WASHINGTON DC'S Economic Strategy Kickoff

July 2022



Welcome to the DC Economic Strategy Kickoff Meeting!

We will begin shortly

Think about...

What excites you about DC's economic future?



We embarked on a process to build our economic development strategy, aimed at promoting sustainable inclusive growth through three lenses



Tax base and revenue

Tax base must be bolstered by economic development efforts in order to reliably provide public services and amenities which residents and businesses depend on

2 Resident economic mobility

Residents must have the opportunity to afford a home in a safe and vibrant neighborhood, get a high-quality education, and find a job with a family-sustaining wage and access to benefits.

3 Business vitality

Businesses must be able to access the talent, the resources, the climate, and the ideas required to compete in a rapidly evolving economy subject to disruptive trends





In this session, we want to refine our understanding of the context and start the discussion on some opportunities





Agenda

1 Context setting, introductions (20 mins)

Gallery walk around exhibitions (30 mins)

Break (10min)

3

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4

Small groups: Discussions on current challenges (20 mins)

Perspectives from the field (40 mins)

Break (10min)

5

(6)

7

Small groups discussion on actions (30 mins)

Share-outs (15 mins)

Closing remarks (5 min)



There are a few principles we ask you adhere to ...



Share your knowledge with others! We want to learn from you

Be ambitious in your aspirations and thinking Be open to new ideas – there are no unmovable structures!

Listen to others – give enough time to understand before reacting

Assume the best intentions from others





DC has recovered significantly from the pandemic – it is time to shift our approach from *recovery* to *growth*

	Pre-COVID (2019)	Early COVID (2020)	Mid-COVID (2021)	Today (2022)	Improvemen since Early COVID
Unemployment Rate	5.0%	11.1%	7.2%	5.8%	1
Residential Vacancy	7.7%	11.4%	12.7%	9.0%	(\uparrow)
Commercial Vacancy	12.3%	13.2%	13.9%	17.8%	V
District Revenue	\$8.7B	\$7.9B	\$8.5B	\$9.4B	(\uparrow)
Consumer Spending ¹		-41%	-17%	7.3%	(\uparrow)
Restaurant Spending ¹		-49%	-26%	-20%	(\uparrow)
DC Residents Vaccinated		0%	49%	72%	
Public Health Restrictions	None	Many	Some	Few	(\uparrow)

1. As a % of Pre-COVID number

Source: DMPED Budget 2023, CoStar



MEADE GOVERNMENT OF THE DISTRICT OF COLUMBIA CMURIEL BOWSER, MAYOR

DC macroeconomic performance relative to peers is strong...

Performance relative to peers¹

Weakest performer Peer median Strongest performer **Unemployment Rate** 8.2 5.6 3.9 Percent 5.8 000 Labor Force Participation * * * 65 67 -71 Percent Líttti 71 Real median household income 71k 80k 111k **91k** 2021 USD Poverty 24.0 - 19.0 -10.0 Percent ШηЦ 15.5 **Educational attainment** * * * 35 40 60 Share of population with bachelor's degree 60

1. Peer MSAs include Atlanta (GA), Baltimore (MD), Boston (MA), Chicago (IL), Dallas (TX), Houston (TX), Huntsville (AL), Los Angeles, New York (NY), Philadelphia (PA), San Diego (CA), and San Francisco (CA)



DC

DC Rank

...but its overall economic strength masks significant racial disparities...



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Four forces have emerged as factors creating greater threats to sustained inclusive growth



Regional peer competition

~11.5 k residents lost in net migration in 2021

Remote work taking foothold

42% of tasks amongst DC's workforce can be done remotely



Automation pressures

~105,000 jobs at risk of automation displacement

Source: US Census Bureau; Moody's Analytics; OFCO; McKinsey Global Institute, American Community Survey (ACS) 5-year estimates; Nations Report Card; BLS; Pitchbook



The diagnostic highlights several key assets across our focus areas that set starting conditions for DC's economic success



- A resilient tax base amidst economic crisis ~20% income tax revenue growth from 2019-2021
 - Resilient tax base
 - Diversified tax base
 - Lower middle income tax burden

A talent and amenity rich city Top state in 4-year college graduation rates

- World class talent base
- Walkable, transit-oriented city
- Higher education hub
- A stable employer base with resilient small businesses 56.7% 5-year business survival rate
 - Stable employer base
 - Automation resistant workforce
 - High business survival rate

1. Based on tax burden for household making \$75,000

Source: US Census Bureau, American Community Survey (ACS); DC Open Data, SafeGraph, Equifax, Trust for Public Land; OFCO; BLS; EMSI; Harvard Business School's U.S. Cluster Mapping Project; Quarterly Census of Employment and Wages (QCEW); McKinsey Global Institute



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The diagnostic highlighted several challenges across the focus areas



Source: EMSI; Harvard Business School's U.S. Cluster Mapping Project ; Pitchbook; McKinsey Global Institute; National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS); US Census Bureau, Current Population Survey; Kauffman Index of Growth Entrepreneurship (2018); US Patents and Trademarks Office (USPTO); Moody's Analytics; CoStar; Arizona State University, "Doing Business in North America" rankings; ACS 5-year estimates; JLL Research; Nations Report Card; BLS; World Bank, 2015 Global Findex Data; FDIC 2015 National Survey of Unbanked and Underbanked Households; Open Data DC; McKinsey FinLab's CityX tool

A tax base highly sensitive to resident choice ~60% of income tax from top ~10% of filers in 2019

- Income tax reliant on high income residents
- Persistent concentrated business district vacancy

Α

A city with equity gaps that hinder mobility

Residents in the poorest neighborhoods are 4.1X more likely to be in poverty

- Neighborhood disparities
- City-wide lack of affordability of amenities
- Racial inequities in education

An economy losing workers and businesses to neighbors

~3% below US share of employment in high growth sectors like Life Sciences

- Low share in high growth sectors, losing out in the region
- Low start-up density
- Losing population to neighboring counties



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Gallery walk



Over the next 30 minutes we ask that you take your time to view each exhibit (~10 minutes per station) Group 1 to Station 1: Tax Base Group 2 to Station 2: Resident Mobility Group 3 to Station 3: Business Vitality

We encourage you to take your notepads and note some questions and thoughts on the data

Use the post-its at each station to write down a few live thoughts or comments on each station

We will later have small group discussions to reflect and discuss the strengths and challenges



Gallery Walk: Tax Base & Revenue



DC has faced a net outmigration trend for almost all age groups and at all levels of educational attainment for the working age population

From 2015-2019, DC saw annual net in-migration of about ~10,000 people ages 18-24; this group is likely comprised of -5,420 0-17 many students migrating to the district to attend college 18-24 +9,664 25-34 -4,155 Net domestic migration by educational attainment in age group 25-65+, 2015-2019 35-44 -3,329 -1,115 Less than high school High school diploma or equivalent -2,685 -2,488 45-54 -2,138Some college, no degree -554 55-64 -1,543 Associate's degree Bachelor's degree -3,953 65+ -788 Higher than bachelor's degree -1,658

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Net domestic migration by age group, 2015-2019

Within the region, DC saw stronger outmigration to adjacent counties

DC's net migration to/from other counties in the region, annual average (2015-2019)

+506



DC's top US counties for in-migration and outmigration, annual average (2015-2019)





COLUMBIA

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Housing is a top factor in trend, with affordability, cheaper housing as leading drivers of moves

Characteristics of people leaving DC, 2015-2019

Factor causing move from DC ¹	Average annual number of people leaving DC ¹	Average age of people leaving DC ¹	Average income of people leaving DC ¹
Attend/leave college	3,464	30	\$23,439
Housing ²	43,875	35	\$67,865
Job-related ³	29,686	30	\$67,399
Personal ⁴	25,111	34	\$60,390
Retirement	120	76	\$60,536

Top reasons DC residents moved to other states, 2015-2019



New job or transfer



Wanted new or better housing



For cheaper housing

1. Reasons specific to those who remained in the US after leaving DC

2. Wanted to own home, wanted new or better housing, wanted better neighborhood, for cheaper housing, foreclosure or eviction, other housing reason

3. New job or job transfer, to look for work or lost job, for easier commute, other job-related reason

4. Change in marital status, to establish own household, other family reason, Change of climate, health reasons, natural disaster, other reason

Source: US Census Bureau, Current Population Survey



In 2019, an estimated ~\$240M in income tax was lost due to outmigration – more than 60% of the tax loss comes from high-earning individuals with income above \$100,000



... which adversely affects the tax base



Source: ACS 5-year estimates, OCFO

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Residents are key to tax base: A resident earning \$85,000 who moves out of DC represents an approximate ~\$7,000 income and sales tax loss

	Scenario	1. DC resident employee	2. Non-resident working in DC ⁸	3. DC resident working in MDVA	4. DC resident working outside the DMV	5. Non-resident not working in the DMV
Estimated population		278,802 ⁶	561,674	90,745	3,309	N/A
Sales tax	Assumed income	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
	(x) % of income consumed in D	C ¹ 40%	14%	26%	26%	0%
	(x) Sales tax	6%	6%	6%	6%	6%
	= Total sales tax	\$2,045	\$716	\$1,329	\$1,329	\$0
Income	Assumed income	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
tax	(x) Income tax rate ⁷	9%	9%	9%	9%	9%
	(+) flat rate	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
	(x) % of income tax paid in DC ⁵	100%	0% ²	100% ³	41% ⁴	0%
	= Total income tax	\$5,625	\$0	\$5,625	\$2,316	\$0
Total tax ber	nefit	\$7,670	\$716	\$6,954	\$3,645	\$0
		Difference between a c resident employee				

1.Based on BLS Consumer Expenditures Survey, assumes 65% of income spent in place of residence, 35% spent in place of work; 2. Reciprocity agreements with every other state, Form D-4A exemption; 3. 100% for MD and VA due to reciprocity agreements; 4. Assuming 5% income tax in working state; 5. Does not account for deductions; 6. Totals in each bucket, not based on 85,000 income bracket; 7. In excess of \$60,000 8. Assuming works in DC 5 days a week



DC commercial vacancies are increasing dramatically, with competition from regional competitors





Additional
insightsDC is unique in experiencing negative absorption among major metros from 2011-2020
(52% rise in vacancy, vs. reductions in vacancies among peers)

Supply in DC also is increasing: properties under construction are only 58% pre-leased

Densification and Future of Work pressures mean **demand could be negative through 2021** (would have been +9%)



Trends in gov't and other major tenants

Competition with neighboring jurisdictions is fierce as DC has lost major tenants and federal government footprint



In CBD, almost 20% of large office buildings at over 25% vacancy

OF THE 733 LARGE OFFICE BUILDINGS, 137 HAVE RED: Vacancy > 25% VACANCY RATES ABOVE 25 PERCENT





Current vacancy rates cause an estimated lost ~\$405M property tax revenue, with the CBD and East End contributing ~75% to that loss

Area	Vacancy	Office Inventory (000sf)	Rent (\$/sf)	Vacancy loss (\$M)	Impact on assessed values (\$M) ¹	Lost property tax revenue ² (M)
CBD	18%	47,990 ×	\$54.76	464	7.603	141
Capitol Hill	17%	-7,774	\$55.18	72	1 .185	22 ~75% of total loss
East End	16%	55,169	\$58.64	522	8.549	158
Georgetown	15%	-3,944	\$45.28	-27	-451	-8
Dupont Circle	15%	-2,897	\$44.97	-20	-325	- 6
Capitol Riverfront	13%	5,092	\$52.47	-36	- 585	11
West End	13%	-4,855	\$52.07	-34	- 549	10
Southwest	13%	- 13,015	\$50.46	-83	- 1.361	25
Uptown	8%	-7,826	\$39.86	-26	-428	-8
NoMa	7%	- 12,394	\$50.06	-45	-734	-14
Northeast	6%	-2,498	\$30.25	-4	-69	-1
Shaw	5%	-1,037	\$43.59	-2	-40	-1
Logan Circle	1%	-1,392	\$43.54	-1	-13	0
Southeast	1%	-1,136	\$36.57	-0	-5	0
Total	15%	167,019	\$54.16	1.336	21.898	405

1. Based on Class A Office capitalization rate of 6.1%

2. Commercial property tax value of 1.85%

Source: CoStar; OCFO



Gallery Walk: Resident Economic Mobility



When compared to peer cities, DC outperforms in overall labor force participation rates, education attainment, and access to financial services...

		Washington DC	ranked against scale of peer pe	rformance	Peer rank ¹ 1=best
Outcome	Metric	Worst	Median	Best	performer; n=12
Jobs & employment	Median household income (\$)	45.9k	59.1k 86.	4k 112.4k	2
	Workers in service occupations (%)	23%	19%	15% 15%	1
	Workers in management roles (%)	8%	10%	16% 16%	1
	Labor Force participation (%)	61%	67%	0 71%	2
Inclusion	Child poverty (%)	34%	27% 24%	10%	3
-	Poverty (%)	24%	19% 16%	10%	3
Education & skills	Pre-K enrollment (%)	22%	26%	34% 34%	1
	Pop w/o high school degree (%)	23%	14%	9% 9%	2
	Pop w/ bachelors or above (%)	30%	42%	5 9%	1
Financial inclusion & access	Mortgage rejection rate (%)	16%	12%	8% ⁸ %	2
	Bank branches per 1000 pop.	21%		87%	1

Among peer cities¹, DC is one of the cities with highest **labor force participation** rate and **median household income**, as well as one of the lowest rates of child poverty and **overall poverty**

Similarly, DC enjoys a very educated workforce when compared to peers. The share of population with high school and bachelors' degree is higher than most peers

Finally, the **density of bank branches** is the best among peers while the mortgage rejection rate is low

1. Peer cities include Atlanta (GA), Baltimore (MD), Boston (MA), Chicago (IL), Dallas (TX), Houston (TX), Huntsville (AL), New York (NY), Philadelphia (PA), San Diego (CA), and San Francisco (CA) ...however, DC underperforms across certain variables of social cohesion and inclusion, while also showing poor performance in education, savings, and health outcomes

		Washington DC ra	anked against scale of peer	performance	Peer rank ¹ 1=best
Outcome	Metric	Worst	Median	Best	performer; n=12
Stability and social cohesion	Jail incarceration rate (%)	1% 0.9%		0%	9
Inclusion	Share of income in top 5% (%)	31%	25%	22%	6
	Adult income percentile if child household below 25th percentile	29%	3 5%	49%	9
Education & skills	8th grade math below basic level (%)	61%	45% 47%	33%	7
	8th grade reading below basic level (%)	50%	42% 39%	25%	7
Housing quality & affordability	Homelessness per 10,000	92.8 92.1	45	17	10
	Overcrowded homes (% 1+ occupants/room)	4%	2%	0%	7
Savings & Wealth	Home ownership (%)	33%	43%	57%	8
Health	Life expectancy	73.5	77.3	82	9
	Mental health not good for 14 days (%)	18%	14%	11%	6

Among peer cities¹, DC shows poor performance in certain aspects of social cohesion, as the city has high **incarceration rates** and high **income inequality**. The rates of **homelessness** are also among the worst when compared to peer cities

Although the District shows high levels of education attainment (per previous page), **performance in math and basic reading** are below peers

In addition, incidence of **mental health issues** and lower **life expectancy** are reflective of challenges in the population's health

1. Peer cities include Atlanta (GA), Baltimore (MD), Boston (MA), Chicago (IL), Dallas (TX), Houston (TX), Huntsville (AL), New York (NY), Philadelphia (PA), San Diego (CA), and San Francisco (CA) A closer look at performance reveals deep disparities in outcomes across neighborhoods – the poorest neighborhoods also concentrate a greater proportion of Black population



	Select outcomes (avg across quintile)							Select neighborhood characteris across quintile)		
			ative to rest of	city Hig	gher relative to	rest of city		Higher r	elative to rest of city	
uintile	% in poverty	Median house- hold income	% Unemp- loyed	% w/ ba- chelors	No health insurance	Median home value	% White	% Black	% Hispanic	
st quintile	8%	\$150k	4%	87%	2%	\$915k	71%	8%	11%	
nd quintile	10%	\$125k	4%	73%	2%	\$730k	49%	35%	9%	
^d quintile	15%	\$90k	6%	60%	5%	\$604k	35%	38%	19%	
^h quintile	20%	\$73k	10%	42%	5%	\$482k	23%	62%	12%	
^h quintile	32%	\$38k	17%	16%	5%	\$301k	2%	94%	3%	
ity average	16%	\$86K	7%	59%	4%	\$602K	37%	46%	11%	
op vs ottom uintile	4.1x poverty	4x income	4.1x un- employ ment	5.6x Bache- lors	2.7x health insurance	3x median home value				

DC resident likelihood to experience crime, live in poverty, experience unemployment, barriers to educational attainment and health insurance might be 3-6x higher depending on which neighborhood you grew up in

1. 'Serious' as defined by FBI Group A incidents Source: Based on quintile analysis of 51 neighbourhoods across DC as defined by the census tracts and DC Health Neighborhood Groups from Open Data DC



Transit commutes correlate with income and race, though many workers in low-income neighborhoods work outside DC and thus face longer commutes





Disparities in rent cost burden are more acute in some neighborhoods, tied to median income

DRAFT PRELIMINARY

Rent burden, 2019¹

% population in renter-occupied housing spending 30+% of income on rent²



72k DC households have rent burden. Ward 8 has the highest rent burden with 58%, compared to DC average of 44%

Severe rent burden, 2019

spending >50% of income on rent

% population in renter-occupied housing

0%

80%

36k DC households have a severe rent burden. Wards 5, 7 and 8 have the highest rent burden ranging from 4.6-8.3k households affected

- 1. Based on Census-defined poverty threshold, as of 2019 American Community Survey 5-year estimates
- 2. When data is unavailable, no census tract is shown
- 3. Households paying >50% of income toward rent
- 4. Households paying 30%-50% of income toward rent

Source: ACS, US Census Bureau

DC's rent burdened households by income bracket

2020, ACS 5-yr estimate





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For Black residents, the pivotal mobility experiences occur during K-12 education, resources as children, and high school completion/college readiness and prison incarceration

Black/non-Hispanic White Equity gap¹, worse outcomes 55 Key takeaway 50 52x more likely to live in The most divergent 45 poverty as experiences along the children 25x more likely economic mobility 29x more to drop out 35 likely to be journey for Black from high incarcerated school residents occur at child 30 poverty, high school, 25 12x more likely to and interactions with 8.8x more underperform in 20 Experience likely to be police/incarceration. 4th grade 1.4x less homeless reading/math However, they also upward mobility 15 as an adult experience disparate 3x more 2.6x more likelv to be 10 Earn outcomes during K-12 likely to be denied 2.2x education, experiencing uninsured less mortgage 5 homelessness etc. 0 شيه đð Child Unemployment2 Homelessness Infant Pre-K mortality rate enrollment poverty 4th grade 8th grade High school Prison Mortgage Overall Social mobility math below reading & graduation Incarceration Farning approval Home value Health health index basic level math insurance Outcomes

DC residents have mobility experiences or life events that can demonstrably affect an individual's economic position throughout stages of life

1. Equity gap is defined as ratio of occurrence in the Black population to occurrence in Non-Hispanic White population; 2. Due to reporting constraints, incarceration rates compare non-Hispanic Black residents to White residents including Hispanic and non-Hispanic White residents.

Source: 2019 American Community Survey from the US Census Bureau





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Black/non-Hispanic White inequity size Parity of opportunity -

For Hispanic residents, the pivotal mobility experiences occur during K-12 education, resources as children, and high school completion/college readiness

50 Key takeaway 45 The most divergent 25x more experiences along the likely to live in economic mobility 30 povertv as children journey for Hispanic 25 residents occur at child 8x more poverty and high school likely to 20 graduation. However, underperfor 50x more Experience likely to drop m in 4th they also experience 1.1x less out from high 15 grade disparate outcomes upward mobility reading/math school 6x more 5.6x more as an adult during K-12 education, likely to be likely to be 3.7x more 10 2x more uninsured likely to be incarcerated experiencing likely to be Earn homeless denied 2x homelessness, health 5 less mortgage insurance etc. ппÎ - T T 🗍 đð Infant Child Unemployment2 Homelessnes Pre-K Social mobility mortality rate enrollment poverty 4th grade 8th grade High school Prison Mortgage Overall math below reading & graduation Incarceration Earnings Home value Health health index approval basic level math insurance Outcomes

Hispanic/non-Hispanic White Equity gap¹, worse outcomes

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Source: 2019 American Community Survey from the US Census Bureau





Gallery Walk: Business Vitality



~209k DC jobs are at risk of being displaced by automation by 2030; displacement would be concentrated in low wage occupations



1. Based on the number of tasks that can be done more effectively by an automaton

2. Assumes distribution of tasks are concentrated in certain types of jobs within occupational category as opposed to evenly distributed

3. Defined as >30% of tasks in occupation can be done more effectively by automatons

Source: O*NET, BLS, MGI Automation Model February 2022, MGI FoW post-Covid model, February 2022; McKinsey Global Institute analysis; EMSI

~ 42% of jobs in DC can be done remotely without significant productivity loss; occupations with highest remote potential tend to be high-income





1. Based on the number of tasks that can be done effectively remotely without significant productivity loss, not a projection of likely number of jobs done remotely

2. Assumes distribution of tasks are concentrated in certain types of jobs within occupational category as opposed to evenly distributed

3. Defined as >50% of tasks in occupation can be done remotely without significant productivity loss

Source: O*NET, BLS, MGI Automation Model February 2022, MGI FoW post-Covid model, February 2022; McKinsey Global Institute analysis; EMSI



Based on existing strengths, growth opportunities, and regional investments, a list of 11 priority sectors emerge for DC

Asset sectors & Selective bets

High specialization, high growth to maintain leadership



General and Technical Consulting

Attract growth by proactively identifying potential targets that would benefit from DC presence



Mobile, e-commerce, and distribution

Create more talent and coders for app development, including e-commerce and distribution

Regional battle grounds

High growth and specialization sectors for the region where DC should win more share



Cybersecurity

Promote proximity and strength of links to federal cybersecurity purchasers (e.g., NSA)

Life Sciences and Health Tech

Leverage strength of regional research and regulatory bodies to drive innovation investment (i.e., NIH)

Legacy industries

Existing specialized sectors projected with lower growth but strategic importance

Marketing and communications

Continue growth by leveraging proximity to federal government / political center

Federal and State Government

Partner to develop optimal landing places for Federal Government and State Government office bids

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Food and Restaurant Tech

Capitalize on previous successes and on the outsized investments in food technology that already comes to DC when compared to the region



Hospitality and entertainment

Leverage the cultural attractions and fast growth in entertainment businesses to create a hub in the region



AI / Big Data

Capitalize on distinctive regional opportunities in education, cybersecurity, health, and food



Cloud and computer systems

Identify and attract regional and national cloud and systems players and support with talent partnerships

Ed Tech / FROs

Deepen strength in ed, ed tech and research organizations, supporting expansion and more talent


The labor market in DC is overrepresented in low-growth industries such as Government Services, and underrepresented in high-growth such as Hospitality

Share of employment in DC

		CAGR, 2023-20	•		to the US ¹ , p.p., 2021	to the US ² , p.p., 2023		
	Hospitality and Tourism		2.0%	-0.3%		-6.3%		
	Hospitality Establishments		1.6%	-3.0%		-9.4%		
	Marketing, Design, and Publishing		1.2%		1.5%		0.4%	
	Business Services	1	.1%		4.6%		1.1%	
	Education and Knowledge Creation	0.7	%		4.5%		0%	
1)	Commercial Services	0.7	%		2.7%	-1.0%		
anane	IT and Analytical Instruments	0.6%	6	-0.7%			0.4%	
ש	Education and Training	0.6%	6	-2.7%			1.0%	
	Distribution and Electronic Commerce	0.6%	, D	-3.2%			1.7%	
	Financial Services	0.4%		-0.4%		-0.3%		
	Insurance Services	0.4%		-0.7%		-1.7%		
	Federal Government Services -	0.1%			25.0%	6 -0.1%		
	State Government Services -0).2%			1.9%		1.7%	
	Entertainment and Media -0.5	5%			0.3%		3.5%	
	Performing Arts		2.5%		0.1%		0.2%	
	Community and Civic Organizations		1.9%		4.6%		0.5%	
_	Personal Services (Non-Medical)		1.3%	-1.4%		-0.8%		
CCal	Health Services	1.	0%	-3.9%		0%		
J.	Real Estate, Construction, Development	0.4%		-4.0%			0.7%	
	Construction Products and Services	0%		-0.4%			1.4%	
	Food & Bev Processing & Distribution -0.	.4%		-1.7%		-0.6%		

US employment growth

Implications

DC CAGR difference relative

Hospitality and Tourism need attention, as those sectors are expected to grow in the US but suffer contraction in DC due to lagging recovery

Marketing, design, publishing, and business services are areas where DC shows specialization and promising growth –important to keep cultivating those sectors

IT, education, training, and distribution are sectors that will grow faster in DC than in the rest of the country, which might call for increased attention to attract employment to those areas

Government services represent a large employer in DC, but growth is slow -- important to find other drivers of employment growth in the city

Life sciences (health services) might need attention to increase their employment share and tap into their potential growth

1 It represents the share of employment in DC minus share of employment in the US 2 It represents annual growth (2023-2030) in DC minus annual growth (2023-2030) in the US

Source: EMSI; Harvard Business School's U.S. Cluster Mapping Project

DC does not capture its representative share of high-growth sectors within the region and is losing major tenants to neighboring states

VC investment by tech vertical, Washington-Baltimore-Arlington¹, 2015-21¹, \$, Million

DC Maryland Virginia

Life Sciences	3%			88%			9%	\$4,025
Cybersecurity	7%	43%			50%	\$2,910		
Mobile		54%		21%	25%	\$2,678		
Artificial Intelligence & Machine Learning		36%	32%	32%	\$2,3	322		
Oncology		939	%	7	% \$2,148	3		
Big Data	3	0% 15%	5	5%	\$2,118			
HealthTech	9%	62%	29%	\$1,578				
Industrials	25%	6 50%	25%	\$1,472				
FinTech	2	8% 27%	25%	\$1,388				
LOHAS & Wellness	38							
FoodTech	e	6%	8% 259	[%] \$1,012				
Supply Chain Tech		37% 38% \$	938					
Restaurant Technology		76% <u>5</u> %	6 19%	\$876				
Internet of Things	1% 60	% 40% \$737	7					
CloudTech & DevOps	3%-50%	47% \$610						
Manufacturing		8% -15% \$						
CleanTech	649	6	[%] \$57	4				
Impact Investing		<mark>% 2</mark> 5% \$581						
EdTech	59%	20% 21	[%] \$57	4				
Mobility Tech		る 1 1 1 1 1 1 8 5 5 5 6 1 8 5 5 6						

Trends in gov't and other major tenants

	Net gain/loss in major tenants from neighbors since 2015	Net change in federal govt leased footprint 2011-2020
Washing- ton, DC	↓ 26	↓ 13%
Northern Virginia	↑ 26	↑ 43%
Suburban Maryland	\rightarrow 0	↑ 2%

Competition with neighboring jurisdictions is fierce as DC has lost major tenants and federal government footprint

1. The Washington-Baltimore-Arlington CSA includes areas of Pennsylvania and West Virginia as well, though ony DC, MD, and VA were analyzed for purposes of this analysis. Source: Pitchbook; JLL Research



DISTRICT OF COLUMBIA

DC underperforms in certain metrics related to early stages of innovation and entrepreneurship

Innovation pipeline



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1. Peer MSAs include Atlanta, Baltimore, Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco.

2. # of fast-growing companies with > \$2M in revenue / 1000 firms

Source: Kauffman Index of Growth Entrepreneurship (2018), US Patents and Trademarks Office (USPTO), US Census Bureau, Moody's , Higher Education Research and Development Survey

(2)Gallery walk around exhibitions (30 mins) Break (10min) 3 Perspectives from the field (40 mins) Small groups: Discussions on current (4) challenges (20 mins) Break (10min) 5 Small groups discussion on actions (30 mins) Share-outs (15 mins) (6) Closing remarks (5 min) 7

Context setting, introductions (20 mins)

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BOWSER, MAYOR

(1)

Meet our panelists!



Yesim Sayin Executive Director, DC Policy Center



Marie Johns CEO, PPC-Leftwich



Kim Ford

Economic Mobility, Education, and Workforce Development Executive and former CEO of Martha's Table



Don Edwards CEO and Founder, JSA *Moderator*



1 Context setting, introductions (20 mins)

Gallery walk around exhibitions (30 mins)

Break (10min)



(2)

Perspectives from the field (40 mins)

4

Small groups: Discussions on current challenges (20 mins)

Break (10min)



(6)

7

Small groups discussion on actions (30 mins)

Share-outs (15 mins)

Closing remarks (5 min)



Reflect on the gallery walk and panel discussion...



Have we captured accurate strengths and challenges in each area? What else is missing?

Did anything in particular stand out? Was there anything new that you had not seen before?



Reflect on the 9 strengths and 8 challenges facing the District... what is missing?

Strengths identified in analysis	Challenges identified by our analysis
1 Resilient tax base	Income tax reliant on high income residents
2 Diversified tax base	Persistent concentrated business district vacancy
3 Lower middle income tax burden	
4 World class talent base	3 Neighborhood disparities
5 Walkable, transit-oriented city	4 City-wide lack of affordability of amenities
6 Higher education hub	5 Racial inequities in education
7 Stable employer base	6 Low share in high growth sectors
8 Automation resistant workforce	Low start-up density
9 High business survival rate	8 Losing population to neighboring counties
	 Resilient tax base Diversified tax base Lower middle income tax burden World class talent base Walkable, transit-oriented city Higher education hub Stable employer base Automation resistant workforce



1 Context setting, introductions (20 mins)

Gallery walk around exhibitions (30 mins)

Break (10min)



(2)

Perspectives from the field (30 mins)



Small groups: Discussions on current challenges (20 mins)

Break (10min)

5

(6)

Small groups discussion on actions (30 mins)

Share-outs (15 mins)



Closing remarks (5 min)



SOWSER MAYOR

A few themes of aspiration have emerged from our engagement thus far...

400+ individuals estimated to be engaged **Internal Interviews**

Economic Strategy Meetings

External Expert Discussions

Thematic Focus Groups

Resident Listening Sessions

We've heard ... DC should aspire to:



Grow equitably



Reactivate neighborhoods



Retain residents



Provide pathways



Attract business



Draft aspiration for DC

In 2027 DC will be...

- A place where residents of all races, genders and neighborhoods achieve their full potential
- A community in which every neighborhood offers residents a pathway to success
- An urban center that is a destination of choice for innovators, job creators and visitors
- A city that people choose to live, work, visit and thrive



The challenges identified in the diagnostic can inform our economic development strategy

Focus a	ireas	Challenges identified by our analysis	Potential implications for our strategy		
00	Tax base &	 Income tax reliant on high income residents 	Attract and retain residents, support low-income residents		
	revenue	Persistent concentrated business district vacancy	Find creative solutions to reduce vacancy rates		
		3 Neighborhood disparities	Reduce poverty particularly for residents in wards 7 and 8		
	Resident economic mobility	Oity-wide lack of affordability of amenities	Reduce financial burden, focus on housing and childcare		
	mobility	6 Racial inequities in education	Increase educational attainment among minorities		
		6 Low share in high growth sectors	Win in the battle grounds, attract growth sectors		
	Business vitality	Low start-up density	Support early ventures, particularly minority-owned businesses		
		8 Losing population to neighboring counties	Connect talent with local opportunities		



There are several metrics that DC can use as guiding indicators of progress in achieving growth and equity across our three focus areas

Focus areas	Potential growth KPIs	Potential equity KPIs
Tax base & revenue	 Population Median residential rental price CBD commercial vacancy Income-, property-, and/or sales-tax revenue Net new housing units 	 Resident retention Severe housing burden by ward Severe housing burden by racial group Share of income-tax revenues coming from high-income (\$200K+ p.a.) HHs Which metrics a
Resident economic mobility	 Real median income Share of workers earning a living wage Unemployment rate Labor force participation rate Median resident net worth 	 Poverty Racial unemployment-rate gap Racial labor-force-participation-rate gap Racial income gap High-school graduation rate
Business vitality	 Jobs in target industries GSP in target industries Real private-sector GSP Ease-of-doing-business score Patents per year 	 New-business formation 5Y startup survival rate Days to register a business Share of minority-owned and/or women- owned businesses





Defining success

What does success look like in different issue areas? How would you know when "success" has been achieved?

Is there a moonshot goal(s) that should guide the strategy?

What actions should be taken to achieve goals?



1 Context setting, introductions (20 mins)

Gallery walk around exhibitions (30 mins)

Break (10min)

3

(2)

4

Small groups: Discussions on current

Perspectives from the field (30 mins)

challenges (20 mins)

Break (10min)



6

Small groups discussion on actions (30 mins)

Share-outs (15 mins)



Closing remarks (5 min)



Debrief findings

What specific priorities did your group identify?

What actions or "moonshot goals" did your group propose for DC to pursue?



1 Context setting, introductions (20 mins)

Gallery walk around exhibitions (30 mins)

Break (10min)

3

(2)

4

Small groups: Discussions on current challenges (20 mins)

Perspectives from the field (30 mins)

Break (10min)

5

6)

(7)

Small groups discussion on actions (30 mins)

Share-outs (15 mins)

Closing remarks (5 min)



Thank you!



Next steps...

Share input

Tell others

Focus groups

Get updates at comeback.dc.gov

Email at economicstrategy@dc.gov

