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DOWN
TOWN
DC



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Downtown and Center City DC Economic Development and Infrastructure Investment Underwriting Has Produced New Jobs and Tax Revenues



		Investment			→	Taxes Generated		+	Jobs Created
		DC Gov't (Millions)	Private and Federal Sectors (Millions)	DC Gov't as % of Private and Federal		NPV of Cumulative Taxes ⁽¹⁾ (Millions)	Annual Taxes in 2010 (Millions)		
1995–2014	DowntownDC BID	\$505	\$11,500	4.4%		\$2,600	\$477		62,000
1995–2014	Center City	1,271	24,267	5.2		4,550	942		134,000
2014–2019	Center City	500	20,280	2.5		NA	610 – 660		70,000



Downtown and Center City Underwriting Criteria and Other Issues

- 3% to 6% public investment of a sub-market's projected total development
- 1% to 35% public investment in an individual project
- 3 to 10 year payback
- Coverage ratio of 1.2X to 1.5X on TIF's and PILOTs
- Avoid “but for” test in some cases by inducing competition
- Good data for assumptions is critical
(DowntownDC BID 2010 State of Downtown report)
- Only one “semi-failed” public/private economic development investment in Downtown DC for 1995 – October 2011









Verizon Sports and Entertainment Arena 1995 - 1997

- \$260 million project
- \$200 million in private capital
- \$60 million in public capital
 - Below market land lease on city owned land
 - Property tax abatement on long-term land lease
 - Cash contribution from an “Arena Tax” on gross receipts of DC businesses
- 210 to 230 events per year
- 2.6 million attendance per year
- Brought suburbanites back Downtown after 30 years



New Convention Center 1998 - 2003

- \$890 million project
- \$850 million in cash and bonds from an increase in hotel and restaurant taxes
 - 4.45% of 14.5% hotel tax to service Convention Center bonds and operations
 - 1% of 10% restaurant tax to service Convention Center bonds and operations
- \$40 million in public capital
 - Contribution of city owned land
- 200 to 230 events per year
- 900,000 to 1 million attendance per year
- 350,000 to 600,000 room nights per year
 - 14% to 24% of all Downtown room nights per year



Downtown Market-Rate Housing Property Tax Abatements 2001 - 2005

- \$1.2 billion in private capital
- \$32 million in net present value of 10-year partial tax abatement
- 4,000 new market rate condos and apartments received the tax abatement
- Created a critical mass of Downtown housing
 - Total units are now 11,300
- Created market for new urban Safeway (which received an additional subsidy for underground parking)



Gallery Place Mixed Use Project 2001 – 2005

- \$254 million project
- \$1800 million in private capital
- \$74 million in public capital in TIF (tax increment financing) bonds (29% of total project)
- 200,000 SF of retail and 12 screen Regal Cinema
- 235,000 SF of office space
- 192 condominiums
- Coverage ratio of 1.1X to 1.3X on dedicated TIF taxes
- Coverage ratio of 1.7X to 2.1X on total project taxes
- Gallery Place is now DC's "Times Square"



Downtown Retail TIF (Tax Increment Financing) Program 2004 – 2011

- \$30 million program
- To leverage \$150 million of retail tenant improvements
- To bring 300,000 SF of shoppers goods retail to select Downtown streets
- \$ 18.5 million awarded (recipient base widened over time)
 - H&M \$ 3.0 million
 - Zara \$ 1.7 million
 - West Elm \$ 5 million (transferred to Forever 21)
 - Crime and Punishment Museum \$ 3 million
 - Madame Tussaud's Wax Museum \$ 1.3 million
 - Hamilton's Restaurant \$ 4.5 million
- Unpopular as annual tax increment could not be monetized
- Shutdown in 2011 with \$ 11.5 million left in the program



Shakespeare Theatre's Second Downtown Performance Space – Sidney Harmon Hall 2005 - 2007

- \$86 million project
- \$56 million in private capital
- \$30 million in public capital (35% of total project)
 - \$20 million cash contribution
 - \$10 million TIF note (pay as you go TIF)
- 150,000 attendance per year
- Underwriting study showed new audience would produce \$500,000 to \$1,000,000 in parking and restaurant sales taxes per year (1.7% to 3.3% return per year)
- Now F Street is now has the vibrant culture mix the world's best cities: theatre-goers from the Shakespeare Theatre now meet the World Wrestling Federation fans from the Verizon Center on F Street



CityCenterDC Phase I

2011 - 2013

- Redevelopment of former convention center site of 10 acres in the middle of Downtown
- \$775 million project
- \$700 million in private capital
- \$75 million in public capital
 - \$50 million of “land write-down” for retail and significant underground public parking (6% of total project)
 - \$30 million of net “land write-down” for affordable housing units (4% of total project)
- 520,000 SF of office
- 458 apartments (rents at \$4 plus per SF)
- 216 condos (sales at \$700 to \$1,000 per SF)
- 185,000 SF of retail
 - Phase II and III will bring another 150,000 SF of retail
 - THIS SHOULD CREATE THE CRITICAL MASS OF RETAIL TO MAKE DOWNTOWN A REGIONAL SHOPPING DESTINATION
- \$20 million to \$25 million in annual taxes upon completion of all three phases



Headquarters Hotel for Convention Center 2010 - 2014

- \$520 million project
- \$343 million in private capital
- \$177 million in public capital (34% of total project)
 - TIF bonds
 - Convention Center bonds
- 1,175 rooms; 128,000 SF of ballroom and meeting space
- Expected coverage ratio of 1.1X to 1.3X
- Will bring more conventions to DC



History of Economic Development Investments in DC (and some thoughts on the Future)

- 1800 to 1983
 - Controlled 100% by federal government until DC received home rule in mid 1970's
 - Pennsylvania Avenue Redevelopment Corporation (PADC) from mid-1970's to mid-1990's
- General Services Administration (GSA) assumed responsibilities of PADC in mid-1990's
- DC lead economic development investment history
 - 1983 Old convention center built
 - 1995 Verizon Center and other projects began
 - 1999-2003 Two independent development corporations established
 - 2008 Two independent development corporations dissolved
 - 2009 Establishment of 12% debt cap
- Significant public/private partnerships in Downtown and neighborhood commercial districts
- Upcoming projects
 - Great opportunities in underdeveloped, non-Downtown sub-markets
 - \$2 billion 37-mile streetcar system
- DC has 70 million SF to 90 million SF of development potential with current zoning
 - \$700 to \$900 million in potential new annual tax revenue
- Height limit highly likely to be selectively raised starting in 2020 – 2030