

REVITALIZATION ON THE RIVER

Anacostia not only renovates its multifamily units, but also its way of life.

Dan Marcec

Throughout the Southeast, urban developers are seeking opportunities for new multifamily projects, and since new residential properties create demand for increased development in other real estate sectors, urban areas in the Southeast are looking to renovate not only their specific multifamily communities but also their cities on the whole. The Southeast has been experiencing high-density growth in the residential sector for several years, and Washington, D.C., certainly is renovating itself looking toward the future.

Washington's inner city population declined rapidly over the last 30 years of the 20th century, as the city began to decay in the 1980s and people moved in masses from within the city limits. During that time, many housing projects, both government funded and privately financed, became dilapidated to the point where they were almost uninhabitable. So when D.C. saw an influx of relocation into the city at the turn of the century, construction companies and multifamily developers understood that this growing market was an excellent opportunity for their businesses.

The southeast sector of Washington, D.C., is undergoing major renovations, specifically in the Anacostia region. With an overall desire to grow and improve sections of the city, this area is a hotbed for revitalization in the multifamily submarket. Two revitalization projects are particular examples of this type of redevelopment: Penn Circle, being developed by Drummond Development; and Henson Ridge, a project forthcoming from Mid-City Urban. Both of these projects are located in Anacostia, a neighborhood southeast of the city center just across

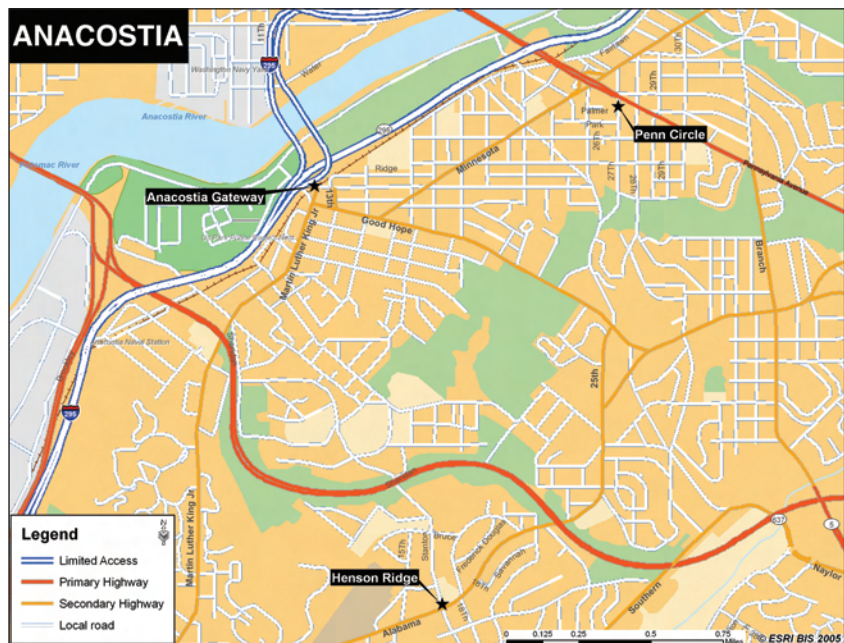
the Anacostia River. The entire sector has been undergoing renovation in all submarkets, but the catalyst for these developments is the demand for housing.

ANACOSTIA BANDS TOGETHER

The Anacostia area has been in the process of redevelopment for quite

some time. According to Butch Hopkins, president of the Anacostia Economic Development Corporation (AEDC), the revitalization process has been underway dating as far back as 1987. Back then, the incumbent mayor created the Development Zones Administration, which effectively targeted three separate areas for economic revitalization: The Skyland

REVITALIZING ANACOSTIA



Above: A map of the Anacostia region, including the site of the Anacostia Gateway project; Henson Ridge, located to the south in Congress Heights; and Penn Circle, situated in Washington, D.C., just off Pennsylvania Avenue.

Left: Washington, D.C.'s neighborhoods and the surrounding suburbs.

These maps were produced courtesy of ESRI Business Information Solutions. www.esribis.com

Shopping Center; the metro area at Martin Luther King, Jr. Avenue; and finally the Anacostia Gateway area. This administration incited the Anacostia Gateway project, which is planned to change the way the neighborhood looks crossing the Anacostia River at the 11th Street bridge.

Hopkins explains, "Our overall goal with respect to the Anacostia Gateway under the Development Zones Administration [is to] spur economic growth and retail services back to the neighborhood, increase the daytime consumer base, and the acquisition of those parcels is the only way to insure that would be done." The Anacostia area simply has more available tracts of land than other areas in the Washington, D.C. region, and Hopkins notes that "the development growth in [the Anacostia] district has pretty much played out. . . east of the river certainly is a prime target area." All of these factors have led to an upswing in the neighborhood's economic development.

Anacostia's real estate submarkets have been working together in order to achieve the area's improvement goals. Most of the major commercial property owners are part of the Main St. Anacostia organization, which, according to Hopkins, allows almost everyone involved with major real estate development in the Anacostia area to understand the scope of available and possible projects. Resulting from this collaboration, development activity is generally public knowledge; in effect, coordination on the part of these property owners has helped create a community decision regarding the desires and needs for various projects.

Although this organization has been working to redevelop several components across all of its real estate submarkets, Hopkins believes that the multifamily redevelopment really has been the catalyst for much of Anacostia's renovation. "Most of [the] renovation of multifamily units is being driven not necessarily by the



Mid-City Urban is redeveloping Henson Ridge in a joint venture with the Integral Group of Atlanta. It will feature 600 townhomes.

commercial development, [but] the commercial development is being driven by the residential development. The more residents that are there with higher incomes, or [even] with the incomes currently prevalent in the area, more people obviously will create a demand for more retail, and the retailers will be seeking to address it."

A good example of a symbiotic relationship between residential and retail development is the Camp Sims development across from Henson Ridge. Camp Sims will have a shopping center along Alabama Avenue, and its retail development specifically serves the multifamily component at Henson Ridge. Therefore, the population increase and residential home ownership is a specific catalyst for development in other submarkets.

MULTIFAMILY REDEVELOPMENT PROJECTS:

Penn Circle

Resulting from and in conjunction with Anacostia's revitalization endeavors across the real estate board are two major multifamily projects: Penn Circle and Henson Ridge. Both improvement enterprises are bringing new communities to an area attempting to forge positively inspired economic development.

Southeast Real Estate Business recently spoke with Steve Schwat about Drummond Development's renovation of Penn Circle, a dilapidated residential community located in Anacostia. Drummond Development is a subsidiary of Urban Investment Partners, of which Schwat is a principal.

Penn Circle is situated in a Randle Heights, formerly a well established neighborhood in the D.C. area. However, as Washington seemed to decay in the 1980s, this area was not exempt. Yet recently, moving into urban D.C. has become more popular with outside residents, and with real estate prices escalating on Capitol Hill, developers are seeing the opportunity to move east. Since residents are seeking affordable housing in or near the city, the Anacostia area is feeling the pressures of high demand for multifamily projects.

"There's a number of new buildings on the east side of the Navy yard that have gone in down by the water," Schwat explains. "Statistics simply show that another 80,000 jobs and a lot of people are moving into D.C., and the SEC is finishing up its headquarters right behind Union Station; so there is a need for affordable housing, and this area of Anacostia, Randle Heights and down Minnesota Avenue toward the Anacostia Metro is a wonderful place for people to live."

As Hopkins explained, the Anacostia area is making itself an easier place to live. Schwat specifically highlighted the construction of the D.C. Metro light rail system, which plans to be operational in 2006. Basically, this new system will connect several neighborhoods on the east side of the river, where there previously has not been much access via the Metro system. But now, the light rail system will allow residents to navigate the city much more easily, making the developments in the Anacostia area much more appealing.

Drummond's involvement with Penn Circle began simply by way of an agent. Drummond already owns properties in all four quadrants of the city, and it became aware of Penn Circle when the property was on the market. The building itself had been vacant for 10 or 11 years when Schwat and his team adopted the project, having changed ownership several times before Drummond ultimately acquired

it. One previous owner even began to redevelop it, but stalled out midway. Schwat explains that "the building was pretty much demolished when we got it, but we ended up completely demolishing it." The company gutted the building but kept the original façade intact. Drummond constructed a new roof, and while the structure remains the same and the basic layout of the units are the same, the walls are completely new, and the development features all new plumbing, electric and an all-new self-contained HVAC system.

The project is on schedule to deliver to the owners late this summer, probably around August. The completed Penn Circle will contain 36 units, priced \$200,000 and lower. Schwat believes that "generally, the [interested parties] are first-time home buyers, people who are going to be paying mortgages in the \$1,000 per month range, but [regardless, they are] people who want to live close and don't want a huge commute." Pre-registration for

the condominium units has been overwhelming, as there are 900 people that have gone to the development's website to register and ask to be contacted.

Henson Ridge

SREB also spoke with Dan McCahan of Mid-City Urban, which is redeveloping Henson Ridge in a joint venture with the Integral Group of Atlanta. In addition, Beazer Homes and Hamel Builders have been involved with the project as contractors for the first and second phases, respectively.

Henson Ridge is situated where the now-vacated Frederick Douglas Dwellings once stood. Originally owned by a freed slave, the property is located in Congress Heights, an historical area just southeast of Washington near the Anacostia river. According to McCahan, "There are two political wards across the bridges to the river. There are the poorest wards, the ones that have the most difficulties from an economic standpoint in town. . . we paid a private sector partner to revitalize this part of town."

The project will feature 600 total units, all of which will be townhomes. Mid-City has completed its first phase of the renovation that includes 124 components, all of which are occupied. The second half of this phase consists of 152 units, 10 of which are completed already. Sixteen more are underway, and McCahan expects this phase to be complete by first quarter 2006. In addition, the community will include a second phase that has just broken ground, consisting of 156 rental components and 168 home ownership units.

The renovation of the community is not limited to the residential units. McCahan explains, "[It's] a complete redevelopment area, a multi-block area where everything has been demolished and we'll be starting work and construction of the facilities, above ground improvements on public streets, street lights, underground utilities, underground water [and]



Penn Circle is being redeveloped in Anacostia, just outside of Washington D.C.

The revitalization of this multifamily project, formerly a vacated government housing venue, is part of a massive renovation taking place throughout the Anacostia region, which is planned to spur economic growth and retail services back to the area.

storm sewers. Conceptually what we've done is take a large area that in total is over 50 acres, and we have demolished all the houses previously on the site, and we've gone back into the existing framework to superimpose a new traditional neighborhood."

REVITALIZATION'S COMMUNITY IMPACT

Henson Ridge is a HOPE VI program, which serves a vital role in the Department of Housing and Urban Development's efforts to transform public housing.

HOPE VI typically provides several services with regards to public housing transformation: changing the physical shape of public housing; establishing positive incentives for resident self-sufficiency and comprehensive services that specifically aid residents; lessening concentrations of poverty by placing public housing in non-poverty neighborhoods and promoting mixed-income communities; and finally, forging partnerships with other agencies, local governments, nonprofit

organizations, and private businesses to leverage support and resources. According to McCahan, the HOPE VI project often has negative returns for displaced residents in the redevelopment of such endeavors; however, at this preliminary point in its development, Henson Ridge has seen reinstatement of as many as 67 percent of residents from the public housing community formerly situated at the site.

Hopkins also explains that displacement has not been much of a problem in Anacostia: "In reality, there is no displacement taking place. East of the river [there are] a lot of vacant tracts of land, like Camp Sims [that is situated on] 25 acres, vacant since 1984. Even the Frederick Douglas Dwellings was vacant for a number of years before the HOPE VI program started. . . so you're not finding people going up and down the street offering to buy people's homes." He adds that the only problems the area has seen is with residents on fixed incomes being unable to afford escalating real estate values. But to curb this problem, he contends that

education is necessary. "D.C. has a program where seniors can pay 50 percent of what their real estate taxes are and there is a freeze program for those who have lived in their homes for a certain number of years; they can freeze real estate taxes at the current level that won't increase until they pass away or the title is transferred. [It's the] government's and the community's job to educate people on fixed incomes about what resources are available; now that things are changing [these people] need to stay and reap the benefits."

In effect, the positive results of Anacostia's revitalization are apparent. An area of the city that has retained dilapidated real estate property for a number of years is now seeing major redevelopment, which is an excellent improvement for the residents of Anacostia and for the residents of the surrounding D.C. area. The AEDC and these development companies are very proud of their redevelopment endeavors, and as Washington, D.C., moves forward in the 21st century, Anacostia will be right there with it. □