



FY19 Economic Development Return on Investment Accountability Report

MARCH 31, 2020

**Office of the Deputy Mayor for Planning and
Economic Development**

Introduction

In 2018, the DC Council enacted DC Law 22-295, the Economic Development Return on Investment Accountability Amendment Act of 2018, which requires the Mayor to submit, as part of her annual budget request to the Council, the requirements and impacts of economic development incentives related to the development and redevelopment of real property.¹ Each year, the Office of the Chief Financial Officer (OCFO) compiles the Unified Economic Development Report, which includes information about type of incentive, incentive recipient, incentive amount, and the Ward of the investment for each recipient. Under this new Law, the Office of the Deputy Mayor for Planning and Economic Development (DMPED) is required to compile additional information about the impacts of these economic development incentives. For each qualifying incentive valued at \$75,000 or more annually per recipient, the Law requires information be collected on the following factors:

- The production or preservation of affordable housing;
- The employment of District residents;
- The participation of certified business enterprises in the construction or operation of the real property; and
- The production of community amenities.

Moreover, the Law requires reporting on those factors for the previous five fiscal years.

For this inaugural report, DMPED identified **16 incentives** administered across **6 agencies** in FY19. Through an initial period of outreach, data was collected and compiled from the following agencies:

¹ The Law defines economic incentive as: “any expenditure of public funds by a granting body for the purpose of stimulating economic development or creating affordable housing within the District of Columbia, including any funds from the District or funds that, in accordance with a federal grant or otherwise, the District government administers, including land disposition and development agreements, financial subsidies, or expenditures of the Housing Production Trust Fund or of the Housing Preservation Fund, or any bond issuance, including pilot bond, tax increment financing bond, or revenue bond issuances, grant, loan, loan guarantee, fee waiver, land price subsidy, matching fund, tax abatement, tax exemption, tax credit, or any other tax expenditure”.

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- Department of Employment Services (DOES)
 - Department of Housing and Community Development (DHCD)
 - Department of Insurance, Securities and Banking (DISB)
 - Department of Small & Local Business Development (DSLBD)
 - DC Housing Finance Agency (HFA)
 - Office of the Chief Financial Officer (OCFO)

The following incentives were identified for inclusion due to their direct impacts on real property development and redevelopment in the District:

- 4% Low Income Housing Tax Credit
- 9% Low Income Housing Tax Credit
- Community Development Block Grant (CDBG)
- District of Columbia Business Capital Program (BizCap)
- HFA Revenue Bond
- HOME Investment Partnerships Program
- Housing Preservation Fund
- Housing Production Trust Fund
- Industrial Revenue Bond
- Legacy Business Grant
- Makerspace Marketplace Grant
- Neighborhood Prosperity Fund
- New Communities Initiative
- Real Property Tax Abatement²
- Tax Exemption
- Qualified Supermarket Tax Incentive

Drawing from the identified incentives, information from several existing data sources was collected and compiled, ranging from individual project documents to agency databases storing information on the participation of certified business enterprises

²Data includes applicable real property tax abatements tied to specific incentives (i.e. Tax Abatements for New Residential Developments in NoMa).

and new District hires. The results of this data collection and information consolidation exercise represents the first iteration of the Economic Development Return on Investment Accountability Act report. This report sets the stage for establishing standards for future reporting on economic development incentives over the subsequent five years as outlined in the referenced Act.

NOTE: Accompanying this document is a copy of the spreadsheet used to produce the analysis in this report. Detailed information on the fields and data sources are located within the spreadsheet. This includes the First Source Data provided by DOES, as well as aggregated summary information for recipient-level data and instructions on how to use the dataset.

Key Findings for FY19

Summary of Findings

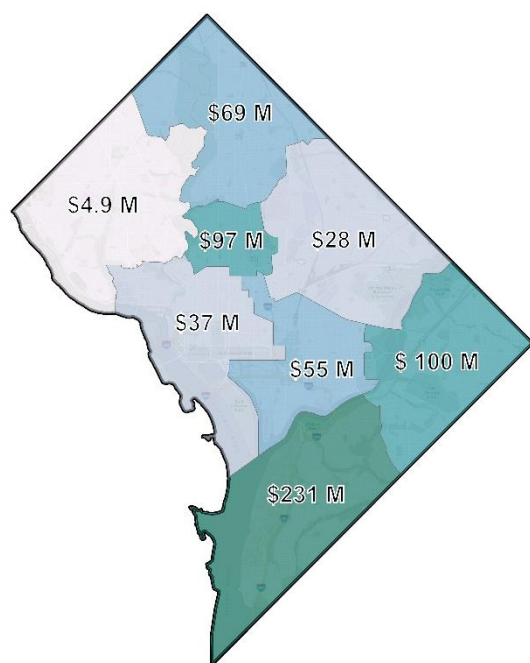


Figure 1: Total Estimate of Qualifying Investments Made in FY19 in Real Property Development and Redevelopment by Ward.

Table 1. Total Investment, Affordable Housing Yield, CBE Participation, and District Residents Employed by Ward through Qualifying Investments Made in FY19.

| Ward | Total Amount | Total Affordable Units Produced or Preserved | Number of CBEs Served ^{3 4} | District Residents Employed |
|--------------|----------------------|--|--------------------------------------|-----------------------------|
| Ward 1 | \$97,579,928 | 153 | 0 | 6 |
| Ward 2 | \$37,511,219 | 160 | 1 | 21 |
| Ward 3 | \$4,996,157 | 10 | 0 | 0 |
| Ward 4 | \$69,780,013 | 338 | 14 | 4 |
| Ward 5 | \$28,036,845 | 103 | 4 | 39 |
| Ward 6 | \$56,270,309 | 58 | 0 | 4 |
| Ward 7 | \$100,793,885 | 593 | 40 | 9 |
| Ward 8 | \$231,840,635 | 1316 | 44 | 7 |
| TOTAL | \$629,098,121 | 2731 | 103 | 90 New Hires |

³ CBE data represents the number of CBEs linked to development/redevelopment projects in the identified Wards – this does not indicate that those CBE businesses are based in specific Wards.

⁴ CBE data is collected based on project-level spend data – if projects that have closed in FY19 have not yet begun expending funds, they won't yet be reflected in the data.

Table 2. Total Qualifying Investment in FY19 by Incentive Type.

| Incentive Type | Total Amount |
|---|----------------------|
| 4% Low Income Housing Tax Credit | \$13,108,582 |
| 9% Low Income Housing Tax Credit | \$1,818,326 |
| Community Development Block Grant (CDBG) | \$3,600,000 |
| District of Columbia Business Capital Program | \$2,255,000 |
| HFA Revenue Bond | \$254,210,263 |
| HOME Investment Partnerships Program | \$1,500,000 |
| Housing Preservation Fund | \$11,101,792 |
| Housing Production Trust Fund | \$121,738,845 |
| Industrial Revenue Bond | \$129,815,000 |
| Legacy Business | \$1,500,000 |
| Makerspace Marketplace Grant | \$748,000 |
| Neighborhood Prosperity Fund | \$3,000,000 |
| New Communities Initiative | \$11,300,000 |
| Real Property Tax Abatement | \$30,452,132 |
| Tax Exemption | \$38,194,413 |
| Qualified Supermarket Tax Incentive | \$4,755,768 |
| TOTAL | \$629,098,121 |

In compiling information on various economic development investments made by the District related to real property development and redevelopment, the data show that an estimated \$629,098,121 was invested in FY 2019 across all Wards in the District of Columbia. The resulting impact of incentivized developments include the preservation and production of approximately 2,731 affordable housing units, the participation of about 103 certified business enterprises (CBEs), along with additional community benefits such as the delivery of community facilities, as well as grants to sustain legacy businesses integral to their respective communities. This data also shows that according to First Source Data, 90 new District resident hires were made as the direct result of these investments in FY19.

Regarding affordable housing investments, the current dataset provides key insights into recent investments made to create and preserve units across the District. Investments in Wards 7 and 8 yielded the greatest number of affordable units (at 593 and 1,316 units respectively), while investments in Ward 3 preserved just 10 units of affordable housing. This is largely in line with recent tangential analyses of property development (e.g. the Housing Equity Report) and underscores the need for various stakeholders to work to achieve the Mayor's goal of equitable distribution of affordable housing investments across the District. **Figures 3 and 4** show the yield of



affordable housing investments broken down by affordability level and unit size (measured as the number of bedrooms in each unit).

Regarding the incentives with the greatest level of investment in terms of the dollar amount invested, the current data indicate that bonds issued through the Housing Finance Agency as well as the District’s Industrial Revenue Bond program made the greatest contributions, in terms of the dollar amount invested across the city (at \$254 million and \$130 million respectively). This is closely followed by investments from the Housing Production Trust Fund, which totaled approximately \$122 million.

Finally, a greater diversity of investment tools was found in Wards 7 and 8, which benefitted from funding spanning 9 and 8 different economic development incentive types, respectively. Ward 3 received investments from only two of the identified incentives. Additionally, there was a greater number of CBEs benefitting from investments in Wards 7 and 8 in FY19 (**Figure 2** below). These CBEs are not necessarily located in the identified Wards; rather, they are CBEs that are participating in projects located in specific Wards.

Figure 2. Number of CBEs Associated with FY19 Investments, by Ward.

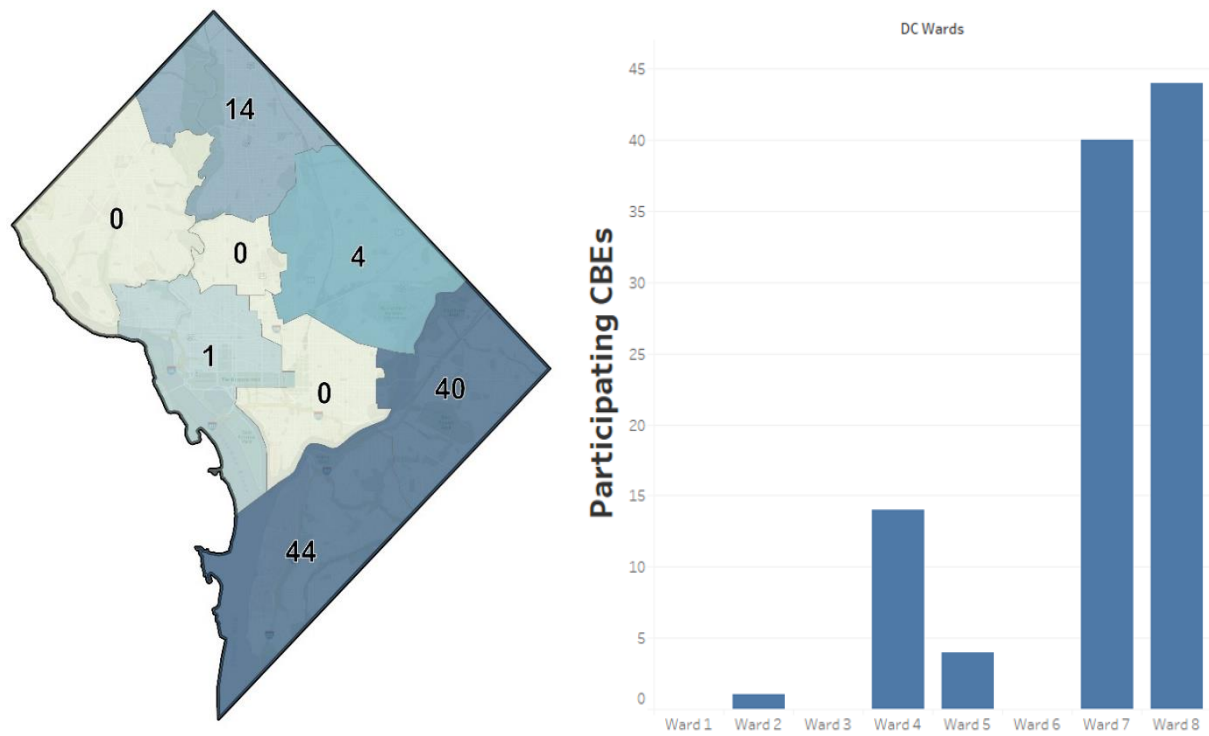


Table 3. Total Affordable Housing Produced or Preserved as the Result of FY19 Qualifying Investments by Affordability, Unit Type, and Ward.

| Ward | Total Units | 30% | 50% | 60% | 80% | Studios | 1 BR | 2 BR | 3BR | 4+ BR |
|--------------|-------------|------------|-------------|------------|------------|------------|------------|------------|------------|----------|
| Ward 1 | 153 | 102 | 24 | 16 | 11 | 18 | 43 | 38 | 13 | 3 |
| Ward 2 | 160 | 0 | 0 | 160 | 0 | 151 | 9 | 0 | 0 | 0 |
| Ward 3 | 10 | 7 | 0 | 1 | 3 | 0 | 0 | 0 | 0 | 0 |
| Ward 4 | 338 | 7 | 56 | 237 | 26 | 28 | 115 | 118 | 0 | 0 |
| Ward 5 | 103 | 52 | 51 | 0 | 0 | 35 | 30 | 19 | 19 | 0 |
| Ward 6 | 58 | 15 | 43 | 0 | 0 | 17 | 41 | 0 | 0 | 0 |
| Ward 7 | 593 | 335 | 142 | 116 | 0 | 8 | 191 | 112 | 20 | 3 |
| Ward 8 | 1316 | 207 | 925 | 28 | 156 | 13 | 217 | 278 | 94 | 0 |
| TOTAL | 2731 | 725 | 1241 | 558 | 196 | 270 | 646 | 565 | 146 | 6 |

Figure 3. Total Affordable Housing Produced or Preserved as the result of FY19 Investments, by Ward.

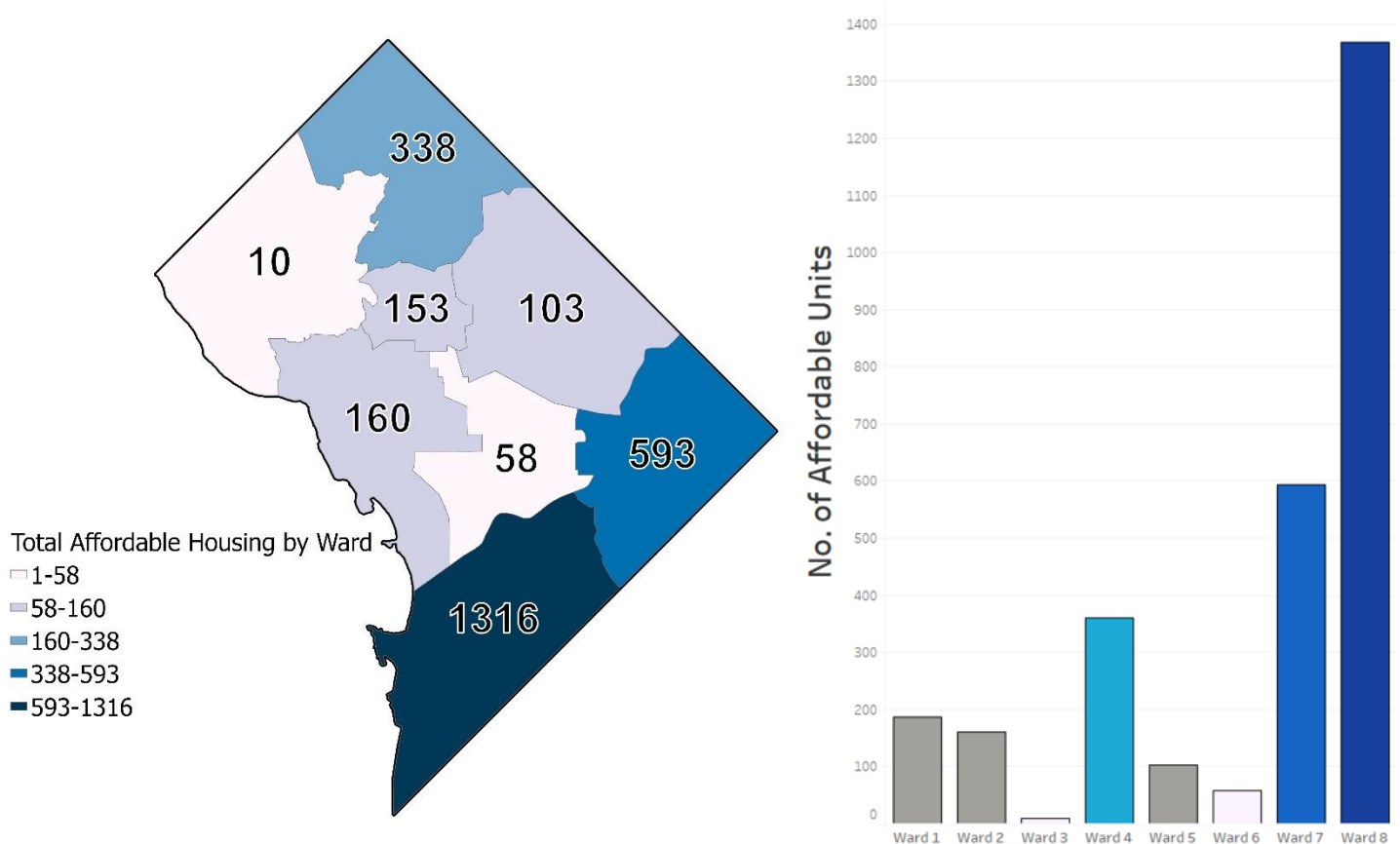
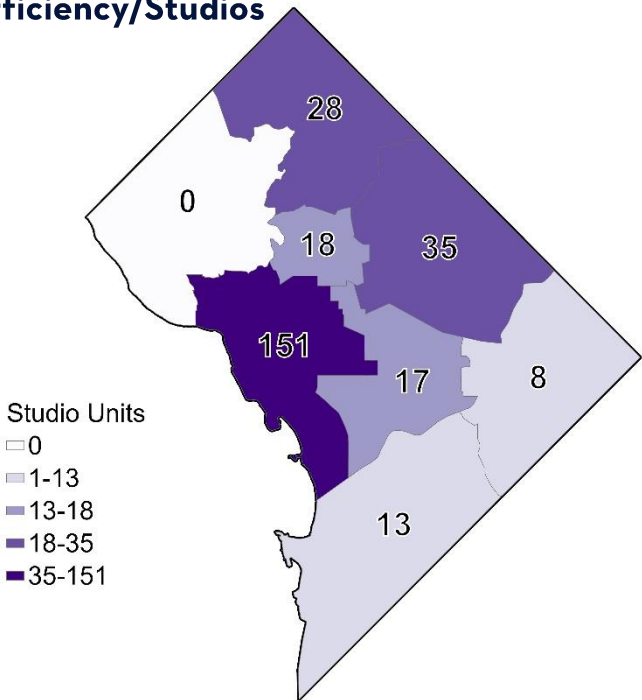
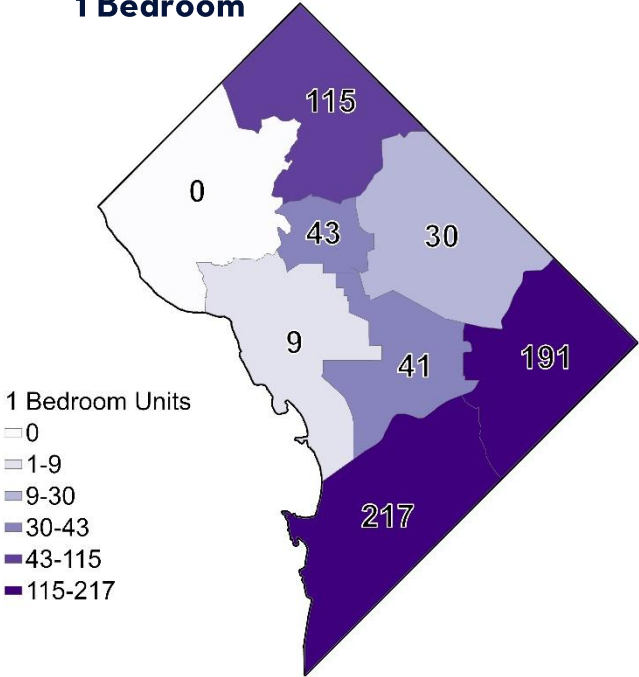


Figure 4. Total Affordable Housing Produced or Preserved as the result of FY19 investments by Unit Size, by Ward.*

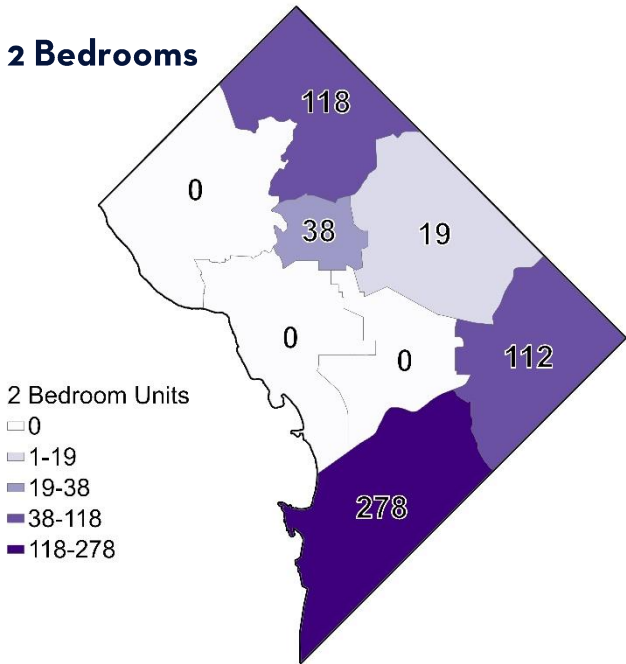
Efficiency/Studios



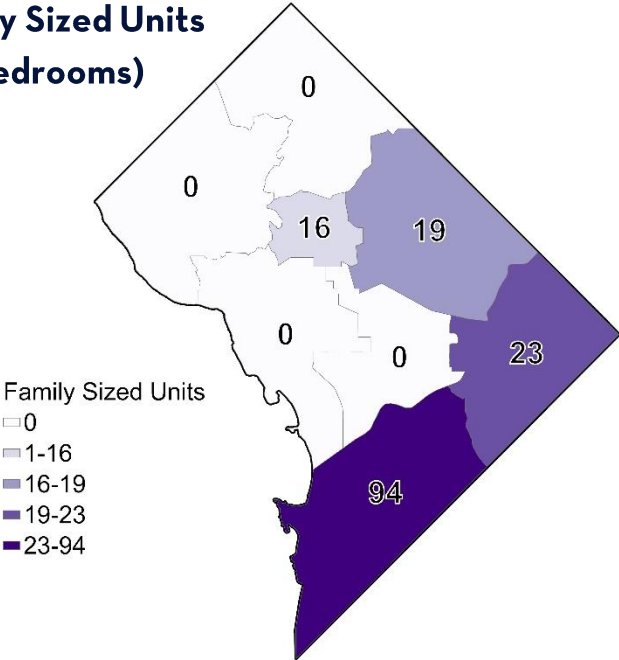
1 Bedroom



2 Bedrooms



**Family Sized Units
(3+ Bedrooms)**



*Bedroom data not available for units preserved using the Housing Preservation Fund.

Additional Community Benefits

In instances where investments in real property development and redevelopment are incentivizing general economic growth, the current dataset identifies such investments based on the type of community benefit provided and the associated incentive. The table below provides an overview of the non-housing public amenities that will result from investments made in FY19.

Table 4. Summary of Non-Housing Amenities produced by FY19 Investments.

| Ward | Incentive Name | Incentive Amount | New Non-Housing Amenities* |
|------|---|------------------|---|
| 1 | Industrial Revenue Bond | \$84,540,000 | Acquisition and Renovation of Student Dormitory Facilities; Construction of 35,000 sq ft Gymnasium and Facility Renovations |
| | Legacy Business Grant | \$1,375,000 | Dance Studio Modernization and Renovations; Restaurant and Office Renovations; Store Façade Renovations |
| 2 | District of Columbia Business Capital Program | \$1,000,000 | Development of New National Children's Museum in East End Commercial District |
| 4 | Neighborhood Prosperity Fund | \$400,000 | Financing Supports Development of Commercial Property in a Mixed-Use Development |
| | District of Columbia Business Capital Program | \$80,000 | Support Development of Walter Reed Campus |
| 5 | District of Columbia Business Capital Program | \$175,000 | Local Restaurant Expansion to New Location (Po Boy Jim to H Street NE) |
| | Makerspace Marketplace Grant | \$250,000 | Enhancements to Makerspace/Marketplaces |
| 7 | Legacy Business Grant | \$125,000 | Equipment and Facility Upgrades for a Dry-Cleaning Business |
| | Makerspace Marketplace Grant | \$498,000 | Enhancements to Makerspace/Marketplaces |
| | Neighborhood Prosperity Fund | \$1,500,000 | Financing Supports Development of Commercial Property in a Mixed-Use Development |
| 8 | Community Development Block Grant | \$3,600,000 | Construction of 27,650 sq ft Community Center |
| | Industrial Revenue Bond | \$28,075,000 | School Facility Acquisition for Rocketship PCS |
| | Neighborhood Prosperity Fund | \$1,100,000 | Financing Supports Development of Commercial Property in a Mixed-Use Development (2 projects) |

*More specific project information can be found in the accompanying spreadsheet.

Lessons Learned

Scale and Scope of the Report

Compiling a report of this scope requires significant capacity for understanding the current landscape of economic development programs and incentives across all District agencies, knowledge of all the data management systems currently in place for tracking those economic development incentives, and the technical ability to determine how to best piece together disparate datasets into a single, useable product. Since information on additional public benefits are not uniformly collected across programs and agencies, in many cases obtaining that information requires a thorough review of the information stored in databases, as well as separate project-level documents that contain both qualitative and quantitative information on those benefits. This required an extensive, manual data cleaning and matching process that increased the scope of the report by introducing additional layers of data verification.

Data Structure, Storage, and Management

Throughout the data collection process, several factors impacted the ease with which these data could be collected and analyzed. One source of complexity is found in the fact that agencies often collect data using different units of analysis. While the law requires reporting down to the recipient level, agencies may store data at the project and contract-levels, in addition to the recipient level. Therefore, there is a substantial amount of data verification and quality checking necessary in order to ensure both the accuracy and usability of the data for analyses, a process that requires significant effort and coordination.

While agencies were prompt in providing the requested data, verifying the returns associated with incentives deployed for the previous five fiscal years has proven particularly challenging due to several factors:

- Shifts in program leadership and the technical issues associated with continuity of data collection and storage following those changes make identifying points of contact for specific programs and projects that have experienced staff turnover in recent years; and

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- Collection of data on tax expenditures was complicated by the fact that there is no single administering agency for tax-related incentives. This comports with findings outlined in OCFO's 2018 Review of Economic Development Tax Expenditures.

Next Steps

Dashboard and Integration of Additional Data

In the coming months, DMPED will continue analyzing and building out this dataset as more granular and up-to-date information becomes available. As part of this process, an online dashboard will be developed to track the impacts and results of these investments across the District. Over time, this platform will enable DMPED to regularly update and augment the information included in this initial report, as new data become available.

Review of Data Infrastructure by Agency

In Fiscal Year 2020, DMPED and its partners plan to conduct reviews of the current systems in place for reporting and compliance for the economic development incentives highlighted in the report. A key goal of this exercise will be to determine, from both programmatic and technical standpoint, the current capacities and gaps for collecting the required information across agencies. Through this process, we will build on our knowledge of existing data management infrastructure – and identify opportunities to further integrate and consolidate these systems as resources allow.

These reviews will provide further clarity on how the District defines incentivized economic development and assist in developing a framework for assessing the impacts of those activities that are in line with existing data collection and management processes. Furthermore, this approach will enable DMPED to establish a unified strategy for tracking the impacts of economic development investments on economic growth in the District, and quality of life of residents, beyond the incentives and activities included in this report. Such a strategy could be applied to new economic development initiatives to ensure that investments are achieving their stated programmatic goals.

Conclusion

The Economic Development Return on Investment Accountability Report represents a first attempt at consolidating data on the impact of economic development incentives related to the development and redevelopment of real property across the District. It integrates information from DMPED, DHCD, and DCHFA's internal databases, First Source data from DOES, CBE data from DSLBD, and individual project information from a variety of different sources and attempts to integrate these disparate datasets into one that can be used to evaluate the impacts of the District's economic development incentives.

The data demonstrate that investments across the District – specifically tied to affordable housing production and preservation – yield significant returns for District residents. Of the 2,731 affordable units resulting from FY19 housing investments, approximately 92% will serve residents making up to 60% of DC's Median Family Income (MFI) (\$50,950 for an individual, \$72,800 for a family of four). Additionally, nearly 27% of affordable units resulting from FY19 investments will benefit residents making below 30% MFI (\$25,450 for an individual, \$36,400 for a family of four), enabling the District to increase the supply of affordable housing for our most vulnerable residents. The greater share of investments in Wards 7 and 8 not only align with a strategy to spur economic development in neighborhoods east of the Anacostia River, but have also provided contracting opportunities for CBEs working on projects in those areas. These targeted investments have also produced numerous non-housing public benefits for their respective communities (See **Table 4**).

From a data quality perspective, it is DMPED's aim that future reports assist in increasing transparency and accountability surrounding the District's economic development incentives. Inherent in the next steps on this initiative (outlined in the previous section) is the overarching goal of increasing the quality and accessibility of the District's economic development data assets, so that various stakeholders can leverage this information in order to achieve coordinated and effective monitoring and reporting of economic development investments.

Finally, this process has underscored the need for strong interagency investments into a centralized data management system for monitoring and compliance of economic development incentives and activities. Since individual agencies collect information using different units of analyses, cross-referencing these datasets requires significant time and effort, given that these processes are not easily automatable, and the data often needs extensive cleaning prior to analysis. Absent a centralized and automated compliance and monitoring system or database, reporting on this factors remains an arduous process. These complexities highlight the need for continued and significant investments in robust data management systems, such as the District Enterprise System (DES) and future investments in data infrastructure to build out and consolidate compliance and monitoring systems across agencies.