



The Washington, DC region is great >> and it can be greater.

Jan. 31, 2024

To the Committee on Business and Economic Development,

I'm submitting this testimony to the record on behalf of Greater Greater Washington, where I serve as D.C. policy director. You'll find here a written version of our comments on the performance of the Office of the Deputy Mayor for Planning and Economic Development in FY24, which I delivered verbally at the committee's Jan. 31, 2024, hearing.

Last year, I [registered a great deal of discontent with the committee](#), particularly regarding the Housing in Downtown tax abatement<sup>1</sup> and, more broadly, the District's seeming obsession with stopping capital flight by catering to certain whims.<sup>2</sup> I think my comments aged well, considering the recent willingness of a minority of members of the Tax Revision Commission to nuke a year

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<sup>1</sup> Many groups and individuals are, I suspect, going to want to come for the Tenant Opportunity to Purchase Act—either in this year's budget or by other means—because they aren't getting what they feel they deserve despite the TOPA exemption granted by the Housing in Downtown tax abatement. I want to say in as many forums as possible that GGWash is completely opposed to any more exemptions to TOPA and finds it insulting that "the business community" continually seeks restitution in tenants' rights for headwinds of macroeconomic trends, such as construction costs and interest rates. The Housing in Downtown abatement, which we opposed in part because it took away the right of first refusal of a sale of one's homes from tenants living in downtown residential properties in the name of "revitalization," set a dangerous precedent. The committee should be mindful of its role in setting the table for the more aggressive attempts to erode TOPA that I think it is reasonable to assume will emerge from entities such as the OpportunityDC PAC.

<sup>2</sup> Here's an excerpt of my [FY24 budget testimony to the committee](#), in which I provided extensive detail on the failures of tax abatements to do what their progenitors claim they will:

"I am hesitant about tax abatements as a general matter; even [an extraordinarily clinical assessment](#) of property tax incentives to enable economic development, from the Lincoln Institute of Land Policy, contains more caveats than commitments.

It's hard to understand whether tax abatements do what they're supposed to do. Most research examines abatements granted with the intent to stimulate employment. Though plenty of tax abatements for residential development exist in the United States, I can't find much about an abatement for housing in a targeted area that is sufficiently disentangled from attempts to stimulate jobs. Nonetheless, the general picture is not a rosy one. The most [comprehensive and recent paper](#) on the matter, [from February 2020](#), finds:

While incentives may draw in more economic growth, they also pull resources from the government's coffers and may commit future funding for public services that benefit the incentivized business. ... After controlling for the governmental, political, economic, and demographic characteristics of a state, we find that incentives draw resources away from the state. Ultimately, the results show that financial incentives negatively affect the overall fiscal health of a state.

Frankly, the particulars of whether or not abatements work matter to me less than what they are seemingly set up to do, which is attract—not capture, but simply attract—capital that is perceived as mobile. You have to believe in mobile capital to believe that tax abatements will solve the ailment that you perceive."

and a half of carefully crafted consensus<sup>3</sup> because of what I have no doubt are personal preferences for tax cuts for white-collar businesses. As the council prepares for a budget that will necessarily involve larger tradeoffs than in past years, it does not have the luxury of collapsing under the weight of extremist views and subsequently throwing its hands up, as the TRC and its chair did recently.

I am also not so sure that the council has the luxury of spending as much time and energy on downtown as Mayor Muriel Bowser, and DMPED, has in the past several years. Despite repeated assertions that downtown is the District's economic engine, I am not aware of any analyses comparing downtown's economic impact on the District to the total economic impacts of all other neighborhoods combined. Of course, commercial property tax revenues<sup>4</sup> are greater downtown, but one thing does not seem like a sturdy basis for the extreme focus on downtown, to the exclusion of other District neighborhoods. I really enjoyed hearing testimony from Main Street directors about their work, and how DSLBD supports it. The emphasis on downtown distracts us from better understanding the impact that *all* District neighborhoods have on our economy.<sup>5</sup>

I appreciate Councilmember McDuffie pursuing this line of questioning in recent public forums. To more greatly understand whether downtown is deserving of the executive's hyperfocus, I would welcome the committee asking Director Albert a version of the following questions:

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<sup>3</sup> [On Jan. 18, 2024, on ggwash.org, I wrote:](#)

"I also recommend watching the recording of yesterday's tax revision commission meeting, in which former mayor Tony Williams watched the consensus he's insisted on throughout the process slip through his grasp. By not dismissing as inappropriate late-stage meltdowns by former at-large councilmember and current lobbyist David Catania, and Edens CEO Jodie McLean, Williams lost control, and lost the plot, of the TRC's role in District policymaking. The TRC's final report is so far past its initial submission deadline to the council that it will not be possible to meaningfully factor its recommendations into FY25 budget deliberations; the commission, and by extension Williams, is seriously risking its credibility by giving as much airtime as it has to Catania and McLean. They're representative of the types who tend to project extreme paranoia about the District's economic condition so as to couch their own preference for extensive, right-wing-ish tax cuts—which, in my experience, are a consistent feature of their worldview, not something recently spurred by genuine concern for the health of DC's budget.

There are good ideas in the 'chairman's mark' draft of the TRC's proposed recommendations: our beloved split-roll/land value tax, of course, but also a business activity tax (which would repeal a mish-mash of not-very-good business taxes with "a low-rate, broad base 'value-added tax' on gross receipts minus the sum of purchases from other businesses, rent, and capital expenditures"), and a local refundable child tax credit (!). If the TRC doesn't get it together on the revenue-neutral proposal that, up until yesterday, it was refining, I would not be surprised if the council raises taxes to fund legislative priorities in some way, shape, or form that is far less palatable to 'the business community' than whatever the TRC—an assuredly moderate entity—could produce."

<sup>4</sup> The chairman's mark of the Tax Revision Commission's recommendations proposed a reduction in commercial property taxes. GGWash, perhaps surprisingly, supports this, because the District's overreliance on commercial property taxes runs counter to the concept of a broad-based, equitable tax system. At the same time, any increase in residential property taxes should be made to [land value, not improvement value](#), so as to begin to implement [another recommendation hinted at in the chairman's mark, land-value taxation](#).

<sup>5</sup> [I've been making some form of this argument since 2016.](#)

- Does the tax revenue from our CBD *truly* fund everything else in the District? If DMPED's answer is, yes, it does, then what measures is and is it not accounting for?
- What commercial and residential development is occurring downtown without tax abatements?
- What are the metrics by which we can understand that the current development regime for downtown—which seems to mostly be incentivizing office-to-residential conversions and new residential construction, and scrambling to assemble a \$500 million contribution to Ted Leonsis—is working?
- Do we know that office-to-residential conversions downtown, or more residential construction, is more substantially stimulating our economy—and attracting people to live here—than paid family leave, baby bonds, Birth-to-Three, and other social programs? If we don't, what would we need to answer that question?
- How many commercial properties in downtown D.C. have been foreclosed upon by their lenders? In any of these circumstances, did the District consider the potential of acquiring the property? If not, why not?
- How might Director Albert respond to a survey of 130 studies conducted over 30 years that finds “even with added non-pecuniary social benefits from quality-of-life externalities and civic pride, welfare improvements from hosting teams tend to fall well short of covering public outlays. Thus, the large subsidies commonly devoted to constructing professional sports venues are not justified as worthwhile public investments,” and that local governments “continue to subsidize sports facilities despite overwhelming evidence of their economic impotence”?<sup>6</sup>

I've focused my testimony today on the high-level vibes permeating DMPED's policymaking, because I believe that Director Albert and her talented staff are capable of providing a more comprehensive and more detailed picture of what is going into the District's economy. There are numerous outstanding issues that I am not going to address here, lest they reach beyond the scope of an oversight hearing, including how closing the Washington Metropolitan Area Transit Authority's estimated \$750 million budget gap is essential to the District's economy.

Lastly, however, a specific point: There is still not enough housing—market-rate, or income-restricted and subsidized—in the District, particularly in affluent, high-amenity neighborhoods, like those in the Rock Creek West, Capitol Hill, and Rock Creek East planning areas. GGWash has been a staunch supporter of [Mayor Muriel Bowser's goal of the production of 36,000 units in the District by 2025, 12,000 of which are to be income-restricted and](#)

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<sup>6</sup> Bradbury, John Charles and Coates, Dennis and Humphreys, Brad R., The Impact of Professional Sports Franchises and Venues on Local Economies: A Comprehensive Survey (January 31, 2022). Journal of Economic Surveys, forthcoming, Available at SSRN: <https://ssrn.com/abstract=4022547> or <http://dx.doi.org/10.2139/ssrn.4022547>

[subsidized](#). As this goal nears its endpoint, we'd also like the committee to ask Director Albert how many more units, market-rate *and* income-restricted and subsidized, should be built in the District, and whether the mayor will commit to another housing-production goal for 2030.<sup>7</sup>

Thank you,  
Alex

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<sup>7</sup> [In response to GGWash's 2022 questionnaire](#), which contained the question, "How many additional units of housing do you think should be built in the District by 2030?" Bowser wrote, "While we projected in 2019 that we would likely need another 24,000 housing units by 2030, with 8,000 of them affordable by 2030, a lot has changed since 2020. Between the effects of COVID-19, the trend of working from home, and the challenges around Census 2020 data, we will need to monitor the data closely to create goals and policies that align with the ultimate outcome that we all seek: a housing market with homes across the District that are affordable for families across the income spectrum. I have committed more than any other elected official in the District's history and in the region to funding and creating affordable housing and will devote the necessary resources to continue to do so beyond 2025."