
Government of the District of Columbia



2017 Performance Oversight Hearing

**Deputy Mayor for Planning
and Economic Development**

Testimony of
Deputy Mayor Brian T. Kenner

Committee on Business and Economic Development



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Testimony of Brian T. Kenner, Deputy Mayor
Office of the Deputy Mayor for Planning and Economic Development
Performance Oversight 2017

Good morning Chairman McDuffie, members and staff of the Committee on Business and Economic Development. My name is Brian Kenner and I am the Deputy Mayor for Planning and Economic Development (DMPED). I would like to thank the public witnesses who have shared their testimony, and it is my pleasure to be here today. Thank you for inviting me to testify on behalf of Mayor Muriel Bowser in today's hearing to discuss the activities and accomplishments of DMPED in Fiscal Year 2016.

Mayor Bowser's administration remains committed to creating pathways to the middle class by investing in education, infrastructure, public safety, and people. The Fair Shot Budget for fiscal year 2017 (FY2017) was the first budget developed wholly under Budget Autonomy. For the first time since Home Rule was passed in 1973, the District was able to spend our local dollars without having to wait on Congress to pass the federal budget. This brings us one step closer to operating like the 51st state.

I. INTRODUCTION

The Office of the Deputy Mayor for Planning and Economic Development (DMPED) implements the Mayor's vision around a host of economic development initiatives and programs. DMPED aims to increase and protect affordable housing, create jobs for DC residents, and generate tax revenue. Our program areas include business development, real estate development, housing, and oversight of the Economic Development cluster agencies.

a. Real Estate and Housing

DMPED manages a portfolio of projects worth more than \$13 billion. Our projects are located across all eight Wards; they vary in size and scale from large mixed use efforts, to small scale neighborhood retail. We focus on incorporating community engagement throughout our real estate development processes.

b. Business Development

Our business development team works to attract, retain, and support business in the District. The team has different initiatives and sectors including the Great Streets Program, our Economic Strategy development team, technology and innovation sectors, hospitality and tourism, international business development, and the creative economy.

c. Economic Development Cluster

In addition to operating as its own agency, DMPED coordinates the agencies of the Economic Development Cluster, which I oversee. DMPED has nine direct reporting agencies and five independent agencies with an indirect reporting relationship.

The nine **direct reporting agencies** are:

1. Commission on the Arts and Humanities (CAH);
2. Department of Housing and Community Development (DHCD);
3. Department of Consumer and Regulatory Affairs (DCRA);
4. District Department of Transportation (DDOT);
5. Office of Planning (OP);
6. Department of Energy and the Environment (DOEE);
7. Department of Insurance, Securities, and Banking, (DISB);
8. Office of Cable Television, Film Music, and Entertainment (OCTFME);
9. Department of For-Hire Vehicles (DFHV).

The five **independent agencies** are:

1. The District of Columbia Housing Authority (DCHA);
2. The District of Columbia Housing Finance Agency (DCHFA);
3. Office of the Tenant Advocate (OTA);
4. Real Property Tax Appeals Commission (RPTAC);
5. Alcoholic Beverage Regulation Administration (ABRA).

II. 2016 ACCOMPLISHMENTS

2016 has been an incredibly productive year for DMPED and the District as a whole, delivering results across all 8 Wards. When looking at the economic snapshot of 2016 overall, we see:

- Over 10,900 private sector jobs created;
- DC's unemployment rate is down 1.4% since January 2015. In Wards 7 and 8, where we know the opportunity gap is most significant, we have seen the greatest progress with a decrease of 1.4% and 1.9%, respectively, year over year;
- \$196 million in tax revenue was collected in FY16, which is more than FY15;
- Mayor Bowser committed \$100M to the housing production trust fund and DHCD was able to invest over \$100M in 2016.

DMPED has consistently delivered on job creation, tax revenue, affordable housing and good government. Using our newly developed public Accomplishments Tracker we are able to share the many real estate, business development, economic intelligence, grants and DMPED milestones. The tracker is available to the public on DMPED's website.¹

a. Economic Snapshot – Tailwinds and Headwinds

Economic development in the District is strong, which we see through the numerous accolades DC has recently won. DC is currently ranked the second strongest local economy in the US,² is the #1 US city for entrepreneurship growth,³ is the 3rd best US City to start a business⁴, and is in the top 5 cities to live in the nation.⁵ Our economic tailwinds include:

¹ <http://open.dc.gov/dmped-delivering/>

² Business Insider

³ Kauffman Foundation

⁴ CNBC

- Employment growth in DC has outpaced national trends;
- DC is benefitting from historic population growth;
- Tax revenues are up 15% since 2013, close to a \$1B increase;
- Private sector jobs continue to drive job growth in DC.

Despite this description there is still a need to remain vigilant, remembering that the crisis of 2008 was not so long ago. Headwinds to be cautionary of include:

- Unemployment rates in the District, especially in Wards 7 and 8;
- Net loss of Federal jobs since 2013;
- Influx of housing deliveries to the market;
- The market for office space has compressed and vacancies are up which is significant because the office space market contributes over half of all real property tax revenue in the District.

b. Affordable Housing

DMPED has been working hard toward preserving and producing affordable housing. The Housing Production Trust Fund has committed \$100 Million in a multi-pronged strategy across all 8 Wards to preserve and develop affordable housing. We also participate in the Housing Preservation Strike Force which, in November 2016, released its final report, detailing a proactive multi-pronged strategy for the District to use in preserving its existing supply of affordable housing. We have worked to strengthen inclusionary zoning, and are working to increase homeownership opportunities and decrease vacant properties.

DMPED supports the creation of new affordable housing through all of our land dispositions that include residential components. For these projects, 30% of the housing must

⁵ U.S. News & World Report

be affordable at 30% AMI or 50% AMI, and we have worked tirelessly to meet this best-in-the-nation policy. We have also developed an online tracker of affordable housing production by all housing agencies.⁶ Since January 2015, we have delivered 3,127 affordable housing units across 83 projects, with 4,095 more units in the pipeline.

c. Job Creation

DMPED's real estate projects provide large numbers of new jobs in the District. The major projects, including St. Elizabeths East, Capitol Crossing, and Walter Reed, will create over 10,600 permanent jobs, and 7,700 construction jobs, and are tracking over 31,000 total jobs across our entire 42 project portfolio.

III. BUSINESS DEVELOPMENT

DMPED's Business Development team has been developing a new Economic Strategy, a framework for action for the next several years which outlines not only how we will grow our economy, but how we will make sure that growth benefits all Washingtonians. The strategy is focused on increasing the commercial tax base, creating jobs, fostering entrepreneurship and innovation, and advancing inclusive economic growth. Through economic analysis and stakeholder engagement, the strategy identifies opportunity areas for growth and core sectors to sustain, developed a framework for action, and priority initiatives.

Our Economic Strategy is created with the vision of becoming the global model for inclusive economic growth and resilience, showcasing how diversity and innovation can drive economic prosperity. The Strategy's two goals are to 1) grow a vibrant and resilient economy driven by private sector expansion, specifically to grow the DC private economy to \$100 billion by the end of 2021; and 2) foster economic prosperity for all Washingtonians by increasing job

⁶ <http://open.dc.gov/economic-intelligence/affordable-production-preservation.html>

opportunities and reducing unemployment across all Wards, races, educational attainment levels, to below 10% by the end of 2021. The Strategy will be released in March 2017.

One initiative in the Strategy is streamlining information for businesses interested in DC government programs and incentives. I am excited to share with you that we have released our public beta of an incentive tool and wizard to help businesses of all sizes understand the programs and incentives they qualify for. They can visit incentives.dc.gov to learn more.

DMPED is committed to making the District a national hub for inclusion in tech, innovation, and creativity. In 2016 we released our Pathways to Inclusion Report, sent a delegation to South by Southwest in Austin, lead the InnoMAYtion month, and the 202 Creates initiative. We are looking forward to the opening of the In3 incubator where we are partnering with Howard University and Luma Labs. And we are excited about our engagement regarding autonomous vehicles—including our participation in the Bloomberg/Aspen Initiative on Cities and Autonomous Vehicles, and our participation as the first city in the US to pilot the Starship food delivery bots.

At the neighborhood level, we support local businesses through our Great Streets Grant program. This competitive grant program provides grants up to \$50,000 to qualified small business owners who wish to improve their place of business. This grant initiative supports existing small business, attracts new business, and transforms emerging commercial corridors into thriving and inviting neighborhood centers. In FY15 and FY16, 109 businesses received Great Streets grants, totaling \$6.7 million.

The District of Columbia Revenue Bond Program provides below market interest rate financing for capital projects in various sectors. Program funds are generated through the issue and sale of DC Revenue Bonds, notes, or other obligations. In FY16 we financed 15 projects totaling approximately \$620 million. Entities who took advantage of the program include the

National Law Enforcement Officer's Memorial, the American College of Cardiology Foundation, National Public Radio, and the Far South East Collaborative who will use the funding to open a new headquarters along the MLK Avenue Corridor in Historic Anacostia.

IV. REAL ESTATE DEVELOPMENT

DMPED's Real Estate Development team had a banner year. With our fall 2016 legislative package, our 10 projects will produce 799 units of affordable housing, over \$865m in tax revenue, and over 4,400 construction and permanent jobs.

The New Communities Initiative has seen major progress on projects including Barry Farm, Lincoln Heights/Richardson Dwellings, Northwest One, and Park Morton. The NCI team has completed a total of 1,041 affordable units. While we have already made strong progress, we expect 2018 to be the most active year for New Communities with unprecedented progress in all of the New Communities.

V. Real Estate Projects to Highlight

For Walter Reed, the 67-acre former army medical center, in fall 2016, DMPED finalized the land purchase from the Army, and began NOI pre-development. We currently are in NOI pre-development.

On St. Elizabeths East, Council approved Phase 1 of the development, and the Land Disposition Agreement has been signed by the developer. Infrastructure work has begun, with the Entertainment and Sports Arena anticipated for delivery in fall 2018.

The 25-acre former McMillan Reservoir Sand Filtration Site also saw major progress in 2016. In December the Mayor led the "sand breaking" to commence the stabilization and restoration work which includes all regulator houses, sand bins and stationary sand washers. DMPED is working closely with DGS to complete this work. The remanded cases before the Zoning Commission and Mayor's Agent for Historic Preservation will occur this spring and summer.

Other Real Estate Highlights include this week's groundbreaking for Audi Field (DC United Soccer Stadium) on February 27th. For Capitol Crossing the North Block platform was completed in June 2016. At the Wharf, we finalized hotel agreements with the Hyatt House and the Hilton Canopy. And finally, we awarded Franklin School, with a development program that will include a new interactive language arts museum called Planet Word, educational space, café, and retail.

In closing, I'd like to thank you for your leadership and support. As always, we strive to operate with complete transparency, and I will ensure that the communication channels with your staff remain open and productive. This concludes my testimony. I am happy to answer any questions you may have.