

# WASHINGTON DC'S HOUSING IN DOWNTOWN PROGRAM

FY24 Budget Proposal

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★ **DMPED** ★  
OFFICE OF THE DEPUTY MAYOR FOR  
PLANNING & ECONOMIC DEVELOPMENT

★ ★ ★ GOVERNMENT OF THE  
WASHINGTON DISTRICT OF COLUMBIA  
DC MURIEL BOWSER, MAYOR

# For decades, Downtown DC has served as our economic engine, generating a disproportionate share of property tax revenue



**Downtown accounts for only 2.3% of all taxable properties in the DC but contributes 37% of all property tax revenue collected**

*Source: OCFO, Data from FY19*

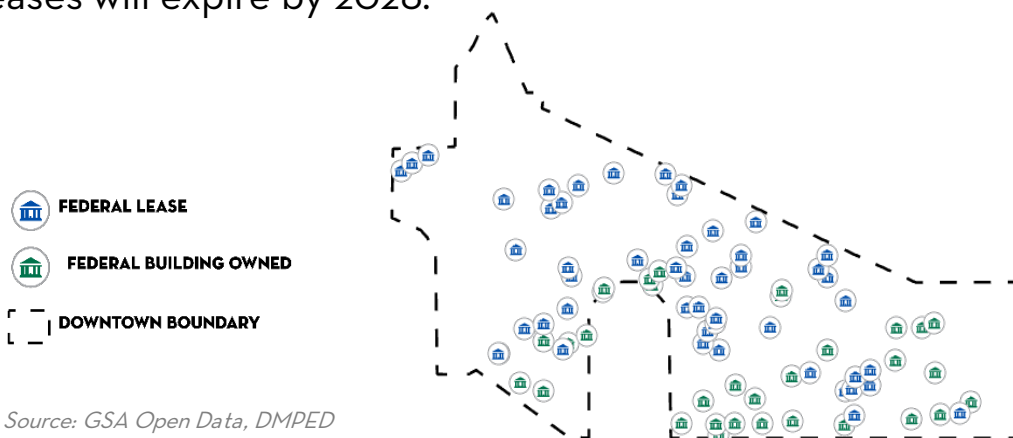
# Today our downtown faces significant challenges due to an oversupply of office space and sustained telework– it is time to take transformative action

## A half a billion in revenue losses forecasted

In February 2023, the OCFO forecasted \$464M in revenue losses over the next three years due to declines in property tax revenue from large office buildings, driven by enduring remote and hybrid work. The loss of nearly 95,000 daily commuters erodes additional tax revenue.

## Outsized share of Federal buildings downtown

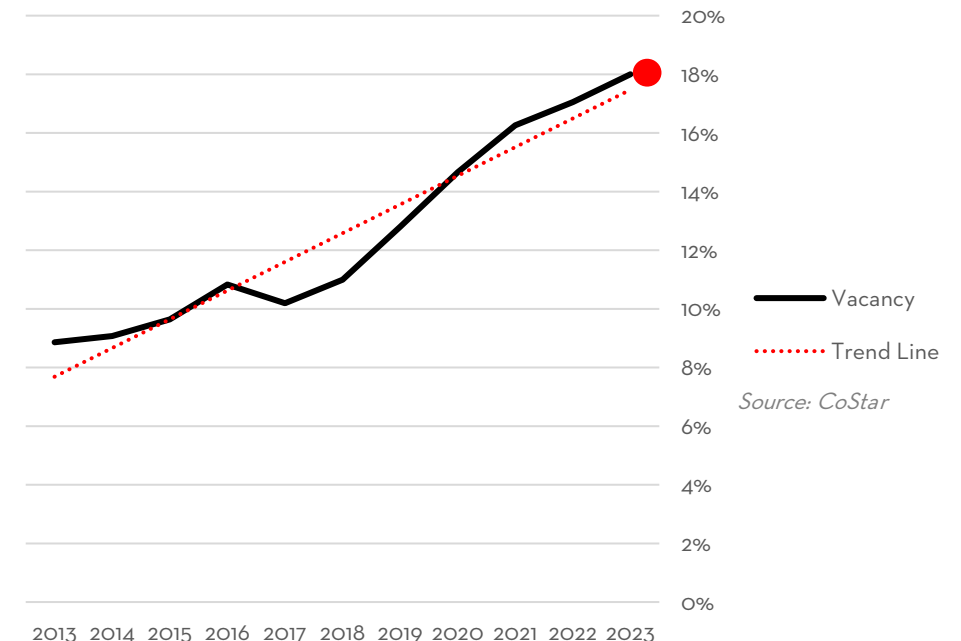
The threat is sharpened by our economic dependence on the federal government, which leases or owns nearly 25% of all office space downtown. According to GSA data, 58% of these leases will expire by 2028.



## Highest vacancy recorded over the last 30 years

20M of 109M SF of office space is vacant (18%), nearly double the vacancy rate recorded in 2018 (11%). Office vacancy today even surpasses the office vacancy rates of the early 1990s.

### Downtown Office Vacancy (%) 2013 - 2023



# DC's Comeback Plan outlines a 3-pronged approach to Downtown transformation: 1) Fill the Space, 2) Change the Space, and 3) Bring the People

Related goals include creating 35,000 new jobs in high-growth target sectors and adding 15,000 residents to the Downtown population in the next 5 years.

## Initiatives in Progress

### Fill the Space



- Vitality Fund (\$10M) to attract and retain businesses in targeted sectors that make commitments to locate in DC
- Expand business attraction, retention and expansion efforts
- Grow Penn West Equity and Innovation District
- Grow university and innovation activity and footprint Downtown

### Change the Space



- Housing in Downtown program implementation
- Pennsylvania Avenue Initiative with the National Capital Planning Commission
- Downtown public realm study and action plan (OP)
- Downtown housing capacity analysis
- Federal government real estate portfolio engagement
- K Street Transitway Project (DDOT)

### Bring the People



- Tourism Recovery District to increase marketing for tourism by \$20M+ FY24-27 (DDC)
- \$6M DC Family Fun Destinations
- \$1.5M Special Event Relief Fund (SERF) for local outdoor events
- \$3M to support large-scale nonprofit events
- \$1.4M Streets for People program to support public space activations

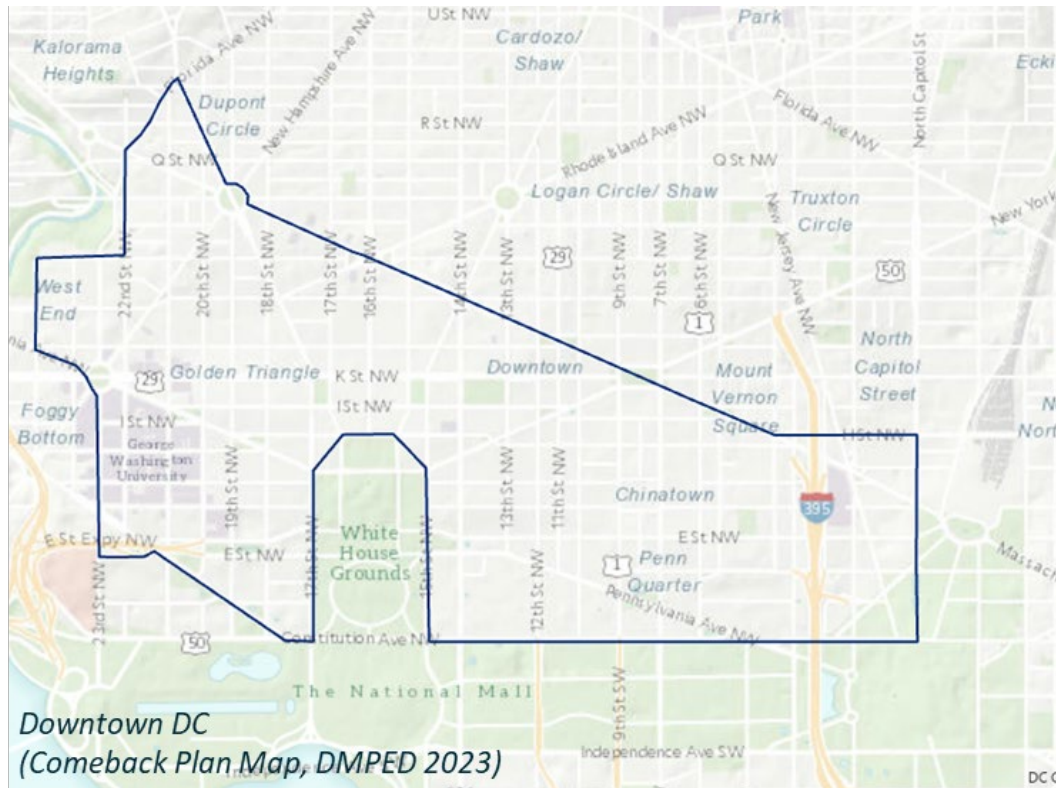
## FY24 Proposed Initiatives

- Creative and Open Space Modernization rebate program (COSM) - \$1.5M enhancement (DMPED) to enable the District to retain tech/innovation companies
- Housing in Downtown (HID) program modifications - \$2.5M total cap between FY24-26, increases to \$6.8M in FY27 and \$41M in FY28. (DMPED)
- HID estimated to create 7,900 new homes downtown, supporting the 15,000 new residents goal
- \$9.8M to design and construct an updated Farragut Square Park (DPR)
- **A \$1.5M Festival Fund (DMPED)** to offset costs for community organizations hosting an event in DC



# Change the Space: In January 2023, Mayor Bowser set a bold goal to diversify our Downtown and bring 15,000 new residents by 2028

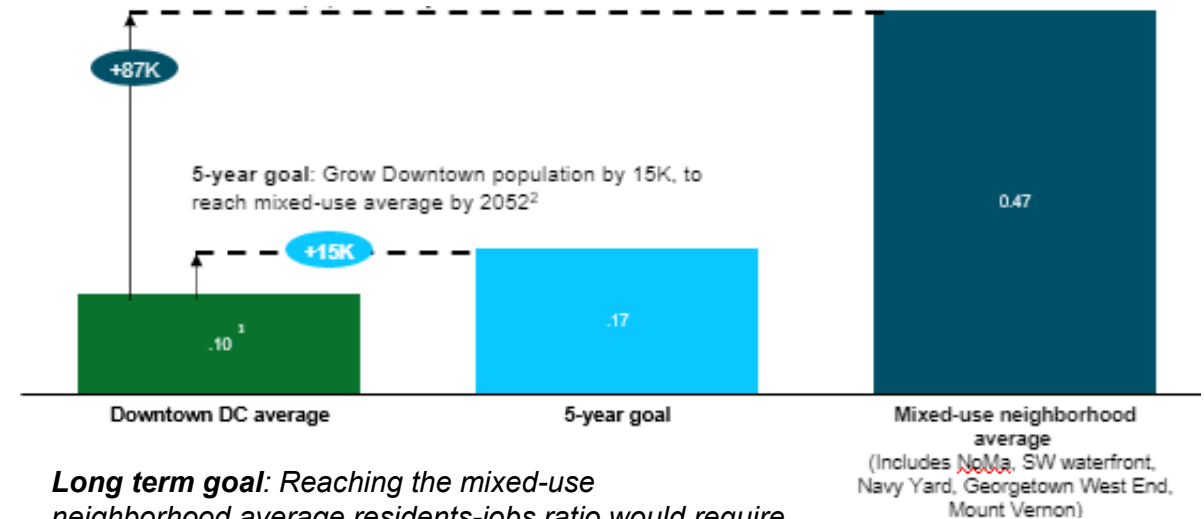
## HOUSING IN DOWNTOWN PROGRAM



This map serves as the baseline for the District's 15,000 new resident and will be used to establish eligibility for HID Program applications.

## ADDITIONAL RESIDENTIAL NEEDED DOWNTOWN

- Assuming an average household size of 1.6, **Downtown would need to add 7M SF of net new residential space** to achieve a goal of adding 15,000 residents.
- The **proposed FY24** HID Program, would yield 90% of the Mayor's goal by 2028.
- The following graph shows the **total job-to-resident ratios**, that inform the 15,000-resident goal.



# The revised Housing in Downtown program, informed by extensive stakeholder engagement, will help deliver an 90% of needed new homes Downtown

Element	FY24 Proposed
<b>HID Overview</b>	HID is a competitive program aimed at catalyzing new residential development downtown (via conversion or tear-down) through financial and regulatory relief. Once the FY24 budget is finalized, DMPED will issue regulations and release a Request for Applications (RFA). <b>Projects will be evaluated case-by-case to determine financial need.</b>
<b>Program Caps</b>	FY24-26 - \$2.5M total FY27 - Total cap increases to \$6.8M FY28 - Total cap increases to \$41M FY29 and future years - The prior year's cap, with 4% annual escalation in each successive year.
<b>Affordability</b>	8% affordable at 60MFI OR 15% affordable at 80MFI
<b>Geography</b>	Downtown as defined by the DC's Comeback Plan (No change)
<b>Duration</b>	20-year property tax abatement (No change)
<b>CBE Contracting</b>	Required for construction and operations (No change)
<b>First Source</b>	Exempt from construction and operations
<b>TOPA</b>	HID program would relax TOPA through a targeted, time-limited exemption for HID approved projects only. These projects would be temporarily excepted from TOPA for a period of 15 years, after Certificate of Occupancy is received. Property owner would be required to notify tenants prior to lease execution.

# The proposed program removes barriers that project sponsors identified as the most significant challenges to building and producing homes Downtown

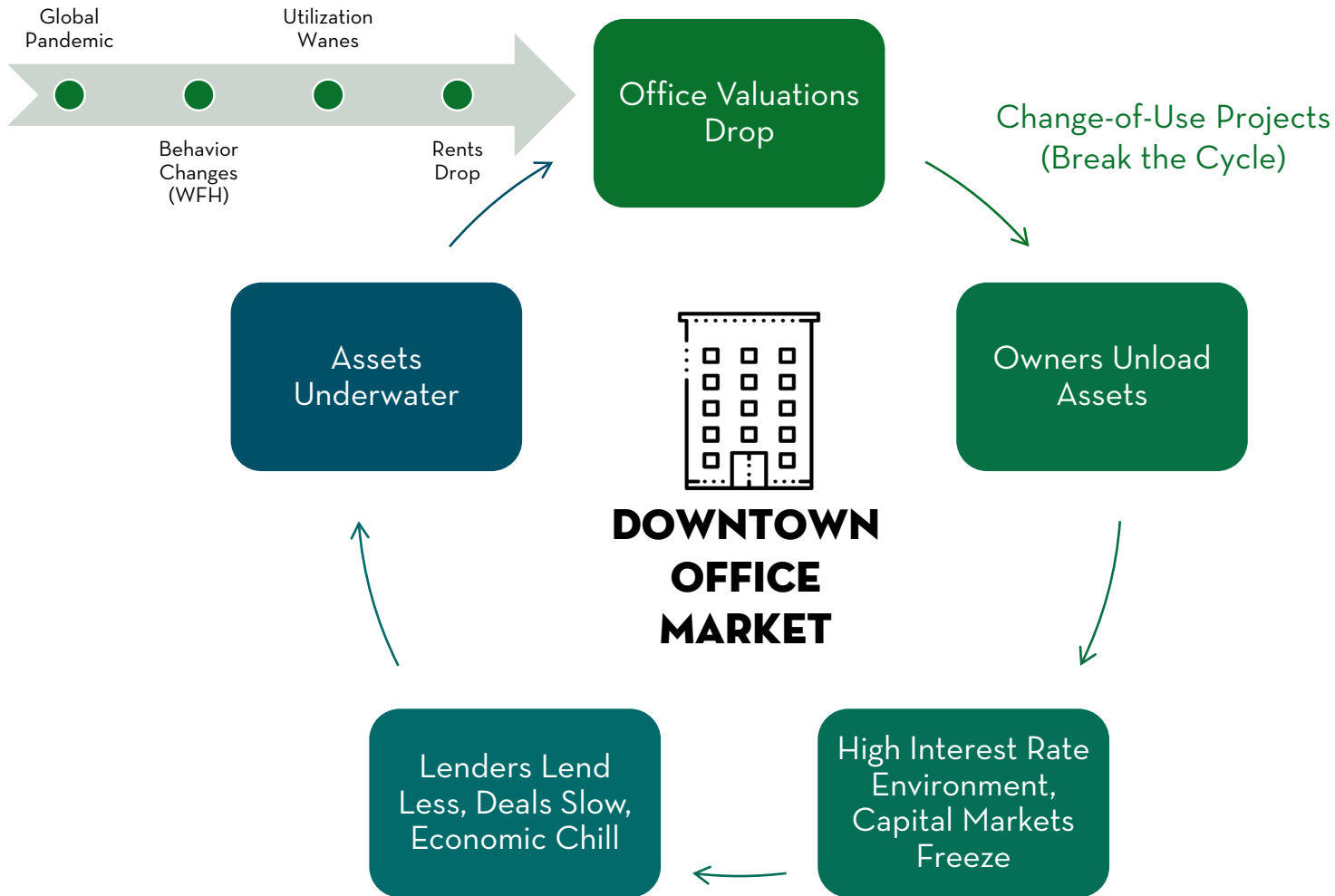
## Housing in Downtown and TOPA

- The HID program would relax TOPA through a targeted, time-limited exception for HID approved projects only. The exception would last 15 years following issuance of the Certificate of Occupancy.
- DMPED engaged dozens of stakeholders and TOPA was consistently identified as one of the most significant challenges to securing project investment due to the impact it has on recapitalization timelines.
- This is particularly challenging now because inflation has increased the cost of borrowing and introduces other uncertainty that discourages investment.

## Housing in Downtown and First Source

- The HID program would relax First Source requirements by exempting HID-approved projects only. The exemption would be from First Source hiring requirements during construction and operations.
- Stakeholders identified First Source as a significant cost driver. When paired with high interest rates, and rising cost of construction materials, it challenges project viability.

# Now is the time to come together to take bold action, before empty buildings become empty blocks



Economic uncertainty will persist as the Federal Reserve continues to raise interest rates now at 4.65%, which is the highest rate since the great recession 15 years ago.

Already, in the year since the Housing in Downtown program was initially proposed, commercial property tax values have dropped 9%. The ripple effects on local economies will be disastrous.

The updated program is an evidence-based, stakeholder-informed investment into creating a more resilient Downtown.



# RESOURCES

## Contact

For questions on the proposed Housing in Downtown Program please email Olivia Jovine, DMPED Program Manager, at [olivia.jovine@dc.gov](mailto:olivia.jovine@dc.gov).

## Program Details

[FY24 Budget Support Act Subtitle G - Housing in Downtown \(pg. 19\)](#)

[Housing in Downtown Tax Abatement Act of 2022 \(pg. 98\)](#)

[Housing in DC's Comeback Plan: Our 2023-2027 Economic Development Strategy \(pg. 23 to 27\)](#)

[DC's Comeback Plan](#)