

WASHINGTON DC'S HOUSING IN DOWNTOWN PROGRAM

Program Explainer Deck FY24

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

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

Downtown DC is the economic engine generating a disproportionate share of property tax revenue fueling the District economy.



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

Source: DMPED, OCFO, Data from FY19

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

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. However, in the September 2023 forecast, the revenue estimates were revised upward by a total of \$195.4M over the financial plan period. This was due to slower deterioration of the commercial real estate market in the out-years relative to the February forecast.

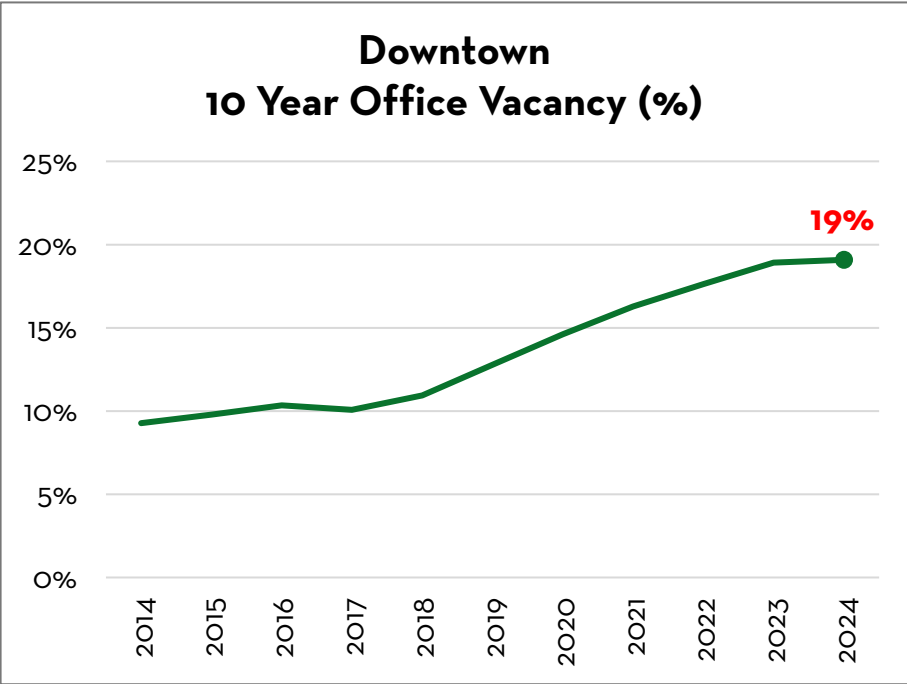
Outsized share of Federal buildings downtown

The threat is sharpened by the District’s outsized share of federal employment, the GSA leases or owns nearly 25% of all office space downtown. According to GSA data, 58% of these leases will expire by 2028.

Source: GSA Open Data, September 2023 Revenue Estimate ([link](#))

Highest vacancy recorded over the last 30 years

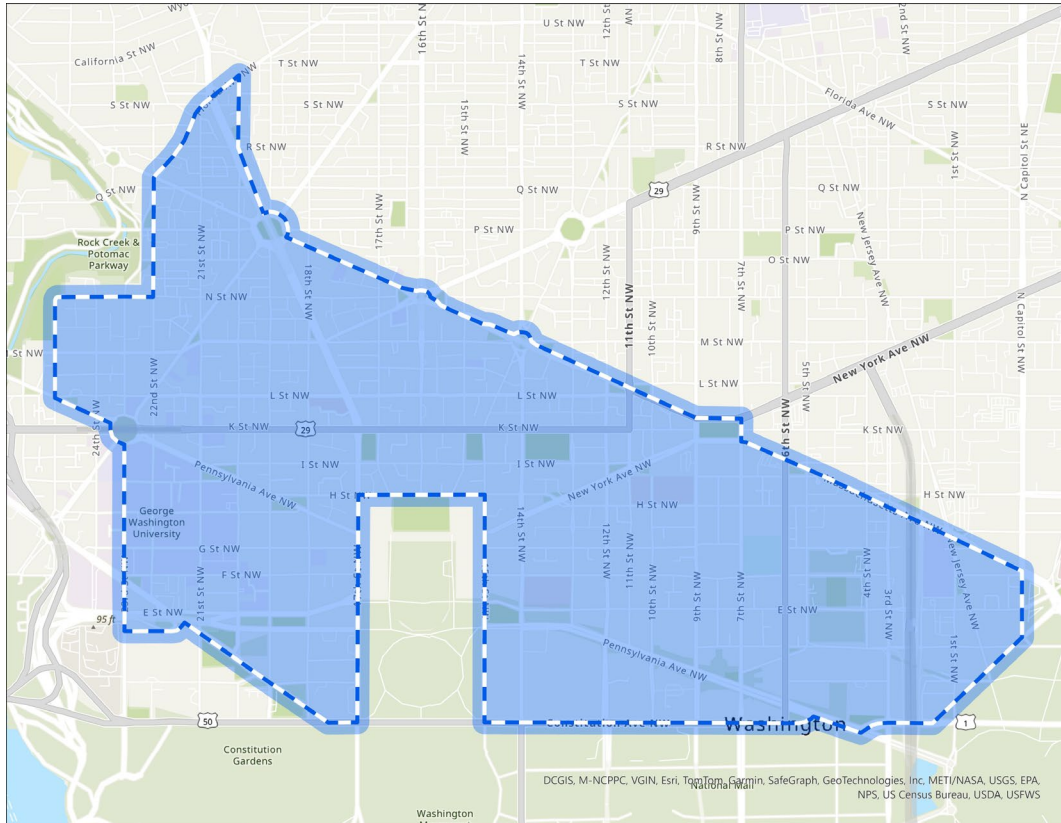
20M of 109M SF of office space downtown is vacant (19%), nearly double the downtown vacancy rate recorded in 2018 (11%). Office vacancy today even surpasses the office vacancy rates of the early 1990s.



Source: Costar

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

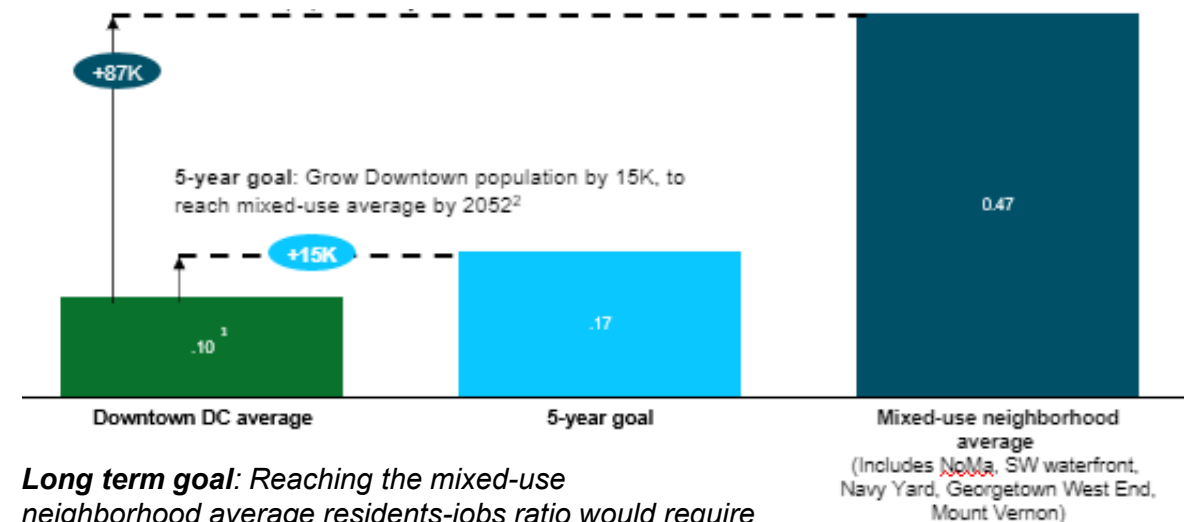
Housing in Downtown Area of Eligibility



This map serves as the baseline for the area of eligibility for the Housing in Downtown Program and will be used to establish eligibility for applications. As per draft regulations, lots along both sides of the boundary line are eligible.

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 informed the 15,000-resident goal.



The Housing in Downtown program could deliver 90% of the units needed to achieve the Mayor's 15,000 resident goal.

Element	Program Summary
Overview	This is a competitive program aimed at catalyzing new residential development downtown via a 20-year tax abatement. The program is available for change-of-use developments that result in at least ten residential units and includes provisions for affordable housing. Adaptive reuse projects, and teardown projects are eligible.
Program Caps	The program is competitive, with available funds limited to the set by program caps: 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.
Affordability	10% affordable at 60% MFI or 18% affordable at 80% MFI
Geography	Downtown area informed by DC's Comeback Plan, lots along either side of the bounding street will be eligible.
Duration	20-year residential property tax abatement ; an approved tax abatement shall begin in the tax year during which the certificate of occupancy was issued for the development.
CBE Contracting	Required for construction; Required for operations (DSLBD)
First Source	Exempt from construction ; Required for operations (DOES)
TOPA	Developments that receive a HID Tax Abatement will be exempted from TOPA requirements on the first sale within 10 years after issuance of the final Certificate of Occupancy. Property owner will be required to notify tenants prior to lease execution.

The program removes barriers that project sponsors identified as the most significant challenges to building and producing housing Downtown.

Housing in Downtown and TOPA

- This program exempts developments from TOPA through a targeted, time-limited exemption for certified HID projects only. The exemption is for the first sale within 10 years. Sale as defined in Section 402 of the Tenant Opportunity to Purchase Act of 1980, effective September 10, 1980 ([D.C. Law 3-86; D.C. Official Code § 42-3404.02](#)).
- 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

- This program exempts developments from First Source during construction, the exemption is for certified HID projects only. However, the development must have First Source agreement in place for operations of the building ([Non-Construction First Source Fact Sheet](#)).
- Stakeholders identified First Source as a significant cost driver during construction. When paired with high interest rates, and rising cost of construction materials, it challenges project viability.

Request for Application

The application was published on March 22, 2024.



Apply Here
(link)

What can I expect on the application?

The HID program is competitive and will be evaluated through a Request for Application (RFA). Applications are evaluated by DMPED. Applicants will be scored on completeness, financial need, and alignment with the Mayor's goals for downtown.

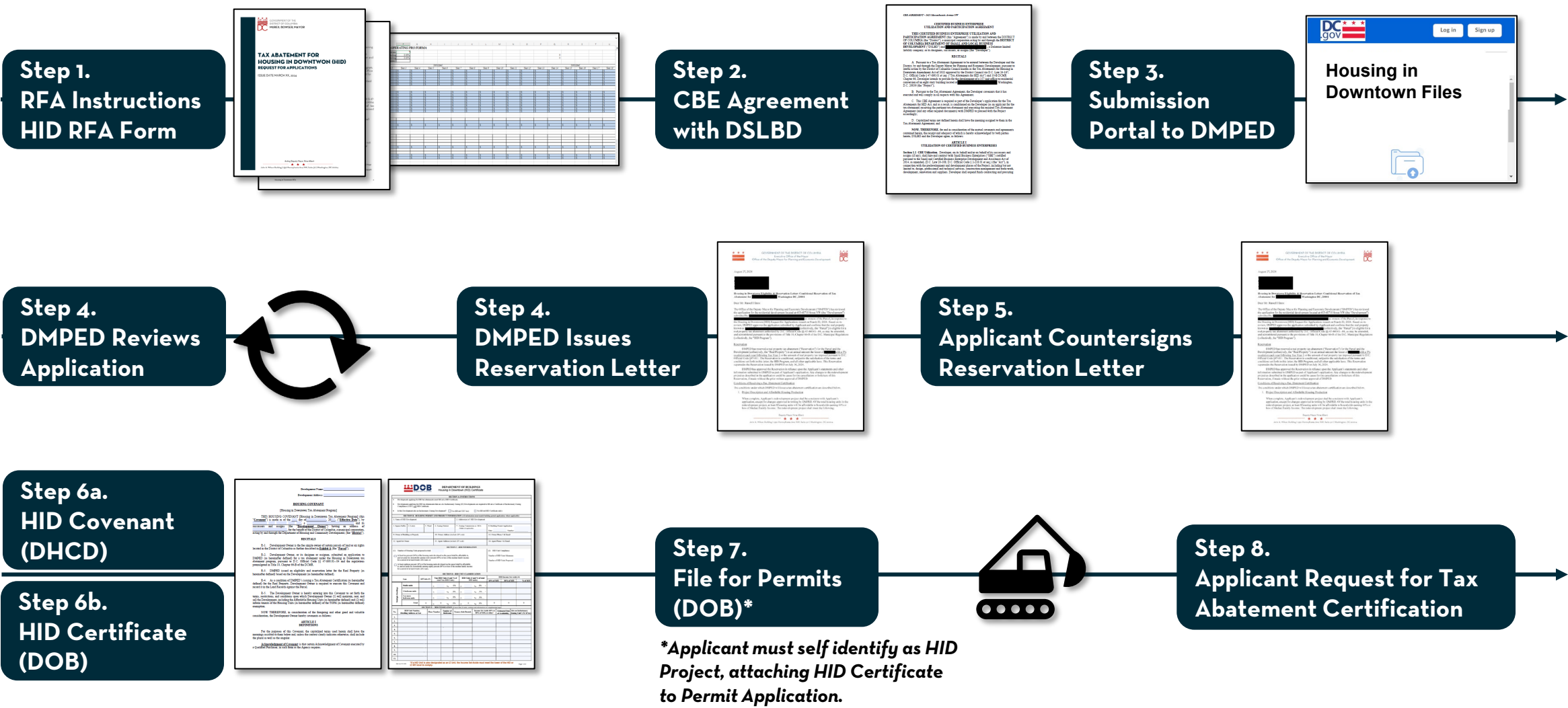
How to apply?

The RFA consists to two downloadable attachments, a detailed Request for Applications (PDF) with instructions and the HID RFA Form (Excel).

Online Submission Portal

Once completed, upload all files to the electronic submission portal on the DMPED website. Note: an executed CBE agreement is needed for your application to be considered complete, please work with DSLBD to complete the CBE agreement.

Application & Process Flow Chart



Attention Residents



Are you looking to apply for housing?

The Housing in Downtown program is for owners and developers of commercial real estate and is not an apartment placement program for households.

If you are interested in affordable housing, please reach out to DHCD for information and resources ([link](#)).

All other housing resources ([link](#)).

Resources

Contact

For general questions concerning the Housing in Downtown program, please email Olivia Jovine, DMPED Program Manager, at olivia.jovine@dc.gov. All questions regarding the application must be submitted via the [RFA Q&A Portal](#).

Final Notice of Rulemaking (Regulations)

[DC Register Housing in Downtown Final Rules](#)

Additional Resources

[Housing in Downtown Tax Abatement Technical Amendment Act of 2024](#)

[Housing in Downtown Abatement Amendment Act of 2023 \(pg. 50\)](#)

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