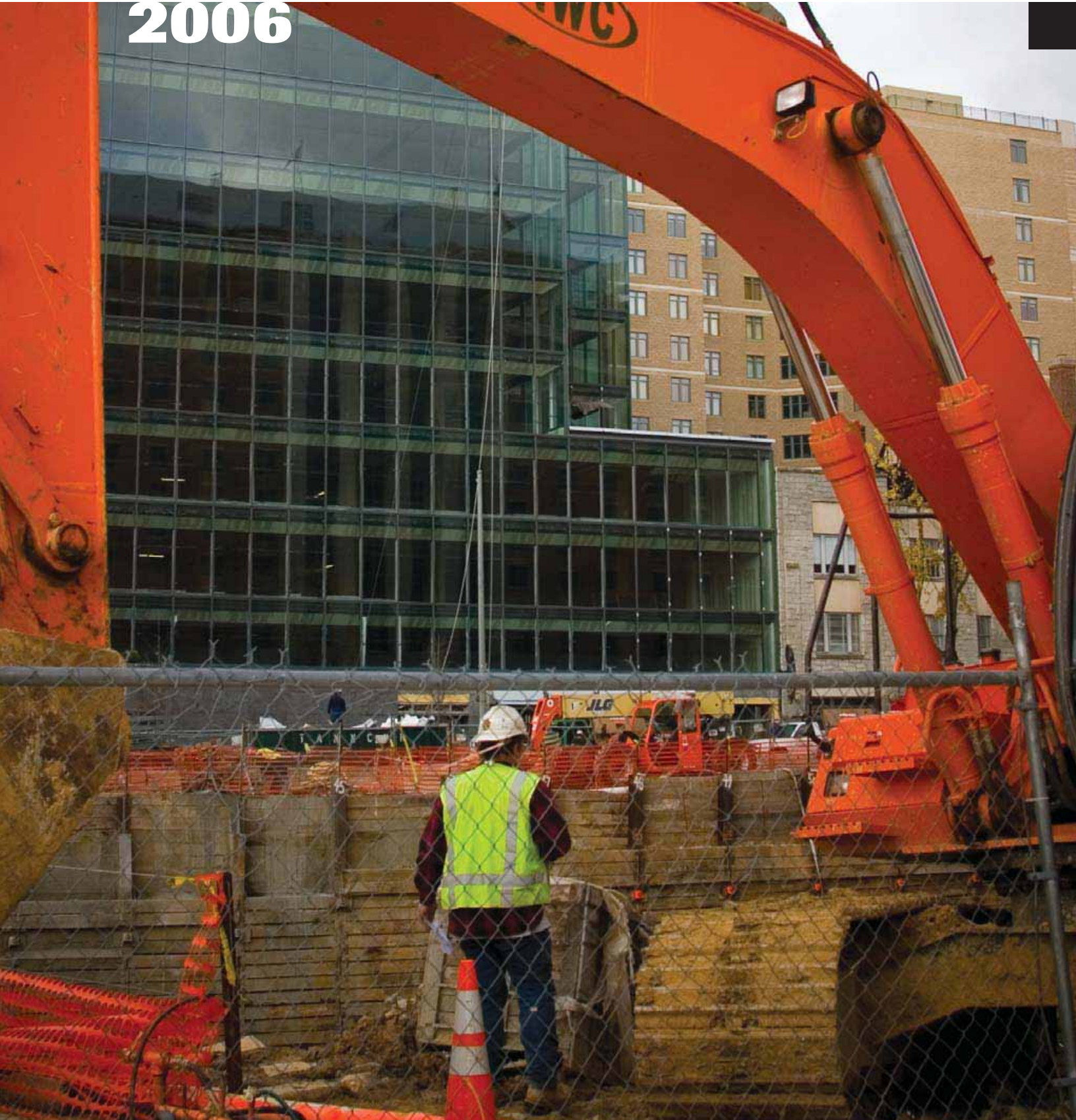


downtown dc business improvement district

state of downtown



2006



The Downtown Business Improvement District had the following impact on the region shown in the map to the right at the end of 2006:

- 0.1% of the land area
- 6% of the jobs
- 10% of the Zagat rated restaurants
- 12% of the hotel rooms
- 14% of the museums (Mall is another 11%)
- 18% of the office space
- 21% of the theatre seats
- 24% of the Metrorail morning exits
- 50% of the professional sports teams



DOWNTOWN BID MAP, DECEMBER 2006





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The Downtown DC Business Improvement District (BID) is a private, non-profit organization that provides safety, hospitality, maintenance, homeless, economic development, transportation, streetscape and marketing services to Washington's center city. Our mission is to help promote Downtown as a premier commercial, cultural and residential destination.

year in review

2006 was another very strong year for most sectors of the economy of the area comprising the Downtown DC Business Improvement District (BID), continuing the impressive development and economic performance of 2005.

The Association of Foreign Investors in Real Estate continues to rank DC as one of the strongest investment markets in the world: second nationally behind New York City, and ahead of Los Angeles, San Francisco and Seattle; and fourth internationally behind London, New York City and Paris, and ahead of Tokyo.

Downtown's build out continued as the BID area now has only 24 surface parking lots, or redevelopment sites, as compared to 121 at the end of 1997.



The following is a summary review of the major sectors of the Downtown DC economy as of December 31, 2006:

- Downtown DC continues to add approximately 3,000 to 4,000 jobs each year.
- The Downtown DC office market is very strong, ranking second to Midtown Manhattan in almost every performance category with an average vacancy rate of 7.8%, average full service rent of \$47 per square foot (SF), and absorption of 1.2 million SF in 2006. Several Class A buildings in DC sold at prices of \$600 to \$700 per SF, with the Downtown BID area Class A average being \$549 per SF (the average for DC Class A was \$606 per SF).
- The Downtown BID population continues to grow with approximately 450 new residents, rents of \$2.49 per SF per month and new condo prices at \$539 per SF. Since 1999, the number of residents east of 13th Street has grown from 1,000 to 4,400.
- Convention Center attendance and hotel room nights were lower than 2005, and this was a significant factor in a slightly lower BID hotel occupancy rate of 72% for 2006. Revenue Per Available Room remained constant at \$144, as the average room rate rose to \$200 per night from \$192. BID hotels are off to a great start in 2007, influenced heavily by an increase in Convention Center-related hotel room nights.

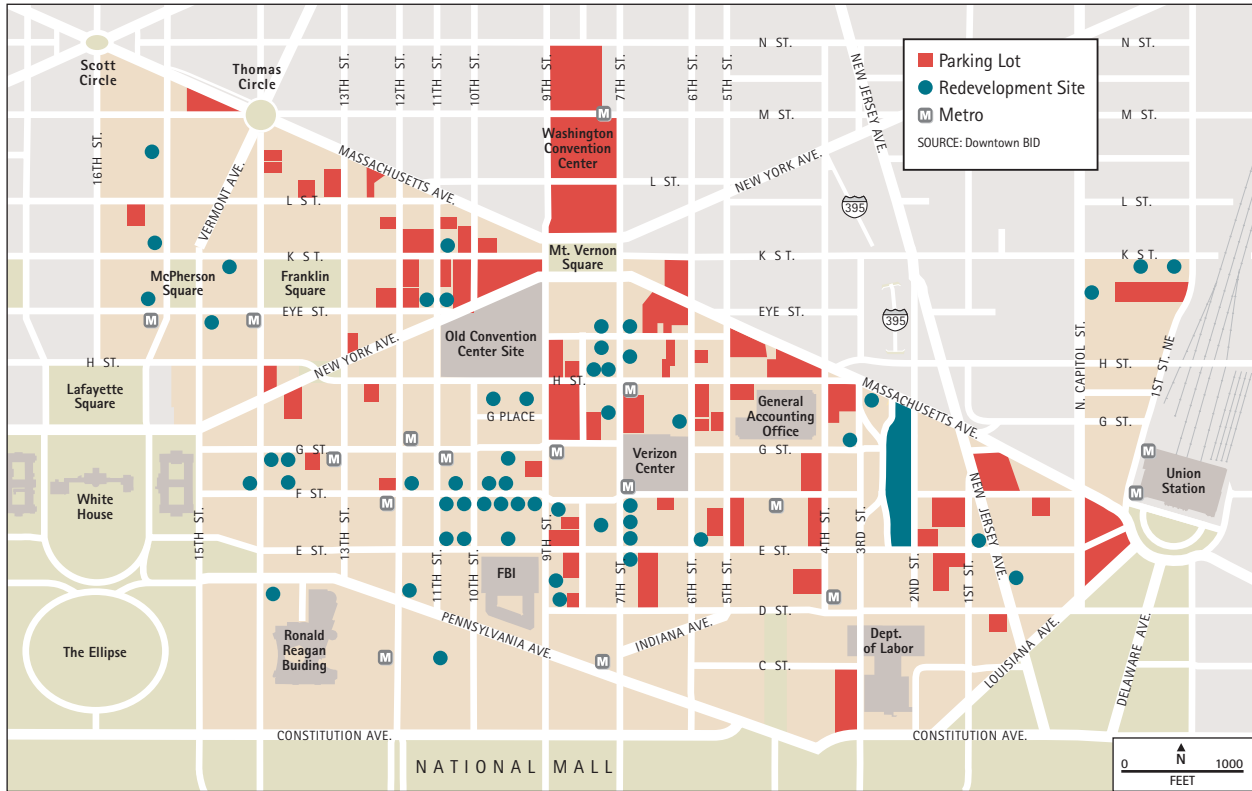
- Museum visits rose significantly from 3.4 million to 3.9 million, primarily due to the Donald W. Reynolds Center for American Art and Portraiture's reopening. The restored courtyard, with a beautiful roof by Sir Norman Foster, is eagerly anticipated for a fall 2007 opening.
- Theatre attendance increased by 11% to 651,000. Woolly Mammoth's first full year operating on D Street attracted a record 31,000 patrons.
- Cinema attendance contributed greatly to nighttime activity in the BID, as movie attendance at Gallery Place's Regal Cinema and Landmark's E Street Cinema increased by 64% from 700,000 to 1.15 million.
- The number of destination restaurants declined for the first time in the last 7 years by 2 restaurants for a total of 87 BID destination restaurants, as 6 new restaurants opened and 8 closed. The restaurant outlook for 2007 is very strong, with 16 new restaurant openings expected and no announced closures. Two restaurants have more than \$15 million in annual sales.
- Retail highlights of the year included Hecht's change to Macy's, along with Johnston & Murphy's opening and announcements that West Elm would be opening a 40,000 SF home furnishings store and Zara would be opening a 14,000 SF fashion retail store in the Woodies building.

- In transportation, the BID reached 100,000 Metrorail riders per weekday (Metro Center led the charge with almost 29,000 daily weekday riders – second highest in the entire system). The Circulator will serve its 3 millionth passenger in March 2007 and is now carrying 7,000 passengers per weekday.

- The DC government achieved its 10th consecutive budget surplus in 2006, and both Moody's and Fitch's rating agencies are prepared to upgrade the city's rating in the spring of 2007. In addition, the city has continued to reduce taxes (income and property) for residents.
- The Downtown BID area continues to contribute greatly to DC's fiscal health by generating an estimated \$740 million in tax and other revenue per year and contributing an annual net fiscal impact of \$335 million (after expenses such as the police and fire services and public transportation subsidies are deducted). The total Downtown tax revenue comes to \$1.179 billion per year with an annual net fiscal contribution \$624 million when the Golden Triangle BID's tax revenues and expenses are included. This net fiscal impact of \$624 million equals 58% of the local school budget.



DECEMBER 1997 – DOWNTOWN BID SURFACE PARKING AND REDEVELOPMENT SITES



From 1997 through 2006, the more than \$6 billion of development projects in the Downtown BID have reduced the number of surface parking lots or redevelopment sites in the Downtown BID from 121 to 24.

MARCH 2007 – DOWNTOWN BID SURFACE PARKING AND REDEVELOPMENT SITES



All of these accomplishments are the result of the efforts of many individuals and groups working together to make Downtown DC a premier destination. The federal government continues to house its workers in leased and owned office buildings, to invest in its owned buildings and to support Downtown museums. The DC government continues to invest in Downtown retail attraction and cultural facilities, and the private and non-profit sectors continue to house their employees in leased and owned buildings and to invest hundreds of millions of dollars in Downtown.

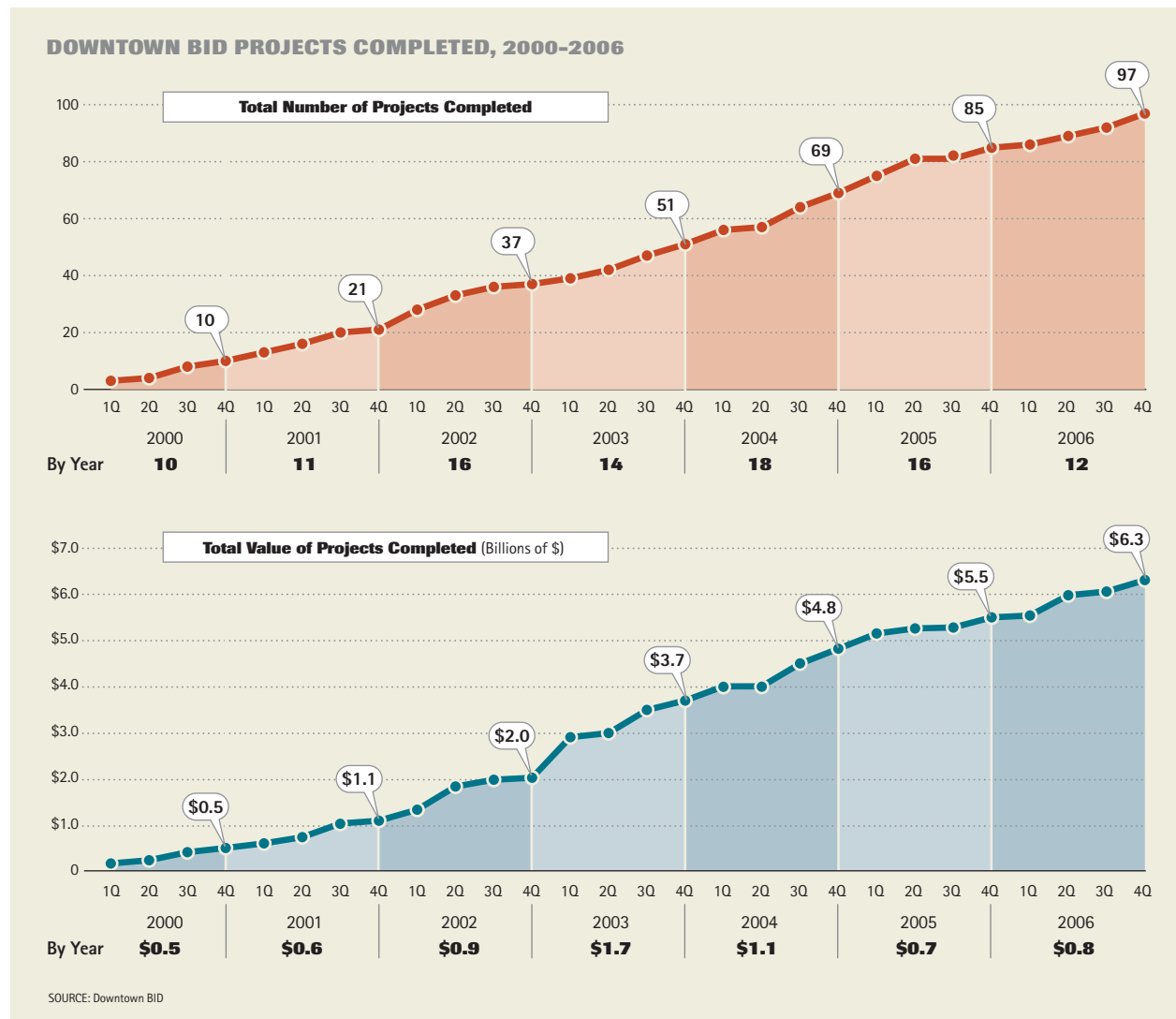


OUTLOOK FOR 2007

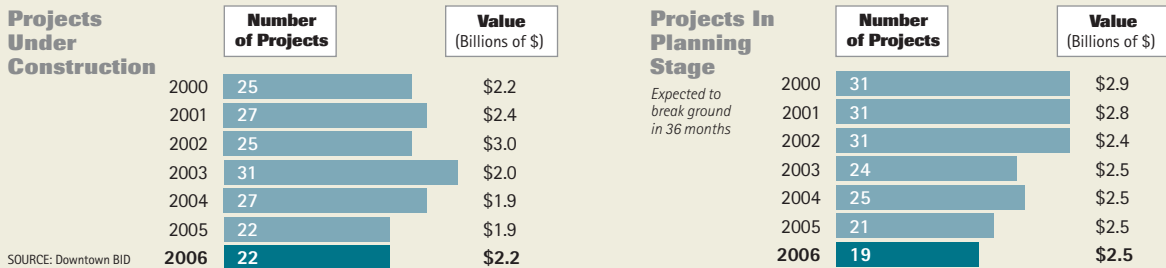
The outlook for 2007 is equally bright for Downtown with the expected Newseum, Sidney Harman Hall, additional office buildings and residential and retail projects to be completed. Downtown BID employment is predicted to increase by 2,000 to 3,000 workers. Several renowned chefs will open new restaurants in the BID: Robert Wiedmaier's Brasserie Beck and Michel Richard's Central. West Elm and Zara are two exciting retailers that will also open in 2007. On the planning side, the headquarters hotel plans should be finalized for a 2011 opening, the old Convention Center site's redevelopment is moving towards a late 2008 groundbreaking, Ford's Theatre and Museum is planning a \$40 million renovation and expansion, and the Washington Stage Guild is planning a 2008 opening for its 248-seat theater in the new 505 9th Street office building.

current development

The current level of Downtown BID development activity should result in the complete build out of Downtown by 2012–2014 when the Air Rights development over I-395 is projected to be completed.



DOWNTOWN BID YEAR-END DEVELOPMENT PIPELINE, 2000-2006



Development highlights of 2006 are:

- 12 Projects totaling \$831 million were completed:
 - National Portrait Gallery and American Art Museums' spectacular \$283 million renovation
 - 5 office buildings, totaling 844,000 square feet and \$364 million
 - 3 condominium projects, totaling 348 units and \$138 million
 - Thomson Elementary School's \$20 million renovation
 - Thomas Circle's \$6 million redesign and renovation
- The federal and local governments' investment in these projects totaled \$146 million, or 18% of 2006's total, lower than the previous five-year total of 25%.
- 11 projects totaling \$827 million broke ground.
- 6 new planned projects totaling \$409 million were added to the development pipeline.

Highlights of the projects under construction at December 31, 2006:

- 13 office buildings, totaling \$1.3 billion and 2.8 million square feet of new office space and 624,000 of renovated space
- 4 cultural projects, totaling \$550 million: the Newseum; Sidney Harman Hall (part of the Shakespeare Theatre's expansion); The Kogod Courtyard at the National Portrait Gallery and American Art Museum; and Washington Stage Guild's new home.
- 4 residential projects, totaling 226 condominiums and 324 apartments and \$186 million
- The federal and local governments' investment in projects under construction totals \$170 million, or 8% of the December 31, 2006 \$2.2 billion total.



Highlights of the planned projects for the next 36 months at December 31, 2006:

- The old Convention Center site redevelopment (\$1 billion):
 - Apartments (20% affordable)
 - Condominiums (20% affordable)
 - 280,000 square feet of retail
 - 415,000 square feet of office

- The new headquarters hotel for the new Convention Center (\$540 million):
 - 1,150 hotel rooms
 - Additional meeting rooms and ballroom space

- Five new office projects totaling \$457 million and 1.1 million square feet

- The First Congregational Church demolition and rebuilding, with a new sanctuary, several floors for 140 condominiums and a new Downtown Homeless Services Center.

- The federal and local governments' investment in these projects totals \$784 million, or 26% of the December 31, 2006 total of \$2.5 billion in planned projects.

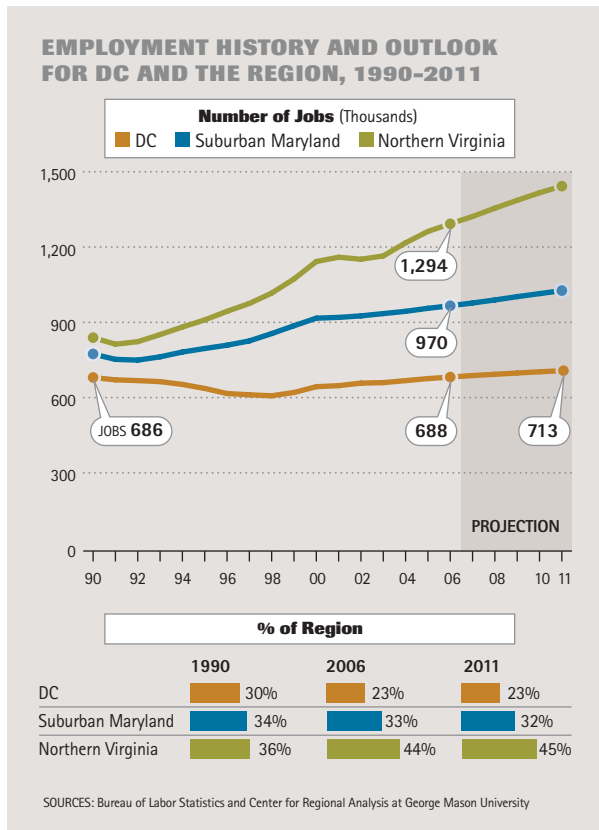


Within 15 blocks of the Downtown BID, another \$5 billion of development is under construction and \$10 to \$15 billion in projects are planned to break ground in three to five years:

- 6.2 million SF of office under construction
- 15 million SF of office planned
- 5,000 housing units are under construction
- 17,000 housing units planned

employment

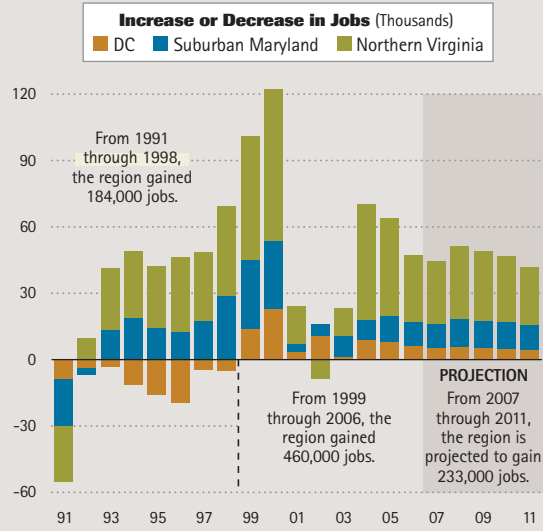
The Downtown BID area is a leader in employment with 177,300 workers and a leader in employment growth at 48% from 1996 through 2006 and 8.2% growth from 2003 through 2006 — compared to DC and regional growth, respectively at 11% and 24% from 1996 through 2006 and 4.3% and 6.8% from 2003 through 2006.



Even without adding new jobs, existing job turnover provides thousands of new job opportunities each year.

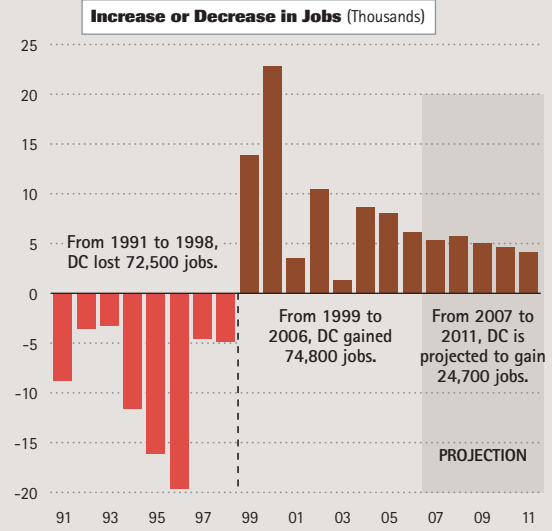
The DC metropolitan area adds 40,000 to 60,000 new jobs per year.

EMPLOYMENT CHANGE IN REGION, 1991-2011



SOURCES: Bureau of Labor Statistics (historical); Center for Regional Analysis at George Mason University (projection)

EMPLOYMENT CHANGE IN DC, 1991-2011



SOURCES: Bureau of Labor Statistics (historical); Center for Regional Analysis at George Mason University (projection)

DC adds 4,000 to 8,000 jobs per year.

EMPLOYMENT IN THE DOWNTOWN BID, DC AND THE REGION, 1996-2006*

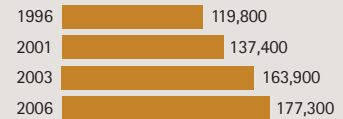
	Employment (Thousands)			2003-2006 Change		1996-2006 Change	
	2006	2003	1996	Thousands	% Change	Thousands	% Change
DOWNTOWN BID	177	164	120	13	8.2%	58	48.0%
Rest of Downtown	192	191	188	1	0.4	4	2.1
Downtown Total	370	355	308	14	4.0	62	20.0
Rest of DC	325	310	315	15	4.7	10	3.1
DC Total	694	666	623	29	4.3%	71	11.4%
Suburban Maryland	970	939	814	31	3.3	156	19.2
Northern Virginia	1,294	1,167	948	128	10.9	346	36.6
Region Total	2,958	2,771	2,384	187	6.8%	574	24.1%

*Employment figures are for the 4th quarter of each year.

SOURCES: InfoUSA Data (Downtown BID and Total Downtown), Bureau of Labor Statistics (DC, Md. and Va.), Center for Regional Analysis at George Mason University



DOWNTOWN BID EMPLOYMENT*



*Employment figures are for the 4th quarter of each year.

SOURCE: Downtown BID



DOWNTOWN EMPLOYMENT GROWTH AS A PERCENTAGE OF DC EMPLOYMENT GROWTH, 1997-1Q 2007

	Employment Increase		Downtown as a % of DC Increase
	DC	Downtown	
1997	-4,600	4,000	-
1998	-4,900	8,800	-
1999	13,900	5,500	40%
2000	22,800	10,250	45%
2001	3,500	5,300	151%
2002	10,500	5,600	53%
2003	1,300	8,000	615%
2004	8,700	4,200	48%
2005	8,000	5,000	63%
2006	6,100	5,000	82%
1Q 2007	700	500	71%
Total	66,000	63,650	96%

SOURCES: Center for Regional Analysis (for Downtown for years 1996, 2001, 2003 and 2006); and DC for 2006; Bureau of Labor Statistics for DC for 1999-2005 and 1Q 2007); and Downtown BID (for all other Downtown for all other years)

The Downtown BID area adds 3,000 to 4,000 jobs per year.

EMPLOYMENT BY SECTOR AND LOCATION, 2006

	Downtown BID		Greater Downtown		Center City		DC	
	Employees	%	Employees	%	Employees	%	Employees	%
Government	70,600	41%	102,200	28%	181,500	41%	221,000	32%
Legal Services	22,900	13	41,600	11	39,500	9	49,200	7
Other Professional & Business Services	26,200	15	72,700	20	69,300	16	108,500	16
Associations & Other Services	14,000	8	43,500	12	39,600	9	61,300	9
Leisure & Hospitality	11,000	6	28,800	8	32,600	7	55,300	8
Information & Publishing	9,700	6	19,100	5	19,000	4	23,200	3
Retail Trade	2,800	2	7,200	2	7,400	2	18,900	3
Financial Services	3,100	2	14,200	4	13,500	3	18,900	3
Health Services	2,500	1	15,400	4	14,500	3	54,100	8
Construction	2,300	1	3,500	1	7,400	2	13,200	2
Real Estate Services	1,700	1	5,400	1	5,200	1	11,500	2
Education Services	1,100	1	8,100	2	8,200	2	45,800	7
Other	4,600	3	7,800	2	8,700	2	13,300	2
Total	172,500	100%	369,500	100%	446,400	100%	694,200	100%
<i>% of DC</i>	<i>25%</i>		<i>53%</i>		<i>64%</i>			

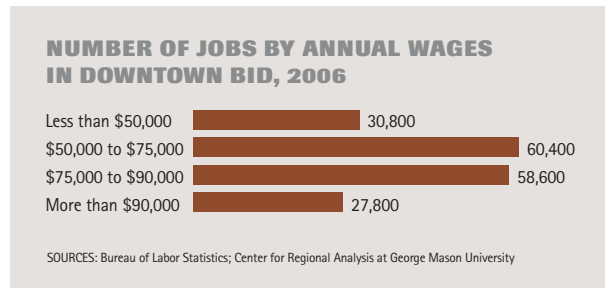
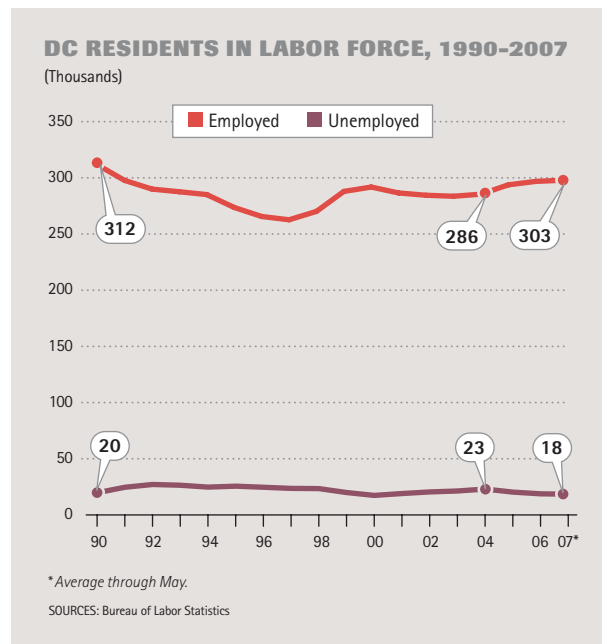
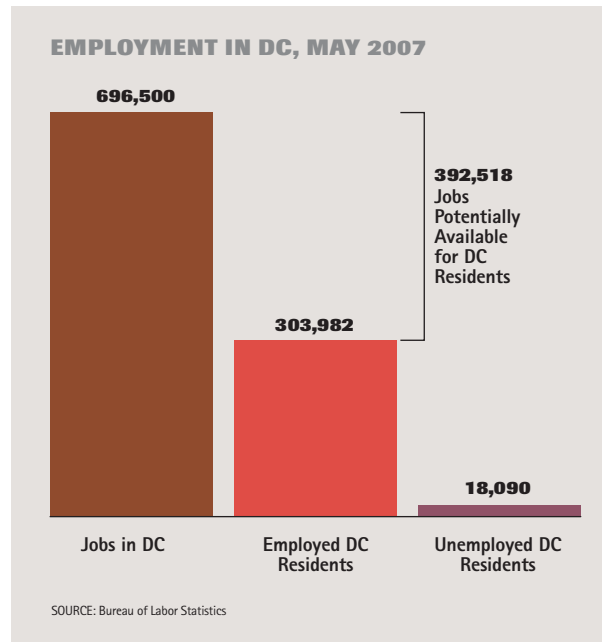
SOURCES: U.S. Bureau of Labor Statistics, InfoUSA, Center for Regional Analysis at George Mason University

EMPLOYMENT IN DC—PRIVATE AND GOVERNMENT SHARES

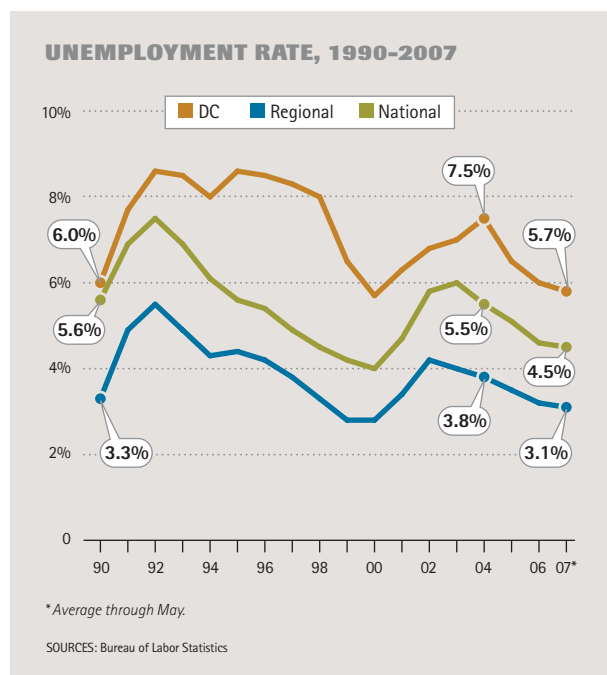


SOURCE: Bureau of Labor Statistics

The Downtown BID area provides jobs for people at all education, skill and income levels.



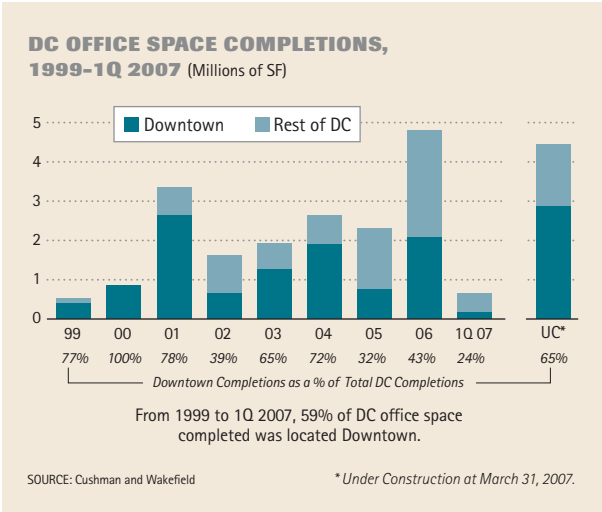
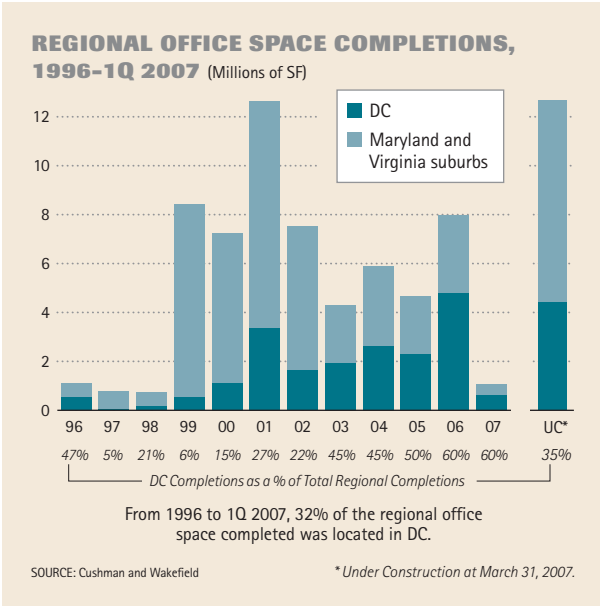
DC's relatively high unemployment rate is due, not to a jobs shortage, but rather to the lack of job training and skilled employees. The DC government is tackling this problem by focusing on job training in partnership with the private sector.



office market

The Downtown BID area's office market strength is demonstrated by the following information:

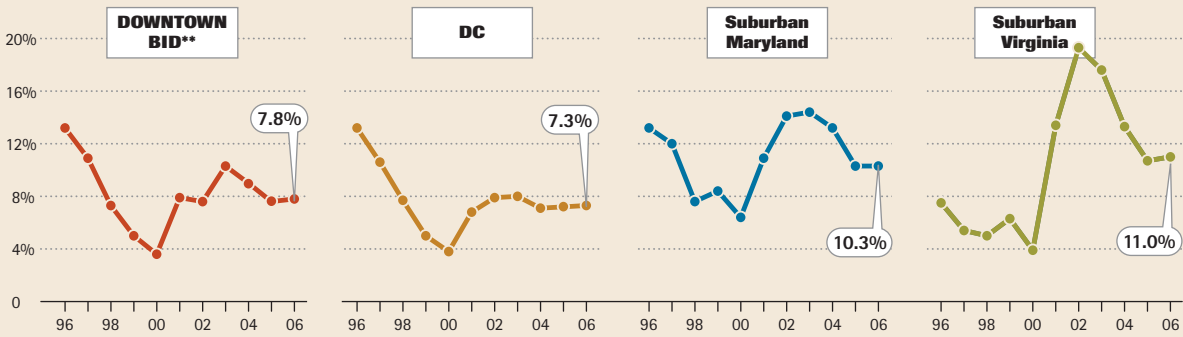
- 7.8% vacancy rate for all buildings and 6.8% for Class A buildings
- \$47 per SF full service rents for all buildings and \$50 for Class A buildings
- 1.2 million SF of absorption for all buildings and 1 million SF for Class A buildings
- 5 office buildings were completed in 2006, totaling 844,000 SF and \$364 million.
- 7 office buildings broke ground in 2006, totaling 1.6 million SF and \$605 million.



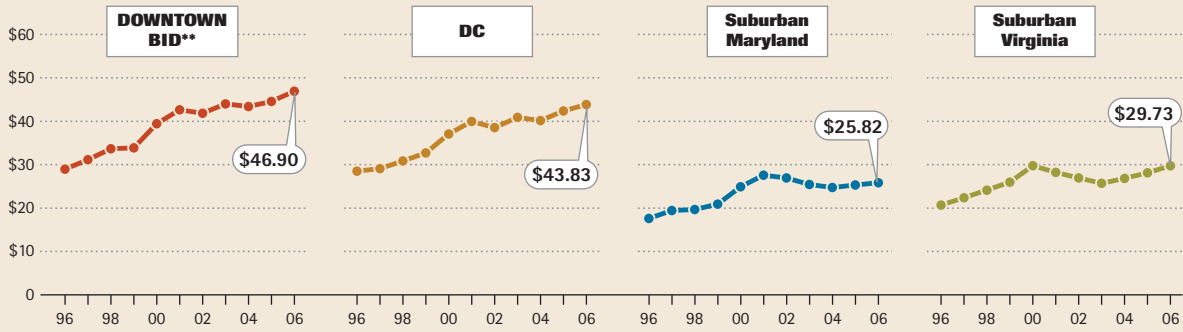
The Downtown DC and Golden Triangle BIDs' office markets continue to outperform all other DC and suburban markets by a wide margin.

REGIONAL OFFICE MARKET COMPARISON (ALL CLASSES), 1996-2006*

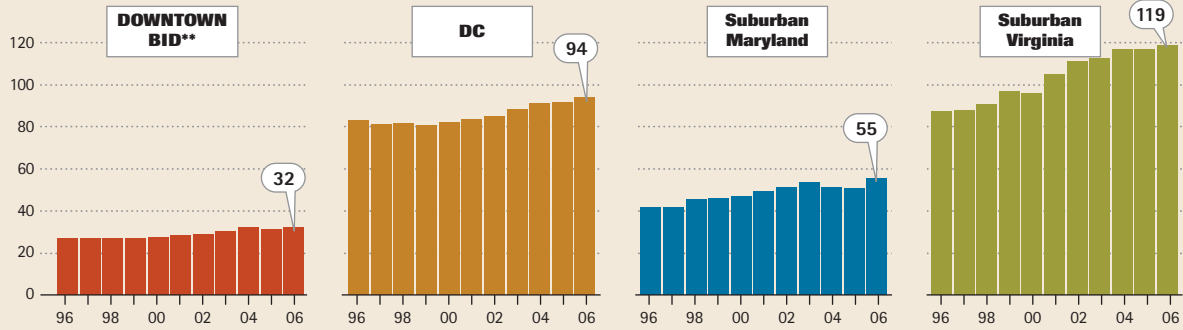
VACANCY RATES



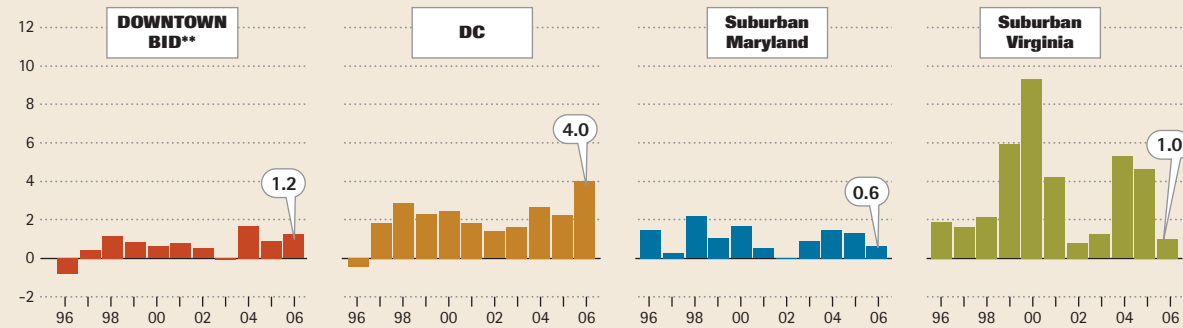
RENTAL RATES (Per SF, weighted average of both full service and triple net rents)



PRIVATE OFFICE SPACE INVENTORY (Millions of SF)



NET ABSORPTION (Millions of SF)



* Data does not include owner-occupied buildings, one-story buildings, or buildings less than 25,000 square feet.

** Downtown BID uses Cushman & Wakefield's East End office market as the Downtown BID office market.

SOURCE: Cushman and Wakefield

The Downtown BID area's Class A office market performance is even stronger.

REGIONAL CLASS A OFFICE MARKET COMPARISON, 2001-2006*

■ Improvement ■ Decline

VACANCY RATES

	Rates***			Change from 2005		Change from 2001	
	2006	2005	2001	Change		Change	
Downtown BID**	6.8%	7.9%	11.9%	-1.1%	Improvement	-5%	Improvement
DC	8.8%	9.6%	10.1%	-0.8%	Improvement	-1%	Improvement
Montgomery County	8.3%	8.3%	10.3%	0%	No Change	-2%	Improvement
Prince George's County	6.8%	6.8%	10.2%	0%	No Change	-3%	Improvement
Suburban Maryland	8.1%	8.1%	10.3%	0%	No Change	-2%	Improvement
Alexandria	7.7%	4.2%	12.3%	4%	Decline	-5%	Improvement
Arlington County	10.8%	9.5%	11.0%	1%	Improvement		
Fairfax County	7.6%	9.3%	17.0%	-2%	Improvement	-9%	Improvement
Loudoun County	20.1%	31.1%	27.5%	-11%	Improvement	-7%	Improvement
Suburban Virginia	8.8%	9.5%	15.5%	-1%	Improvement	-7%	Improvement

RENTAL RATES

	Rates**** (Per SF)			Change from 2005		Change from 2001	
	2006	2005	2001	% Change		% Change	
Downtown BID**	\$50.23	\$49.05	\$45.29	2%	Improvement	11%	Improvement
DC	\$47.63	\$47.58	\$44.60	0%	No Change	7%	Improvement
Montgomery County	\$29.94	\$29.97	\$31.25	0%	No Change	-4%	Decline
Prince George's County	\$25.02	\$21.96	\$20.86	14%	Improvement	20%	Improvement
Suburban Maryland	\$28.22	\$28.91	\$29.19	-2%	Improvement	-3%	Decline
Alexandria	\$33.56	\$30.29	\$28.71	11%	Improvement	17%	Improvement
Arlington County	\$36.16	\$33.52	\$32.32	8%	Improvement	12%	Improvement
Fairfax County	\$30.92	\$28.81	\$28.48	7%	Improvement	9%	Improvement
Loudoun County	\$27.43	\$25.68	\$25.16	7%	Improvement	9%	Improvement
Suburban Virginia	\$32.84	\$30.13	\$28.90	9%	Improvement	14%	Improvement

SPACE INVENTORY

	(Millions of SF)			Change from 2005		Change from 2001	
	2006	2005	2001	% Change		% Change	
Downtown BID**	16.7	15.2	13.4	10%	Improvement	25%	Improvement
DC	36.0	34.0	25.5	6%	Improvement	41%	Improvement
Montgomery County	22.2	21.9	24.3	1%	Improvement	-9%	Decline
Prince George's County	4.1	3.8	6.5	7%	Improvement	-37%	Decline
Suburban Maryland	26.2	25.7	30.8	2%	Improvement	-15%	Decline
Alexandria	7.0	6.4	8.5	9%	Improvement	-18%	Decline
Arlington County	17.9	17.1	15.1	5%	Improvement	18%	Improvement
Fairfax County	40.5	39.4	48.1	3%	Improvement	-16%	Decline
Loudoun County	2.0	2.1	1.9	-2%	Improvement	8%	Improvement
Suburban Virginia	67.3	64.9	73.7	3%	Improvement	-9%	Decline

ABSORPTION

	(Thousands of SF)			Change from 2005		Change from 2002	
	2006	2005	2002	Net Change		Net Change	
Downtown BID**	1,018	995	546	23	Improvement	472	Improvement
DC	4,035	1,813	1,705	2,222	Improvement	2,330	Improvement
Montgomery County	843	451	249	392	Improvement	594	Improvement
Prince George's County	-56	189	53	-245	Decline	-109	Decline
Suburban Maryland	787	640	301	147	Improvement	486	Improvement
Alexandria	-52	608	106	-660	Decline	-158	Decline
Arlington County	836	425	473	411	Improvement	363	Improvement
Fairfax County	1,190	2,741	767	-1,551	Decline	423	Improvement
Loudoun County	224	-358	127	581	Improvement	97	Improvement
Northern Virginia	2,197	3,417	1,472	-1,220	Decline	725	Improvement

*Data does not include owner-occupied buildings, one-story buildings, or buildings less than 25,000 sf.

**Downtown BID uses Cushman & Wakefield's East End office market as the Downtown BID office market.

***Includes sublet space.

****Each rate is a weighted average of both full service and triple net rents.

SOURCE: Cushman and Wakefield

2006 again saw Downtown's office market with the second best performance in the United States, behind Midtown Manhattan.



NATIONAL COMPARISON OF URBAN OFFICE MARKET STATISTICS

Improvement
Decline

	Class A Asking Rents*			Class A Vacancy Rates*			Overall Vacancy Rates*		
	2006	% Change From		2006	Change From		2006	Change From	
		2005	2001		2005	2001		2005	2001
DOWNTOWN BID**	\$50.23	2.4%	10.9%	6.8%	-1.1	-5.1	7.8%	0.2	0.0
DC	\$47.63	0.1%	6.8%	8.8%	-0.8	-1.3	7.3%	0.1	0.5
Atlanta	\$19.60	-7.2%	-9.7%	27.0%	6.0	14.9	25.4%	3.7	9.8
Boston	\$45.97	15.5%	-15.5%	7.2%	-4.2	-4.6	9.6%	-3.0	-2.5
Chicago	\$33.72	-0.9%	-6.4%	12.8%	-3.8	1.1	14.8%	-3.3	2.1
Dallas	\$23.20	-0.3%	1.4%	15.9%	1.3	1.7	27.9%	0.9	2.2
Denver	\$25.23	12.6%	-7.9%	9.9%	-2.1	3.8	10.9%	-3.7	-0.9
Los Angeles	\$31.65	12.8%	27.4%	16.2%	2.7	-1.2	16.3%	2.0	-0.6
New York (Downtown)	\$47.69	36.2%	-2.2%	6.9%	-3.2	-0.8	8.4%	-2.2	-1.1
New York (Midtown)	\$69.28	27.3%	10.5%	6.2%	-1.4	-1.4	6.4%	-1.4	-1.8
Philadelphia	\$24.87	-2.6%	-8.6%	11.4%	-3.7	-0.9	12.6%	-3.0	-0.4
San Francisco	\$40.40	10.7%	0.8%	11.0%	-3.8	-3.9	11.2%	-3.6	-4.7

*All data at year's end. **Downtown BID uses Cushman Et Wakefield's East End office market as the Downtown BID office market.

SOURCE: Cushman and Wakefield

1430 K Street's redevelopment continued the recent trend of redeveloping smaller buildings into office condominiums.

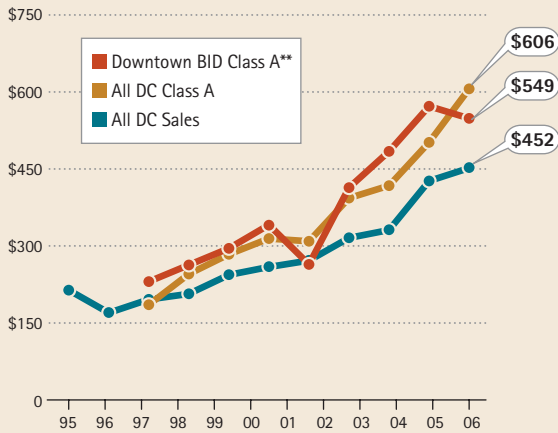




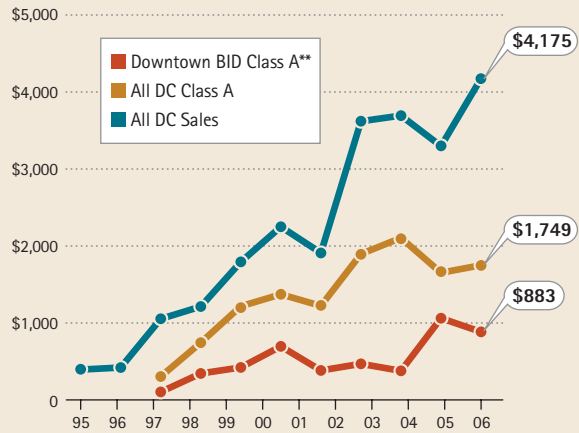
The Downtown BID area and DC office sales continued strong in 2006.

OFFICE SALES DATA, 1995-2006

PER SQUARE FOOT*



TOTAL DOLLAR VOLUME* (Millions of \$)



*Sales prices not broken down by class from 1995 to 1997.

**Downtown BID uses Cushman & Wakefield's East End office market as the Downtown BID office market.

SOURCE: Cushman and Wakefield

DC was second in the nation in office sale prices on a per SF basis, behind New York City.

OFFICE SALES IN TOP 10 DOWNTOWN MARKETS, 2001-2006

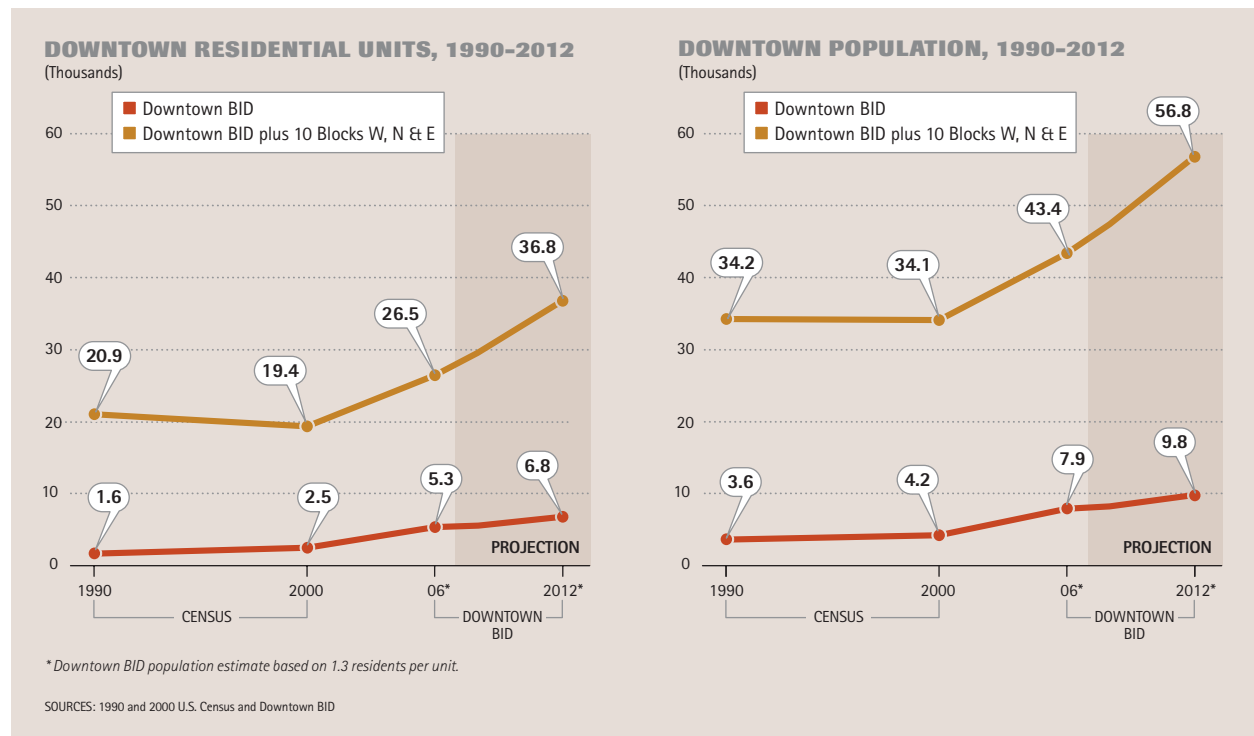
Ranked by 2006 price per SF

	Price Per Square Foot						% Change in 2006 from		Average Dollar Sales Volume, 2001-2006	
	2006	2005	2004	2003	2002	2001	2005	2001	Billions of \$	
Manhattan	\$616	\$411	\$312	\$312	\$330	\$329	50%	87%	\$10.1	
DC	\$467	\$412	\$304	\$304	\$271	\$254	13%	84%	\$3.5	
Boston	\$430	\$323	\$287	\$287	\$245	\$254	33%	69%	\$1.9	
San Francisco	\$349	\$309	\$205	\$205	\$220	\$322	13%	8%	\$2.8	
San Diego	\$326	\$302	\$195	\$195	\$187	\$163	8%	100%	\$0.7	
Seattle	\$274	\$232	\$229	\$229	\$115	\$206	18%	33%	\$0.7	
Los Angeles	\$258	\$235	\$136	\$136	\$171	\$109	10%	137%	\$0.4	
Miami	\$216	\$187	\$140	\$140	\$198	\$99	16%	118%	\$1.3	
Chicago	\$215	\$185	\$194	\$194	\$180	\$153	16%	41%	\$3.5	
Philadelphia	\$177	\$136	\$102	\$102	\$117	\$76	30%	133%	\$0.7	

SOURCE: Real Capital Analytics

population and housing

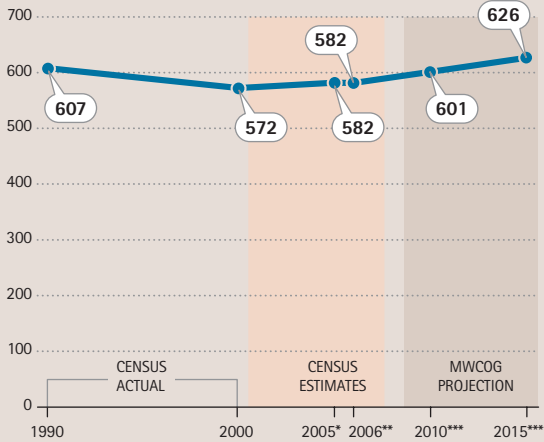
The population in and around the Downtown BID area continued to grow in 2006, and is projected to increase by more than 1,000 new units in the Downtown BID area and another 9,000 units within 10 blocks by 2012.



Downtown's population increased by 450 residents in 2006 for a total 7,900 residents. In the 10 surrounding blocks, population increased by 2,700 residents for a total of 43,400.

- 3 condo projects were completed in 2006, totaling 348 units and \$138 million.
- 4 residential projects were under construction at the end of 2006, totaling 550 units and \$186 million.
- 2 residential projects broke ground in 2006, totaling 252 units and \$65 million.

DC POPULATION, 1990-2015 (Thousands)



*The 2005 Census estimate was increased by 31,000 residents to 582,000 as a result of the DC government's successful challenge of the initial 2005 estimate of 551,000 residents.

**The 2006 Census estimate has not been challenged by the DC government, however, the BID believes the city gained residents from 2005 to 2006.

***Projections are draft numbers issued by the DC Office of Planning's State Data Center in February 2006, and accepted by the staff of the Metropolitan Washington Council of Governments (MWCOC) on a preliminary basis.

SOURCES: Actual/estimate from U.S. Census. Projections from DC Office of Planning State Data Center and Metropolitan Washington Council of Governments



In 2006, the U.S. Census Bureau raised its 2005 estimate of the DC population to 582,000 from 551,000 as the result of the DC government's successful challenge.

REGIONAL POPULATION Metro area definitions as of June 2003.

	Population (Thousands)			Change, 2000-2005		Change, 1990-2005		Change, 1990-2000	
	2005	2000	1990	Thousands	% Change	Thousands	% Change	Thousands	% Change
DC	582	572	607	9	2%	-25	-4%	-35	-6%
Suburban Maryland	2,221	2,065	1,789	156	8%	432	24%	276	15%
Northern Virginia	2,397	2,117	1,691	281	13%	707	42%	426	25%

SOURCES: U.S. Census and Center for Regional Analysis at George Mason University

NATIONAL METRO POPULATION COMPARISON, 1990-2005

Compares Metropolitan Statistical Areas.

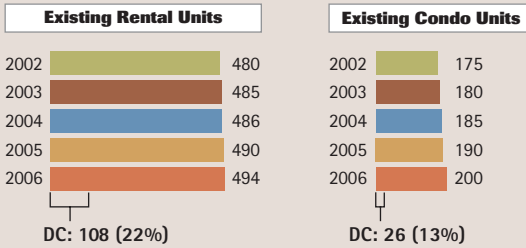
	Population (Thousands)			Change, 2000-2005	
	2005 Rank	2000 Rank	1990 Rank	Thousands	% Change
New York	18,747	18,323	16,846	424	2%
Los Angeles	12,924	12,366	11,274	558	5%
Chicago	9,443	9,098	8,182	345	4%
Philadelphia	5,823	5,687	5,435	136	2%
Dallas	5,819	5,162	3,989	658	13%
Miami	5,422	5,008	4,056	415	8%
Houston	5,280	4,715	3,767	565	12%
Washington	5,250	4,796	4,123	454	9%
Atlanta	4,918	4,248	3,069	670	16%
Detroit	4,488	4,453	4,249	36	1%
Boston	4,412	4,391	4,134	20	0%
San Francisco	4,153	4,124	3,687	29	1%

SOURCE: U.S. Census (2005 estimate; 1990 and 2000 actual census)

The Washington region continues to grow at an above-average rate of growth for a major metropolitan area.

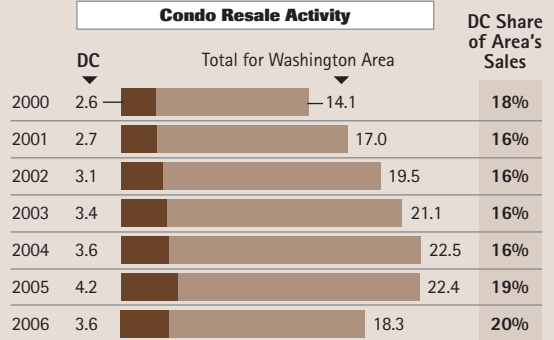
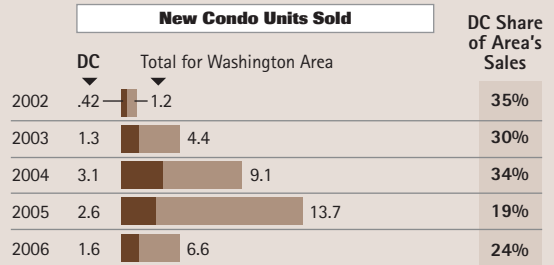
DC's recent condo development is increasing its share of the regional condo market.

REGIONAL MULTI-FAMILY HOUSING, 2002-2006 (Thousands)



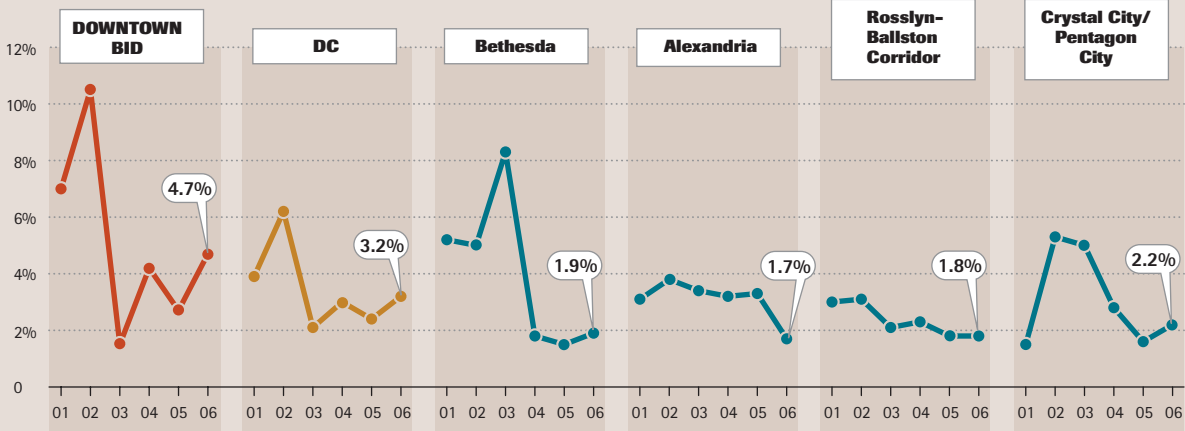
SOURCE: Delta Associates

WASHINGTON AREA CONDOMINIUM MARKET, 2000-2006 (Thousands)



SOURCE: Delta Associates

STABILIZED RESIDENTIAL VACANCY RATES IN CLASS A HIGH-RISE APARTMENT BUILDINGS, 2001-2006



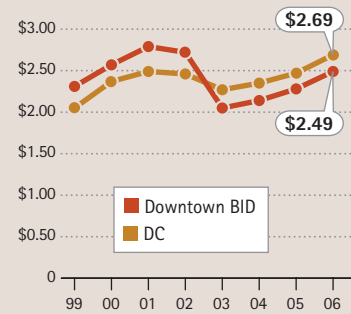
SOURCE: Delta Associates





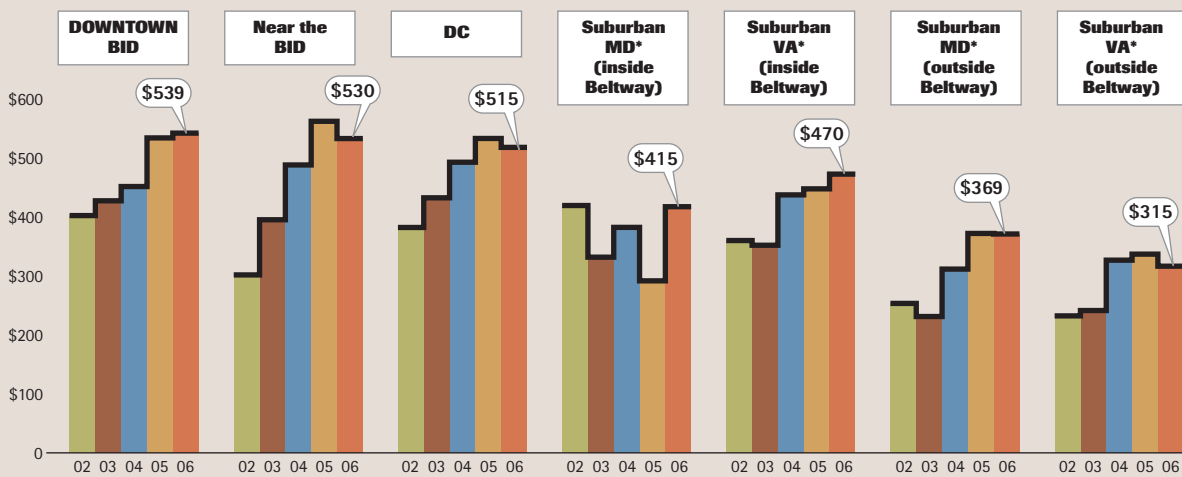
The Downtown BID area's condo market has performed better than the apartment market relative to all of DC.

EFFECTIVE RENTAL RATES IN CLASS A HIGH-RISE APARTMENT BUILDINGS, 1999-2006 (Per square foot per month)



SOURCE: Delta Associates

AVERAGE NEW CONDOMINIUM PRICES PER SF, 2002-2006



*2002 and 2003 averages are for the whole year while 2004, 2005 and 2006 are fourth quarter averages.

SOURCE: Delta Associates

Downtown is in the center of DC's Center City residential renaissance of 20,000 new residential units estimated for the years from 2000 through 2012.

CENTRAL DC NEW MARKET RATE HOUSING SUPPLY, 2000-2012

	Completed 2000-4/2007	Total New Units Projected	Under Construction at 4/2007	Planned at 4/2007
14th Street and Shaw	3,550	3,930	800	3,130
Downtown BID	2,850	1,430	510	920
West End	1,030	740	110	630
Adams Morgan and Columbia Heights	820	950	870	80
Southwest Waterfront	500	3,510	960	2,550
Capitol Riverfront BID	340	1,700	0	1,700
Mount Vernon Triangle	320	3,560	1,650	1,910
Capitol Hill	90	550	550	0
NoMa	0	4,050	480	3,570
TOTAL	9,500	20,420	5,930	14,490

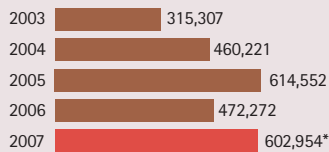
SOURCE: Downtown BID



conventions, hotels and tourism

2006 demonstrated the importance of the new Convention Center on Downtown BID area hotel performance. After a gangbuster 2005, 2006 hotel performance was flat as 2006 room nights generated by the Convention Center dropped 23%. On the other hand, visitor attendance at the Verizon Center and Downtown BID area theatres, museums, and cinemas increased by 17%.

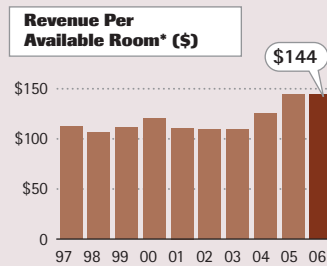
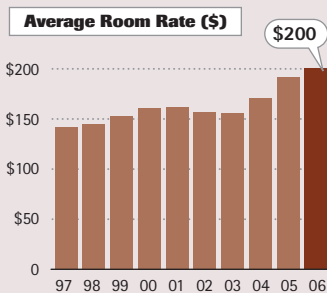
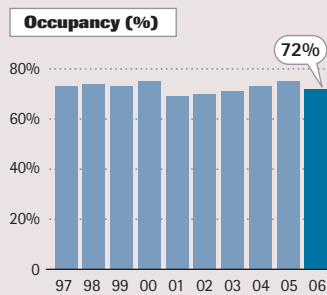
ROOM NIGHTS GENERATED BY THE WASHINGTON CONVENTION CENTER, 2003-2007



* Estimated

SOURCE: Washington DC Convention and Tourism Corporation

DOWNTOWN BID HOTEL PERFORMANCE, 1997-2006



* RevPAR = Occupancy x Average room rate

SOURCE: Smith Travel Research



Downtown convention visitors declined in 2006 from 2005, resulting in a lower hotel occupancy rate than expected. However, the Washington Convention Center is predicting a strong year for 2007.

DOWNTOWN BID HOTELS



CONVENTIONS, HOTELS AND TOURISM



Downtown BID area hotel sales picked up in 2006, with the Hotel Washington having been sold twice in one year.

DC HOTEL SALES, 2006-2007 Downtown BID Hotels highlighted.

	Hotel	Total Price (Millions)	# of Rooms	Price per Room (Thousands)
2006	January Westin Embassy Row	\$36	206	\$173
	March Four Seasons	169	211	800
	March Melrose Hotel	76	240	317
	March Hay Adams	56	145	386
	May Hotel Washington	120	344	349
2007	January Capitol Hill Suites	39	152	257
	May Hilton Washington	290	1,119	349*

*Plans to invest \$100 million to renovate the hotel brings the per room investment from \$259,000 to \$349,000

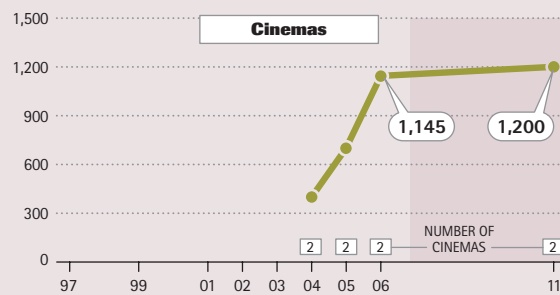
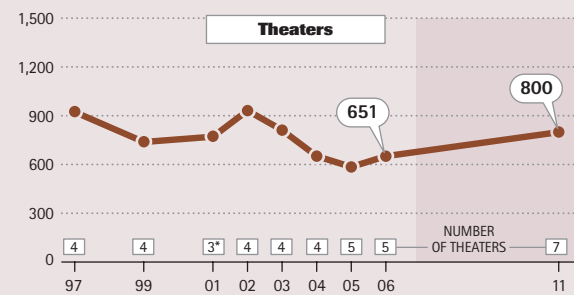
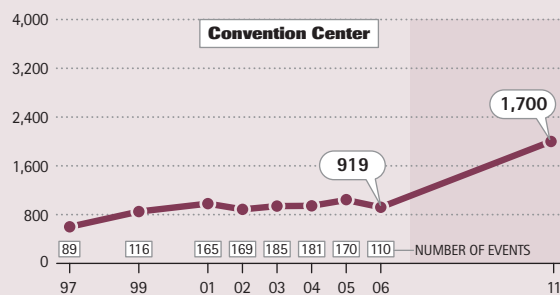
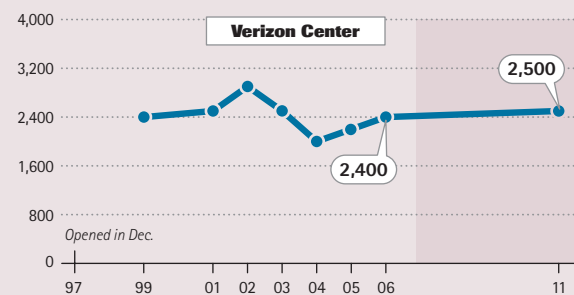
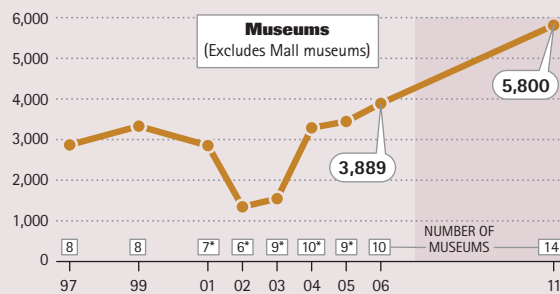
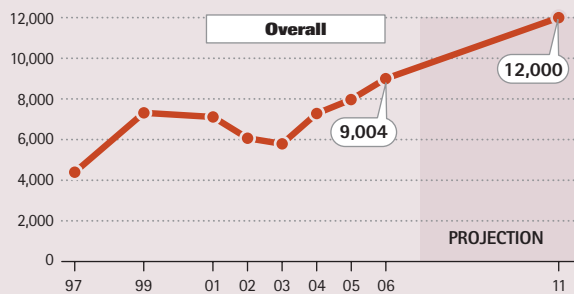
SOURCE: HVS International



Visitors to Downtown BID area attractions increased by 1 million in 2006. Major contributors to this growth were:

- the Reynolds Center for American Art and Portraiture's reopening.
- a 64% increase in movie attendance at Gallery Place's Regal Cinema and Landmark's E Street Cinema from 700,000 to 1.15 million.
- Woolly Mammoth Theatre's first full year operating in its new 7th and D Streets home.

VISITOR ATTENDANCE IN THE DOWNTOWN BID, 1997-2011 (Thousands)



* One or more venues were closed for renovation.
SOURCE: Downtown BID



OVERSEAS VISITORS TO TOP TEN CITIES IN THE UNITED STATES*

<i>Ranked by market share.</i>	2005 (Thousands)	2005 Market Share	% Change in Visitors from 2004	
New York City	5,810	26.8%	13%	
Los Angeles	2,580	11.9%	13%	
San Francisco	2,124	9.8%	14%	
Miami	2,081	9.6%	-5%	
Orlando	2,016	9.3%	3%	
Oahu/Honolulu	1,821	8.4%	-3%	
Las Vegas	1,778	8.2%	14%	
Washington, DC	1,106	5.1%	5%	
Chicago	1,084	5.0%	16%	
Boston	802	3.7%	-4%	

* Excludes Canada and Mexico. Some destinations are not shown due to low sampling size of overseas visitors (i.e., fewer than 100 respondents in 2002 and 2003).

SOURCES: U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries

VISITORS TO THE NATIONAL MALL* (Thousands)

Ranked from highest to lowest.

	Average 2004-2006
Air and Space Museum	5,333
National Museum of Natural History	5,267
National Gallery of Art	4,407
National Museum of American History**	2,767
National Museum of the American Indian***	1,980
Holocaust Museum	1,557
Smithsonian Castle	1,367
Hirshhorn Museum and Sculpture Garden	705
Arts and Industries Building****	18
All Visitors	22,959

*Figures are not unique visitors to the National Mall as some visitors go to multiple museums or galleries.

**Closed for renovations from September 2006 until summer 2008.

***Opened September 2004.

****Closed indefinitely in 2004 for extensive repairs and decision on future use.

SOURCES: Smithsonian, Holocaust Museum, National Gallery of Art

culture and entertainment

The Downtown BID area is rapidly becoming a regular cultural and entertainment experience for all DC residents.

The Smithsonian's Reynolds Center for American Art and Portraiture renovation and reopening, the dramatic increase in attendance at Downtown's two cinema houses and Woolly Mammoth Theatre's first full year in its new theatre home brought 1.16 million new patrons to the Downtown BID area in 2006.

DOWNTOWN BID MUSEUM ATTENDANCE

Ranked from highest to lowest in 2006.

	2006	2005	2004
National Archives*	1,004,000	1,003,000	797,000
Ford's Theatre – NPS	868,000	869,000	836,000
International Spy Museum	700,000	725,000	749,000
National Portrait Gallery and American Art Museum**	480,000	Closed	Closed
National Building Museum	383,000	368,000	380,000
Old Post Office Tower	192,000	212,000	209,000
National Museum of Women in the Arts	108,000	113,000	130,000
The Naval Heritage Center	100,000	100,000	100,000
The City Museum	Closed	Closed	40,000
National Law Enforcement Memorial – Visitors Center	35,000	34,000	29,000
Marian Koshland Science Museum	19,000	20,000	18,000
Total Museum Attendance	3,889,000	3,444,000	3,288,000
% Change in Attendance from previous year	13%	5%	

* Tracks visitors by fiscal year (October 1–September 30).

** Re-opened July 2006 after closing for renovations.

SOURCES: Museums



Woolly Mammoth's first full calendar year in Downtown resulted in record attendance.

DOWNTOWN BID THEATER ATTENDANCE

Ranked from highest to lowest in 2006.

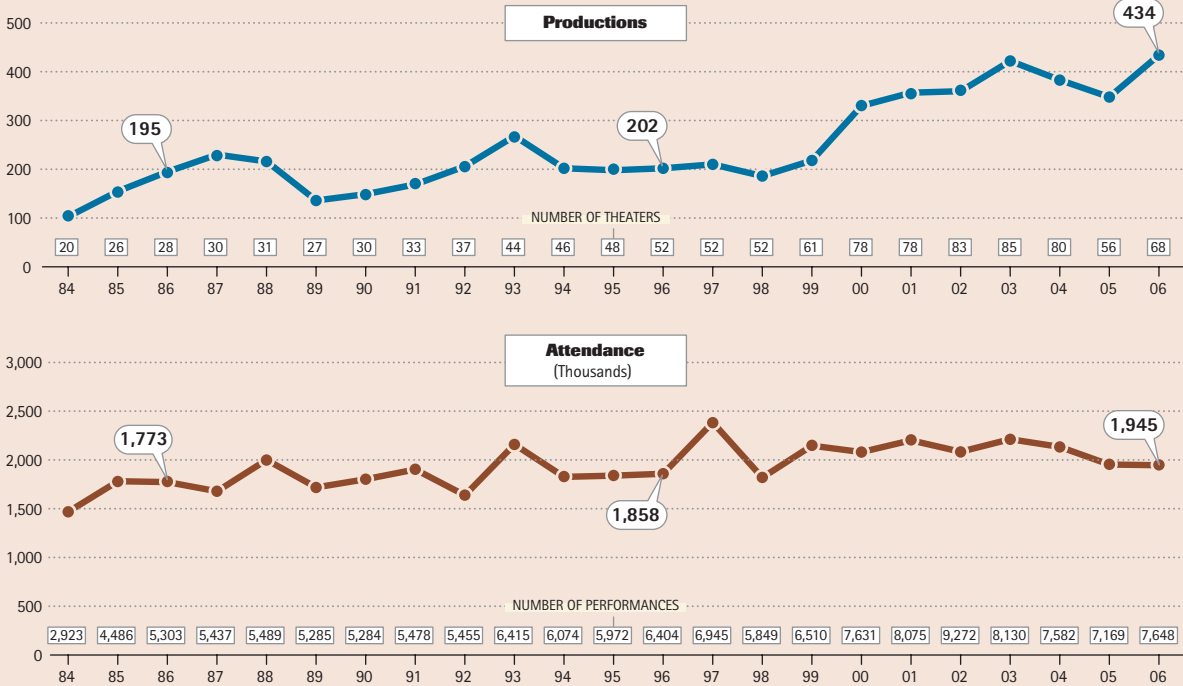
	2006	2005	2004
Warner Theatre	236,000	191,000	274,000
National Theatre*	151,000	129,000	132,000
Shakespeare Theatre	135,000	148,000	146,000
Ford's Theatre	98,000	99,000	98,000
Woolly Mammoth Theatre (Opened May 2005)	31,000	17,000	-
Total Theater Attendance	651,000	584,000	650,000
% Change in Attendance from previous year	11%	-10%	

SOURCES: Theaters



Downtown BID area venues accounted for one-third of all theater attendance in the DC metropolitan region.

WASHINGTON AREA HISTORICAL THEATER PRODUCTION AND ATTENDANCE DATA, 1984-2006



SOURCE: Helen Hayes Awards

LARGEST PUBLIC PERFORMING ARTS SPACES IN DC, 2006

Downtown BID theaters highlighted

	Seats
The Kennedy Center for the Performing Arts	6,679
The Kennedy Center Concert Hall	2,442
The Kennedy Center Opera House	2,300
The Kennedy Center Eisenhower Theater	1,100
The Kennedy Center Terrace Theater	513
The Kennedy Center Family Theater	324
DAR Constitution Hall	3,702
Warner Theatre	1,847
National Theatre	1,676
Cramton Auditorium, Howard University	1,500
The Lisner Auditorium, The George Washington University	1,490
Arena Stage	1,326
The Fichandler Stage	812
Kreeger Theater	514
Lincoln Theater	1,250
Ford's Theatre	741
Studio Theatre	700
Mead Theatre	200
Milton Theatre	200
Metheny Theatre	200
Stage Four	100
Atlas Performing Arts Center	526
Atlas Fixed Seat Theatre	276
Atlas Flexible Seat Theatre	250
Hartke Theatre, Catholic University	516
Lansburgh Theatre, Shakespeare Theatre Company	451
Town Hall Education Arts Et Recreation (THEARC)	365
Tivoli Theatre, GALA Hispanic Theatre	270
Woolly Mammoth Theatre	265
Folger Theatre	250
Jewish Community Center (Theatre J)	238
Warehouse Theatre	165
Warehouse Theatre Black Box	120
Warehouse Second Stage	45
H Street Playhouse	150
Source Theatre (closed for renovations)	150
Washington Stage Guild on T Street*	90
Flashpoint Theatre	75
Total Current Seats	24,422
% of Seats in Downtown BID	21%

* The Stage Guild is currently using Arena Stage's theater space at 14th and T Streets, NW.

SOURCE: Downtown BID

The Downtown BID area accounts for 21% of all seats for public performing arts spaces in DC.

FUTURE PUBLIC PERFORMING ARTS SPACES IN DC, 2006

Downtown BID theaters highlighted

Under Construction	Seats
Sidney Harman Hall, Shakespeare Theatre Company	776
Washington Stage Guild	248
Planned	
The Howard Theatre	600
The Cradle at Arena Stage (200 seats)*	-
Total Future Seats (Under Construction and Planned)	1,624
% of Seats in Downtown BID	63%

* The new Cradle Theater will be one element of Arena Stage's transformation into the "Arena Stage at the Mead Center for American Theater." The Fichandler and Kreeger Theatres will be losing seats equal to the number being added to The Cradle. The Cradle's 200 seats are not included in the total future seats.

SOURCE: Downtown BID

With the Sidney Harman Hall's opening in 2007 and the new Washington Stage Guild's opening in 2008, Downtown DC will increase its share to 23% of all DC public performing arts space audience seats.



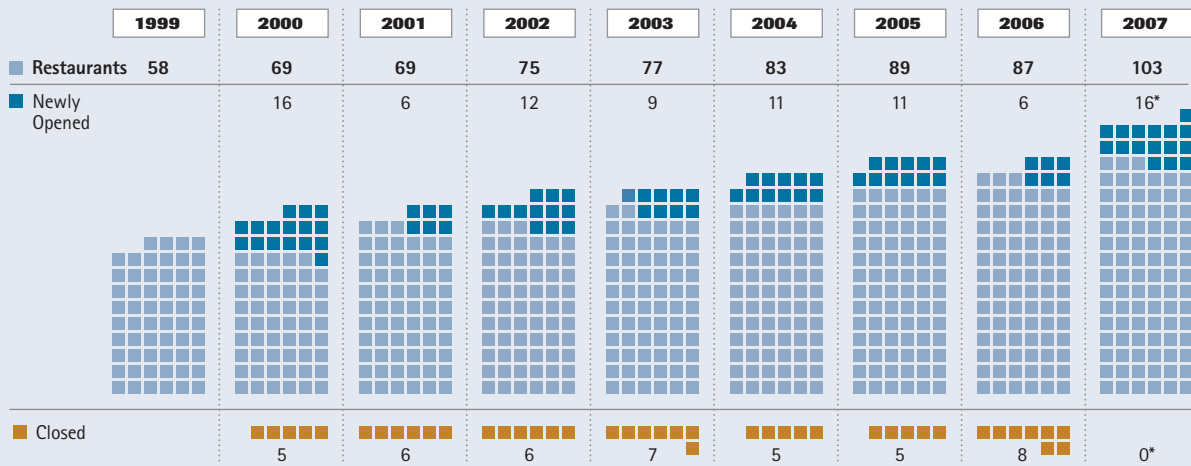
restaurants and retail

The Downtown BID area clearly attracts restaurant patrons from all over the metropolitan Washington region with 87 destination restaurants. Downtown retail continues to be the lagging sector of the Downtown BID area economy, though 2007 will be an important year with several significant store openings and continued planning for the 280,000 SF of retail at the old Convention Center site.

Although the Downtown BID's destination restaurants decreased in number from 89 at the end of 2005 to 87 at the end of 2006, 16 new restaurants are planned to open in 2007, including new restaurants by Michel Richard and Robert Wiedmaier. Midtown will add two new restaurants in 2007, Il Mulino's and Mio.



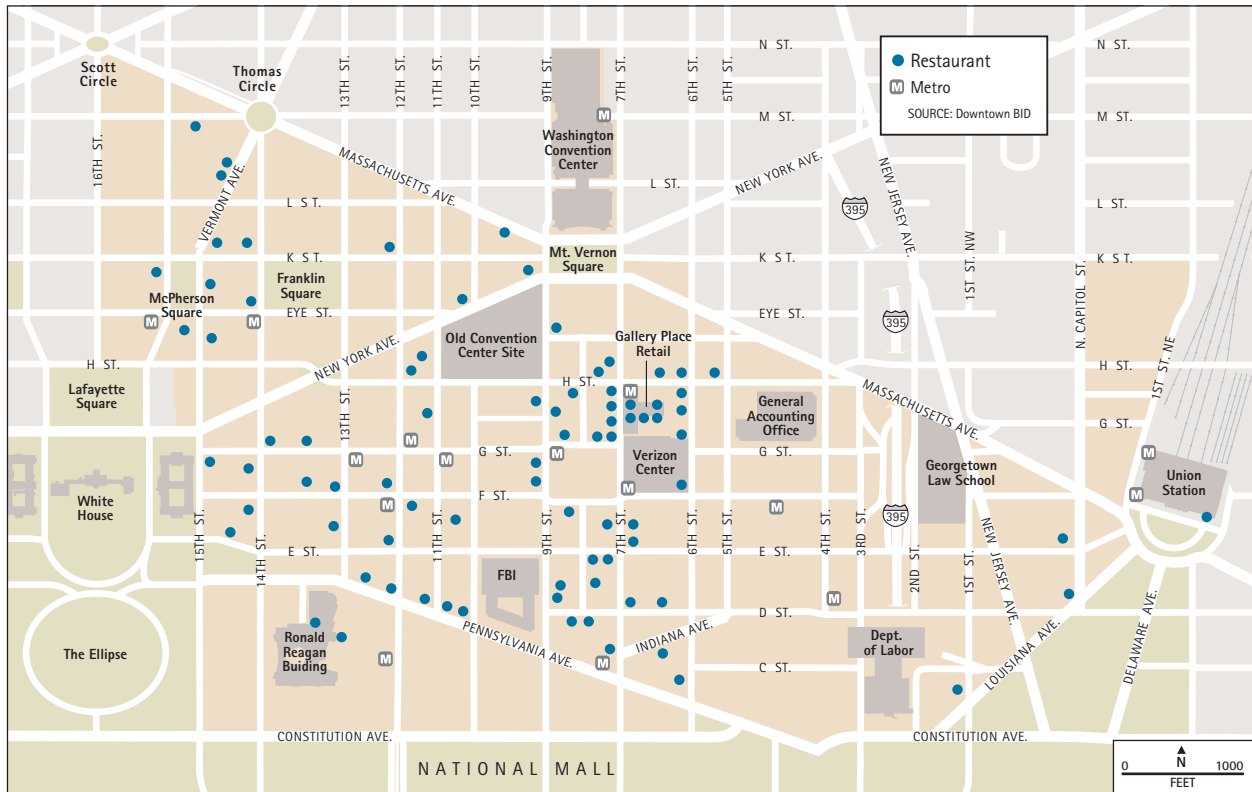
RESTAURANT GROWTH IN DOWNTOWN BID, 1999-2007



* Actual or announced as of May 20, 2007.

SOURCE: Downtown BID

DOWNTOWN BID ZAGAT-RATED RESTAURANTS, MAY 2007



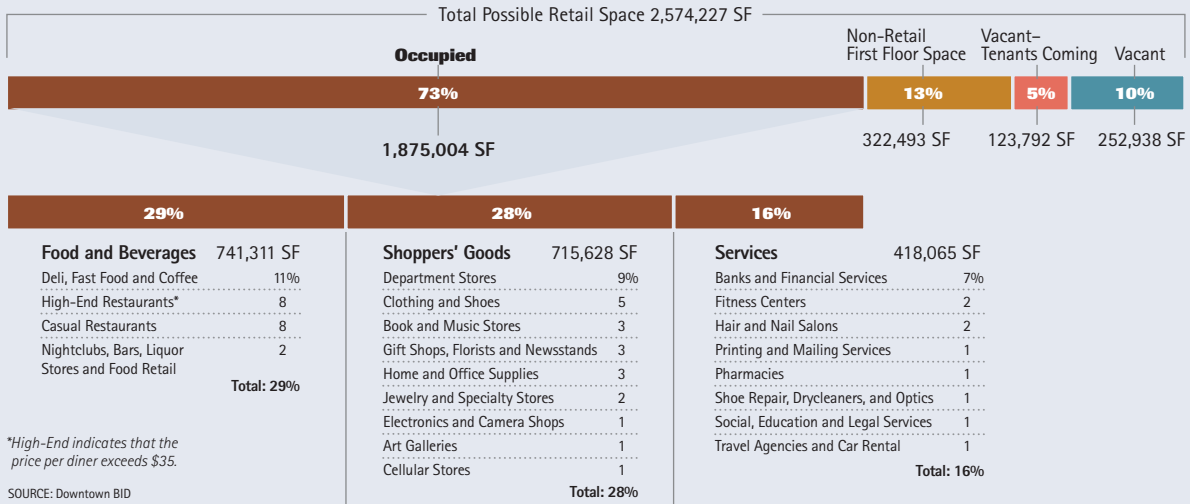
RESTAURANTS AND RETAIL

DOWNTOWN DESTINATION RETAIL MAP, APRIL 2007



DOWNTOWN BID RETAIL SPACE ANALYSIS, MARCH 2007

As percentage of existing and possible retail space.



In the fall of 2006, the Downtown Hecht's became Macy's, and started a new holiday window tradition. Johnston & Murphy's was the single destination retail opening last year. In 2007, West Elm will open its East Coast flagship store with 40,000 SF in the Woodies Building, and Zara's will open its second DC store with 14,000 SF also in the Woodies building. The Downtown BID area now has more

than 500,000 SF of destination shopping — clothing, shoes, home furnishings and supplies, books, music, jewelry, electronics, camera stores and art galleries — in the Metro Center and Gallery Place neighborhoods. Just outside of the Downtown BID area, DC's fast-growing local hardware store, Logan Hardware, announced a new store planned for Mount Vernon Triangle in the 400 block of K Street, NW.



DOWNTOWN BID RETAIL NEIGHBORHOODS, MARCH 2007



RESTAURANTS AND RETAIL

RESTAURANTS AND SHOPPERS' GOODS BY SUB MARKET, MARCH 2007

(Thousands of SF)

	Metro Center		Chinatown/ Gallery Place		Franklin Square		Fed Triangle & Judiciary Sq		Capitol Hill		Total Down- town BID	
	SF	%*	SF	%*	SF	%*	SF	%*	SF	%*	SF	%*
Restaurants	136	16%	144	30%	99	24%	16	17%	16	58%	410	22%
Shoppers' Goods	483	55	162	34	47	12	23	26	1	2	716	38
Total Occupied Retail Space	872	100%	475	100%	410	100%	91	100%	28	100%	1,875	100%
Number of Restaurants	34		52		27		9		8		130**	
Number of Shops	66		36		37		18		1		158	

*Percentages do not add to 100% because they do not include service or other retail.

**Figure includes hotel restaurants and select casual eateries.

SOURCE: Downtown BID

DOWNTOWN BID RETAIL SPACE BY SUB-MARKETS, MARCH 2007

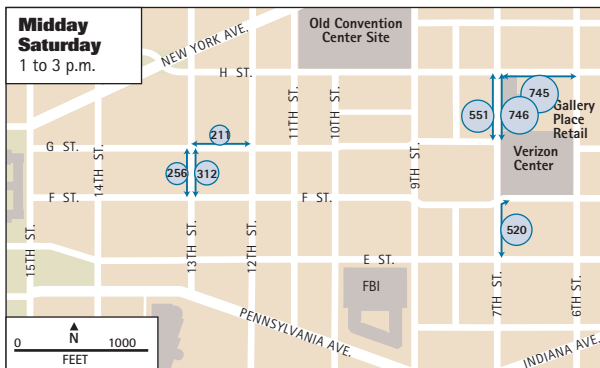
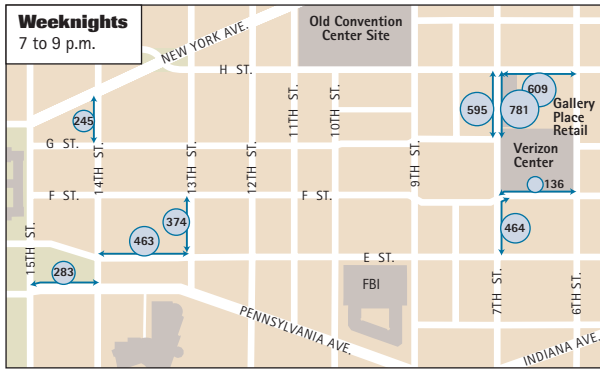
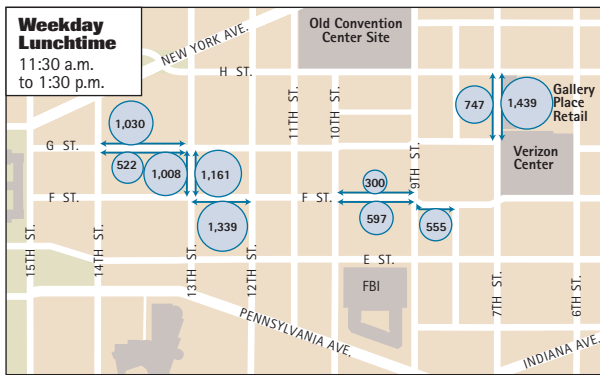
(Thousands of SF)

	Metro Center		Chinatown/ Gallery Place		Franklin Square		Fed Triangle & Judiciary Sq		Capitol Hill		Total Down- town BID	
	SF	%	SF	%	SF	%	SF	%	SF	%	SF	%
Occupied Retail Space	872	78%	475	72%	410	71%	91	65%	28	41%	1,875	73%
Vacant-Tenants Coming	67	6	39	6	17	3	0	0	0	0	124	5
Vacant Retail Space	108	10	67	10	61	10	13	9	5	7	253	10
Non-Retail First Floor Space	77	7	82	12	91	16	36	26	36	52	323	13
Total Retail Possible	1,124	100%	663	100%	578	100%	139	100%	69	100%	2,574	100%
Retail Space Under Construction	51	15%	31	35%	75	100%	55	92%	21	100%	233	40%
Planned Retail Space	290	85	57	65	0	0	5	8	0	0	354	60
Future Retail Space	341	100%	88	100%	75	100%	60	100%	21	100%	585	100%

SOURCE: Downtown BID

DOWNTOWN BID PEDESTRIAN COUNT, MAY 2006

Average number of pedestrians per hour. Circles are proportionate to numbers.



SOURCE: Downtown BID



AVAILABLE AND FUTURE DOWNTOWN BID DESTINATION RETAIL SPACE, MAY 2007

Availability	Project	Square Feet
Today	1025 F Street (Woodies Building)	35,000
Today	National Place (1300 Block of F Street)	30,000
Today	950 F Street (Atlantic Building)	25,000
Today	975 F Street (Carroll Square)	10,000
2007	777 6th Street*	10,000
2008	1199 F Street*	34,000
2008	Gallery Square (NE corner of 7th and H)	30,000
2008/9	1000 F Street	8,000
2012	Old Convention Center Site (Phase I)	280,000- 300,000
2012	Old Convention Center Site (Phase II)	40,000- 60,000
	Total	502,000- 542,000

* Under construction.

SOURCE: Downtown BID

The future of Downtown retail is now focused on the following:

- Akridge and Douglas Development are leasing both sides of the 900 block of F Street.
- 1000 and 1199 F Street will have 20,000 to 30,000 SF of space when the two Douglas Development projects deliver in late 2008 and beyond.
- In 2009, Riverdale International's 50,000 SF Gallery Square project will anchor the northeast corner of 7th and H Streets.
- In 2011, Hines will complete 275,000 to 300,000 SF of retail space at the old Convention Center site.
- By 2012, approximately 17,000 new residential units will have opened since 2005 within 30 blocks of the Verizon Center, for a total of 23,000 new residential units since 2000.
- At the end of 2012, there should be approximately 900,000 square feet of shoppers' goods retail within a block of the square formed by F, 7th, Eye and 11th Streets – creating a shopping circuit surrounded by outdoor cafes, restaurants, museums, cinemas and theaters.

**DOWNTOWN RETAIL DEMAND
WITHIN 5 AND 15 BLOCKS OF 9TH & G STREETS, NW**



Retail demand for Downtown shoppers' goods is estimated at \$930 million, while the current supply is estimated at \$300 million.

**DOWNTOWN RETAIL DEMAND
FOR SHOPPERS' GOODS
(FROM 9TH & G STREETS, NW)**

		2000 (Actual)	2006 (Actual)	2012 (Projected)	2000 to 2006 (Actual)	2006 to 2012 (Projected)
Office Worker Market	Office Space Within 5 Blocks	30 million SF	35 million SF	38 million SF	4 million SF	3 million SF
	Office Space Within 15 Blocks	124 million SF	138 million SF	157 million SF	14 million SF	19 million SF
	Office Workers Within 5 Blocks	103,636	120,909	131,273	17,273	10,364
	Office Workers Within 15 Blocks	428,364	476,727	542,364	48,364	65,636
Non-Office Worker Market	Non-Office Workers Within 5 Blocks	8,393	11,610	14,831	3,217	3,221
	Non-Office Workers Within 15 Blocks	26,437	31,146	35,694	4,709	4,547
Residential Market	Population Within 5 Blocks	1,470	4,704	5,953	3,234	1,249
	Population Within 15 Blocks	49,990	59,054	74,603	9,064	15,549
	Population Within 30 Blocks	222,794	234,434	257,772	11,640	23,338
Visitor Market	Hotel Rooms Within 5 Blocks	3,965	4,474	5,968	509	1,494
	Hotel Rooms Within 15 Blocks	14,141	15,923	18,760	1,782	2,837
	Hotel Rooms Citywide	24,563	26,635	30,647	2,072	4,012
	Visitors to Downtown Within 6 Blocks	7.2 million	9.0 million	11.8 million	1.8 million	2.8 million
Dollars of Retail Demand Within 15 Blocks of 9th and G Streets, NW	Office Worker Market	\$456 million	\$572 million	\$732 million	\$116 million	\$160 million
	Non-Office Worker Market	14 million	19 million	24 million	5 million	5 million
	Residential Market	96 million	255 million	466 million	159 million	211 million
	Overnight Hotel Visitor Market	76 million	83 million	98 million	7 million	15 million
	Total	\$642 million	\$929 million	\$1,320 million	\$287 million	\$391 million

SOURCE: Downtown BID

transportation

Downtown continues to benefit from a robust transportation infrastructure and public transit support from the DC and federal governments. No regional competitor can come close to DC's transportation options.

WORKERS TAKING TRANSIT BY CITY, 2000

Ranked from highest to lowest.

New York	53%
DC	37%
San Francisco	34%
Boston	32%
Chicago	30%
Philadelphia	29%

SOURCE: U.S. Census





METRORAIL

DC's Metrorail infrastructure is a significant regional competitive advantage as the regional traffic congestion continues to worsen.

- More than 200 million people rode system-wide for the first time in 2006 – up 5.3%.
- Average weekday ridership is 730,000.
- BID ridership rose to 100,000 per weekday (up 2%) and approximately 15% of total riders.

■ New leadership in 2006 under Acting General Manager Dan Tangherlini and in 2007 under permanent General Manager John Catoe has taken on the following initiatives:

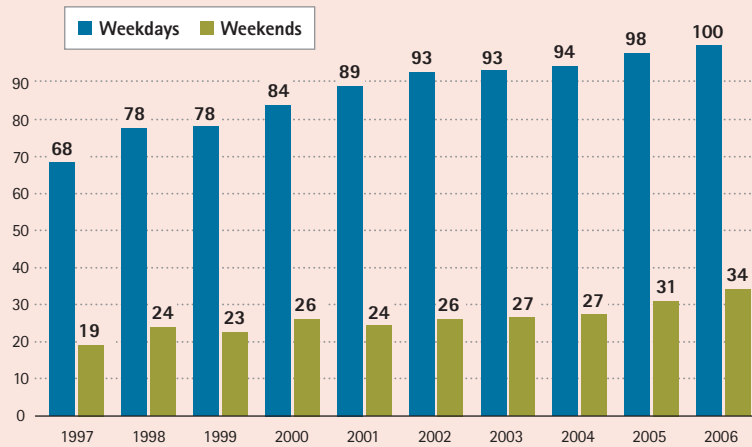
- Focusing on safety and service.
- Began looking at performing artists at station entrances to make riding Metro more fun.
- Reducing expenses and increasing fares to offset budget shortfalls.
- Extending weekday Yellow Line service from Convention Center to Fort Totten.

■ The Downtown BID area has several of the Metrorail systems most active stations, with significant growth over the last few years.

■ Support for Metro Matters funding is progressing based on \$1.5 billion from the federal government and \$500 million each from DC, Maryland and Virginia over 10 years for capital expenditures.

■ DC, Maryland and Virginia provide operating support of \$131 million per year, of which DC's share was \$43 million or 33%.

DAILY METRO RIDERSHIP EXITS IN DOWNTOWN BID, 1997-2006*
(Thousands)



*Exit numbers for metro stations in Downtown BID (McPherson Square, Metro Center, Gallery Place-Chinatown, Archives-Navy Memorial-Penn Quarter, Federal Triangle, Mt. Vernon Square and Judiciary Square).

SOURCE: WMATA

AVERAGE WEEKDAY METRORAIL RIDERSHIP

Figures represent exit numbers only. Circles are proportionate to number of Metrorail riders in 2006.

	Metro Center	Gallery Place	McPherson Square	Judiciary Square	Federal Triangle	Archives-Navy Memorial-Penn Quarter	Mt. Vernon Square	TOTAL
2006	28,725	22,502	17,146	10,594	9,868	7,791	3,370	99,996
1997	23,638	7,286	14,443	9,422	6,396	5,543	1,689	68,417
Change	5,087	15,216	2,703	1,172	3,472	2,248	1,681	31,579
Percent Change	22%	209%	19%	12%	54%	41%	100%	46%

Metrorail Lines

SOURCE: WMATA

METROBUS

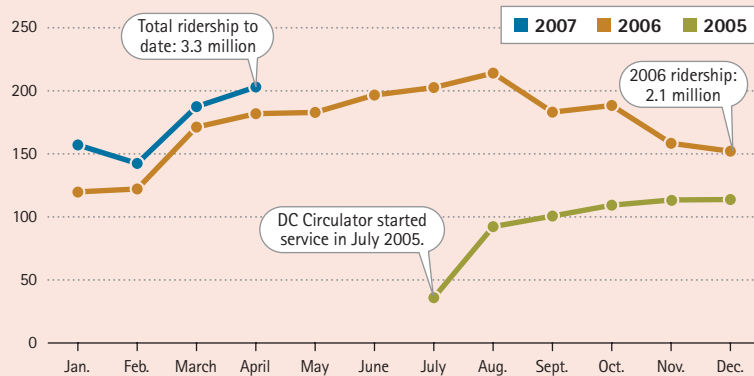
- More than 131 million riders system wide in 2006 (up 2.7%).
- Smart Cards can be used in all Metrobuses.
- Continued DC, Maryland and Virginia operating support of \$256 million per year, of which DC's share was \$112 million, or 44%.



DC CIRCULATOR

- The Circulator served its 3 millionth passenger in March 2007.
- Ridership continues to grow.
- Average weekday ridership in 2006 was approximately 7,000.
- Average weekday ridership in first four months of 2007 is up 19%.
- Added a new route in 2006 around the National Mall during tourist season.
- Other routes extended due to neighborhood demand.
- Several DC neighborhoods are requesting Circulator service as an interim step prior to new street car lines being constructed to move DC residents, employees and visitors around the city better.
- Continued DC and federal operating support of \$4.2 million for fiscal year 2007.

DC CIRCULATOR RIDERSHIP, JULY 2005-APRIL 2007

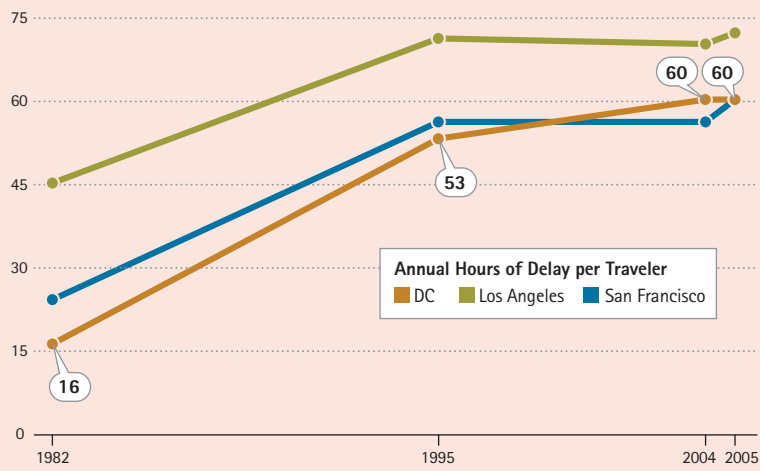


SOURCE: WMATA

DOWNTOWN BID TRANSIT, MARCH 2007



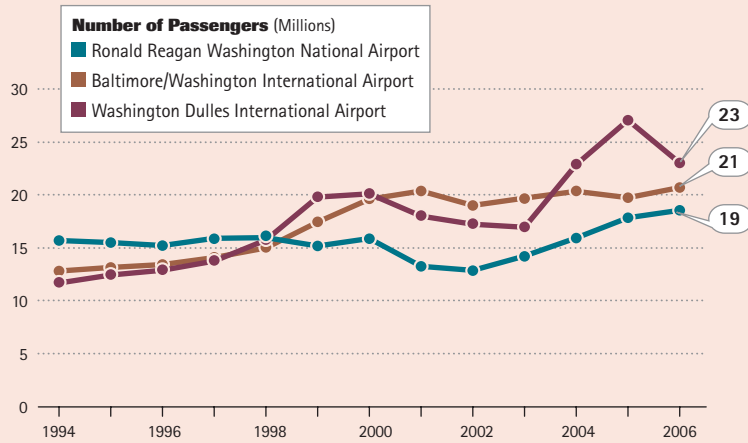
TOP 3 URBAN AREAS IN TRAFFIC CONGESTION, 1982-2005



SOURCE: Texas Transportation Institute (2005 data)



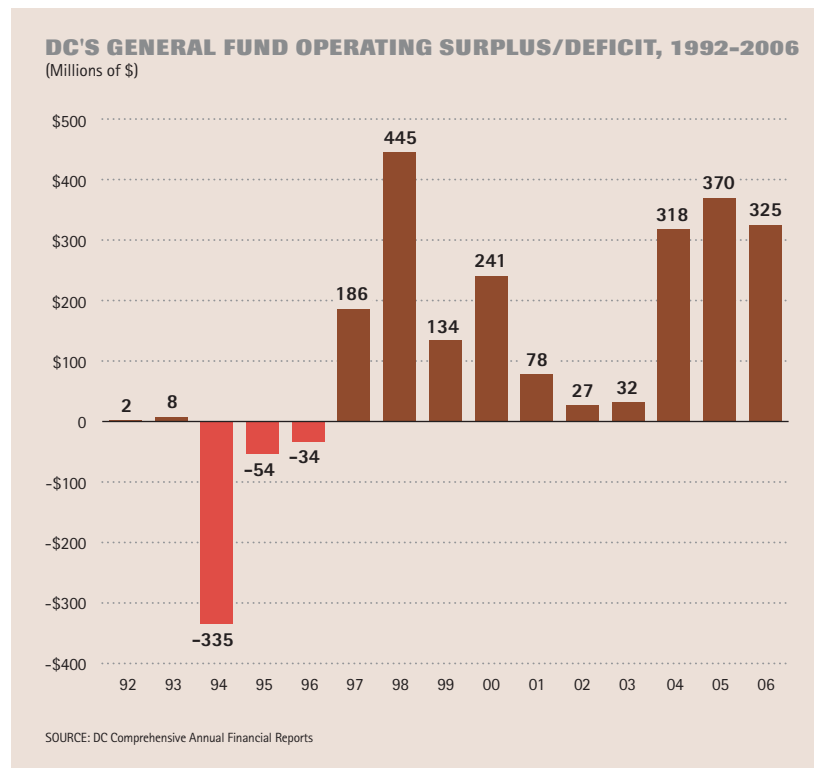
WASHINGTON AREA AIRPORT TRAFFIC, 1994-2006



SOURCES: Metropolitan Washington Airports Authority; Baltimore Washington International Airport

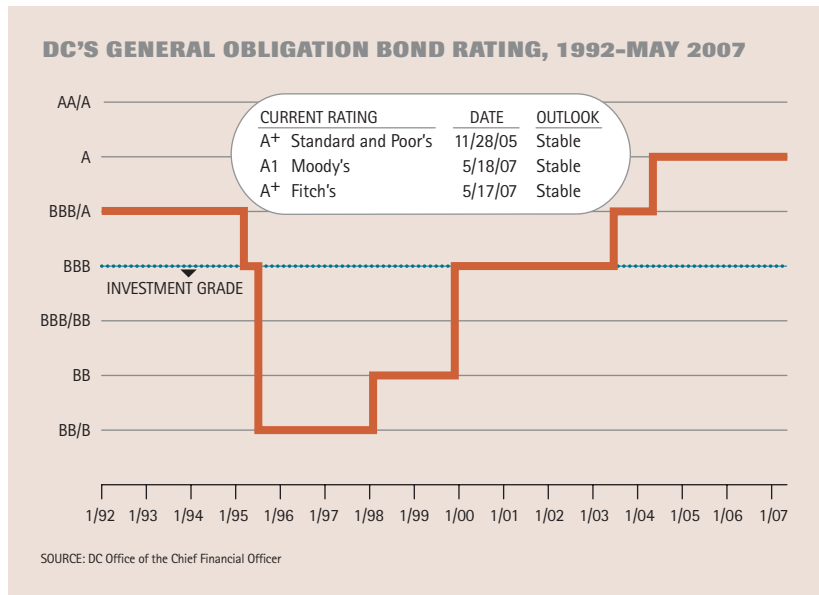
DC financial review

The Downtown BID area is a significant contributor to DC's fiscal resurgence: commercial property related taxes make up an increasing percentage of DC's local tax revenues as well as restaurant sales taxes and taxes generated by visitors to Downtown BID area attractions. For fiscal 2007, the Downtown area defined as the Downtown and Golden Triangle BIDs generated 22% of DC's local tax and other revenue (\$1.179 billion). After deducting estimated fiscal costs of \$555 million, the area generated a net fiscal impact of \$624 million, which is 58% of the DC Public School's locally funded budget.



Ten straight years of an operating surplus for Washington, DC, is a significant accomplishment to say the least. The city's politicians, managers and financial staff are all to be congratulated on this unprecedented achievement. The people who have held these positions over the last 10 years deserve a standing ovation.

As of May 2007, DC earned the highest single A rating from all three major rating agencies.



moody's dc bond rating upgrade summary

CREDIT STRENGTHS

- Strong institutional supports for continued fiscal discipline provided by an independent chief financial officer, demonstrated commitment by DC leadership to financial management best practices, including the required five-year plan process, congressional budget oversight and mandated reserves, and the dormant "control authority" provisions of federal law.
- Robust property value growth, low office vacancy rates and ongoing high volume of new construction and development, driven by relatively stable federal employment, high-income professional and business services, and tourism.
- Greatly improved finances and strong financial metrics relative to other large A1-rated cities, including record of operation surpluses, healthy accumulated fund balances, and good liquidity measures.
- Relatively low pension and retiree health costs due to federal assumptions of certain retiree

liabilities, initial funding of a trust for other post-employment benefits in fiscal 2006 and plans to budget funds to make the annually required contribution in fiscal 2008.

CREDIT CHALLENGES

- High government service burden due to absence of county or state governments, concurrent with revenue-raising power constrained by the prohibition on taxing the incomes of non-resident commuters (57% of District employment), and a high percentage of federal and other tax exempt property (38% of total District property value)
- An above average tax-supported debt burden that is expected to rise as the city addresses deferred capital needs and pursues various economic development initiatives.
- A school system that performs poorly financially as well as academically, and other government agencies that continue under court supervision.

Much of the growth in DC gross local revenue is due to the growth in office building generated taxes.

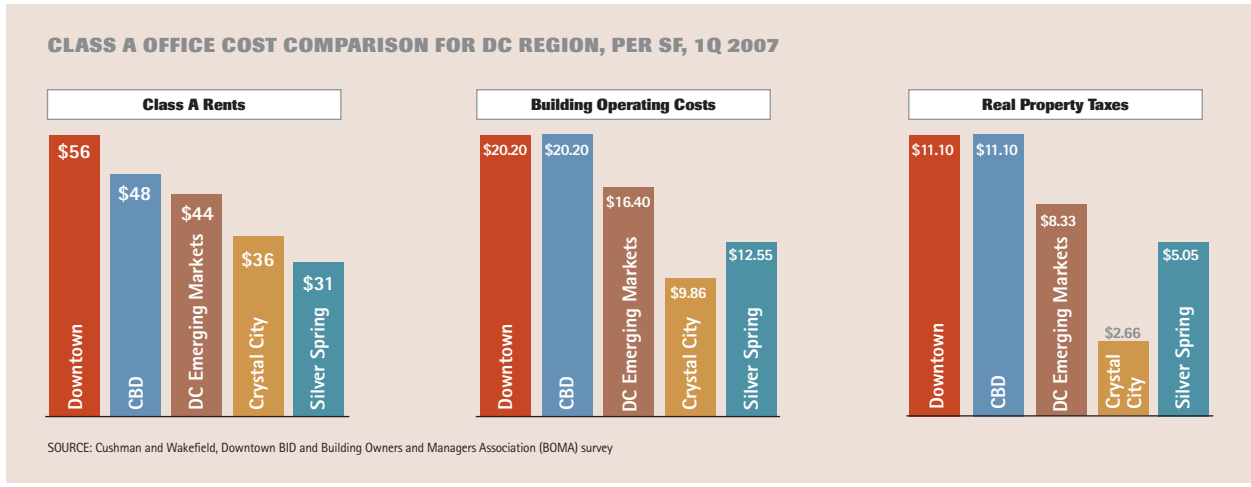
OFFICE GENERATED TAXES GROWTH AS A PERCENTAGE OF TOTAL DC GROSS LOCAL REVENUE GROWTH, FY 2001-FY 2007

	Increase in Revenues		Office Generated Taxes as % of DC Gross Local Revenues
	DC Gross Local Revenues	Office Generated Taxes	
2001	\$253	\$19	8%
2002	(\$128)	\$40	-
2003	\$191	\$111	58%
2004	\$396	\$61	15%
2005	\$540	\$8	1%
2006	\$289	\$98	34%
2007	\$427	\$158	37%
<i>DC Estimate</i>			
2001-2007	\$1,968	\$495	25%

SOURCES: Office of Revenue Analysis (Office of the Chief Financial Officer); 2008 Fiscal Year Budget June 7, 2007; September 6, 2007 Revenue Estimate by Office of the Chief Financial Officer; and Downtown BID.



The growth in office building generated taxes is at risk due to significant recent growth in DC office property taxes as DC office assessed values have almost doubled since 2002.



Recent tax relief provided by the city has gone only to residents and residential property owners.

DC TAX RELIEF AND TAX INCREASES, FISCAL YEARS 1996-2008

■ Increase ■ Decrease

Year	Office Real Property Tax	Residential Real Property Tax*		Deed Recordation and Transfer Tax	Top Marginal Tax Rate on Individual Income
		Multifamily	Single		
1996	2.15%	1.54%	0.96%	2.20%	9.975%
1997	2.15%	1.54%	0.96%	2.20%	9.50%
1998	2.15%	1.54%	0.96%	2.20%	9.30%
1999	2.15%	1.54%	0.96%	2.20%	9.30%
2000	2.05%	1.34%	0.96%	2.20%	9.30%
2001	1.95%	1.15%	0.96%	2.20%	9.30%
2002	1.85%	0.96%	0.96%	2.20%	9.00%
2003	1.85%	0.96%	0.96%	3.00%	9.00%
2004	1.85%	0.96%	0.96%	3.00%	9.00%
2005	1.85%	0.96%	0.96%	2.20%	9.00%
2006	1.85%	0.92%	0.92%	2.20%	8.70%
2007	1.85%	0.88%	0.88%	2.90%	8.50%
2008	1.85%	0.85%	0.85%	2.90%	8.50%

*Residential property taxes are currently limited to a 10% annual increase in taxable assessments, and an 8% cap on total residential revenue growth.

SOURCE: DC Office of the Chief Financial Officer



DOWNTOWN'S NET FISCAL IMPACT, FY 2007

Downtown BID Area

DC Local Tax and Other Revenues	\$740
Estimated Fiscal Costs	\$404
Net Fiscal Impact	\$335

Golden Triangle BID Area

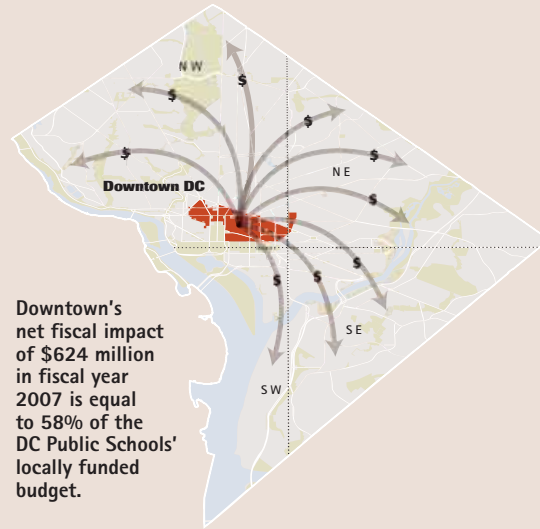
DC Local Tax and Other Revenues	\$439
Estimated Fiscal Costs	\$151
Net Fiscal Impact	\$288

Total Downtown Area

DC Local Tax and Other Revenues	\$1,179
Estimated Fiscal Costs	\$555
Net Fiscal Impact	\$624

Downtown Revenue Share of Total DC Gross Local Revenue of \$5.38 billion in FY 2007 22%

DOWNTOWN'S NET FISCAL IMPACT, FISCAL YEAR 2007



SOURCES: Economics Research Associates and Downtown BID

DC PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL, 1996-2006

	1996				2006			
	Income Tax Filers		Personal Income Tax Liability		Income Tax Filers		Personal Income Tax Liability	
	Number	%	Millions	%	Number	%	Millions	%
\$100,001 and Over	18,961	7%	\$249	41%	31,800	11%	\$586	57%
\$75,001 to \$100,000	11,174	4	61	10	17,005	6	94	9
\$50,001 to \$75,000	24,553	9	92	15	33,500	12	123	12
\$25,001 to \$50,000	77,216	27	141	23	76,406	27	143	14
\$10,001 to \$25,000	91,897	32	57	10	65,025	23	43	4
\$0 to \$10,000	63,920	22	6	1	62,606	22	41	4
Total Returns	287,721	100%	\$605	100%	286,342	100%	\$1,030	100%

SOURCE: DC Office of the Chief Financial Officer

Downtown's net fiscal impact is particularly important to fund the services of DC's 137,631 residents with annual incomes of \$25,000 and less.



credits

Center for Regional Analysis, George Mason University

Cushman & Wakefield

DC Office of the Chief Financial Officer
and Department of Employment Services

International Spy Museum

Metropolitan Washington Council of Governments

Real Capital Analytics

Smith Travel Research

Washington DC Convention and Tourism Corporation

Washington Convention Center Authority

Washington Metropolitan Area Transit Authority

The Shakespeare Theatre Company

The Smithsonian Institution

Woolly Mammoth Theatre

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