehabilitated units in the Study Area would have a serious deleterious effect on the neighborhood.

New small-scale, well-managed rental development, particularly when it includes market-rate as well as affordable units, is the linchpin of urban development and should be included in the Study Area, for several important reasons:

- Rental apartments are required for the establishment of “critical mass,” because rentals are absorbed at higher rates than for-sale units.
- Rentals are the fastest way to bring a large number of households to a neighborhood.
- Rentals allow households to experiment with living in an area without the mortgage commitment of home ownership.
- Renters form a pool of potential purchasers of for-sale units.

Although there is often the perception that multi-family rentals reduce the value of nearby ownership units, this is not the case in new construction with appropriate site planning and property management. New well-designed, well-managed apartment developments may actually increase values of existing ownership units, while their values are usually harmed by poorly-maintained rental properties.

It will be difficult to build new units at the rent and price points outlined above, which are derived purely from the financial capabilities and unit preferences of the target households, without consideration of project financial feasibility. In a completely income-restricted property, financial incentives and subsidies could be directed to the project in order to produce units at the rents and price points that can be supported by the market. Conversely, in a mixed-income development, subsidies should be directed to the individual income-qualified buyers, so that units of similar size are not disproportionately priced, thereby devaluing the appraised value of the higher-priced units and, potentially, existing units throughout the neighborhood.

Rent, Price, And Unit Size Ranges
Derived From Target Household Incomes And Housing Preferences
The Anacostia Study Area
City of Washington, District of Columbia
January, 2011

January, 2011						
<u>Percent of Units Number</u>	<u>Housing Type</u>	<u>Unit Type</u>	<u>Unit Mix</u>	<u>Base Rents/Prices†</u>	<u>Unit Sizes</u>	<u>Rent/Price Per Sq. Ft.†</u>
<u>49.4%</u>	Multi-Family For-Rent					
	Apartments Over Retail	Studio/1ba	35%	\$550 to \$900	550	\$1.00 to \$1.64
		1br/1ba	40%	\$800 to \$1,200	800	\$1.00 to \$1.50
		2br/2ba	25%	\$1,000 to \$1,450	1,000	\$1.00 to \$1.45
		Weighted Average Unit Size:				763
	Apartments In Mansion Buildings	Studio/1ba	25%	\$600 \$925	550	\$1.09 to \$1.68
		1br/1ba	30%	\$850 \$1,250	800	\$1.06 to \$1.56
		2br/1ba	20%	\$950 \$1,350	900	\$1.06 to \$1.50
		2br/2ba	15%	\$1,125 \$1,500	1,100	\$1.02 to \$1.36
		3br/2ba	10%	\$1,275 \$1,575	1,250	\$1.02 to \$1.26
		Weighted Average Unit Size:				848
<u>27.6%</u>	Multi-Family For-Sale					
	Apartments In Mansion Buildings	1br/1ba	30%	\$100,000 to \$150,000	650	\$154 to \$231
		2br/2ba	30%	\$150,000 to \$225,000	1,000	\$150 to \$225
		2br/2ba/office	20%	\$175,000 to \$270,000	1,200	\$146 to \$225
		3br/2ba	20%	\$195,000 to \$315,000	1,400	\$139 to \$225
	Weighted Average Unit Size:				1,015	

† Base rents/prices in year 2011 dollars.

SOURCE: Zimmerman/Volk Associates, Inc.

Rent, Price, And Unit Size Ranges
Derived From Target Household Incomes And Housing Preferences
The Anacostia Study Area
City of Washington, District of Columbia
January, 2011

January, 2011						
<u>Percent of Units Number</u>	<u>Housing Type</u>	<u>Unit Type</u>	<u>Unit Mix</u>	<u>Base Rents/Prices†</u>	<u>Unit Sizes</u>	<u>Rent/Price Per Sq. Ft.†</u>
<u><u>17.9%</u></u>	Single-Family Attached For-Sale					
	Townhouses/ Rowhouses	2br/1ba	25%	\$155,000 to \$235,000	1,000	\$155 to \$235
		2br/1.5ba	30%	\$185,000 to \$280,000	1,200	\$154 to \$233
		3br/1.5ba	25%	\$200,000 to \$300,000	1,300	\$154 to \$231
		3br/2.5ba	20%	\$220,000 to \$335,000	1,450	\$152 to \$231
Weighted Average Unit Size: 1,225						
<u><u>5.1%</u></u>	Single-Family Detached For-Sale					
	Houses	2br/1.5ba	30%	\$165,000 to \$250,000	1,100	\$150 to \$227
		3br/1.5ba	35%	\$200,000 to \$305,000	1,350	\$148 to \$226
		3br/2.5ba	35%	\$230,000 to \$345,000	1,550	\$148 to \$223
Weighted Average Unit Size: 1,345						
<u><u>100.0%</u></u>						

† Base rents/prices in year 2011 dollars.

SOURCE: Zimmerman/Volk Associates, Inc.

—Acquisition Strategy—

The residential property acquisition strategy in the Anacostia Study Area must be developed not only from the perspective of the potential housing consumer, but also to provide maximum support to the retail and other economic development strategies, as well as transportation planning. The acquisition strategy should also be focused primarily on Historic Anacostia, Census Tracts 75.03 and 75.04, with particular emphasis on properties located in Census Tract 75.03. In general, the Fairlawn neighborhood contains higher-value housing units, occupied by more affluent households, who are more likely to own their units.

From the housing perspective, property acquisition priorities are likely to evolve over time. The immediate strategy will be different from the long-term, both in number of units absorbed and criteria for property locations.

Since the number of units that can be expected to be absorbed within the Anacostia Study Area over the next two to three years is lower than the longer-term sustainable absorption pace, the immediate objective should be to redevelop or rehabilitate properties that have the highest potential for success in locations that either build on existing strengths or provide a link between two existing strong locations.

It is likely that zoning changes will be required to permit development of small-scale “mansion” buildings (*see URBAN HOUSING TYPES, page 56 of this study*) on parcels large enough to accommodate them. Since mansion buildings can vary in height depending on neighborhood context, they represent an appropriate new-construction option to create affordable higher densities within a neighborhood.

As determined by this analysis, over the near term, it is expected that 52 rental units and 36 for-sale units can be absorbed each year over the next two to three years within the Anacostia Study Area. Properties to accommodate the forecast absorption over the near term should be selected for acquisition based on the following location criteria:

- Location on or within a block of either the Martin Luther King Jr. Avenue (MLK JR) or Good Hope Road retail corridors, where the addition of residential rental

- units on the upper floors of mixed-use buildings can provide additional retail support and add to the vitality of the streets;
- Location within the Anacostia Historic District, which is essentially the heart of the Study Area; and
 - Location on blocks where considerable residential renovation/rehabilitation has already occurred, in order to support and sustain those investments and enhance the stability and marketability of the block.

From the residential market perspective, and in priority order, the following properties—some of which were selected by Green Door Advisors as prime sites to accommodate retail potential, and some that have already been acquired or are slated for acquisition by DCHD, or should be acquired—represent the most attractive sites for rental residential development within mixed-use buildings along the MLK JR Avenue and Good Hope Road retail corridors:

- The Anacostia Gateway: 1201–15 Good Hope Road, part of the 100 percent corner in the Study Area, which also includes 1901–07 MLK JR Avenue and 1109–1115 Good Hope Road. This should also include the property identified as Parcel A in the Urban Land Institute Technical Assistance Panel Report on the Anacostia Gateway;
- 1301 Good Hope Road, the next intersection on Good Hope after the 100 percent corner, currently occupied by one-story buildings and a parking lot;
- 2228–2238 MLK JR Avenue, redevelopment of Big K Liquors, restoration of existing historic properties, and new construction;
- 1501–07 Good Hope Road, across 15th Street from the Ketcham Elementary School; and
- 1603–1647 Good Hope Road, with several vacant parcels, across from existing rowhouses.

Depending on the extent of redevelopment of each site, it is likely that these properties could accommodate most of the forecast rental absorption over a three-year timeframe.

Outside of the commercial corridors, from the residential market perspective, the most marketable properties are those located on blocks where renovation and investment have already occurred. A high-priority area for limited infill would therefore include the following:

- U, V, and W Streets between MLK JR Avenue and 14th Streets. Acquisition of boarded-up houses and vacant lots in this nine-block area would further stabilize this part of the Study Area. Although there are currently few vacant properties on these blocks, those that are available and in need of restoration and/or renovation should be acquired as soon as possible. In particular, the acquisition of vacant units or lots within a block of the eight attractive and well-maintained rowhouses at the corner of 13th and W Streets is highly recommended, as well as units on 14th Street overlooking the median park which is slated to be restored.

A second high-priority area would include an area where there are a significant number of available vacant or boarded-up buildings within close proximity to each other. There should be a sufficient number of these units to create a critical mass of redevelopment (at least 20 units) which will also provide a sense of security to potential homeowners and the assurance that they are not the only urban pioneers on the block. Areas which would benefit from this approach include:

- U, V, and W Streets between 14th and the termination of each street. There are numerous boarded-up and vacant buildings/lots in this area. Redevelopment has already occurred here, in particular the renovation and rehabilitation of a dilapidated building at the corner of Fendall and V Streets into the Fendall Heights Condominiums. Significant new residential is also proposed on W Street, with the Buxton Condominium redevelopment proposed by Manna, and the new construction W Street Condominiums proposed by M& A Development.
- The blocks encompassed by Pleasant Street and Valley Place and Morris Street, and MLK JR Avenue and High Street. DCHD has already acquired, or is in the process of acquiring multiple properties on Maple View Place, Maple View Avenue, and Valley Place. There are several attractive and well-maintained units in this area, particularly the row of townhouses on Valley Place.

These priorities should be adapted where required to complement retail, economic development and transportation objectives.

Over the longer term, under stable economic conditions, 88 rental units and 63 for-sale units are likely to be absorbed within the Anacostia Study Area each year. Property selection for long-term redevelopment should emphasize larger parcels where a significant number of new units could be created (*e.g.*—the boarded-up multi-family property at the termination of Maple View and High Streets), and properties located in Fairlawn.

As during the near term, these acquisitions for residential should complement retail, economic development and transportation objectives.

—Relevant Programs and Strategies to Support Homeownership—

Given the demographic composition, financial capacity, and unit and housing preferences of the target households, some programs are likely to be of greater assistance to potential homebuyers than others. Some of the programs assist potential homeowners directly in purchasing homes; others provide home improvement assistance.

The Home Purchase Assistance Program Enhancement Neighborhood Stabilization 2 (HPAP “E”), administered by the DC Department of Housing and Community Development, is clearly the principle tool for assisting low- and moderate-income residents to become homeowners, since the level of assistance includes funding to cover closing costs and for down payments of up to \$77,000, depending on household size and income. The program is especially effective, since it is not available citywide but is limited to three neighborhoods, Deanwood, Ivy City/Trinidad, and the Anacostia Study Area.

Foreclosure mitigation: It is just as important to retain existing homeowners as it is to attract new ones. Programs that assist homeowners to avoid foreclosure or that provide mechanisms to negotiate with lending institutions on behalf of homeowners facing foreclosure would help reduce the number of foreclosed units in the Study Area and would go a long way toward stabilizing the neighborhood.

Lease-Purchase Programs: These programs are valuable because they provide homeownership opportunities to potential homebuyers who are initially unable to qualify for a loan from any source. They do need to be carefully structured so that the terms of the lease provide for both a reasonable rent premium that is credited to the purchase price and a reasonable specified period in which the potential homeowner is able to purchase the property. These programs have been successfully used in the conversion of units in a rental building to condominiums, as well as for individual unit purchases.

Shared-Equity Mortgages: These mortgages—in which the lender or investor provides a percentage of the down payment in return for a portion of proceeds upon resale—have become more common with the disappearance of subprime, interest-only, and other non-traditional mortgages. A program in which a local non-profit or consortium of non-profits took the investor position in such mortgages could provide buyers with reassurance about the program as well as maintaining long-term affordability of the units.

DC First-Time Homebuyer Tax Credit: Although the \$8,000 federal tax credit has expired, the \$5,000 DC tax credit will continue through 2011, and is available to first-time homebuyers who have not owned a principal residence in the District during the one-year period prior to date of purchase. The income limits to qualify for some or all of the tax credit is \$90,000 for an individual and \$130,000 for a married couple filing a joint return. Since a majority of the target households have no experience in applying for tax credits, a program to provide homeowner assistance in the process could be very helpful in accelerating the usage of this program.

Lower Income Home Ownership Tax Abatement: Five-year tax abatement and exemption from recording fees and transfer taxes are available to resident homeowners who meet the income level requirement and whose residences are less than \$320,000 in value. Non-profit organizations and shared equity investors are also eligible for the tax abatement.

Home Purchase Rehabilitation Pilot Program: This program provides loans of \$5,000 to \$35,000 to qualified first-time homebuyers for the purchase of dwelling units that require specific rehabilitation repairs, ranging from roof work to new appliances.

Other programs with specific eligibilities include the DC Employer-Assisted Housing Program, which is limited to DC government employees, and the DC Negotiated Employee Affordable Housing Program, which is limited to eligible bargaining unit employees.

Community land trusts and limited-equity cooperatives preserve affordability in general, but do not include direct financial assistance to individual potential or existing homeowners. There are now 84 community land trusts, with another 23 under development, operating in 31

states and in the District. Community land trusts typically acquire and hold land as a means of preserving long-term affordability, and most have policies in place that restrict prices. In the District, the New Columbia Community Land Trust has been operating in the central city neighborhoods since 1991.

Limited equity housing cooperatives provide ownership opportunities for low income households, but also limit the return from unit resales. They are valuable in that they provide a mechanism for resident-controlled multi-family housing, with typically lower housing costs, and are another means of providing long-term affordability in the neighborhood.

URBAN HOUSING TYPES ---

Building and unit types most successfully used in residential redevelopment or new residential construction in urban neighborhoods include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is three or more stories, often combined with non-residential uses on the ground floor if the building is located in a commercial area. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk. Parking is either below grade, at grade behind or interior to the building, or in an integral structure.

The building's apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price.

Apartments: Conventionally-finished units on a single level, with completely-partitioned rooms. Finishes and fixtures—trim, interior doors, kitchens and baths—can be offered in a range of styles from minimalist to traditional.

- Loft Apartment Building: Adaptive re-use of older warehouse and manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version is usually elevator-served with double-loaded corridors.

Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of “hard lofts,” such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.

The building’s loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, “mansion”). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives

Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.

- Duplex: Two side-by-side dwelling units, sometimes with identical façades; on a corner lot, each unit can front a different street. Also known as “twin” or “double.”

- Townhouse/Rowhouse: Similar in form to a conventional townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.
- Urban House: A two- or three-story single-family detached house on a small lot, with the garage located to the rear of the house and accessed from an alley or auto courts.

METHODOLOGY

The technical analysis of market potential for the Anacostia Study Area and the City of Washington included delineation of the draw areas and physical evaluation of the three census tracts that encompass the Study Area.

The delineation of the draw areas for housing within the City of Washington and the Study Area was based on the most recent migration data from the Internal Revenue Service, and incorporating additional data from the 2009 American Community Survey, as well as other market dynamics.

The evaluation of market potential for the Study Area and the city was derived from target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

NOTE: The Appendix Tables referenced here are provided in a separate document.

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to the City of Washington and to the Anacostia Study Area. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the city has been supplemented by mobility data from the 2009 American Community Survey.

Appendix One, Table 1.

Migration Trends

Analysis of the most recent District of Columbia migration and mobility data available from the Internal Revenue Service—from 2003 through 2007—shows that the city continued to

experience steady increases in in-migration throughout the study period, with the number of out-migrating households rising only slightly. As a result, net migration shows a steady positive trend from a net loss of 160 households in 2003 to a net gain of 1,830 households in 2007. (See Appendix One, Table 1.) It is possible that the 2008 data will show a decrease in in-migration due to the Great Recession; mobility typically drops during recessions. However, the counties from which households are moving are likely to be the same as in prior years—migration patterns typically remain consistent from year to year.

Annual in-migration into the city rose from 23,915 households in 2003, to 27,100 households in 2007. More than 37 percent of the city's in-migration is from the four adjacent counties of Prince George's and Montgomery Counties, Maryland and Arlington and Fairfax Counties, Virginia, and from the City of Alexandria, Virginia. Another seven to eight percent of the city's in-migration is from New York County, New York (Manhattan), Cook County, Illinois (including Chicago), Los Angeles County, California, Middlesex County, Massachusetts (including Boston), and the City of Baltimore.

Annual out-migration from the District over the study period has increased, but at a much slower rate than in-migration, from the low of 24,075 households in 2003 to the high of 25,270 households in 2007. Nearly 46 percent of out-migration is to one of the four adjacent counties and the City of Alexandria. Between nine and 10 percent of out-migration is to the same five urban counties that are significant sources of in-migration. Collectively, the majority of out-migration is to other metropolitan counties in the U.S.

Regionally, the District continues to lose net households to Prince George's and Montgomery Counties—although in ever-decreasing] numbers—and the City of Alexandria, but is now gaining net households from Arlington and Fairfax Counties where there were net losses in 2003.

However, even though net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

Based on the migration data, then, the draw areas for the District of Columbia and the Anacostia Study Area have been delineated as follows:

- The primary draw area, covering households currently living within the District.
- The regional draw area, covering households that are likely to move to the City of Washington from Prince George's and Montgomery Counties in Maryland, Arlington and Fairfax Counties and the City of Alexandria in Virginia.
- The national draw area, covering households with the financial capacities to rent or purchase market-rate and affordable dwelling units and with the potential to move to the City of Washington from all other U.S. counties (primarily urban and East Coast counties).

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

TARGET MARKET CLASSIFICATION OF STUDY AREA AND DISTRICT HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3. Target Market Classification

An estimated 3,535 households lived in the Anacostia Study Area in 2010. (*Reference Appendix One, Table 2.*) Median income within the Study Area was estimated at \$40,100, approximately 30 percent lower than the citywide median of \$58,100. Median value of owner-occupied dwellings within the Study Area was estimated at \$245,200, 35 percent below

the citywide median of \$379,000 but nearly 30 percent above the national median of \$172,400. Nearly 52 percent of the Study Area's households could be characterized as traditional and non-traditional families, another 41.6 percent are empty nesters and retirees, and just 6.6 percent are younger singles and couples.

An estimated 262,980 households lived in the City of Washington in 2010. (*Reference* Appendix One, Table 3.) Median income within the city was estimated at \$58,100, approximately 13 percent higher than the national median of \$51,400. Median value of owner-occupied dwellings within the city was estimated at \$379,000, more than double the national median of \$172,400. Nearly 38 percent of the city's households could be characterized as younger singles and couples, another 36.1 percent are empty nesters and retirees, and 26 percent are traditional and non-traditional families.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to conventional supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant “predictable variables,” ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as “behaviors,” such as mobility rates, lifestage, and lifestyle patterns. Mobility rates detail how frequently a household moves from one dwelling unit to another; lifestage denotes what stage of life the household is in, from initial household formation (typically when a young person moves out of their parents' household into their own dwelling unit), through family formation (typically,

marriage and children) to retirement (typically, no longer employed); and lifestyle patterns reflect the ways households choose to live, *e.g.*, an urban lifestyle includes residing in a dwelling unit in a city, most likely high-density, and implies the ability to walk to more locations than a suburban lifestyle, which is most likely lower-density and typically requires automobile ownership to get to non-residential locations. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing. The most affluent of the 41 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments. Another 25 groups have median incomes such that most of the households require housing finance assistance.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

DETERMINATION OF THE POTENTIAL MARKET FOR THE ANACOSTIA STUDY AREA (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the Anacostia Study Area over the

next five years. The total number from each county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.

Internal Mobility (Households Moving Within the Anacostia Study Area)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that an annual average of 370 households living in the Anacostia Study Area have the potential to move from one residence to another within the Study Area each year over the next five years. Approximately 73 percent of these households are likely to be family-oriented households (as characterized within four Zimmerman/Volk Associates' target market groups); and the remaining 27 percent are likely to be equally divided between younger singles and couples (in two market groups) and empty nesters and retirees (in four market groups).

Appendix One, Table 5.

External Mobility (Households Moving To the Anacostia Study Area from the Balance of the City of Washington)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county (or, as with the District of Columbia, county equivalent). Using these data, an average of 1,040 households, living in the balance of Washington, DC, have the potential to move from a residence elsewhere in the District to a residence in the Study Area each year over the next five years. Approximately 62.5 percent of these households are likely to be younger singles and couples (in six market groups); 26.9 percent are likely to be traditional and non-traditional families (in four groups); and the remaining 10.6 percent are likely to be empty nesters and retirees (in three groups).

Appendix One, Tables 6 and 7; Appendix Two, Tables 1 through 5.

External Mobility (Households Moving To the Anacostia Study Area from Outside the District)—

These tables determine the number of households in each target market group living in each draw area county that is likely to move to the Study Area over the next five years (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 8.

Market Potential for the Anacostia Study Area—

Appendix One, Table 8 summarizes Appendix One, Tables 4 through 7. The numbers in the Total column on page one of these tables indicate the average depth and breadth of the potential market for new and existing dwelling units in the Anacostia Study Area over the next five years originating from households living in the designated draw areas. An average of 2,330 households have the potential to move within or to the Study Area each year over the next five years. Younger singles and couples (in 14 groups) are likely to account for over 61 percent of these households, traditional and non-traditional families (in eight groups) another 29.2 percent, and the remaining 9.4 percent are likely to be empty nesters and retirees (in eight groups).

As derived from the migration and mobility analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the Anacostia Study Area is therefore as follows (*see also* Appendix One, Table 8):

Market Potential by Draw Area ANACOSTIA STUDY AREA <i>City of Washington, District of Columbia</i>	
Anacostia Study Area (Primary Draw Area):	16.0%
City of Washington (Primary Draw Area):	44.6%
Prince George's, Montgomery, Arlington, and Fairfax Counties; City of Alexandria (Regional Draw Area):	16.7%
Balance of US (National Draw Area):	<u>22.7%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Appendix One, Tables 9 through 14.

Tenure , Housing Preferences, and Income Bands—

The 2,330 draw area households that have the potential to move within or to the Anacostia Study Area each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 52.4 percent of these households (or 1,220 households) comprise the annual potential market for new and existing rental units. The remaining 47.6 percent (or 1,110 households) comprise the annual potential market for new and existing for-sale (ownership) housing units. (See Appendix One, Table 9.)

The segmentation by income of the 1,220 renter households is detailed below. (See also Appendix One, Table 10.)

Renter Households By Income Band
ANACOSTIA STUDY AREA
City of Washington, District of Columbia

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	270	22.1%
Between 30% and 50% AMI	390	32.0%
Between 50% and 80% AMI	240	19.7%
Between 80% and 120% AMI	250	20.5%
Over 120% AMI	<u>70</u>	<u>5.7%</u>
Total:	1,220	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

The income limits for multifamily tax subsidized projects in the Washington-Arlington-Alexandria, DC-VA-MD MSA, effective as of May, 2010, and derived from the area median family income (AMI) of \$103,500 for a family of four are as follows:

**Fiscal Year 2010 Income Limits
Multi-Family Tax Subsidized Projects
*City of Washington, District of Columbia***

NUMBER OF PERSONS IN HOUSEHOLD	30% OF MEDIAN	50% OF MEDIAN	60% OF MEDIAN
One	\$21,750	\$36,250	\$43,500
Two	\$24,850	\$41,400	\$49,680
Three	\$27,950	\$46,600	\$55,920
Four	\$30,050	\$51,750	\$62,100
Five	\$33,550	\$55,900	\$67,080
Six	\$36,060	\$60,050	\$72,060
Seven	\$38,550	\$64,200	\$77,040
Eight	\$41,000	\$68,350	\$82,020

SOURCE: U.S. Department of Housing and Urban Development.

The segmentation by income of the 1,110 owner households is detailed below. (*See also* Appendix One, Table 11.)

**Owner Households By Income Band
ANACOSTIA STUDY AREA
*City of Washington, District of Columbia***

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	10	0.9%
Between 30% and 50% AMI	300	27.0%
Between 50% and 80% AMI	260	23.4%
Between 80% and 120% AMI	340	30.7%
Over 120% AMI	<u>200</u>	<u>18.0%</u>
Total:	1,110	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Of the 1,110 households that represent the potential market for new and existing ownership units in the Anacostia Study Area, 55 percent (or 610 households) comprise the potential market for multi-family ownership (condominium or cooperative) units. The categorization by income of these 610 households is detailed as follows. (*See also* Appendix One, Table 12.)

Multi-Family Owner Households By Income Band
ANACOSTIA STUDY AREA
City of Washington, District of Columbia

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	10	1.6%
Between 30% and 50% AMI	220	36.2%
Between 50% and 80% AMI	110	18.0%
Between 80% and 120% AMI	160	26.2%
Over 120% AMI	<u>110</u>	<u>18.0%</u>
Total:	610	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Of the 1,110 households that represent the potential market for ownership units, 34.2 percent (or 380 households) comprise the potential market for new and existing single-family attached ownership (townhouse/rowhouse) units. The categorization by income of these 380 households is detailed as follows. (*See also* Appendix One, Table 13.)

Single-Family Attached Owner Households By Income Band
ANACOSTIA STUDY AREA
City of Washington, District of Columbia

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	0	0.0%
Between 30% and 50% AMI	70	18.4%
Between 50% and 80% AMI	100	26.3%
Between 80% and 120% AMI	150	39.5%
Over 120% AMI	<u>60</u>	<u>15.8%</u>
Total:	380	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

The remaining 10.8 percent (120 households) represent the potential market for new and existing single-family detached ownership (house) units. The categorization by income of these 120 households is detailed on the following page. (*See also* Appendix One, Table 14.)

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Single-Family Detached Owner Households By Income Band
ANACOSTIA STUDY AREA
City of Washington, District of Columbia

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	0	0.0%
Between 30% and 50% AMI	10	8.3%
Between 50% and 80% AMI	50	41.7%
Between 80% and 120% AMI	30	25.0%
Over 120% AMI	<u>30</u>	<u>25.0%</u>
Total:	120	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

The HUD income limits for the Washington-Arlington-Alexandria, DC-VA-MD MSA, effective as of May, 2010, and derived from the area median family income (AMI) of \$103,500 for a family of four is detailed as follows:

Fiscal Year 2010 Income Limits
City of Washington, District of Columbia

NUMBER OF PERSONS IN HOUSEHOLD	30% OF MEDIAN	VERY LOW INCOME	LOW INCOME
One	\$21,750	\$36,250	\$45,100
Two	\$24,850	\$41,400	\$51,550
Three	\$27,950	\$46,600	\$58,000
Four	\$30,050	\$51,750	\$64,400
Five	\$33,550	\$55,900	\$69,600
Six	\$36,060	\$60,050	\$74,750
Seven	\$38,550	\$64,200	\$79,900
Eight	\$41,000	\$68,350	\$85,050

SOURCE: U.S. Department of Housing and Urban Development.

The District of Columbia Department of Housing and Community Development uses comparable income qualifications to determine the maximum down payment and closing cost assistance for first-time homebuyers through the Home Purchase Assistance Program Enhancement (HPAP "E") of the Neighborhood Stabilization Program 2. These income limits, effective November 5, 2010, are detailed on the following page:

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

HPAP “E” Income Limits
City of Washington, District of Columbia

NUMBER OF PERSONS IN HOUSEHOLD	VERY LOW INCOME	LOW INCOME	MODERATE INCOME
One	\$36,450	\$43,450-\$57,950	\$58,800-\$79,900*
Two	\$41,400	\$49,650-\$66,250	\$67,200-\$91,080*
Three	\$46,600	\$55,900-\$74,500	\$75,600-\$102,450*
Four	\$51,750	\$62,100-\$82,800	\$84,000-\$113,850*
Five	\$55,900	\$65,950-\$87,950	\$89,250-\$120,950*
Six	\$60,050	\$69,850-\$93,150	\$120,950*
Seven	\$64,150	\$73,750-\$98,325	\$120,950*
Eight	\$68,300	\$77,625-\$103,500	\$120,950*

* Moderate income households in uppermost range of incomes eligible for closing costs only.

SOURCE: D.C. Department of Housing and Community Development.

Just under 10 percent of the potential market for new and existing housing units in the Anacostia Study Area are empty nesters and retirees; these are predominantly one- and two-person households. More than 62 percent of the potential market are younger singles and couples, who are also predominantly one- and two-person households. Approximately 29 percent of the potential market are traditional and non-traditional families, with household sizes ranging between three and five persons.

—Target Market Data—

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates’ target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Upscale Suburban Couples* or *Fast-Track Professionals*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

Anacostia Study Area, City of Washington, District of Columbia
March, 2011

Over the past two decades, Zimmerman/Volk Associates has augmented the PRIZM cluster system for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names.



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ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.

