# WASHINGTON BUSINESS JOURNAL


## Farewell, Ezra Co.

Fred Ezra talks about the decision to close up shop

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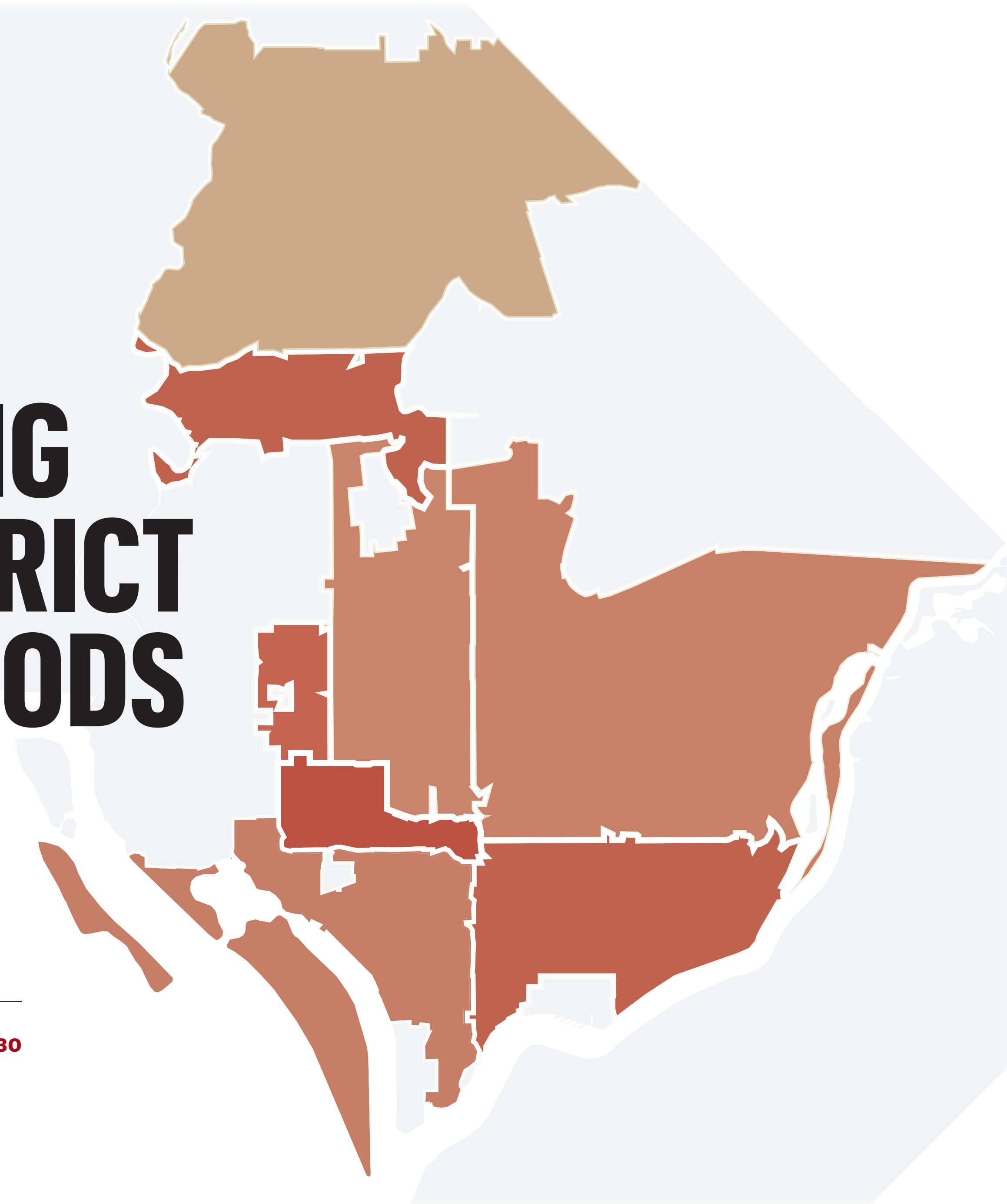

T H E L I S T

**WEALTHIEST ZIP CODES**

# THE CHANGING FACE OF DISTRICT NEIGHBORHOODS

**As gentrification marches on, we examine eight D.C. ZIP codes that have seen big changes**

**BY CAROLYN M. PROCTOR | PAGE 24**

**50 wealthiest ZIP codes in the region** | **PAGE 30**

**INNERLOOP**

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### Trade talk up. And hotel revenue down.

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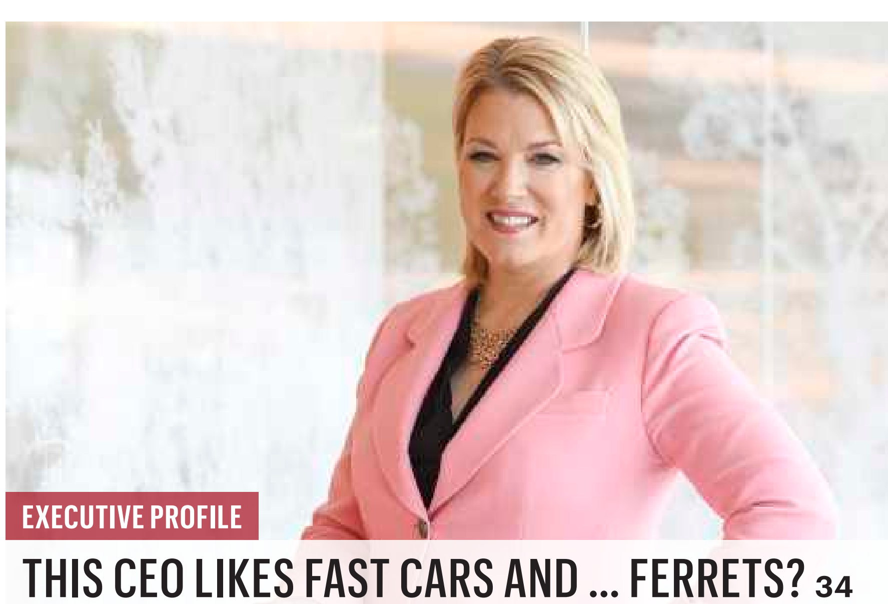

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THE LIST

# GENTRIFICATIO

## D.C. IS TOPS IN WEALTH, EDUCATION, HOUSING PRICE

**BY CAROLYN M. PROCTOR** | cmproctor@bizjournals.com | @WBJBookofLists

The Washington region stands among the richest enclaves in the country, with its own Great Falls nestled among the U.S.'s top 10 wealthiest ZIP codes. Four of the country's 10 most educated ZIP codes lie within our borders, topped only by Cambridge, Massachusetts. And two District ZIP codes house among the highest concentrations of management workers nationwide. ¶ But as wealthy as our region is, we also have ZIP codes where the median household income is below the national median. Ditto for the median home value, despite our famously robust local housing market. In these ZIPs, per-capita incomes are below the national average of $31,786 and fewer than 10% of the adult population has graduate or professional degrees, while less than a third work in management. ¶ Today, pockets of the District have been changing, and changing fast, to bridge that wealth divide. That change, however, has come at a cost.

## ENTER THE CONCEPT OF GENTRIFICATION.

That's when "an influx of investment and changes to the built environment lead to rising home values, family incomes and educational levels of residents," according to the National Community Reinvestment Coalition. As wealthier residents move in and rental rates rise, that, in turn, can lead to substantial displacement of the area's original residents, many of whom are African American. Cultural and racial displacement occurs when "minority areas see a rapid decline in their numbers as affluent, white gentrifiers replace the incumbent residents," said the coalition, a D.C.-based 501(c)(3) nonprofit.

Using U.S. Census Bureau and economic data from 2000 to 2013, NCRC found that the highest levels of gentrification occurred in a few U.S. coastal cities during that time period. About half of all gentrification found in the study occurred in just seven cities, per its report: New York, Los Angeles, Washington, Philadelphia, Baltimore, San Diego and Chicago. While New York had the most cases in terms of sheer size, the percentage of available living areas that were gentrified was higher in D.C. than anywhere else.

While that has raised the wealth levels in each of those areas and afforded more and better infrastructure that benefited the regional economy, it has also contributed to a significant shift in the ethnic makeup of the city's population in those fast-gentrifying areas.

NCRC research found that some longtime residents get left behind in the process. It said 20,000 African American residents were displaced from 2000 to 2013 due to gentrification in D.C. neighborhoods, by far the highest of any other metro area and nearly one-fifth of all black residents displaced nationally.

In its own research, the Washington Business Journal tracked Census changes from 2000 to the most recent year available, 2017, for each of the eight District areas that the NCRC identified as having experienced the most gentrification, from Petworth to Penn Quarter, Capitol Hill to Southwest D.C. We looked at changes in ethnicity, focusing on African American and white representation, as well as household median income, per-capita income and percentage of management jobs.

While it's difficult to say if the changes are due solely to gentrification or displacement, or merely more white residents moving into growing neighborhoods, the demographic shifts are unarguably stark.

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## ZIP CODES IN TRANSITION

We started out with a research report from the National Community Reinvestment Coalition, a D.C. nonprofit that mapped the Census tracts where it had found the highest intensity of displacement had occurred in the District between 2000 and 2013. Then we overlaid our own map of the region's ZIP codes to see where these Census tracts fell, and they landed within these eight ZIP codes below. We then used those ZIP codes to look up our own Census data from 2000 and 2017, to see how their demographics have changed during that longer time period. Keep in mind, ZIP code boundaries can change slightly year to year, but only when postal boundaries are realigned. Ultimately, we found pretty big ethnic population shifts, combined with skyrocketing income levels, in each of these ZIP codes. In all but one of these eight ZIP codes (Penn Quarter), the rate of decrease in the percentage of black residents fell far more sharply than the percentage increase in that area's total population from 2000 to 2017.

### TOTAL POPULATION

| ZIP CODE | 2000 | 2017 |
|---|---|---|
| 20001 *(Shaw)* | 33,550 | 45,925 |
| 20002 *(Trinidad)* | 49,333 | 61,787 |
| 20003 *(Capitol Hill)* | 23,122 | 30,259 |
| 20004 *(Penn Quarter)* | 901 | 1,717 |
| 20005 *(Logan Circle)* | 10,610 | 13,234 |
| 20010 *(Columbia Heights)* | 28,772 | 33,654 |
| 20011 *(Petworth)* | 57,444 | 67,257 |
| 20024 *(Southwest Waterfront)* | 11,795 | 12,596 |



POPUL

100% bla

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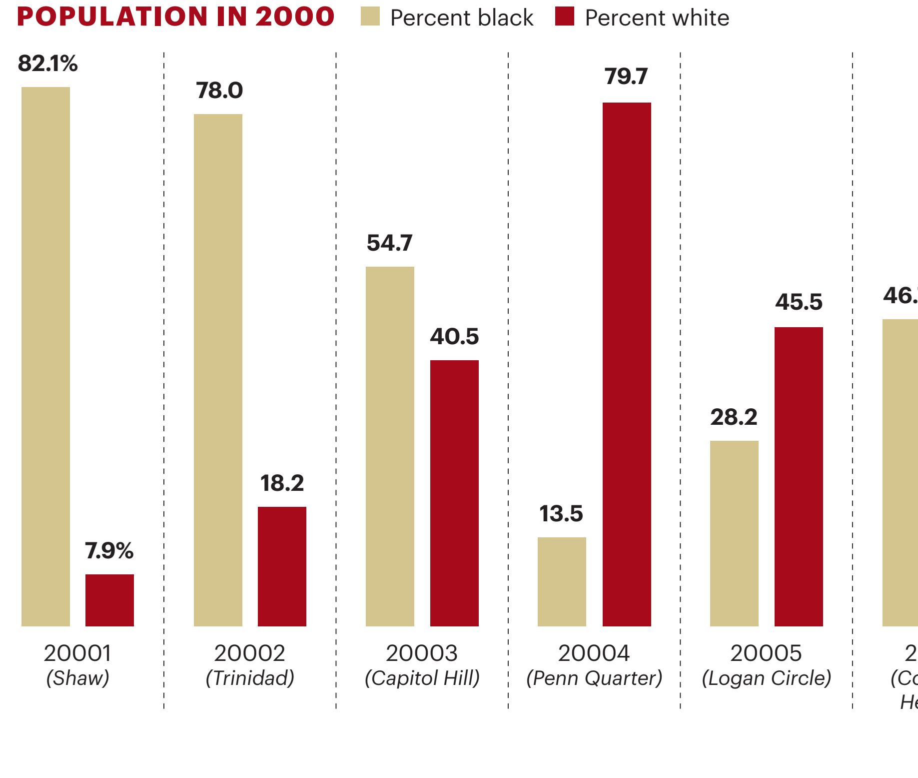
each ZIP

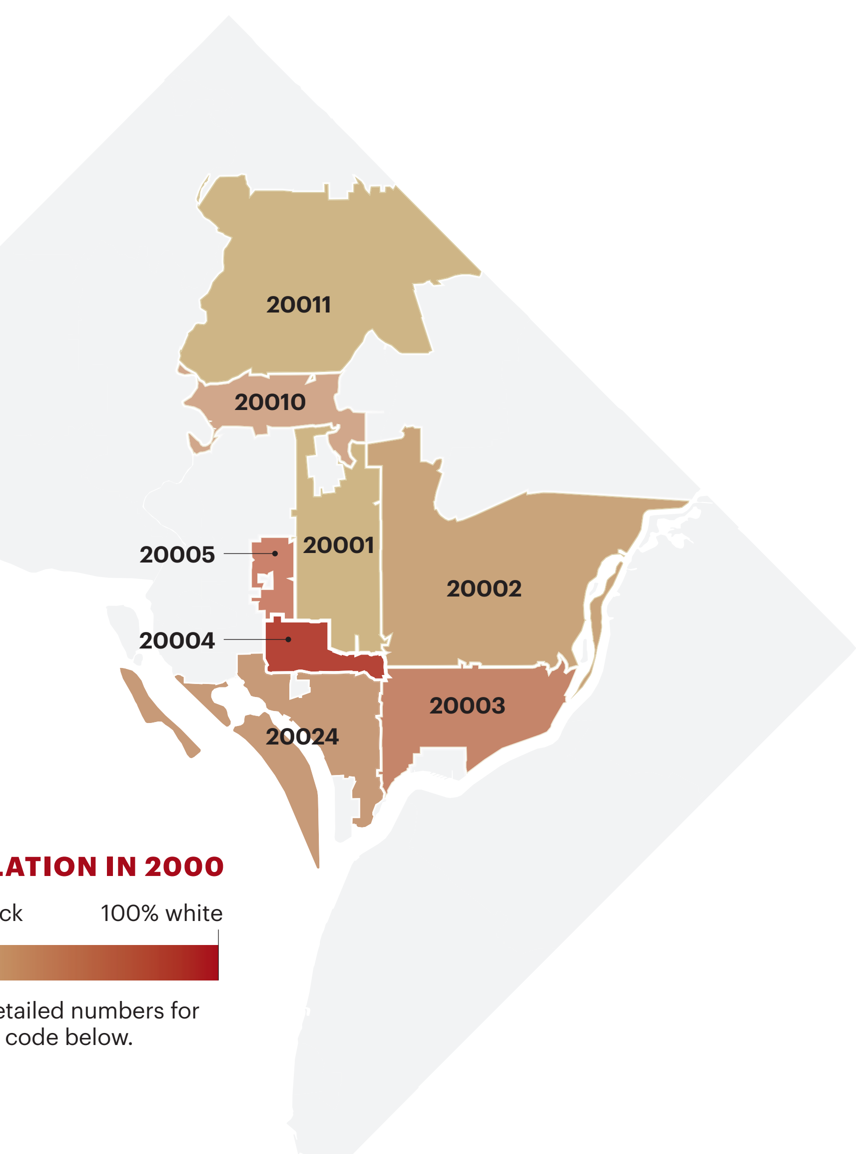
### POPULATION IN 2000

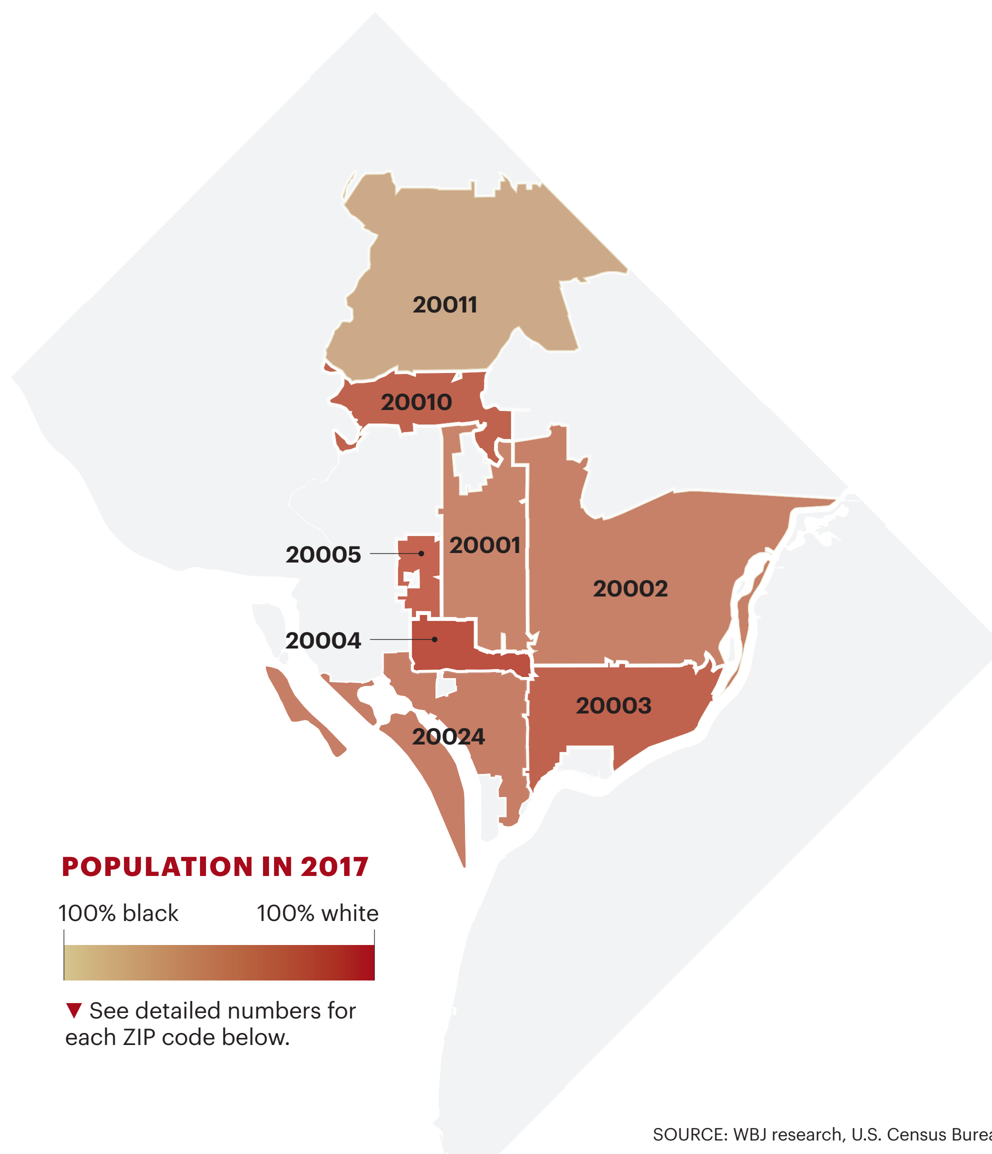
Percent black  Percent white



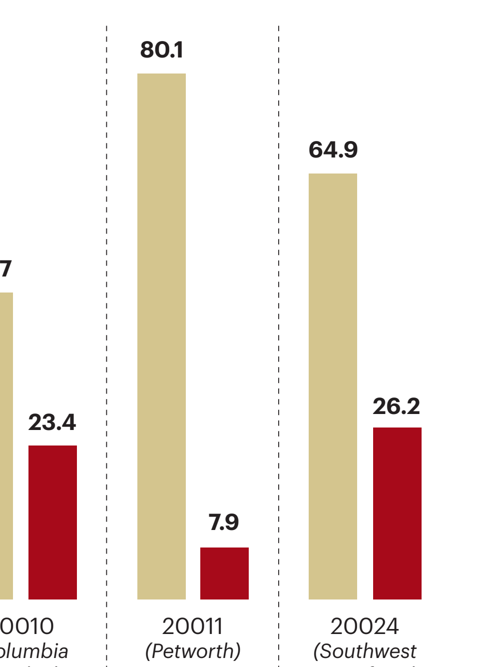
# ON AT WORK

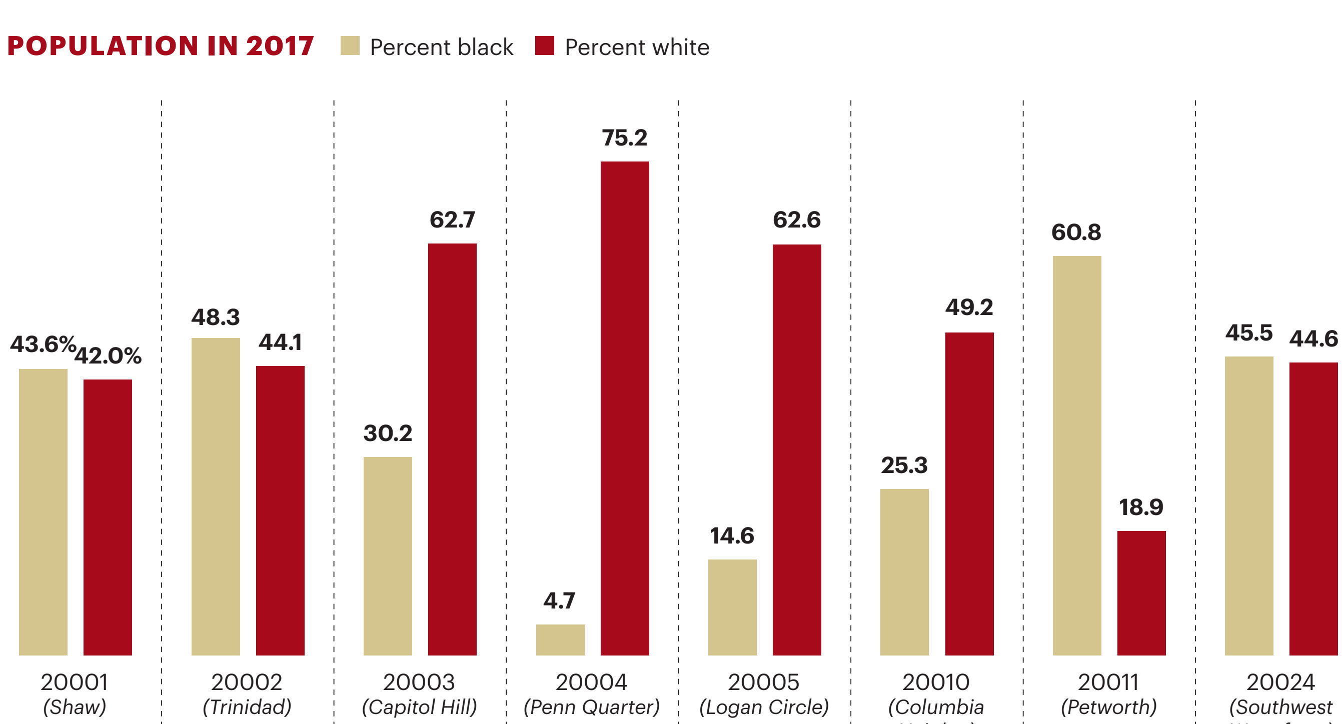
## ES, WHITE-COLLAR JOBS ... AND ONE MORE THING




SOURCE: WBJ research, U.S. Census Bureau



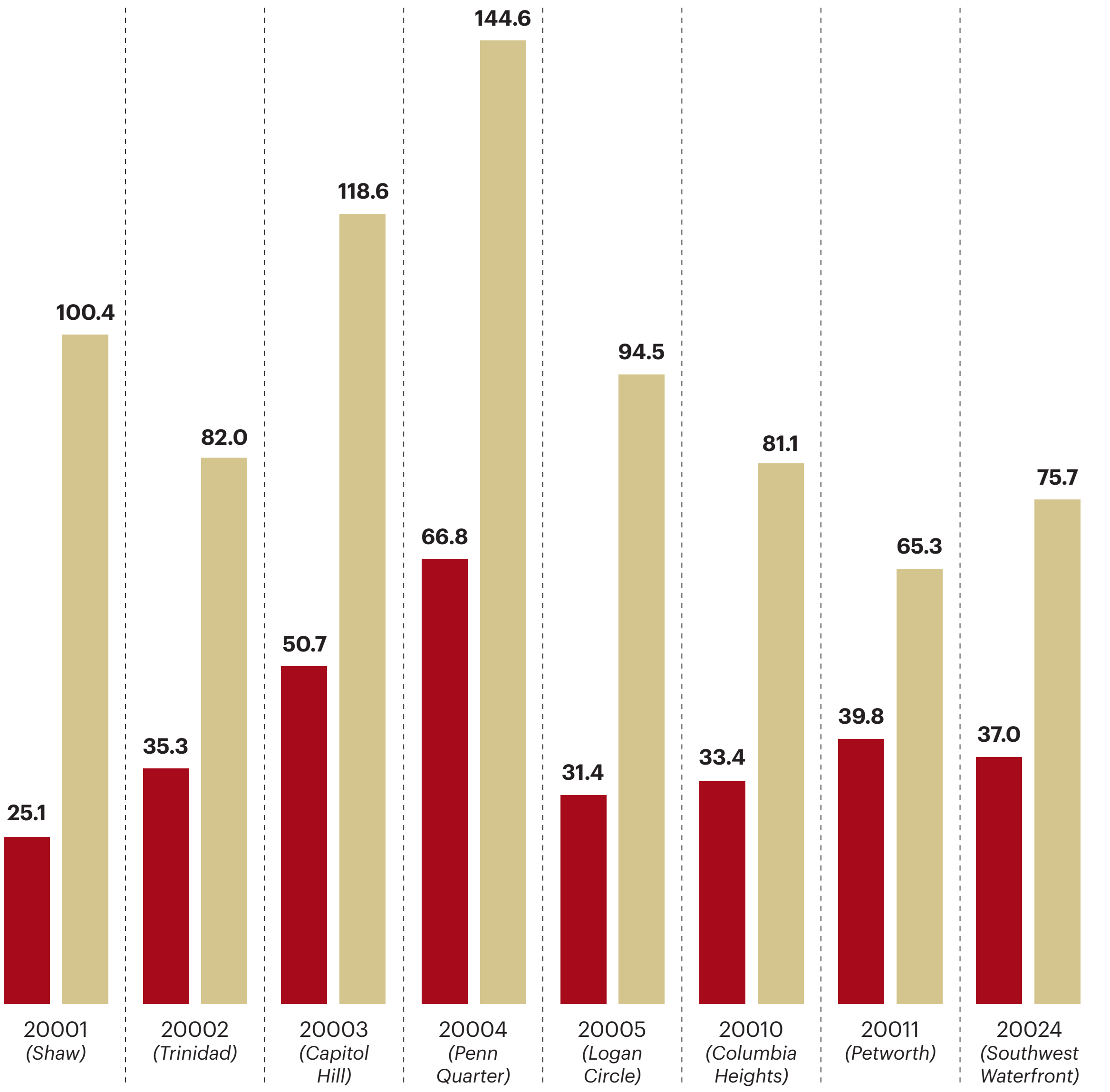



THE LIST

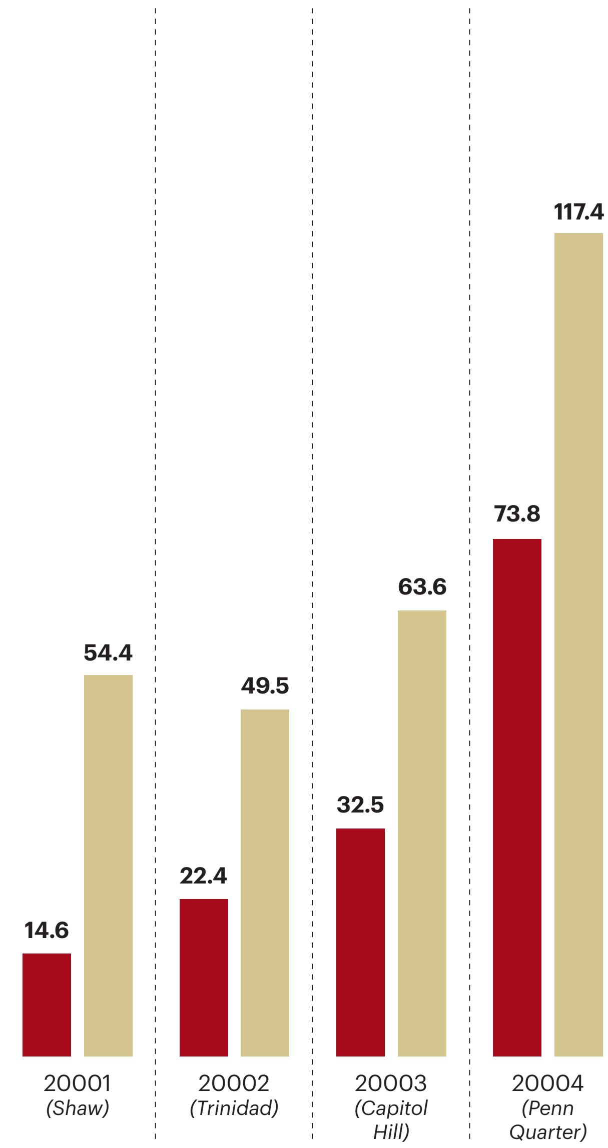
# ZIP CODES: INCOME AND JOBS

Each of these eight ZIP codes have seen dramatic rises in income and rate of management positions.

**MEDIAN HOUSEHOLD INCOME** *In thousands of dollars* In 2000 In 2017




**PER-CAPITA INCOME** *In thousands of dollars*




*CONTINUED FROM PAGE 24*

## THE RESEARCH

In its study, the NCRC analyzed Census tracts – roughly the size of neighborhoods – that, in 2000, were in the lower 40% of home values and family incomes in a given metro area. The group then followed economic changes and displacement in those areas through 2013.

Neighborhoods that ended up in the top 60% for increases in percentage of college graduates and median home values were counted as gentrified. When the population of a racial or ethnic group in a neighborhood decreased by 5% or more, and also more than two standard deviations from the national average, the group counted it as displacement.

It found that D.C. saw both metrics change the most in tracts spanning the eight ZIP codes for which the Washington Business Journal gathered its Census data: Shaw, Trinidad, Capitol Hill, Penn Quarter, Logan Circle, Columbia Heights, Petworth and the Southwest Waterfront.

Further, the NCRC overlaid the Metro map over the noted neighborhoods and found a cluster of gentrification and displacement around Metro stations, especially along the Green Line and eastern portions of the Red Line – aligning with a trend in development around mass transit.

"It wasn't just that D.C. edged out the other cities in terms of most intense level of gentrification or the most displacement," said NCRC Director of Research Jason Richardson, who co-authored the study with Bruce Mitchell, the group's senior research analyst. "D.C. was head and shoulders above the other cities we looked at."

While some economic experts are loathe to compare the District with other regions or metro areas because its dynamics are so different from both, when it comes to the NCRC study, "its findings are stark, there's no arguing them," said Yesim Taylor, executive director of D.C. Policy Center, a nonpartisan, nonprofit think tank that was incubated by the Federal City Council.

But, she said, causes for the demographic changes are much more complicated, stemming not merely from gentrification, but instead from an overall concentration of poverty, according to center research.

"When you look at just the African American community in the 1980s and '90s, poor and rich African Americans lived kind of close to each other, generally in the District of Columbia. When you look at 2016, the most affluent blacks had moved way out of the city. And that movement happened in the late 1990s and early 2000s," she said. "So, what we see as a trend of white people pushing out black people, this is already happening within the black community as well. The black exodus largely happened by 2010. But the influx of whites still continues today."

**"WE'RE ALL MUCH MORE AWARE OF THE AFFORDABILITY PROBLEMS IN THE CITY. SO, IF I COMPARE IT TO 20 YEARS AGO, THERE WAS ALMOST NO DISCUSSION OF IT AT ALL."**

**MONTY HOFFMAN,** founder and CEO, PN Hoffman

FILE PHOTO

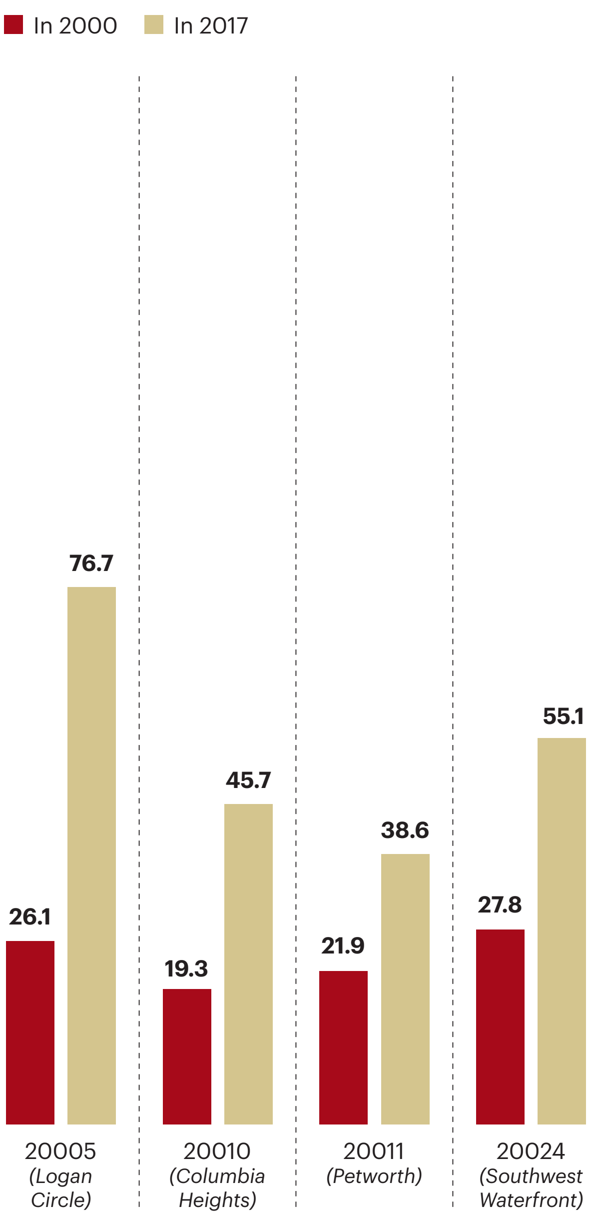
The region also saw a boost in its millennial population after the recession, adding to that white influx.

Richardson said the NCRC presented its data to the Affordable Housing Trust Fund and spoke with staff for Del. Eleanor Holmes Norton, D-D.C., about its findings. He also expects to meet with D.C. Council staff later this year, even as it works to update its report to include new 2017 Census data. He said he already expects to see "substantial change" within Crystal City, where Amazon.com Inc. is about to build its second headquarters campus.

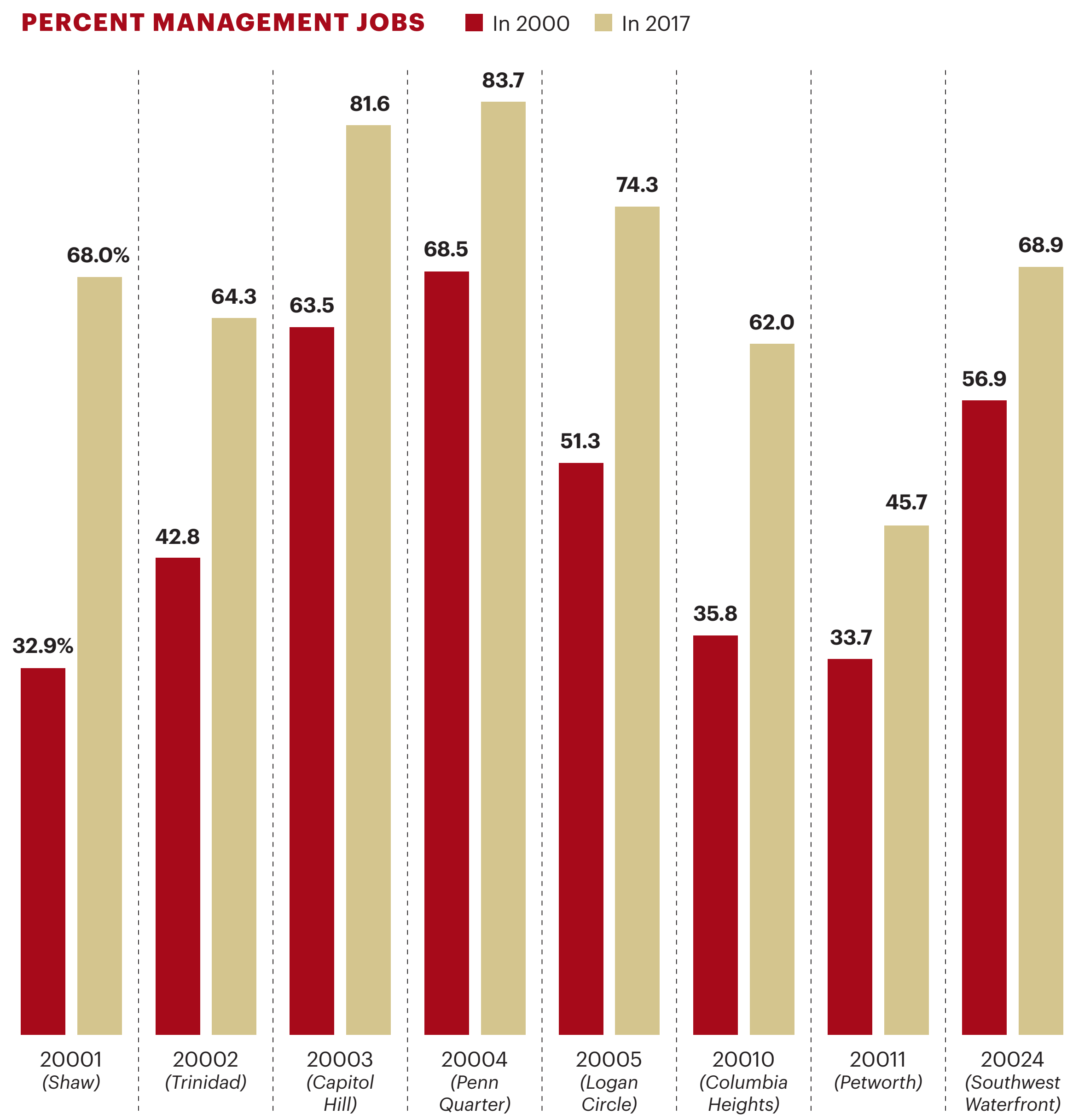
## THE EFFECTS

The word gentrification has varying connotations, depending on whom you talk to. The concept itself can divide many a community, on its

THE LIST




**PERCENT MANAGEMENT JOBS**




SOURCE: WBJ research, U.S. Census Bureau

origins, implications and best fixes.

City planners must work toward the broader economic good of a district and within the confines of its existing coda. Developers must rein in spiraling costs and bring in a financial return on expensive real estate projects for their own investors. Community activists must speak for those left behind in the system. All of their interests can often stand at odds with one another, complicating the ability to ease the situation and agree on solutions.

But few contest that the wealth gap and its effects are becoming a larger part of the region's collective consciousness.

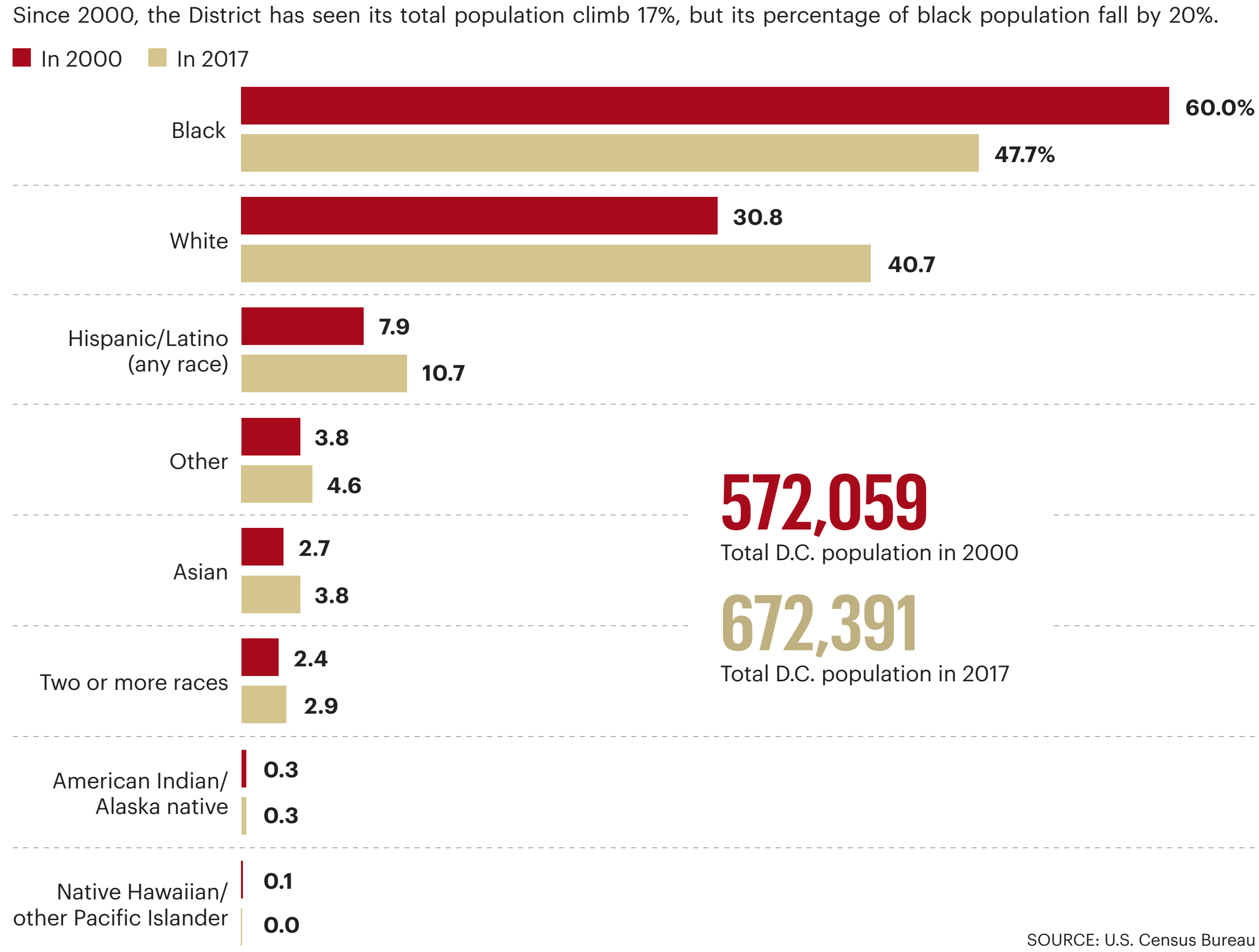
"We're all much more aware of the affordability problems in the city. So, if I compare it to 20 years ago, there was almost no discussion of it at all. But today, it's discussed all the time," said Monty Hoffman, founder and CEO of PN Hoffman, which developed The Wharf in Southwest D.C. "Every development is unique, because it has its own economic stress points. And it also has its own community needs."

At The Wharf, built by PN Hoffman and Madison Marquette, devel-

*CONTINUED ON PAGE 28*

**D.C.'S ETHNIC BREAKDOWN**

Since 2000, the District has seen its total population climb 17%, but its percentage of black population fall by 20%.




SOURCE: U.S. Census Bureau

THE LIST

# AREAS WITH HIGHEST VS. LOWEST INCOME

These are the region's top five wealthiest and five lowest-income ZIP codes, ranked here by median household income.

## WEALTHIEST ZIP CODES

■ Median household income ■ Per capita income

| Median home value | | Per capita income |
|---|---|---|
| $1,069,600 | 22206 *(Great Falls, VA)* | $98,169 |
| 802,900 | 22039 *(Fairfax Station, VA)* | 77,573 |
| 909,600 | 20854 *(Potomac, MD)* | 89,796 |
| 921,100 | 20816 *(Bethesda, MD)* | 99,522 |
| 984,200 | 22101 *(McLean, VA)* | 99,658 |

## LOWEST-INCOME ZIP CODES

| Median home value | | Median household income | Per capita income |
|---|---|---|---|
| $177,300 | 20710 *(Bladensburg, MD)* | $43,456 | $22,297 |
| 235,000 | 20006 *(District)* | 40,000 | 15,033 |
| 249,600 | 20019 *(District)* | 35,487 | 21,712 |
| 244,700 | 20032 *(District)* | 35,047 | 20,041 |
| 276,700 | 20020 *(District)* | 34,508 | 22,656 |

**$59,039** National median household income

**$31,786** National average per capita income

**$227,700** National median home value

*CONTINUED FROM PAGE 27*

opers were required to incorporate affordable housing into their plans under D.C.'s Inclusionary Zoning program. Of its 649 new apartments, 200 are affordable and workforce apartments.

The D.C. Department of Housing oversees a lottery system for those affordable units, which are based on an applicant earning a certain percentage of the region's median family income. There are 62 units for families earning 30% of the MFI (rent starts at $533 a month), 69 units for those earning 60% MFI (for $1,149 and up a month), 46 units for those earning the exact median (at $1,590 and up a month) and 23 for families earning 120% MFI (rent starts at $1,670). The Wharf also has five condos at 525 Water available to families earning 50% MFI, and six condos for 80% MFI, also through a lottery selection.

"We're happy that when we did develop everything here that we were able to put a real community – not an exclusive resort-type thing, but a real community – connecting a lot of people together," Hoffman said.

But critics say that's not nearly enough to create a true mix of incomes. They say the District and developers are redefining affordable housing to include families earning up to 120% of the area median income, or $141,000 a year.

"It would be one thing if we said, 'This is also a bracket of people that needs housing,' and there's some private development that suits that bracket," said Parisa Norouzi, who co-founded Empower D.C. in 2003 with Linda Leaks to help low- and moderate-income residents build political power on issues like affordable housing and fight gentrification. "But to put public subsidy towards that is the thing that we seriously object to."

Hoffman said that his team could build more residential into the development by adding that level of workforce housing on top of the affordable housing for lower-income families. "Originally the city had simpler math," he said. "It was 30% affordable housing, half of which had 60% [AMI], for a minimum of 160,000 square feet of affordable housing. So OK, we took that, and we could have just done that, and the rest of the whole community would have been office and retail and parking. But we decided we wanted to put a lot more residential in. And so, we negotiated with the city, and they worked with us on this to create this moderate-income housing."

That was a purposeful move by the city, according to Andrew Trueblood, director of the D.C. Office of Planning, who opts to call that tier "middle-income housing." While programs are in place directed toward low-income housing, "we don't have as many for middle-income households, and many of them are getting squeezed out of the city as well," Trueblood said. "We're still looking for ways of ensuring that there are opportunities for those middle-income families to live in the city."

Any discussion on gentrification is incomplete without mentioning the latest battle playing out over the planned redevelopment of the Barry Farm public housing community in Southeast D.C. Demolition started early this year, and hundreds of families have already been relocated during the construction phase. The redevelopment team, which includes Boston-based nonprofit Preservation of Affordable Housing and minority-owned and District-based A&R Development, was also required under Mayor Muriel Bowser's New Communities Initiative to offer current and eligible former residents – largely African American – the right to return to a one-for-one replacement unit upon completion.

The development team did not return a request for comment as of press time.

But community leaders remain skeptical that Barry Farm's redevelopment – now stalled in legal action and appeals – will benefit its original residents.

"I believe that when there's a lack of oversight at the Zoning Commission, which there was for a significant amount of time, it contributes to things like gentrification," said attorney Ari Theresa, principal partner of Stoop Law and a fourth-generation D.C. resident who had filed a $1 billion class-action lawsuit against the District over the redevelopment plans. "Barry Farm was a perfect example."

**THE SOLUTIONS**

For the D.C. Policy Center's Taylor, the fix is simple.

"We have a housing problem," she said. "Gentrification in this region is largely a housing issue. Just producing more housing is the simplest, most straightforward way of solving it."

The key, she said, is reexamining zoning policies for single-family housing – it accounts for 75% of

**"GENTRIFICATION IN THIS REGION IS LARGELY A HOUSING ISSUE. JUST PRODUCING MORE HOUSING IS THE SIMPLEST, MOST STRAIGHTFORWARD WAY OF SOLVING IT."**

**YESIM TAYLOR,** executive director of D.C. Policy Center, a nonpartisan, nonprofit think tank

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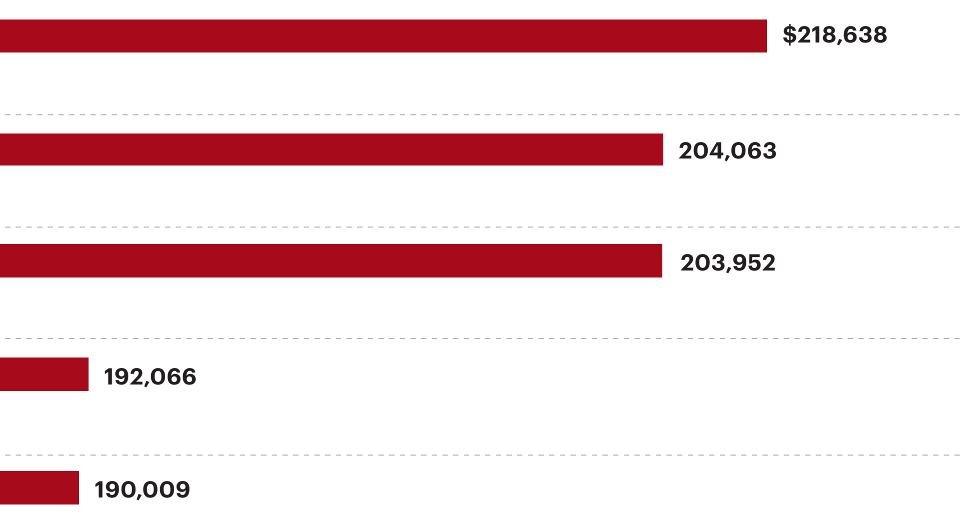
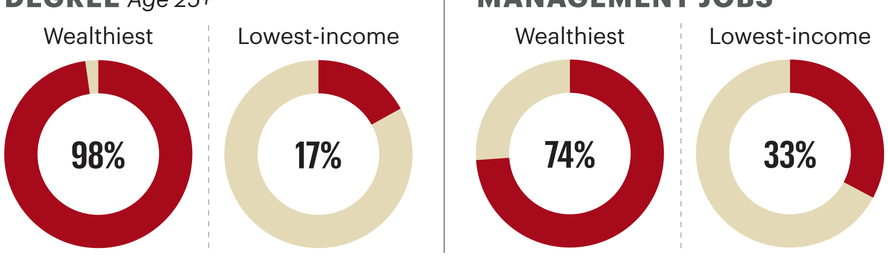



### AVERAGE PERCENT WITH GRADUATE/PROFESSIONAL DEGREE *Age 25+*

### AVERAGE PERCENT OF WORKERS WITH MANAGEMENT JOBS




### HIGHEST POPULATION

| | Wealthiest | Lowest-income |
|---|---|---|
| Population | 49,542 | 61,351 |
| ZIP code | 20854 (Potomac, Md.) | 20019 (District) |

### LOWEST POPULATION

| | Wealthiest | Lowest-income |
|---|---|---|
| Population | 16,248 | 2,780 |
| ZIP code | 20816 (Bethesda, Md.) | 20006 (District) |

SOURCE: U.S. Census Bureau, American City Business Journals

# THE GENTRIFICATION RATE

The National Community Reinvestment Coalition found these cities had the highest intensity of gentrification from 2000 to 2013. D.C. led the way.

| | TOTAL TRACTS | ELIGIBLE TRACTS | GENTRIFIED TRACTS | PERCENT GENTRIFIED |
|---|---|---|---|---|
| **Washington, D.C.** | **1,346** | **154** | **62** | **40%** |
| San Diego | 627 | 100 | 29 | 29% |
| New York City | 4,515 | 590 | 144 | 24% |
| Albuquerque | 202 | 31 | 7 | 23% |
| Atlanta | 946 | 76 | 17 | 22% |
| Baltimore | 679 | 171 | 38 | 22% |
| Portland | 491 | 93 | 19 | 20% |
| Pittsburgh | 711 | 69 | 14 | 20% |
| Seattle | 718 | 90 | 18 | 20% |
| Philadelphia | 1,473 | 332 | 57 | 17% |
| Virginia Beach | 414 | 105 | 18 | 17% |
| San Francisco | 975 | 159 | 27 | 17% |
| Richmond | 305 | 37 | 6 | 16% |
| Honolulu | 243 | 38 | 6 | 16% |
| Minneapolis | 771 | 141 | 22 | 16% |

**110,935**
Number of black residents displaced nationally from gentrified neighborhoods, 2000-2013

**20,000**
Number of black residents displaced in Washington neighborhoods during that time

**21%**
Change in white population in Washington, 1990-2010

**-32%**
Change in black population in Washington, 1990-2010

SOURCE: National Community Reinvestment Coalition

all taxable lots in the District, even though single-family homes only make up 30% of the city's housing stock, according to a research paper the center published last month. Furthermore, the center found that the share of nonwhite families is significantly lower in single-family housing zones in the city, especially west of the Anacostia River.

"While the District has undergone a massive transformation, single-family zoning looks pretty much the same (except for downtown) as it did almost a century ago, when zoning was first adopted in the District," read the research paper. "Increasing housing supply in the District requires rethinking of single-family zoning."

From the city's perspective, Trueblood agrees that building more housing is key, pointing to Bowser's goal of creating 36,000 new housing units, one-third of them affordable units, by 2025. He said his office is working closely with the Department of Housing and Community Development and other agencies to improve its systems for both residents and landlords and strengthen policies such as inclusionary zoning, which requires developers to set aside 8% to 10% of a residential floor area for affordable rental or for-sale units in all new residential development projects entailing at least 10 units or in rehab projects that expand a building by at least 50%. Since its 2009 start, the program has grown rather slowly, logging two new units in 2011 and 14 units the year after that.

In all, between fiscal 2011 and 2018, the IZ program has led to the creation of 792 units of affordable housing in 102 total developments, raising questions of whether it's enough to meet the need.

Hoffman said one potential fix is for the District government to attach more affordable housing requirements to any city-owned land going toward a project and to exclude all transfer taxes on affordable housing.

"We should look at affordable housing as zero real estate tax," Hoffman said. "That could definitely help counter the negative aspects, economically speaking, for a developer on affordable housing. It could help offset it."

Ed Lazere, executive director of the nonprofit D.C. Fiscal Policy Institute, said he thinks the city's programs work well, but they lack sufficient funding and priority.

"Housing is 3% of the D.C. budget and way more than 3% of the city's challenges," he said.

His organization has proposed to D.C. leaders that they institute a 10-year plan to build or subsidize deeply affordable housing for the city's 30,000 lowest-income residents, using a combination of tenant-based vouchers, gap financing for new subsidized housing construction and operating assistance for built units. By year 10, the combined funding would be $1 billion, which Lazere points out is still half of what the city spends on schools. "We just need a sense of urgency to act now and think of housing as a core city function, the way we think about schools, the way we think about public safety," he said.

But community leaders like Norouzi and Theresa often blame D.C. government for allowing the gentrification shifts. They say the city too often subsidizes projects and offers public land for luxury-scale developments that seem designed to attract wealthier newcomers while pricing out the original residents. As District leaders hammer out changes to the city's comprehensive plan, they say they worry the advantage will continue to go toward developers in the race for density.

"It doesn't have to be that way," Norouzi said. "Community economic development is a model where you work with impacted communities to build new institutions, rather than building things in a way that essentially excludes the people and makes it such that they're unable to stay in their homes."

Norouzi and Theresa both point to more community investments in land trusts, schools and small businesses to build up a neighborhood, before putting up new building facades. They advocate for allowing current business owners to get financing to buy their own buildings and lower-income residents to tap the Tenant Opportunity to Purchase Act to purchase their own homes.

Norouzi said she expects to see more to come as the gentrification movement heads eastward. "Anacostia is going to be the next Columbia Heights, in terms of the rapid move towards unaffordability."

THE LIST

# LENDING LIMBO

## Disparities climb between white, minority mortgage applicants

BY CAROLYN M. PROCTOR
cmproctor@bizjournals.com
@WBJBookofLists

It may be easier for a person of color to get a mortgage now than 10 years ago in the Washington region. But in that time, it's become significantly harder for a person of color when directly compared to a white person's chances for getting that same mortgage.

In the Washington metropolitan statistical area defined by the Census Bureau, black applicants were denied mortgage loans 2.08 times more often than white applicants – a little more than twice as often – in 2017, the most recent year available in a LendingPatterns analysis of Home Mortgage Disclosure Act data. That's up from 1.86 times in 2007.

As the total number of loan applications shrank significantly across the board from 2007, nonwhite applicants seemed to be getting a decreasing share of those mortgages. In the last decade, almost all other nonwhite mortgage loan applicants saw their disparity from white applicants rise. And those disparities in the region, and D.C., Maryland and Virginia as a whole, are higher than the national average.

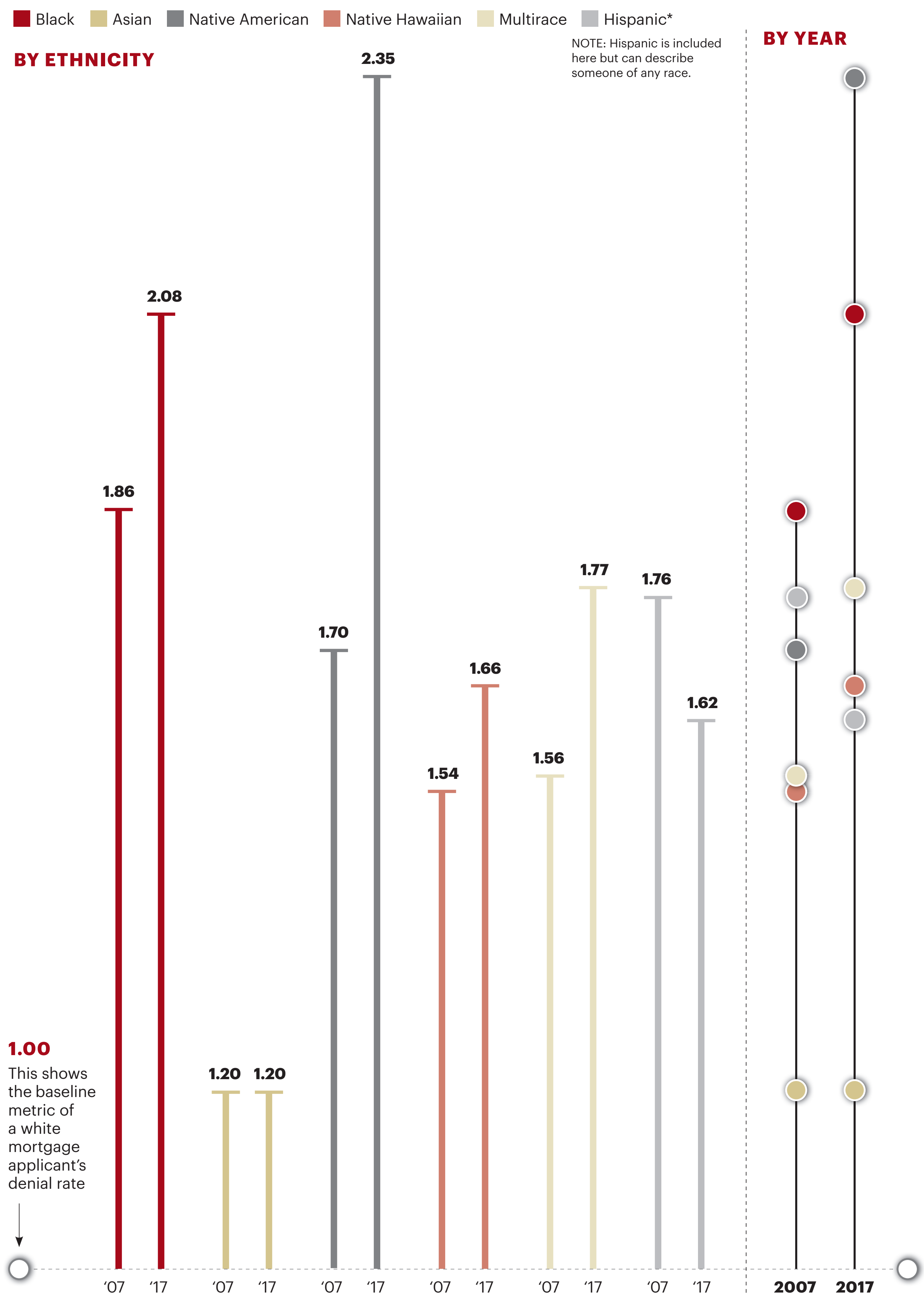
Howard University Economics Professor Haydar Kurban says this phenomenon is most likely due to rising home prices. But, "the issue is deeper than that," said Kurban, a director and researcher at the university's Center on Race and Wealth.

For instance, increased regulations since the housing crisis call for higher credit scores, which can put some nonwhite families at a disadvantage if they don't have a history of traditional banking or credit activities. In addition, Kurban said he's found minority applicants are often disproportionately pushed to buy mortgage insurance – which covers them if they default on their loans – even if they don't need it, raising their overall costs. A wealth gap can often lead to some minority homebuyers paying less toward a down payment or not filling out the application to a lender's satisfaction.

But Kurban points to other research that goes beyond those factors. The nonprofit Center for Investigative Reporting published a report last year based on data from the Home Mortgage Disclosure Act which found that African Americans and Latinos in 61 metro areas, including ours, were still being denied conventional mortgage

### THE DENIAL DISPARITY INDEX

This LendingPatterns data shows the rate of mortgage application denials for each ethnic group when compared with white applicants, in 2007 and 2017, across the Washington metropolitan statistical area. While all groups saw a higher denial rate than whites did both years, Native American and black applicants saw those rates rise the most to double those of whites.



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loans at higher rates even when they had higher credit scores and incomes compared with whites with lower credit scores and incomes.

"Based on my studies and others, there is this problem that cannot be explained by any kind of economic argument," he said. "The way the market functions, it seems like minorities – African Americans and some Hispanics to some extent – are not being treated like other groups. Somehow, the loan processors, the way they process the loan applications, somehow there's an issue there."

One fix he pointed to was construction of more affordable housing and stronger enforcement of housing regulations. "As more and more units are taken off the subsidized housing market and turning into the market rate, I think that's going to make the problem even worse," he said.

### What the lenders say

Only two among the lenders with the highest disparities in loan denials between white applicants and minority applicants, per the LendingPatterns data, responded to a request for comment.

One of them, The Money Store, complained that the sample size of loans examined by LendingPatterns is too small to draw any meaningful conclusions about a disparity.

Arlington Community Federal Credit Union, which confirmed the LendingPatterns data on its loan denials in 2017, also added that it was a small subset of applications and wasn't representative of other years. Arlington Community Federal said it has already taken action to improve its record, launching a new zero-down mortgage loan program halfway through 2017 that's already elicited results. "We saw things actually get better for minorities," said Jim Wilmot, vice president of lending. "Our big focus as a company is looking for solutions for affordable housing."

It's also partnering with the Federal Home Loan Bank for grants to low-income borrowers, and with Arlington County's Moderate Income Purchase Assistance Program (MIPAP).

Last year, the credit union said it only issued five denials, or 14 percent of the applications from minorities. "About 40 percent of our purchase business is our zero-down program," said Katherine Magruder, director of real estate lending.

She said one challenge has been a recent change in Federal Housing Administration guidelines that tightens requirements for credit scores and debt-to-income ratios and narrows cash-out refinances. "A borrower can come to us, and their debt-to-income ratio might be 53 percent," she said. "Where we could get that loan approved through FHA, we can't now."

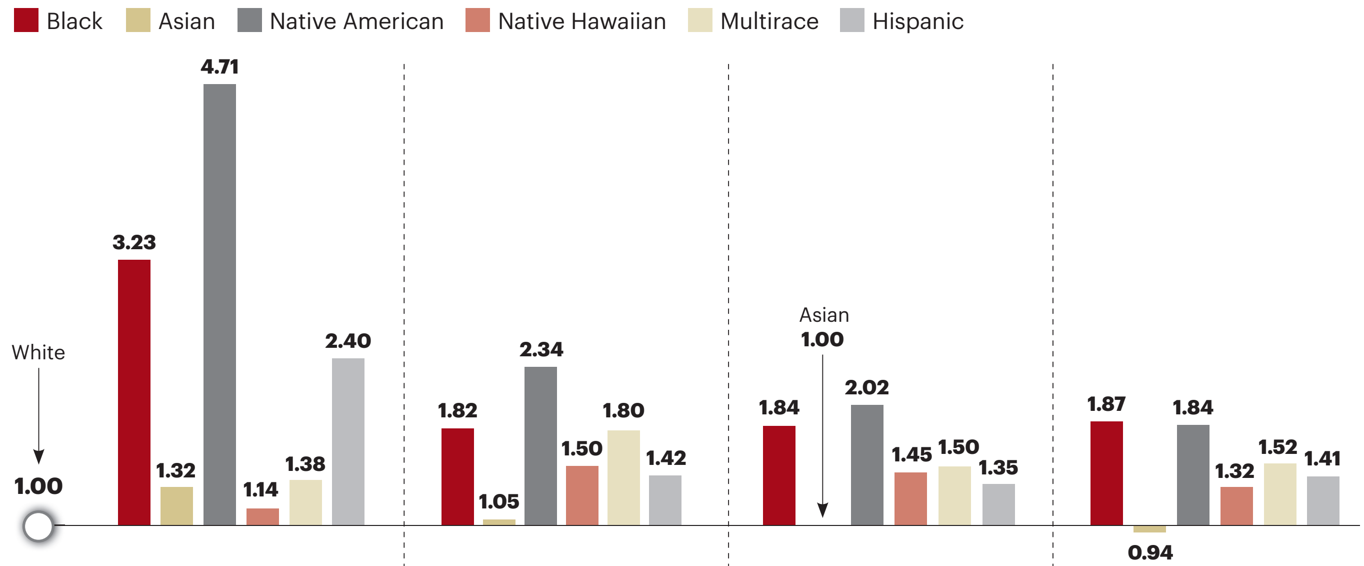
They acknowledge the arrival of Amazon's HQ2 could further drive up housing costs in Arlington, but say they expect average incomes to rise as well.

For Industrial Bank, whose service

CONTINUED ON PAGE 36

## REGIONAL BREAKDOWN

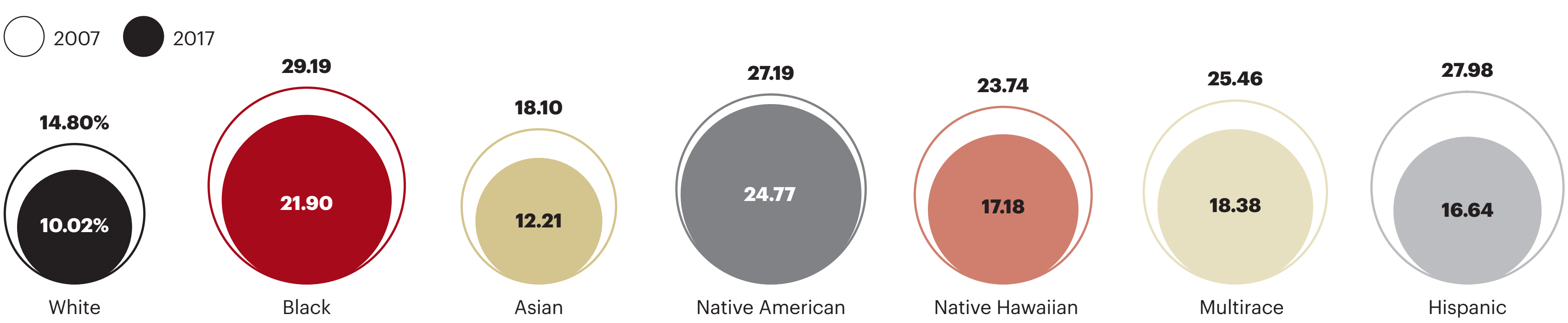
Loan denial rates in D.C., Maryland and Virginia show that nearly every ethnic group has a harder time nailing down a mortgage application than a white applicant — and many of those disparities, especially in D.C., are higher than the national average.




| | DISTRICT | | MARYLAND | | VIRGINIA | | U.S. | |
|---|---|---|---|---|---|---|---|---|
| | Applications | Denials | Applications | Denials | Applications | Denials | Applications | Denials |
| White | 10,478 | 796 | 124,444 | 14,879 | 214,159 | 26,350 | 8,125,469 | 1,142,827 |
| Black | 7,746 | 2,095 | 60,540 | 13,630 | 48,059 | 11,267 | 963,929 | 260,544 |
| Asian | 1,188 | 121 | 15,070 | 1,908 | 22,807 | 2,785 | 660,932 | 86,723 |
| Native Am. | 61 | 23 | 729 | 210 | 1,024 | 263 | 52,951 | 13,955 |
| Native Haw. | 48 | 6 | 548 | 102 | 1,016 | 184 | 42,254 | 7,949 |
| Multirace | 287 | 57 | 2,133 | 475 | 2,889 | 550 | 79,880 | 17,475 |
| Hispanic | 1,559 | 300 | 17,177 | 2,947 | 21,972 | 3,689 | 1,343,306 | 269,191 |

## APPLICATION DENIAL PERCENTAGE

While the disparities have widened between minority and white applicants, every group is actually seeing fewer mortgage denials overall in 2017 compared with 2007.




## GREATER WASHINGTON LENDING BY RACE

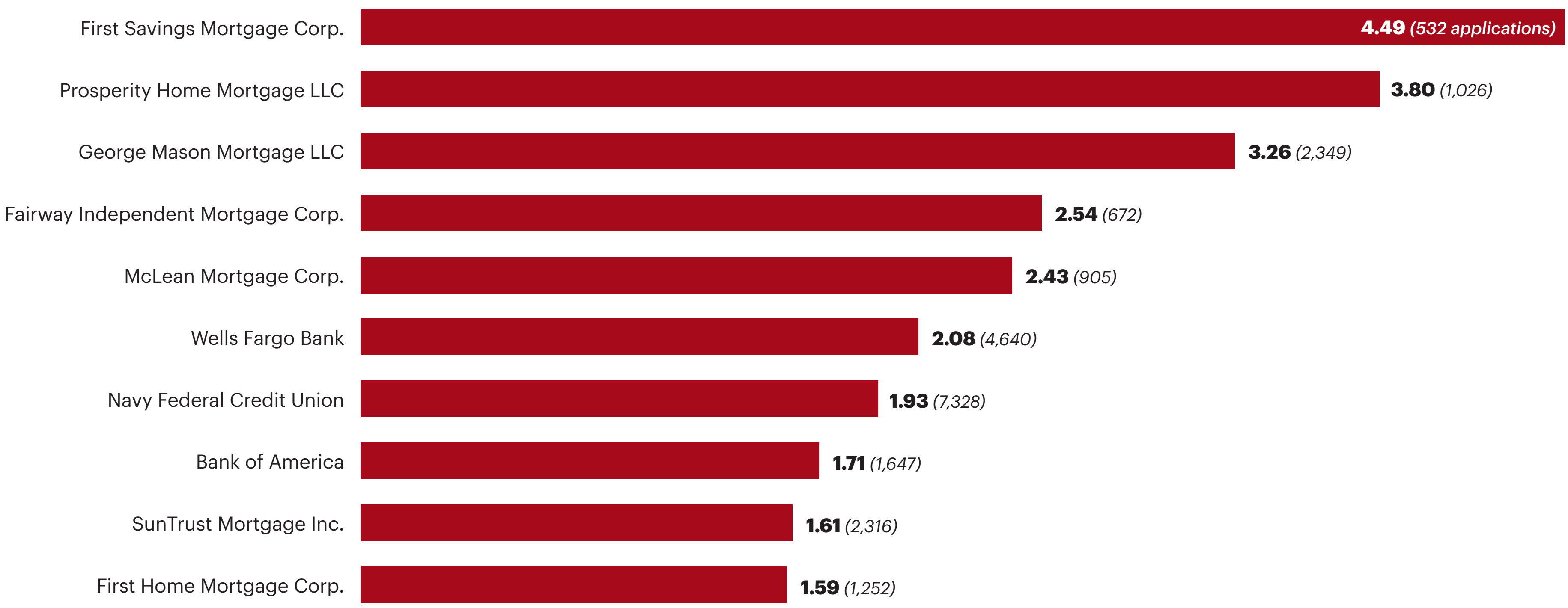
| | APPLICATIONS | | ORIGINATIONS | | DENIALS | |
|---|---|---|---|---|---|---|
| | 2007 | 2017 | 2007 | 2017 | 2007 | 2017 |
| White | 209,709 | 121,206 | 108,712 | 73,296 | 31,036 | 12,145 |
| Black | 147,130 | 57,715 | 57,066 | 28,293 | 42,944 | 12,642 |
| Asian | 34,411 | 26,934 | 16,204 | 15,617 | 6,231 | 3,288 |
| Native American | 1,596 | 767 | 551 | 363 | 434 | 190 |
| Native Hawaiian | 1,904 | 786 | 781 | 413 | 452 | 135 |
| Multirace | 2,164 | 2,644 | 956 | 1,311 | 551 | 486 |
| Hispanic | 58,972 | 27,330 | 23,896 | 14,925 | 16,499 | 4,547 |

SOURCE: LendingPatterns

THE LIST

# A LOOK AT TOP LENDERS

We decided to check on the Denial Disparity Index (DDI) for nonwhite applicants — a ratio of loan denials compared with white applicants at 1.00 — of top 10 home mortgage lenders based on our annual List companies. Here's how they ranked, along with their total number of applications, in 2017, according to LendingPatterns.




## BANKS WITH HIGHEST DISPARITIES

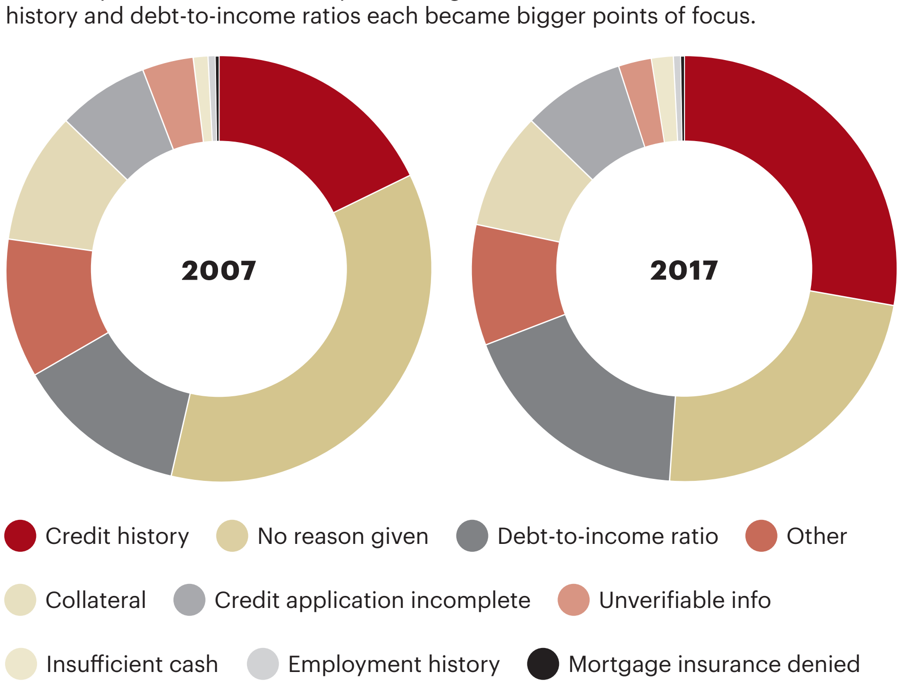
These mortgage lenders had the highest loan disparity rates for nonwhites in the D.C. region, according to LendingPatterns data from 2017. The lenders in bold are those with more than two standard deviations above the average DDI.

| | 2017 DDI | APPLICATIONS | DENIALS |
|---|---|---|---|
| **Department of Commerce FCU** | **13.75** | **48** | **15** |
| **Library of Congress FCU** | **10.50** | **34** | **7** |
| **ClearPath Lending** | **8.44** | **146** | **16** |
| **Bay Capital Mortgage Corp.** | **7.08** | **39** | **4** |
| **MLD Mortgage Inc./The Money Store** | **7.02** | **41** | **8** |
| **Home Savings & Trust Mortgage** | **5.92** | **128** | **6** |
| **Arlington Community FCU** | **5.27** | **49** | **12** |
| 1st Preference Mortgage Corp. | 4.92 | 123 | 11 |
| Aurora Financial | 4.67 | 69 | 5 |
| Gold Star Mortgage Financial | 4.60 | 43 | 6 |

NOTE: Lenders with at least 30 local minority applications

## WHY THEY DIDN'T LEND

Greater D.C. lenders usually offered up reasons for why they denied mortgage loans over the years. Here are their top reasons given in 2007 and 2017. In that time, credit history and debt-to-income ratios each became bigger points of focus.




SOURCE: LendingPatterns

*CONTINUED FROM PAGE 35*

areas house large minority populations, including in Southeast D.C. and Prince George's County, the prescription has been to make it easier and less expensive for families to transfer generational wealth, to increase funding for first-time homeowner down payment assistance and to open access to credit guarantees for small-business owners.

"Our approach is to proactively attack the barriers to financing and to find a way to get to 'yes' as an answer," said Doug Dillon, Industrial Bank's senior vice president and chief lending officer. "If collateral is an issue in underwriting a business loan, we'll use an SBA guaranty. If you're a first-time homebuyer without much cash for a down payment, we are very active with programs like D.C. Open Doors, Maryland CDA or the Greater Washington Urban League's HPAP. And even when we have to say 'no,' we think of it as just the beginning of 'not yet.'"

But even for a bank like Industrial, it's still a challenge. Dillon asked whether you'd rather lend your own personal money to someone earning $160,000 a year – the median income for Upper Northwest D.C., which is mostly white – or someone earning $57,000, the median income for east of the Anacostia River, which is majority African American.

"I'm not defending the disparity. Our industry as a whole must do much better. But those are the kinds of decisions lenders face," he said.

And, he acknowledged, the challenges for underserved borrowers are many. There is often a lack of awareness about what financial products are available, and even a distrust of bankers, he said. High student loan debt can also disqualify borrowers from the lower-cost FHA mortgages, said Tammie Barrett, the bank's director of residential lending.

Dillon said he thinks options are slowly improving for underserved neighborhoods, especially as more banks begin to actually locate in and serve more of them. "We've seen other banks in recent years follow us to an extent and dip their toe into submarkets they once wouldn't touch. That will ultimately be helpful in those communities by providing more financial options," he said.

"When we opened up our branch in Anacostia 10 years ago, for example, there wasn't another bank in sight," he said. "Now they're popping up everywhere. Some of that new interest is due simply to gentrification, but all members of the community can still benefit, particularly if the bank is there for the long haul, which we have been."

## ON THE FEDERAL LEVEL

It's unclear whether the Consumer Financial Protection Bureau will be much help in reversing mortgage lending disparities. After his appointment as the bureau's acting director by President Donald Trump, Mick Mulvaney announced in early 2018 that he would directly oversee, split up and reshuffle the operations of the CFPB's Office of Fair Lending and Equal Opportunity, largely doing away with most of its enforcement powers. Controversy then hit the OFLEO last fall, when its director, Eric Blankenstein, was found to have made racist comments in his blog posts in the past decade, including suggesting that most hate crimes were "hoaxes" and that people who use racial slurs like the N-word aren't racist. In response, the National Treasury Employees Union called for Blankenstein's resignation. He apologized for his blog posts in October and still holds the top job in antidiscrimination enforcement.

# WASHINGTON BUSINESS JOURNAL


## A Winn win

Pr. William just landed the exec who helped land HQ2

ECONOMIC DEVELOPMENT, 24

**TOPSHELF**

### EastBanc CEO solves his own problem

Anthony Lanier has joined forces with a former exec from José Andrés' operation to launch a new restaurant group. First up: Three new Capitol Hill eateries.
REBECCA COOPER, 8

**MONEY & TECH**

### MicroStrategy: Our domains are for sale

The company has been sitting on some choice sites since the 1990s, but it's now ready to sell. You're too late for voice.com, which fetched $30 million. ANDY MEDICI, 16

**ECONOMIC DEVELOPMENT**

### Crystal House seeks even more density

The owner of the Crystal City apartment complex asked to add nearly 800 units. The county suggested it add even more.
ALEX KOMA, 26

EXECUTIVE PROFILE

NO, SHE'S NOT RELATED TO MIA. NEXT QUESTION. 46

THE LIST

SPECIAL REPORT: PUBLIC COMPANIES

# THE REPLACEMENTS

**More women are replacing men as CEOs — but so, so slowly**

BY CAROLYN M. PROCTOR | PAGE 28

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THE LIST

## 100 LARGEST PUBLIC COMPANIES

# IT'S TIME TO WOMAN UP

## Indeed, it's long overdue. But women continue to have slow ascent to top jobs.

**BY CAROLYN M. PROCTOR** | cmproctor@bizjournals.com, @WBJBookofLists

In the past 20 years, the number of women CEOs on our List of top 100 public companies has skyrocketed 300%.

Wait, hold your applause.

That translates to only eight women in 2019, only one of color.

Female representation among our top public company CEOs is on the rise, setting records not just on our List this year, but also nationally. But it's admittedly hard to get too excited when women are still so outnumbered in the CEO suite. The Fortune 500 has surely evolved in the past 20 years from just one single woman CEO in 1999 – Jill Barad of Mattel Inc., No. 331 that year – to 33 women today. But of the 500 companies, that record number of women makes up only 6.6% of today's total.

The good news there? Our eight women this year out of 100 CEOs of the region's largest public companies translates to 8% representation, slightly higher than the Fortune 500's average.

But we still think it's not time for massive applause just yet.

### Trading places

Women replaced men as CEO at a higher rate than ever last year.

While the whopping majority of CEO replacements remain men replacing men, about 22% of CEO jobs nationally were landed by women, another record-setter, according to a recent report by executive outplacement firm Challenger, Gray & Christmas. In Greater Washington, an even higher rate of CEO replacements – 31% – went to women last year, according to the firm.

So far this year, Challenger is seeing still more of an uptick in CEO turnover than in 2018, up 16% nationally for the year ending May 31 compared with the prior 12 months. From Jan. 1 to May 31, 512 CEOs have been replaced, and women made up 20.9% of those new CEOs nationwide – most of them replacing men. Locally, the firm counted 18 CEO replacements during that time, half of them women, also mostly replacing men.

While it's hard to draw a direct correlation, the #MeToo movement likely had some effect on all these changes, said Vice President Andrew Challenger. "It just brought so many issues of gender equality in both the workplace and in the C-suite to attention. It's been on everybody's minds in the business world," he said. "There's also the #TimesUp movement, which is more about pay equality. I think there's another one that pushed this idea forward."

He added, "Hopefully part of that trend is just a recognition that a diversity of viewpoints is really valuable to companies intrinsically. So, having more women in the board room makes companies stronger. And a growing recognition of that partly explains the increase rate."

These inroads may be significant, but there's clearly still far to go. "It's still kind of a disheartening number. I mean, it's just such a low number that it's hard to cheer about it. But obviously, the increases – you don't want to take away from that, either," Challenger said.

Some industries end up with bigger inequalities in leadership than others. In 2018, the firm's report found zero women appointed as CEOs in the aerospace/defense, commodities and telecom industries nationwide. The government and nonprofit sectors, in contrast, saw 100 new women CEOs – the only sectors where more than half of CEO replacements were women.

"There are whole industries that continue to be boys' clubs, and there may not be a single female CEO," Challenger said. "And that's such a discouraging sight for any woman working within those industries."

### A performance issue

More than optics are at stake here. Researchers have found a strong link between female leadership and corporate performance.

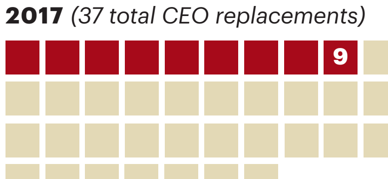
In 2016, District think tank Peterson Institute for International Economics (PIIE) released a groundbreaking research paper that demonstrated that direct benefit, using an extensive Reuters dataset on 21,980 firms from 91 countries in 2014. About 60% of the companies had no women board members, more than half had no women C-suite executives and less than 5% had a woman CEO. While the report didn't find definitive effects

CONTINUED ON PAGE 30

### D.C. REGION'S GENDER GAP

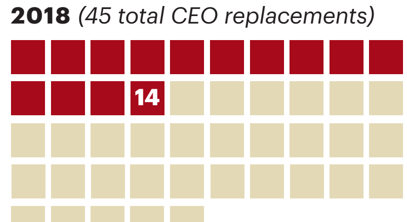
Women are replacing men in the top job at a higher rate than ever at the D.C. region's major employers, according to data shown below from a recent Challenger, Gray and Christmas report.

**2017** *(37 total CEO replacements)*




**24.3%** Percent of women as CEO replacements

**2018** *(45 total CEO replacements)*

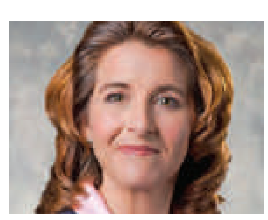



**31.1%** Percent of women as CEO replacements

### NEW FEMALE FACES

This year on our List, we have four women replacing male CEOs, including one incoming and one interim CEO. Three of the four women CEOs are in normally male-dominated fields, including banking and defense.

**▶ NAZZIC KEENE** *Incoming CEO, Science Applications International Corp. (as of July 31, 2019)*
**Succeeding:** Tony Moraco



**▶ KATHY WARDEN** *President and CEO, Northrop Grumman Corp. (as of Jan. 1, 2019)*
**Succeeds:** Wes Bush

**▶ SUSAN RIEL** *President and CEO, Eagle Bancorp Inc. (as of May 3, 2019)*
**Succeeds:** Ron Paul

**▶ CHERYL DRAGOO** *Interim CEO, CFO, Bowl America Inc. (as of Jan. 14, 2019)*
**Succeeds:** Leslie Goldberg

THE BIGGER PICTURE

# RATE OF FEMALE CHIEF EXECS PALES NEXT TO MEN. STILL.

Yes, women are replacing men and other women at a higher rate than ever in corporate America's top ranks, according to a new study released this year by Chicago outplacement firm Challenger, Gray & Christmas. But it's not happening fast enough to make a substantial difference in the raw numbers. Out of 1,183 total CEO switches across the country in 2018, 175 women replaced men, while 89 replaced other women. In comparison, a whopping 805 men replaced other men, and 114 replaced women as CEO that year, the study found. That means the study counted 61 net new women in the top job last year, only about 5% of total turnover.

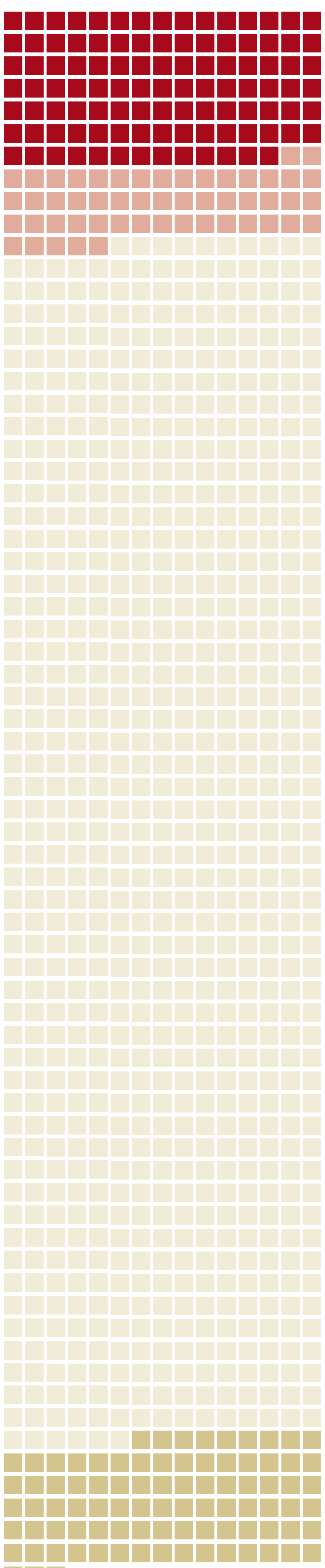
## 2014

1,038 total CEO replacements

**14.9%**

*Percent of women as CEO replacements*

103 Women replacing men
52 Women replacing women



796 Men replacing men
87 Men replacing women

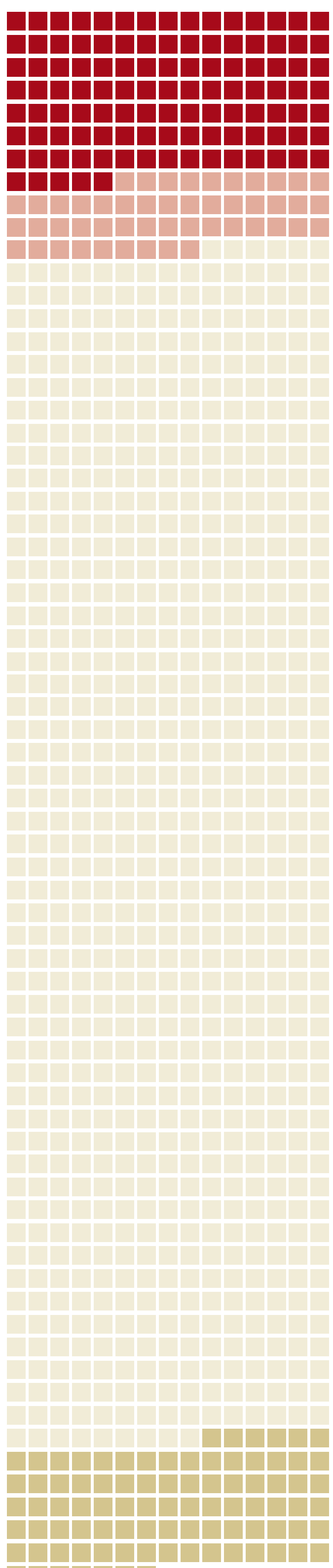
## 2015

1,025 total CEO replacements

**15.3%**

*Percent of women as CEO replacements*

108 Women replacing men
49 Women replacing women



780 Men replacing men
88 Men replacing women

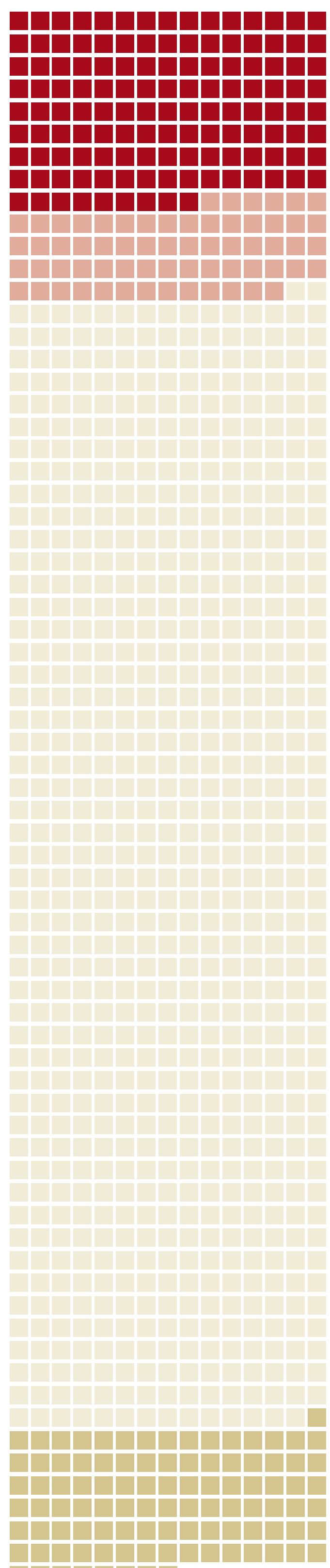
## 2016

1,043 total CEO replacements

**18.5%**

*Percent of women as CEO replacements*

129 Women replacing men
64 Women replacing women



751 Men replacing men
99 Men replacing women

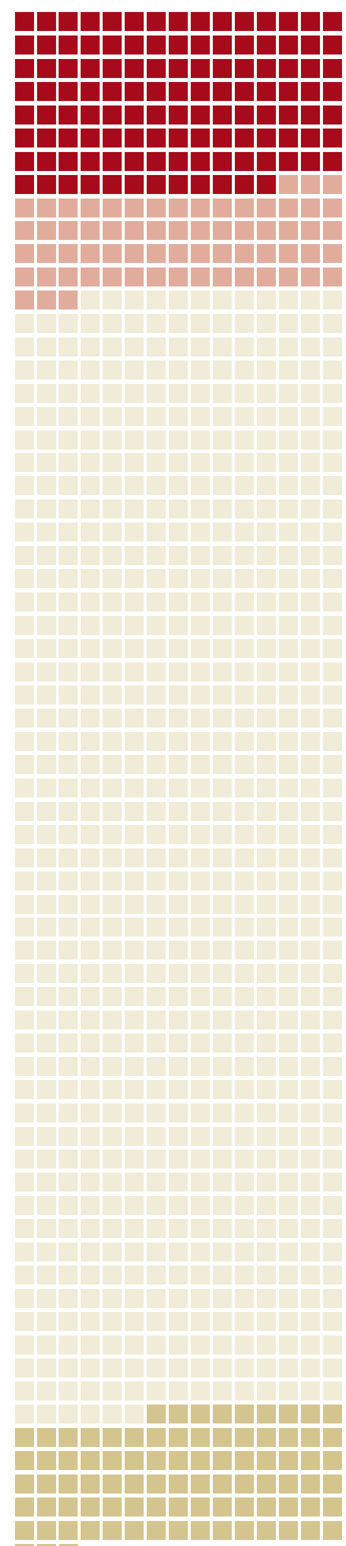
## 2017

993 total CEO replacements

**18.4%**

*Percent of women as CEO replacements*

117 Women replacing men
66 Women replacing women



723 Men replacing men
87 Men replacing women

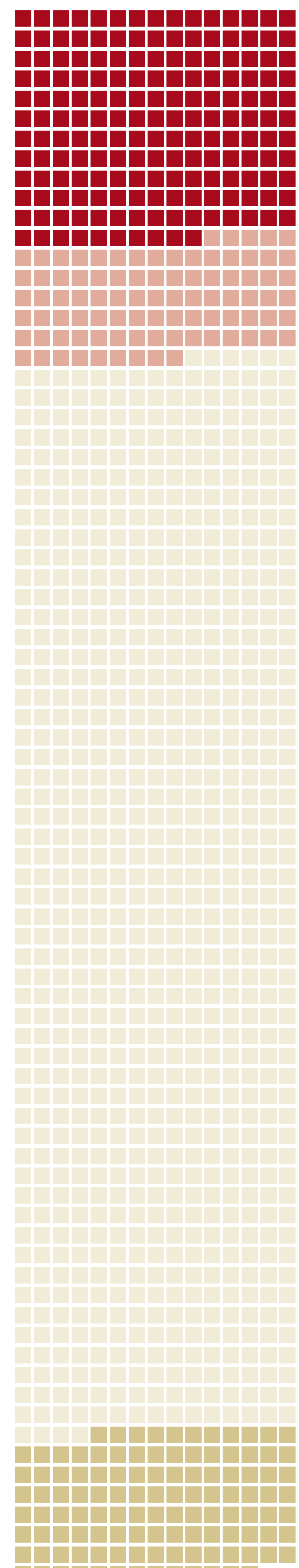
## 2018

1,183 total CEO replacements

**22.3%**

*Percent of women as CEO replacements*

175 Women replacing men
89 Women replacing women



805 Men replacing men
114 Men replacing women

SOURCE: Challenger, Gray & Christmas Inc.

*CONTINUED FROM PAGE 28*

of having female CEOs, it did come to one conclusion: The more women in top executive positions, the higher a company's profits.

A company that increased its women leaders from zero to 30% can expect a 15% boost in profits, according to the report. Having at least one out of every three top executive positions filled by a woman consistently boosted revenue, the study found.

Improved performance also stemmed from more gender-neutral family leave policies that allowed for greater flexibility for all employees when it came to family or child care needs. By making that flexibility available for both genders, that meant women weren't automatically the ones expected to make the most sacrifices for family or child care, per the report. Those types of policies made companies more likely to retain female employees across the ranks as well, the report found.

Though, merely having a female CEO was not enough to tip the scales toward financial success, according to the report. The key was to have a pipeline of women leaders – and an environment where they could advance their careers.

"The magnitudes of the correlations are not small," said Marcus Noland, executive vice president and director of studies at PIIE.

**Compensation complications**

Our region's women CEOs are among the top-paid in the country.

Both Marillyn Hewson of Lockheed Martin Corp. and Phebe Novakovic of General Dynamics Corp. are among the nation's top five highest-paid women and rank at No. 6 and No. 7, respectively, on our List of 50 highest-paid regional executives. That's the good news.

The bad news? Add in male chiefs nationally and neither Hewson nor Novakovic even make the top 20 in the U.S. And regionally, only five women total even made this year's List of highest-paid execs at public companies at all.

The top-paid CEO on our List also leads the national ranking this year: David Zaslav of Discovery Inc., which is shifting its Silver Spring headquarters to New York, now planned for 2020. Zaslav made $129.4 million in total compensation last year. That may be about 1.2% of Discovery's 2018 revenue, but it also exceeds the total revenue at 20 of the 100 largest public companies on our List. In addition, Zaslav topped our region's CEO pay ratios last year, making 1,511 times as much as the median Discovery employee, who made $85,704.

Indeed, the ranking in this year's List of highest-paid executives looks very different from last year, when the top five included three women: Martine Rothblatt of United Therapeutics Corp., Hewson and Novakovic. Wes Bush, former CEO of Northrop Grumman Corp., had clocked in at No. 6 last year, but as of Jan. 1 was replaced by new CEO Kathy Warden. Women seemed to be in a pretty good place.

But then in 2018, Reston homebuilding company NVR Inc. and D.C. private equity firm The Carlyle Group LP opted to give their top executives, all coincidentally male, hefty raises. And also coincidentally, the top-paid women on last year's List ended up taking pay cuts for the year instead. Indeed, Rothblatt's pay cut was the fourth-largest of executives and largest for any CEO on our List. While Warden made our List for the first time with her raise and promotion, her pay didn't match that of her predecessor, who received a nearly $17 million boost in stock awards in 2018.

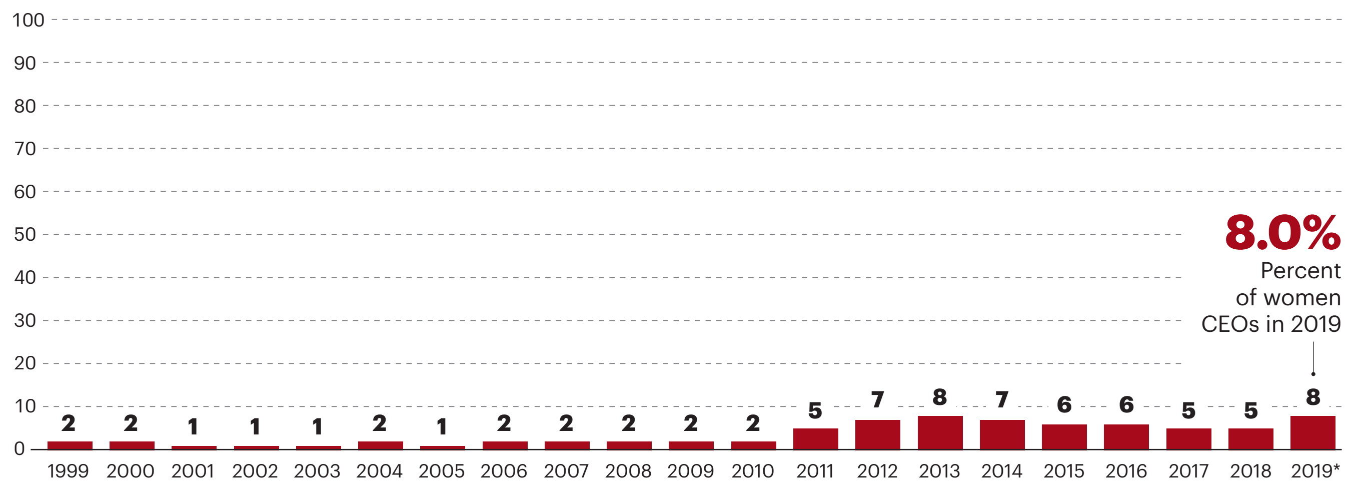
It all adds up to a tough reality in this year's List of highest-paid execs: It's the first List since 2013 without a single woman in the top five.

**PAY AND POSITIONS**

# WOMEN REMAIN UNDERREPRESENTED IN TOP RANKS

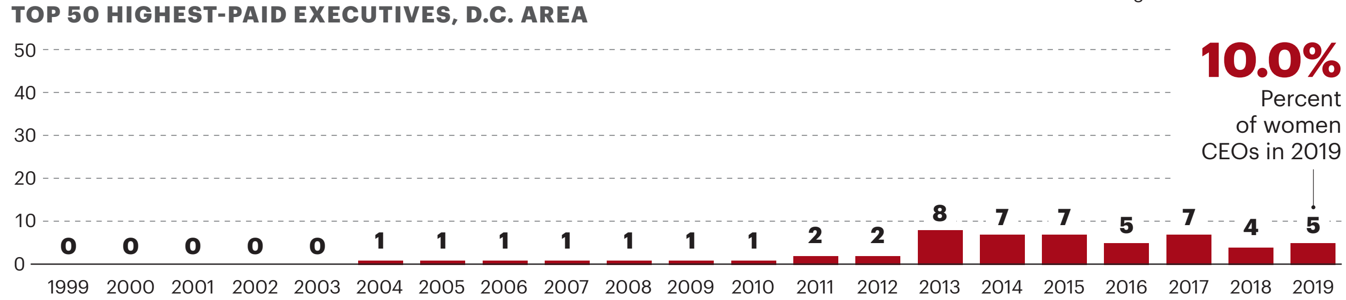
An Associated Press study found median pay for women CEOs is actually a bit higher than for men (see bottom). But despite some strides in the past 20 years, women remain vastly outnumbered in the D.C. region's CEO suites and pay ranks as the charts below show. And of the eight women on our List this year, only one permanent CEO is of color: RLJ Lodging Trust's Leslie Hale.

**TOP 100 PUBLIC COMPANIES, D.C. AREA**



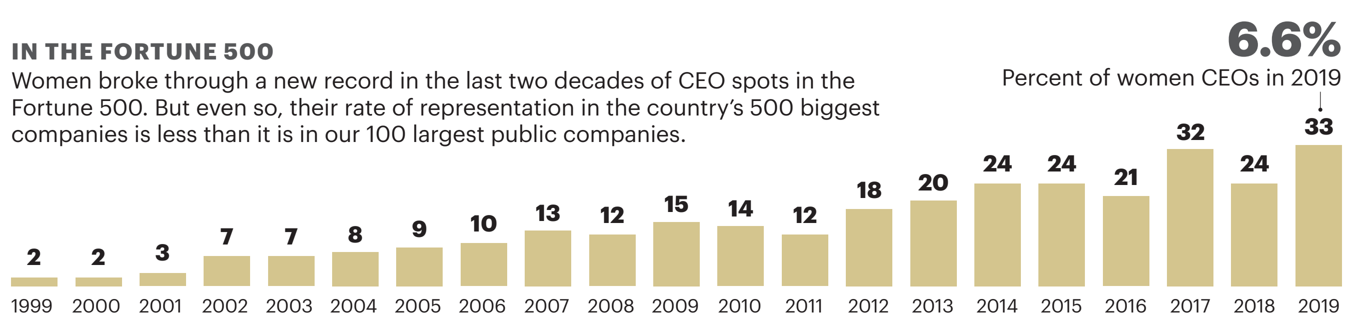

* Includes incoming SAIC CEO Nazzic Keene

**TOP 50 HIGHEST-PAID EXECUTIVES, D.C. AREA**

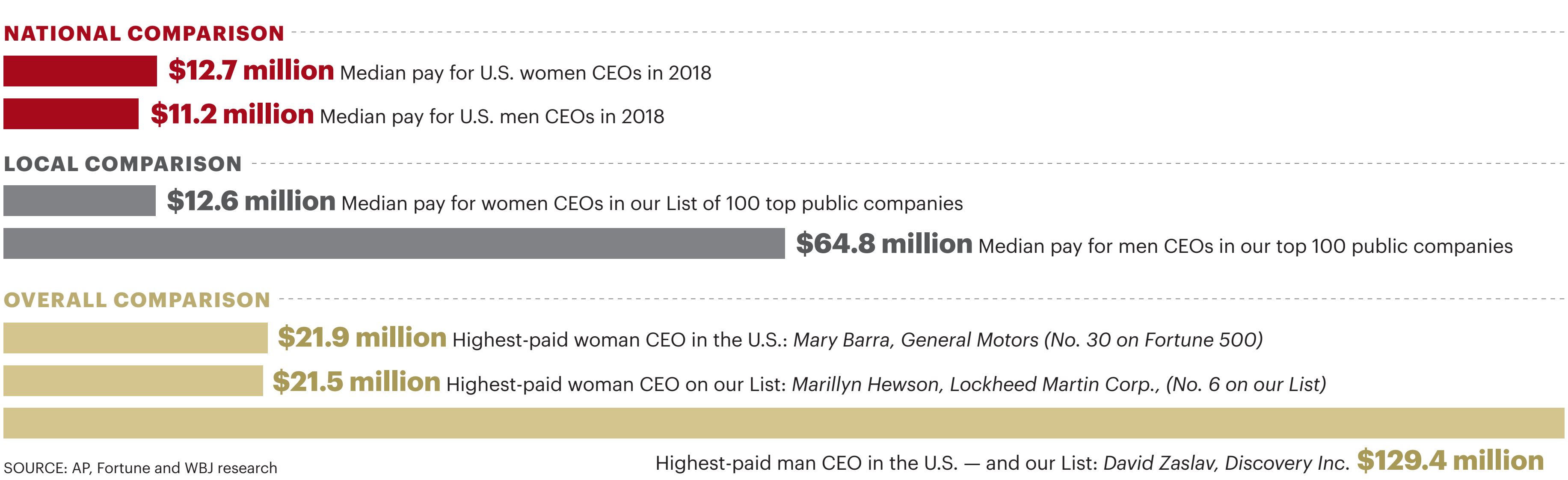



**IN THE FORTUNE 500**

Women broke through a new record in the last two decades of CEO spots in the Fortune 500. But even so, their rate of representation in the country's 500 biggest companies is less than it is in our 100 largest public companies.




SOURCE: WBJ research and Fortune 500




SOURCE: AP, Fortune and WBJ research