WASHINGTON DC'S

Downtown DC: Key Facts and Trends

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DMPED
OFFICE OF THE DEPUTY MAYOR FOR PLANNING & ECONOMIC DEVELOPMENT

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

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Downtown Economic Impact Overview

Where is Downtown?

Downtown DC as defined in DC's Comeback Plan

Geographically the area is 2 square miles, or approximately **3% of the District's total land area**. The Downtown boundary overlaps with Wards 2 and 6, and touches Advisory Neighborhood Commission boundaries 2A, 2B, 2C, 2F, 2G, 6C, and 6E.

Downtown has historically served as DC's economic powerhouse

35%

Percent of total District-wide businesses located in Downtown

The Downtown area contains a disproportionate amount of DC businesses, **despite making up only about 2.7% of DC's total area.**

$930K

Average annual tax revenue from large Downtown hotel[2]

$1.5M

Average per-building tax revenue

The average large downtown commercial office[1] building brings in about $1.5M each year in taxes for the city, which funds services such as trash collection, fire departments, and schools throughout the city.

240K

Downtown jobs as of FY2021

This represents 32.4% **of total Districtwide jobs in FY21.**

$1.15B

Estimated net revenue generated by Downtown DC BID and Golden Triangle BID, FY2019

Sources: DowntownDC BID, Golden Triangle BID, DC Office of the Chief Financial Officer

1 A large commercial office building is defined as (Class 4): Structure with elevator; used predominantly for offices, secondarily for retail sales, services, parking. A full list of Property Use Codes can be found at https://opendata.dc.gov/datasets/DCGIS::property-use-code-list-lookup
2 A large hotel is defined as (Class 3): Structure providing a temporary or semi-permanent residences; full personal services; eating/drinking facilities, entertainment, retail, banquet/conference capabilities; more than 150 rooms. A full list of Property Use Codes can be found at https://opendata.dc.gov/datasets/DCGIS::property-use-code-list-lookup

What are DC's revenue streams? Why do property taxes matter?

Real property includes land plus the buildings and fixtures permanently attached to it, often referred to simply as property taxes. These property taxes account for **26% of all revenues** in DC. After income taxes, these property taxes are the main revenue contributor to the District's budget.

FY23 DC Tax Revenue Estimates

Source: OCFO February 2023 Revenue Estimate

Why does Downtown matter?

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

These **property tax revenues contribute to operating costs of essential city services** such as residential trash collection by the Department of Public Works and access to DC Public Library resources.

Source: OCFO February 2023 Revenue Estimate, DC ITSPE, OCFO FY23 Operating Cost

Who lives in Downtown today?

25,000 current residents
13,000 total downtown households

Households & Families

1.6 Average Downtown **household** size, which is about **22% lower than the District's average household size of 2.1.**

2.3 Average Downtown **family** size, which is about **24% lower than the District's average family size of 3.1.**

Resident Movement

21.8 **Average commute time** in minutes for Downtown residents. This is **28% lower** than the District average

58.4% Percent of Downtown residents who **changed address in the last year**, nearly **40% higher** than the District overall

Downtown residents disproportionately move from other states (58.3%) and countries (8.8%).

Source: ACS 2021 5-Year Estimates

Federal Government and Downtown

The federal government's office presence in the District at a glance

Federal vs. Non-Federal Footprint (SF)

The office market in DC is comprised of federal and non-federal assets; the GSA controls **26%** of the total office market.

	Downtown	Districtwide
Federal SF *(Leased & Owned)*	25M	55M
Non-Federal SF	102.5M	153.5M
Total Office SF	**127.5M**	**208.5M**

Note that numbers may not sum exactly due to rounding.

Source: Costar, General Services Administration, Downtown DC BID

Federal Leased vs. Owned (SF)

The GSA manages and reports on many federal assets, through leases or ownership; and there are many GSA buildings Downtown.

	Downtown	Districtwide
GSA Leased SF	6M	17.5M
GSA Owned SF	18.5M	37.5M

What do we mean by “federal footprint”?

Our analysis only includes **federally owned or leased office** property – the federal government also manages parks and monuments in the District.

The **General Services Administration** (GSA) manages federal office property and provides data on leasing and ownership activity.

Example: 1730 M St NW

These properties **do not include** national parks and monuments, most of which are managed by the National Park Service, or properties maintained by the Architect of the Capitol.

Example: United States Capitol

Over half of Downtown GSA leases will expire by 2028, representing 3.2M sq. ft. of the total 6.2M federally leased sq. ft. Downtown

Downtown cluster[1]

Leased square feet: 6.2m

Square feet expiring by 2028: 3.2m (52%)

Example tenants: FBI, DOJ

GSA Leases Expiring and Lease Agreement (sq ft)

Between 2023-2027, GSA has 111 expiring leases in the District, equivalent to roughly 9.3M sq ft. 34% of these expiring leases are within Downtown DC

NoMa Corridor

Leased square feet: 7.0m

Square feet expiring in 5 years: 79%

Example tenants: SEC, ATF

Southwest Corridor

Leased square feet: 6.2m

Square feet expiring in 5 years: 47%

Example tenants: HUD, NASA, DOE

Source: GSA, ACS 5-Year Estimates, ABC News, Lightcast

Federal workers have a significant impact on Downtown and the District overall

Economic impact estimates of the federal government's presence Downtown vary but given the prevalence of federal workers as a proportion of Downtown employees overall, it is likely in the hundreds of millions of dollars or more.

$23B **Estimated pre-tax economic power of federal employees in the District based on average salary and total federal employment (Deloitte).**

Federal Workers Downtown and Districtwide

	Estimated Federal Workers*	Estimated Total Workers*
Downtown	84,000 **43% of all Downtown workers**	363,300
Districtwide	193,867 **25% of all Districtwide workers**	773,800

Based on estimates of pre-pandemic employee spend near work, if the current federal workforce were to **return to existing Downtown offices three days per week** it could yield an estimated **$580M in annual expenditures at businesses located near their place of work.**

*Worker estimates are calculated using an industry standard ratio of 1 employee per 300 square feet of office.
** The federal government has not released definitive federal telework figures, though they note that nearly 100% of civilian, non-intelligence community DC-based federal positions are telework-eligible. Note that this estimate only includes federal civilian employees and does not include most agencies in the intelligence community, Congress, White House staff, or the US Postal Service, among others. See full documentation on the FedScope website.

Source: BLS, DC Office of Planning, Office of Personnel Management FedScope, Deloitte

The federal government owns or leases a higher proportion of the total office inventory (sq ft) in DC than in comparator cities

Among comparison cities, DC has the most significant federal footprint. For example, to achieve the same share of GSA owned and leased property, Boston would need 8.7 times more federal property. Even St. Louis, which has a similar land area and a significant federal footprint, would need 3.3 times more federal property to achieve the same share of federally controlled office as DC.

Source: General Services Administration, CoStar

Downtown Challenges: Office Market

Today's Downtown is comprised primarily of commercial office space.

87% of Downtown square footage is commercial compared to 13% residential.

Source: CoStar

Downtown office market vacancy rates have reached historic highs

20M SF of vacant office downtown (~18% vacancy rate) is a record high

Source: CoStar, March 2023

Downtown commercial office space vacancy rates have increased significantly in the last ten years, and nearly doubled since 2018

17.9% of total Downtown commercial square footage is vacant in 2023 compared to 11.2% in 2018

Vacancy Rate is the percentage of time an investment property is left unleased (either partially or entirely) throughout the timespan of a year.

Source: CoStar, March 2023

Demand for office has waned since 2017, with a persistent negative absorption

Absorption represents the demand for a type of real estate contrasted with supply. When demand is less than supply, vacancy increases, and absorption is negative.

Source: CoStar, March 2023

Class B office space is leading the vacancy increase as a percent of total Downtown stock

Vacancy has increased across all classes, though **Class B space has seen the most dramatic change** – 19.2% of all Downtown Class B commercial space is vacant in 2023 compared to 10.4% in 2018.

Source: CoStar, March 2023

The Downtown office market is vulnerable to the high-interest rate environment and the uncertainty of a post-Covid world; office valuations have plummeted

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.

"Tax revenue from commercial properties in the District, particularly large office buildings valued over $50 million, significantly declined in the past fiscal year and was the main reason for the reduction in overall real property tax revenue in FY 2022"

- CFO Glen Lee

Tracking Housing Downtown: housing developments since 2019 and recently announced conversion projects

While several office to residential projects have been announced, only two conversion projects are currently under construction. In total, there is roughly 1M SF of change-of-use projects in the pipeline (announced and under construction).

As you can see, new housing projects are sparse Downtown.

Conversion Projects Under Construction

(orange circles on map)

The Elle Apartments
1111 20th St NW (161 Units)

1313 L Street NW (222 Units)

Downtown publicly announced housing conversions and new housing developments

Source: Open Data DC, Certificates of Occupancy (DOB)

Downtown Challenges: Return to Office

In-person work in DC remains significantly below pre-pandemic levels

Weekly average office utilization Downtown is below comparison cities

Comparative Office Utilization
Month of April 2023 Average

City	Utilization
Philadelphia Metro	42.3%
Washington, DC Metro	**44.7%**
All of DC	45.5%
Downtown DC	41.2%
New York City Metro	45.5%
Chicago Metro	49.9%

Utilization is measured by comparing office badge-ins on any given day to pre-pandemic levels – note that true utilization in the District is likely much lower due to limited federal capture in Kastle data.

Source: Kastle (Current as of April 2023), Downtown DC BID

Weekday Downtown WMATA entries and exits remain significantly below pre-pandemic levels

Average Daily Downtown Metro Entries and Exits

Overall average daily Metro entries and exits for Downtown stations have returned to 41.3% of pre-pandemic levels. During AM and PM **peaks**, averages are **39.4%** of pre-pandemic levels.

Metro stations within Downtown boundary: Dupont Circle, McPherson Sq, Foggy Bottom-GWU, Farragut West, Farragut North, Archives-Navy Memorial-Penn Quarter, Judiciary Square, Metro Center, Gallery Pl-Chinatown, Federal Triangle

Source: WMATA, March 2023

Guiding Downtown's Transition: Actions, Plans, and Programs

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 and DMPED)
- 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)
- DC Family Fun Destinations ($6M)
- Special Event Relief Fund ($1.5M) for local outdoor events
- Support large-scale nonprofit events ($3M)
- Streets for People Program ($1.4M) 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 resident 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

Making the most of Downtown's transition takes all of us, and we're just getting started

	Scope	Actions in Progress
DC's Comeback Plan 2023 – 2027	Sets ambitious goals for DC's Comeback, including for Downtown recovery • Thriving people • Successful businesses • Opportunity-rich neighborhoods, including Downtown	• Vitality Fund and Penn West Equity Innovation District to bring new employers and jobs • Housing in Downtown program to support 15k new residents goal • K Street Transitway investment to improve bus service, congestion and safety • Tourism Recovery District and Family Fun Destinations grant to bring the people • DC Family Fun Destinations supporting family-friendly attractions downtown.
Downtown-Specific Plans		
Downtown DC Public Realm Plan	Identifies transformative public realm projects	Kicked off in early May 2023
Reimagine Downtown Engagement and Action Plan	Creates plan to reimagine Downtown as a vibrant, mixed-use community	RFP released in February 2023, awarded in April 2023

Ready to play a role in Downtown's comeback? Get involved in the Downtown Public Realm Plan now and stay tuned for more information on how to be part of the Reimagine Downtown Action and Engagement Plan.

Actions, Plans, and Programs Forthcoming Downtown

The map below represents initiatives downtown that have recently started or are planned within the District's transitioning downtown.

Actions, Plans, and Programs

- Downtown Action Plan Boundary
- Penn West Equity & Innovation District
- K Street Transitway
- Downtown Public Realm Planning Area
- NCPC Pennsylvania Avenue Initiative (2023 – 2028)
- Franklin Park
- Farragut Square
- Housing in Downtown Program
- Reimagine Downtown Action Plan Area

Future Transformations

- Union Station Expansion
- FBI Headquarters (*Consolidation*)