



Office of the Deputy Mayor for Planning & Economic Development
Government of the District of Columbia
Office of Contracts, Procurement and Grants
1015 Half Street SE, Suite 675, Washington, DC 20003
Phone: 202.724.8111

REQUEST FOR INFORMATION
DCEB-2022-I-0001

Business Name:		Attn:	
Address:			
Phone #:		Email:	
Issue Date: Tuesday, December 14, 2021	Due Date: Friday, January 28, 2022 On or Before 2 PM EST	Please respond via email to: juva.hepburn@dc.gov .	Juva J. Hepburn (202) 724-7298

QUANTITY	PROJECT DESCRIPTION	
1	<p>The Office of the Deputy Mayor for Planning and Economic Development (DMPED), in collaboration with the Office of Planning (OP) and the Department of Housing and Community Development (DHCD), is requesting input, specifically from current and prospective property owners, on the design of and approach to a potential new program to incentivize conversion of commercial properties to residential use in Central Washington, with an emphasis on the Central Business District (CBD) (See Map 1 of the Appendix).</p> <p style="text-align: center;">Please see the Request for Information below.</p>	

ALL SHIPPING MUST BE FOR DESTINATION

Submitted by: (Signature of Authorized Person)	DATE	
Print Name and Title:		

REQUEST FOR INFORMATION (RFI)

1. Request for Information Overview

The Office of the Deputy Mayor for Planning and Economic Development (DMPED), in collaboration with the Office of Planning (OP) and the Department of Housing and Community Development (DHCD), is requesting input, specifically from current and prospective property owners, on the design of and approach to a potential new program to incentivize conversion of commercial properties to residential use in Central Washington, with an emphasis on the Central Business District (CBD) (See Map 1 of the Appendix). This program is anticipated for implementation within the next year.

2. Background and Context

DC, like many urban metros across the US, is experiencing historic levels of office vacancies in its Central Business District (CBD), currently 16.9% vacant as of Q3 2021. Office vacancy has increased dating back to Q4 2018 and have remained consistently above 16% throughout 2020. The potential for sustained high vacancy rates in the CBD is strengthened by recent surveys by the Greater Washington Partnership (GWP) estimating that remote workers in the Capital Region may increase five-fold from pre-pandemic levels.¹ This estimate corresponds to the possibility of over a million workers (18% of the total regional workforce) spending 3-5 days per week off-site. More recent GWP survey data from September 2021 indicates employers' return to physical worksites is slower than anticipated from initial surveys in December 2020, and teleworking and hybrid scheduling is likely to remain in the medium to long term. Specifically, less than half of employees were expected to be onsite as of September 2021, down from the near 75% return rate anticipated in December 2020.²

The potential for sustained high vacancy rates in the CBD has introduced an opportunity to analyze the viability of transitioning traditional office-centric downtown to include greater residential buildings. Adding more housing in Central Washington could help strengthen and diversify the retail environment while adding vitality and generating tax revenue over the long term. Analysis from DC government and external consultants in Spring 2021 estimated that conversion of currently vacant office space to residential would generate incremental annual tax benefit of \$9.5 per square foot via increased sales and income tax, offsetting anticipated decrease in property tax revenue.

Additional residents in the area can increase pedestrian activity and expand primary retail trade hours later into the evening and through the weekend and thus serve as one tool, alongside others such as business attraction and retention, public space activation, and tourism marketing, to generate vibrancy in the CBD and spur economic recovery and growth.

There are also benefits to increasing affordable and workforce housing in the CBD. This area has

¹ "Remote work in the Capital Region", Greater Washington Partnership. February 2021.

² The third iteration of the Capital COVID-19 Snapshot was conducted between September 9- 30, 2021 with 164 employers, representing about 290,000 employees across the Capital Region.

<https://greaterwashingtonpartnership.com/capital-covid-snapshot-2021/>

the strongest job access in the region. Residents who live in the CBD benefit from living near the core of the Metrorail System where the central location and concentration of transfer stations maximizes the number of jobs a person can access. For medium and lower income residents, the cost premium of CBD housing generally places market-rate units out of financial reach. However, dedicated affordable housing units in the area would open the benefits of living in a central location to a greater diversity of residents and the additional housing supply will help ease housing costs across the District.

Conversations with property owners interested in the conversion concept echo similar challenges as those identified in the Office to Affordable Housing Task Force Report of 2019, as well as those more recently summarized in the October 12, 2021 public hearing on COVID-19 recovery. Specifically, these challenges include the difficulty of including significant affordable housing, high costs for conversion due to market trends and physical specificities, and the case-by-case nature of realistic conversion projects given the unique physical and financial situations that vary by building, owner, lender, etc.

Despite these obstacles, the anticipated continued vacancy in Central Washington and specifically the CBD, combined with recent interest in the potential for conversions to residential use both in the District and in urban centers across the country, presents an opportunity to reimagine our downtown core. The purpose of this RFI is to solicit informed feedback to craft an evidence-based pilot program to increase vibrancy in Central Washington through increased residential uses.

3. RFI and Project Objectives

Through this RFI, DMPED seeks information, particularly from current or prospective property owners, about the current opportunities and challenges of residential conversions downtown in order to formulate impactful policy or program intervention(s) to:

- A) Encourage conversion of commercial space (including office, hotel, or retail) to residential in Central Washington in order to increase vibrancy and offset potential declines in commercial property tax revenue; and
- B) Increase affordable and workforce housing units downtown

4. Questions for Respondents

Comments and recommendations related to any of elements of the above project objectives, context, etc. are welcome. Specific areas of interest are below. Respondents need not address all questions.

Responses to the below questions as well as pro formas submitted will not be shared publicly. The information provided to DMPED will be reviewed and analyzed internally and any public summary of RFI findings will be aggregated and anonymized to protect the confidentiality of potential projects and individual opinions.

1. Geographic Interest

- a. Are there properties (vacant, occupied, or partially occupied) that present an opportunity for conversion to residential use? Be as specific as possible.
- b. Are there specific geographies of interest (neighborhoods, corridors, blocks, etc.) within the Central Business District or Central Washington that the District should target for residential conversions?

2. Market Analysis

- a. For respondents who own or manage commercial properties: what changes (if any) do you expect in the District's commercial real estate market over the next five years?
- b. Do you expect conditions to change such that conversion to residential uses becomes more viable or attractive? Explain.

3. Program Mechanism and Costs

- a. What is the ideal mechanism to incentivize a residential conversion downtown? For example, a tax abatement, zoning, pre-development dedicated fund for conversions, tax credit, etc.
- b. How could the District utilize zoning and entitlements to further support residential conversions?
- c. How can the District best utilize existing housing tools to encourage downtown conversions? Be as specific as possible with regards to existing tools.
- d. Which would be more helpful? 1) to have more financial assistance provided in small increments over ten years or more; or 2) to have less total financial support provided in larger amounts early in a project (assume \$5M-\$10M) for acquisition or predevelopment.
- e. Are there other means of incentivizing conversion projects (permitting, reducing process barriers) to lower transaction costs?
- f. How would you incorporate private impact capital into a downtown residential project? What benefits and limitations would this approach generate?
- g. How much would approaches to reducing financing costs, such as a loan loss reserve fund, increase the feasibility of residential conversion?
- h. Are there innovative models that have been implemented elsewhere that offer insights for the District?

4. Affordability

- a. What affordability levels (overall percentage and MFI average) should be required for District-subsidized residential conversions downtown?
- b. What techniques would you use and what support would you need to maximize the number and depth of affordability for residential conversions downtown?
- c. The incorporation of affordable housing would be a requirement for District-supported residential conversions. How would your firm both minimize the cost of conversion and maximize the amount of affordable housing units?

5. Property-Specific Conversion Challenges

- a. Have you or would you consider converting commercial properties you own to residential use (in whole or part)? What are the greatest impediments or disincentives to conversion for you?
- b. What, if any, physical barriers (floorplate, column spacing, light access, etc.) impede your ability to convert from commercial to residential use in the properties you currently own?

- c. For current commercial property owners, to what extent do staggered leases for current tenants impact overall likelihood for conversion to residential?

For pro formas being submitted:

Where applicable, please include a project-specific pro forma or budget model, including but not limited to the following:

- Conversion type (For example, complete redevelopment or structure maintained and transitioned to residential use)
- Building name, class, address, and zone
- Construction, soft, and financing costs
- Operating expenses
- Current vacancy rates (as appropriate)
- Rentable building area
- Projected units (including unit size breakdown) and estimated rent
- Current debt levels and valuation
- Estimated timeline for conversion
- Inclusion of affordable housing and corresponding gap subsidy required for the following scenarios:
 - *Scenario 1: 8% at 60% MFI average*
 - *Scenario 2: 20% at 50% MFI average*
 - *Scenario 3: 20% at 80% MFI average*
 - *Scenario 4: 33% at 80% MFI average*
 - *Scenario 5: Affordability based on the District’s Disposition of District Land for Affordable Housing Act” – [see DCMR 10-801 language, here](#) for affordability thresholds.*

5. Respondent Information Requested

All respondents should include the following information

- **Individual/Company Contact:** Individual/company name(s) and title(s), mailing address, contact name, contact information (email and phone).
- **Response Summary and Profile:** Describe the individual/company’s interest in residential conversions as well as relevant experience/expertise of individual/company. Please include whether you are a current property owner, and if so the types and locations of property owned with current vacancy rates.

All information submitted is subject to verification. Additional information may be requested to substantiate responses.

6. Questions for DC Government

Questions regarding this announcement shall be submitted in writing by e-mail to the representatives’ email address listed below. **Verbal questions will NOT be accepted.** Questions will be answered by posting answers to the OCP and DMPED websites; accordingly, questions shall NOT contain proprietary or classified information. **The Government does not guarantee**

that questions received after Wednesday, December 30, 2021 will be answered.

7. Information Submission:

- a. Interested parties should submit all above information via email to:
 - Juva J. Hepburn, Contract Specialist, juva.hepburn@dc.gov with a copy to:
 1. Ben Mindes, Director for Interagency Initiatives, DMPED, ben.mindes@dc.gov
 2. Ryan Hand, Senior Economic Planner, OP, ryan.hand@dc.gov

8. Due Date

- a. **Responses are due by 5:00 pm EST on Friday, January 28th, 2022**

RFI released	December 14, 2021
Last day to submit RFI questions	5:00 PM on December 30, 2021
DMPED response to questions	January 10, 2022
RFI submissions due	5:00 PM on January 28, 2022

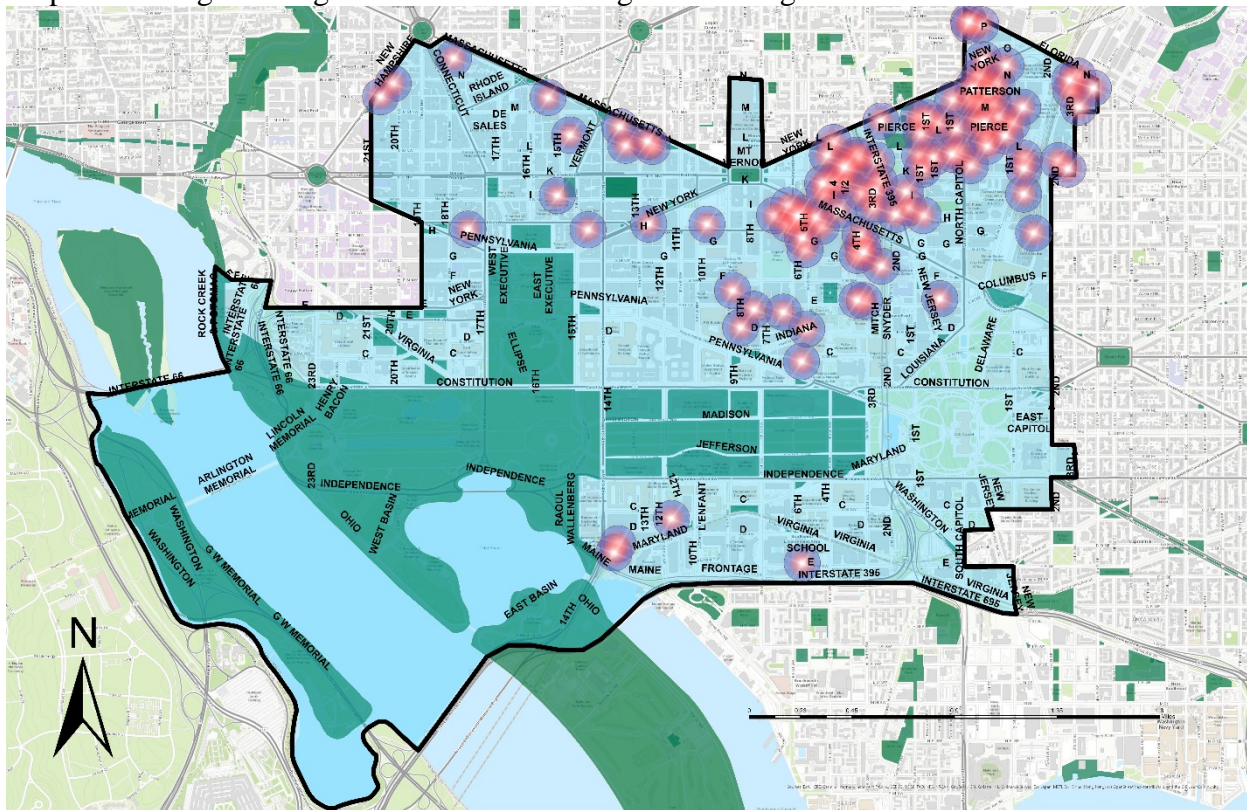
9. Disclaimer

This document is a Request for Information (RFI) only. It is not being posted as a statement of work (SOW) at this time, nor does it constitute a Request for Proposal (RFP) or Request for Application (RFA) or a promise to issue an RFP or RFA in the future. Respondents are advised that DMPED will not pay for any information or administrative costs incurred in response to this RFI. All costs associated with responding to this RFI will be solely at the interested party's expense. Not responding to this RFI does not preclude participation in any future RFP or RFA.

10. Appendix: Relevant District Reports and Analysis

- [Office to Affordable Housing Task Force Report](#)
- [Assessment of Commercial to Residential Conversions in the District of Columbia, Q2 2020](#)

Map 1: Existing Housing in the Central Washington Planning Area



Source: CoStar