

DOWNTOWNDC REMAINS KEY TO DC'S FINANCIAL HEALTH

DowntownDC in 2018 generated an estimated \$1.325 billion in tax and other revenue for the city while benefitting from \$534 million in District expenditures. Therefore, DowntownDC in 2018 generated a net fiscal impact of \$791 million—enough to fund both the DC Metropolitan Police and DC Fire and Emergency Medical Services departments.

In 2018, Mayor Muriel Bowser built upon the strong partnership between the District and the DowntownDC Business Improvement District (BID) through many investments in DowntownDC projects. In 2018, the city granted \$1.7 million to the BID to open and operate a day services center for individuals experiencing homelessness. The Mayor's proposed fiscal year 2020 budget includes \$18 million for the reconstruction of Franklin Park and \$122 million to build the K Street Transitway.

Since 1995, the city has invested in the following public-private partnerships: Capital One Arena, the Walter E. Washington Convention Center, the Shakespeare Theatre's Sidney Harman Hall, Woolly Mammoth Theatre, Ford's Theatre, National Theatre, and the Hamilton, CityCenterDC, the Marriott Marquis Hotel and various retailers in DowntownDC. The city's total net investment in DowntownDC since 1995 has been approximately \$550 million and will have leveraged a projected total of \$16 billion in private investment by the end of 2019.

DowntownDC has been instrumental in the city's efforts to grow its tax base. From 2013-2018, DC's nominal tax revenues grew by \$1.7 billion per year to \$7.8 billion per year in 2018, increasing by 5% per year. The city's real revenue growth rate from 2013-2018 was 3.4% per year—more than twice the growth rate in jobs (1.3%) and population (1.6%).

DOWNTOWNDC GENERATED A NET FISCAL IMPACT OF \$791 MILLION IN 2018 -- ENOUGH TO FUND BOTH THE DC METROPOLITAN POLICE AND FIRE AND EMERGENCY MEDICAL SERVICES

DOWNTOWNDC'S NET FISCAL IMPACT

DowntownDC BID Area	Estimate FY2018
DC Local Tax and Other Revenues	\$1.325 billion
Estimated Fiscal Costs	(\$534 million)
Net Fiscal Impact	\$791 million
BID Revenue Share of Total DC Gross Local Revenue	15.9%
BID Expenditures Share of Total DC Gross Local Expenditures	6.2%

Source: DC 2018 CAFR, DowntownDC BID, Mayor Bowser's Fiscal Year 2020 Proposed Budget and Financial Plan



DOWNTOWNDC NET FISCAL IMPACT

(in millions)

	Fiscal Year 2019 ▼	Fiscal Year 2010 ▼	Annual Growth 2010 - 2019 ▼
DC Local Tax and Other Revenues	\$1,439	\$829	6.3%
Estimated Fiscal Costs	570	(322)	6.6%
Net Fiscal Impact	\$869	\$507	6.2%

Downtown DC's Share of DC Total Gross Local Revenue



Downtown DC's Share of DC Total Gross Local Expenditure



Source: DC 2019 CAFR and DC FY 2020 budget (as FY 2021 budget release was moved from March 20, 2020 to May 6, 2020)

**DC'S EMPLOYMENT
GROWTH RATE
HAS TRAILED
THAT OF
NORTHERN
VIRGINIA FOR
9 OF THE PAST
10 YEARS
AND THAT OF
SUBURBAN
MARYLAND FOR
3 OF THE PAST
10 YEARS**

Since 1997, 117 of the then 125 existing development sites have been developed and numerous buildings have been demolished and replaced by new construction or emptied of tenants and substantially rehabilitated. Demo/new and substantial renovation projects were 73% of 2019's completed and currently-under-construction projects. There are near-term plans for ten new exciting projects totaling \$900 million.

Employment in DowntownDC declined in 2019 to 188,600 from 190,000, a decrease of 0.7%, due mostly to phase two of the U.S. Department of Justice move to NoMa. DC's employment grew by 5,500 to 798,000, or an increase of 0.7%. Excluding the federal and

District government employment, the private employment growth rate was 1.1% in 2019. However, DC's total employment growth was its lowest in five years (private was the second lowest of the last nine years) and well below Northern Virginia's 1.9% growth rate, just below Suburban Maryland's 0.8% growth rate and well below the national rate of 1.4%.

**IN 2019, DC LOST THE
FEWEST NUMBER OF
OFFICE TENANTS TO
NORTHERN VIRGINIA
SINCE DATA COLLECTION
BEGAN IN 2001**

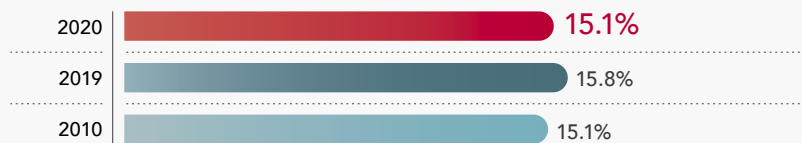
DowntownDC's Net Fiscal Impact was \$869 million in 2019—more than the combined budgets of the DC Metropolitan Police Department and DC Fire and Emergency Medical Services Departments in fiscal year 2019. The 2019 net fiscal impact increased from \$508 million in 2010, a nominal growth rate of 6.3% and a real growth rate of 4.4%. Most large city's downtowns produce significant net fiscal impacts due to downtown's greater building and employment density, greater transit connections, greater amenities and fewer resident services such as schools and social safety net services.

DOWNTOWNDC NET FISCAL IMPACT

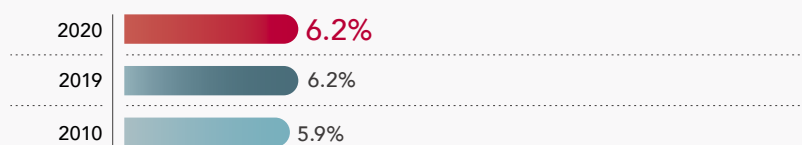
(in millions)

	Fiscal Year 2020	Fiscal Year 2019	2019 - 2020 Change	Fiscal Year 2010	Annual Change 2010 - 2019
DC Local Tax and Other Revenues	\$1,328	\$1,439	(7.7)%	\$829	6.3%
Estimated Fiscal Costs	578	558	3.8%	322	6.6%
Net Fiscal Impact	\$750	\$881	(14.9)%	\$507	6.2%

Downtown DC's Share of DC Total Gross Local Revenue



Downtown DC's Share of DC Total Gross Local Expenditure



Source: DC 2020 CAFR and DC FY 2021 budget (as FY 2022 budget release was moved to May 27, 2021).

THE NUMBERS BEHIND THE FISCAL POWER OF GROWTH IN DC

There are many reasons to support growth in DC: increased employment opportunities for DC residents, reduction of climate change by enabling more workers to live close to their jobs, allowing more people to enjoy the many unique cultural, entertainment and community amenities in DC and increasing the supply of affordable housing. Another benefit of economic growth is increasing DC tax revenues. A rough estimate is that each new square foot of market-rate development yields \$5 to \$20 per SF in total new DC government revenue, depending on the type of development and its location.

When the city enjoys employment and population growth, its tax revenues grow at a multiple of the employment and population growth rates. The employment and population growth over 2010 – 2019 shows this. However, the math also works in reverse as shown in FY 2020, when employment declined and population growth was less than one percent – real tax revenue declined 3.5%.

DOWNTOWNDC FISCAL CONTRIBUTIONS DECLINED IN 2020, BUT REMAINED SUBSTANTIAL

DowntownDC's Net Fiscal Impact on DC was estimated at \$750 million in FY 2020, down \$131 million or 14.9%, from \$881 million in FY 2019. This is result of Gross Local Revenue generation of \$1,328 billion (15.3% of DC's total) and Gross Local Expenditure benefits of \$578 million (6.2% of DC's total). Downtowns across the country have substantial net fiscal impacts because of the density of the built environment, the concentration of economic activity and the lower level of social spending in downtowns. Thus, it is never The Neighborhoods OR Downtown, but it is always The Neighborhoods AND Downtown.

Downtown's Net Fiscal Impact is likely to decrease in FY 2022 due to a decline in office property tax rates. In the February 2021 Revenue Estimate Letter, Chief Financial Officer Jeff DeWitt stated, "Large office building value, which comprises 35 percent of all District assessed value (and 45 percent of tax liability due to the higher commercial tax rate), is forecasted to grow less than 1 percent in FY 2021 and contract by 9.7% percent in FY 2022 before stabilizing." This contraction will lead to a decline in FY 2022 tax revenues of \$121 million based on a total assessed value of \$66.3 billion in tax year 2019 (page 57 of the DC Data Book 2020).

DC TAX REVENUE GROWTH OVERVIEW

	2010 - 2019 Annual Growth Rate	2019 - 2020 Growth Rate
Employment	1.20%	(8.20%) (a)
Population	1.90%	0.64%
Nominal Tax Revenue	6.10%	(2.50%)
Real Tax Revenue	4.20%	(3.50%)

Source: DC CAFR, U.S. Census Bureau and Bureau of Labor Statistics.
 (a) December 2019 to December 2020 monthly data.
 Not seasonally adjusted.