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

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Taxes Generated</th>
<th>Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DC Gov't (Millions)</td>
<td>Private and Federal Sectors (Millions)</td>
<td>DC Gov't as % of Private and Federal</td>
</tr>
<tr>
<td>1995–2014</td>
<td>DowntownDC BID</td>
<td>$505</td>
<td>$11,500</td>
</tr>
<tr>
<td>1995–2014</td>
<td>Center City</td>
<td>1,271</td>
<td>24,267</td>
</tr>
<tr>
<td>2014–2019</td>
<td>Center City</td>
<td>500</td>
<td>20,280</td>
</tr>
</tbody>
</table>
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