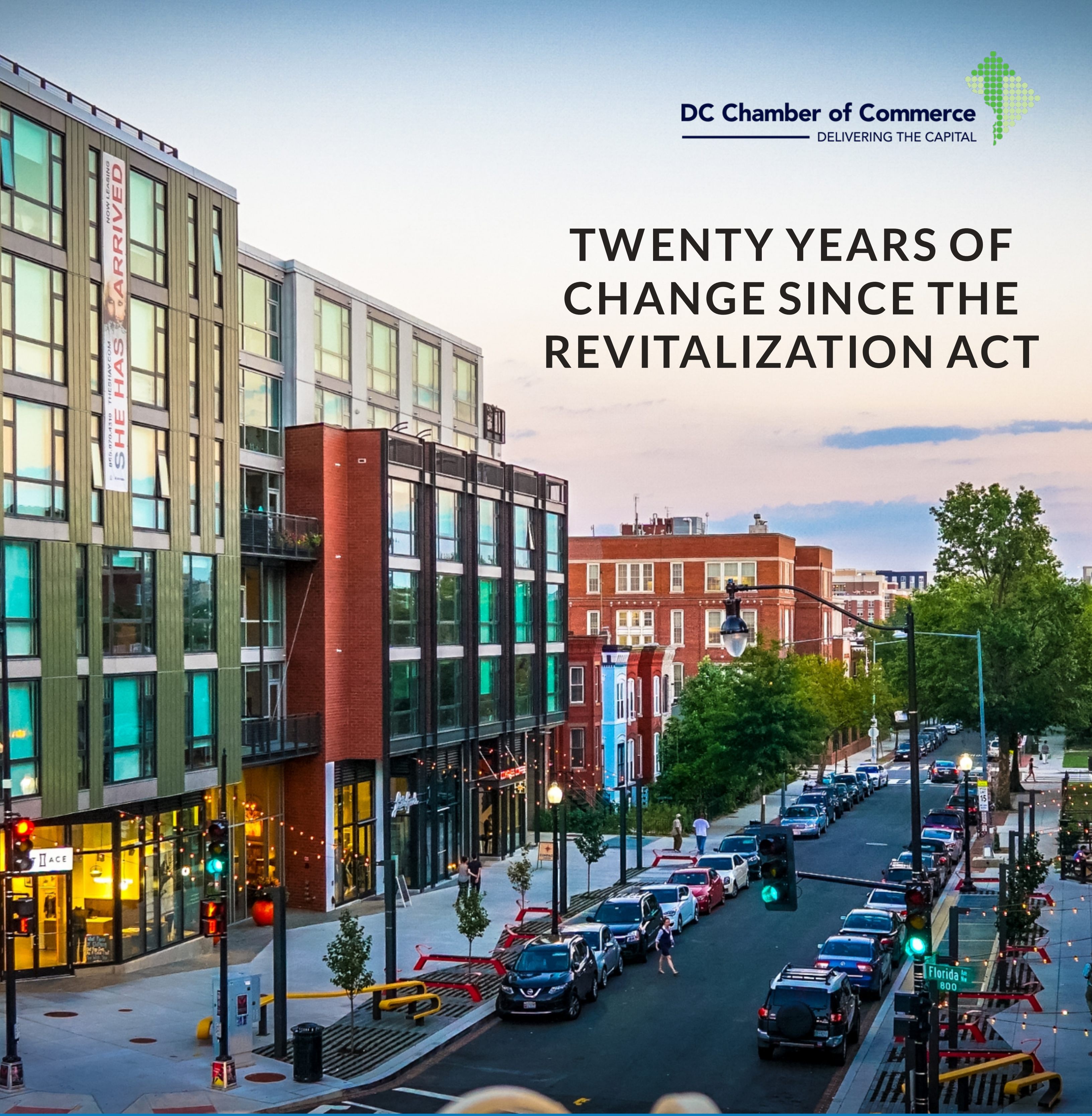
DC Chamber of Commerce
DELIVERING THE CAPITAL

TWENTY YEARS OF CHANGE SINCE THE REVITALIZATION ACT



2017 STATE OF BUSINESS IN THE DISTRICT OF COLUMBIA

About the District of Columbia Chamber of Commerce

The DC Chamber of Commerce is the voice of business in the nation's capital, Washington, DC. It advocates on behalf of businesses and entrepreneurs and provides invaluable services to improve the District's business climate and attract new companies to the District of Columbia. As a leading advocate for economic growth, the DC Chamber delivers the capital.

Acknowledgments

Washington, DC, is a flourishing and diverse global city. Its leadership including Mayor Muriel Bowser, the Council of the District of Columbia, and the DC Chamber of Commerce under the stewardship of President and CEO Vincent B. Orange, Sr. are the catalysts for the production of the 2017 State of Business in the District of Columbia.

The Office of the Deputy Mayor for Planning and Economic Development, under the leadership of Deputy Mayor Brian Kenner and Karima Woods, Director of Business Development and Strategy, provided financial support and guidance for the production of this report.

About this report

This report was prepared and produced by the D.C. Policy Center, an independent think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia.

Photo credits: Ted Eytan @tedyetan

D.C. POLICY CENTER

December 2017, Washington, DC
D.C. Policy Center | www.dcpolicycenter.org

Table of Contents

LEADERSHIP MESSAGE

The District of Columbia Chamber of Commerce is pleased to issue the 2017 ***State of Business in the District of Columbia.***

This report examines the 20 years of change that has completely reshaped our city since enactment of the National Capital Revitalization and Self- Government Improvement Act of 1997.

The 1990s represented difficult times for the nation's capital. As a result, this period provided an opportunity for the executive and legislative branches of DC Government to come together and harness the dynamism of the business community and the citizens of the District of Columbia to devise a plan to find a way out of a $518 million deficit, junk bond status, and a federally mandated control board.

The plan was called the *Economic Resurgence of Washington, DC: Citizens Plan for Prosperity*. It presented forty action items for execution and great expectations for a better future for the city.

This report—the 2017 State of the Business in the District of Columbia—documents over twenty consecutive balanced budgets, significant improvements, sound fiscal management, strong bond ratings, and a rainy day fund in excess of $2.5 billion. Moreover, the report highlights the changes we experienced in the last 20 years to remind ourselves where we came from and where we do not want to return.

The years that followed the Revitalization Act were transformative. Jobs and population grew rapidly. The city is now attractive to families, and benefits from a high- skilled workforce pool. Private sector growth has outpaced the public sector, increasing our resilience.

Yes, the District has emerged from the "Control Board" era, but danger signs are present. High-wage and middle-wage job creation have slowed down. Incomes have increased, but so has economic segregation. Businesses thrive with population growth, but not everywhere in the city. Many policy decisions—from zoning to civil infractions to licensing requirements that impose restraints on businesses and citizens—contribute to the economic segregation.

While the District has become a more desirable place to live, work, raise a family, and conduct business, the challenge remains for the District to empower all its residents and businesses across all neighborhoods. This empowerment will bring the same level of vibrancy to all communities, including those that have been excluded from its economic growth.

Finally, increasing jurisdictional fragmentation threatens the growth of the entire metro region. The District of Columbia, while small, is an open economy in the middle of a growing metropolitan area that is central and critical to the economic activities in the entire region. We must always be mindful to our relationship with the metro area, and work in cooperation to generate the most benefits we can for our businesses and residents.

Vincent Bernard Orange, Sr.
President and CEO

DC Chamber of Commerce
DELIVERING THE CAPITAL

contact@dcchamber.org | www.dcchamber.org
Follow us on @dcchamber

EXECUTIVE SUMMARY

Much of the today's economic dynamism in the District of Columbia is the result of a difficult and politically fraught decision made 20 years ago by Congress and local leaders to transfer financial control of certain District responsibilities to the federal government. The National Capital Revitalization and Self- Government Improvement Act of 1997, known as the Revitalization Act, was enacted in August 1997, and it proved a turning point for the District.

The *State of Business in the District of Columbia* explores the growth and development of the economy, industry, and workforce in the District over the last two decades—a tumultuous and transformative period. It tracks the story of DC's remarkable growth over the last two decades, illustrating how the District has weathered the storms of the past to place itself at the forefront of American cities in the 21st century.

The 1990s was not a good decade for the District. The nation was rocked by a national recession in the early 1990s, and DC lost 21,000 jobs by 1992. Elsewhere in the country, jobs rebounded, but a federally engineered local recession, in the form of federal job cuts, kept the District struggling. What followed was a period of fiscal indiscipline that devastated the city's finances and pushed more residents and businesses out of DC. Between 1990 and 1997 the District lost 63,000 jobs (9.1 percent of total employment) and 75,000 residents (12 percent of its population). The 1990s produced a lost economic decade, with repercussions still seen in comparisons between the District and the Metro area.

The years that followed were transformative. Job recovery began in 1998, and today's total employment exceeds 791,000 workers, an increase of 25 percent since 1997. The District's population boomed in the last 11 years and added more than 114,000 net new residents. The population now stands at 681,000. The District's economy stayed resilient during the Great Recession with only minimal job losses as housing prices soared, incomes increased, and, with a strong tax base, the District's finances showed tremendous improvements. Today the District has higher income and population growth then the rest of the region, and continues to attract educated, high- skilled residents from the rest of the country. Since the Great Recession, the city has surpassed the nation and the metro area in economic growth.

Today, the District is a very different city. More of the economic activity shifted from the public to the private sector. Earnings increased by 73 percent in real terms and earnings by DC residents grew even faster, by 87 percent during the same period. Since the end of the Great Recession, the District has been outperforming the metropolitan area in employment, jobs, and output growth. And the city has responded to increased demand for its real property remarkably well. The District added 53 million square feet of office space and 61 million square feet of residential space (about 61,000 units) since 2001. Some of these new developments replaced existing buildings, but others, like The Wharf at the Southwest Waterfront, are creating density where it did not exist before.

The population growth has transformed the city. The District has once again become attractive to families. But families live in different parts of the city now. East of the River no longer holds the bulk of the District's residents (and children). That standing now belongs to the Central Corridor. Restaurants and shops that have spread to these neighborhoods are still largely missing in neighborhoods East of the River. The population increases have made the District whiter, wealthier, and younger, and this has contributed to the increasing income divide. Housing costs reinforce this trend. Middle class wage earners flock to the suburbs in search of affordable housing, where upward mobility is strong and income inequality is relatively smaller compared to the District.

The District draws its workforce from a large pool of high-skilled labor. Two thirds of the District's workforce has a college degree or more, and it attracts some of the highly talented workers across the region. Salaries in the District are among the highest in the nation. In 2016, District's median salary was 1.7 times the salaries across the nation. And that is not just because it has high-paid federal jobs. The skills profile of the District's workforce makes its employees desirable, not just in the District, but everywhere.

Because many moving to the District have already secured jobs, residential employment has grown faster than the jobs in DC. The District added 47,000 more employed residents between 2012 and 2016. Since 2011, resident employment has grown faster than jobs in DC, suggesting that more and more residents are living in the city and working elsewhere. This has a fiscal benefit, too. The District's income tax base is increasing faster than salaries paid in the District.

Finally, the District government is fiscally strong. The District's economy has become more resilient and it has weathered the Great Recession with smaller losses than many other jurisdictions in the area. The city's general revenue has risen fast enough to fully implement a major tax-reduction package approved in 2013, while increasing public spending on key areas such as education and housing. As a result, the District has become more competitive with surrounding jurisdictions.

While these are great developments, there are some pitfalls:

First, high-wage and middle-wage job creation has slowed down as private sector activity is increasingly shifting to services. New jobs are coming from retail and hospitality, two of the lowest paying industries in the District. The first wave of losses in high-paying jobs happened in the public sector before the mid-2000s, as the federal government moved more of its operations and employment out of the District. The city now holds 34 percent of all government jobs in the area compared to 40 percent in 1997. The more recent wave of losses in high-wage jobs are in professional, management, and technical occupations. But more importantly, the District is losing middle-wage jobs in areas that are typically seen as the backbone of middle-class white-collar employment, especially in office support and sales occupations.

Second, while incomes have increased, so has economic segregation. Everyone did not equally benefit from the economic growth. Income gaps between the District's richest and poorest residents have increased. While incomes more than tripled in the Central Corridor, they have declined, especially among families, East of the River. The metropolitan Washington area provides many opportunities for upward economic mobility, enticing the middle class out of the city. [1].How ever, DC itself experiences some of the lowest economic mobility in the country.[2] District offers its own push factor: faced with high costs of housing, and the lack of amenities such as grocery stores in their immediate neighborhoods, many low-income residents are moving to the suburbs.

Third, business conditions have improved with the implementation of the 2013 tax package, but District businesses still face significant challenges. Corporate tax rates are now on par with Maryland, but still above the rate in Virginia's northern counties, and requirements on the businesses—from minimum wage to licensing requirements—can be deterrents. Survival rates are low, compared to the U.S.: 48 percent of today's new firms will still be in the District after their first five years of operation while the comparable metric for the U.S. is 58 percent. Even in booming sectors, such as restaurants, this churn among businesses has been high and shows signs of increasing. While total employment is on the rise, job stability appears to be going down. In 2016, of every 25 jobs that opened, 24 made up for a job lost elsewhere in the city.

Fourth, jurisdictional fragmentation and tensions among the localities that make up the metro area threaten growth. Collaboration with surrounding jurisdictions is weak. Transportation is the prime example as the region struggles to find a stable, long-lasting solution to the financial woes of the Metro system. It is not clear if the markets have yet priced in the risks associated with a failing Metro, but if leaders cannot develop a solution, the region could see shifting patterns in employment. Almost no other efforts exist between the District and its neighboring jurisdictions to collaborate on housing, workforce development, labor laws, or social safety nets—areas where such collaboration would be most meaningful.

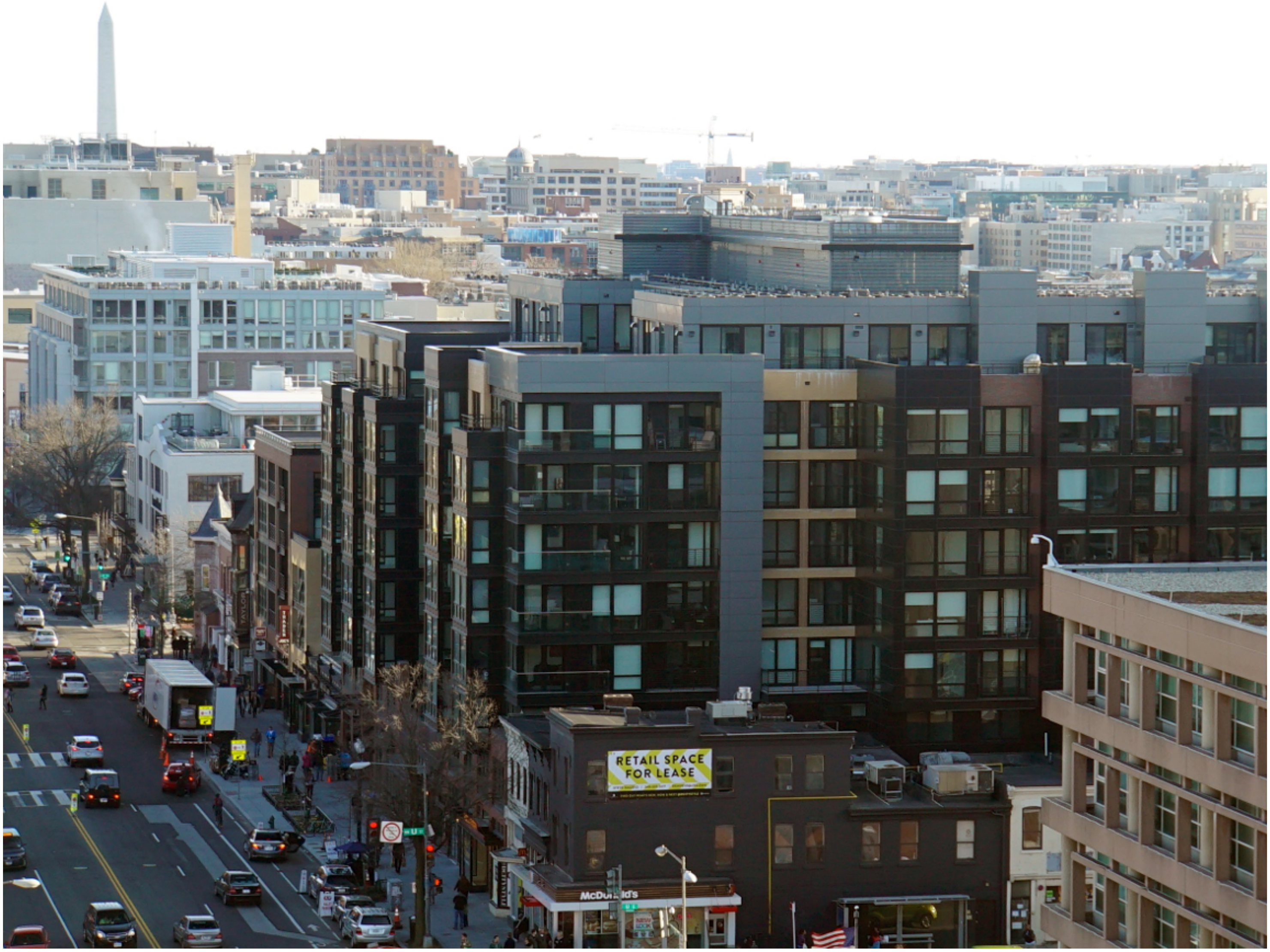
Since the Revitalization Act, the District has become a more desirable place to live, work, and conduct business. The Revitalization Act solved many fiscal problems and has resulted in a stable and strong economic outlook for the District. The next challenge for the city is to empower its residents and businesses across all neighborhoods to bring the same level of vibrancy to all communities, including those that have been excluded from the economic growth. The District has some of the strongest government programs for protecting its most vulnerable citizens, and the city has invested in improving education, housing, and social supports. But these have not been enough to close the increasing economic gap. Economic integration and economic mobility are deeply connected, and living in more economically integrated neighborhoods benefits low-income families the most. The next step for the District is to make all neighborhoods attractive to all types of residents of all income levels. And businesses have a large role to play in this shift.

The District's businesses, especially small and local businesses, have been an important source of economic and human capital growth in the city, and more so among minority and immigrant populations. Local small businesses are not just good for services and access to jobs—two desperate needs in some of communities—but they also are critical to improving neighborhood vitality. With shifting demographics and increasing incomes, District businesses are facing rising costs, changing demands from their clients, and higher rates of consolidation. Recent research shows that business displacement is more permanent in neighborhoods with single-business establishments, and empty storefronts stay empty longer in neighborhoods with increasing costs.[3] That is, the impact of many policy decisions—from zoning to civil infractions to licensing requirements—could impose restraints on businesses that increase economic segregation. Since the Revitalization Act, the District has excelled at reducing tax burdens on its businesses. It is time to consider the impacts of other regulatory restrictions.

[1] Chetty et al. (2014), "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States, "*Quarterly Journal of Economics* 129(4): 1553-1623, 2014

[2] Chetty R. & Hendren N. (2017),*The Effects of Neighborhoods on Intergenerational Mobility II: County-Level Estimates,* National Bureau of Economic Research Working Paper No. 23002, Revised Version.

[3] Meltzer R. (2016), "Gentrification and small business: Threat or opportunity?" *Cityscape* 18(3), US Department of Housing and Urban Development, Washington DC.



THE ECONOMY

The District is a small, open economy in the middle of a growing metropolitan area and it is central to the economic activities in the entire region. The city's economic footprint is much larger than its geographical footprint: The District represents less than 2 percent of the total land in the in the metropolitan area, yet it holds 23 percent of all jobs, 21 percent of all private sector jobs, 12.5 percent of the population, 12.3 percent of the workforce, and 10 percent of the families.

The District has more jobs in professional and business services than any other sector. Nearly 384,000 jobs, more than 50 percent of sector jobs in the metro region, are in the District. Employment in the District and the metro region parallel each other, both are weak in manufacturing and strong in services. In fact, the District economy looks very much like the economies of the counties in Northern Virginia and southern Maryland. Thus, the intraregional competition for workers and businesses is fierce.

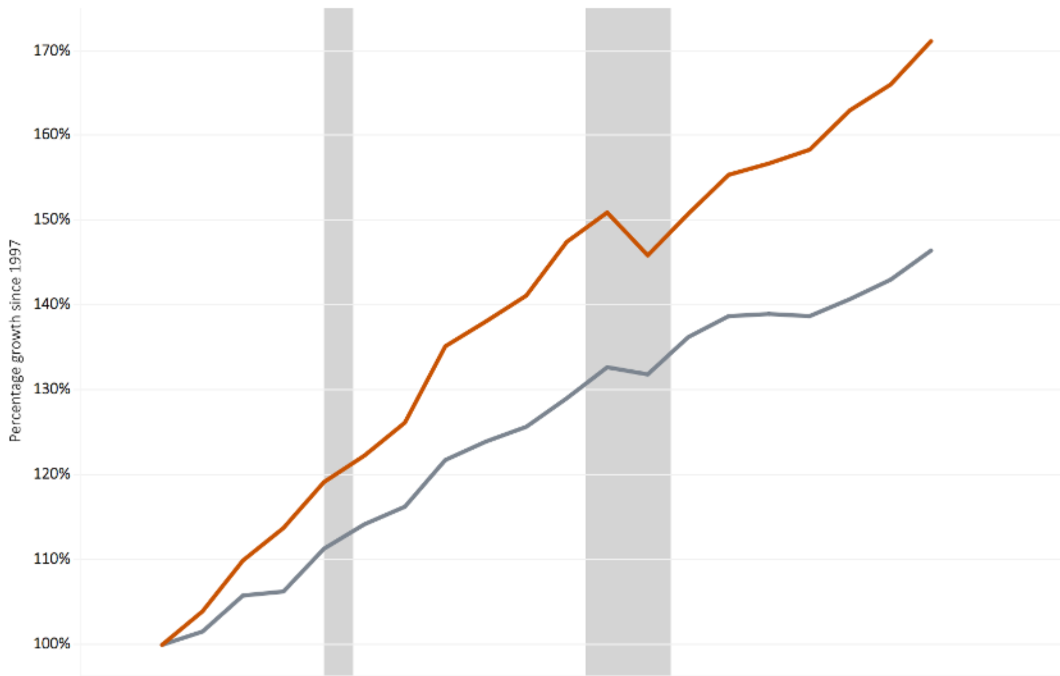
Strong economic growth

Economic growth in the District has been strong since the Revitalization Act, and particularly strong in the private sector. The city has benefited from robust growth in jobs, population, and incomes. Gross District Product—the value of goods and services produced in the District—stood at $127 billion in 2016. This value grew by 46 percent, or at an average annual growth rate of 2.4 percent since 1997 after adjusting for inflation, outpacing the growth in the nation and the metropolitan area.[4]

It is customary to use the metric of Gross State Product (GSP), the total value of goods and services produced in a state, as a measure of economic activity, but in the case of the District, GSP could be a misleading measure. The GSP would include the value created by the federal government agencies, including procurement made in the District, even when these dollars are spent elsewhere in the country.

[4] Data from Bureau of Economic Analysis (BEA). During the same period, real GDP grew 42 percent across the nation, or at an annualized rate of 2.2 percent. Data are not available for the metro area for this period, but data from 2001 to 2015 suggest that the annual growth in the region has hovered around 2.3 percent.

Real Gross State Product, indexed to 1997

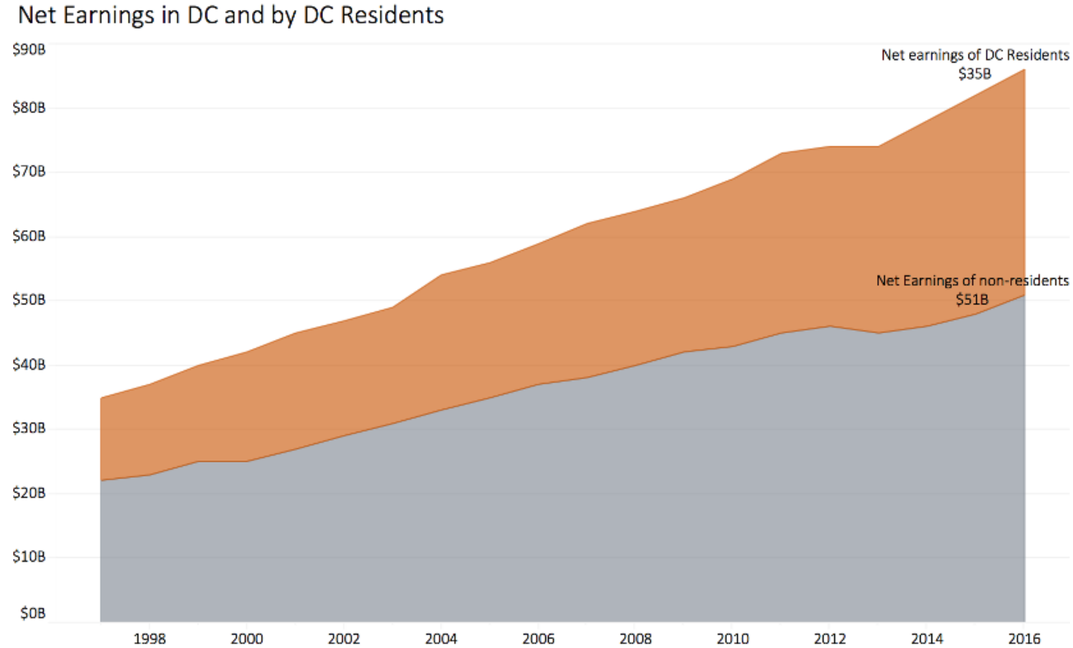


Source: Bureau of Economic Analysis, Real GDP by state (millions of chained 2009 dollars). Private industry GDP is the sum of GPS reported by NAICS code. Last updated on May 11, 2017. Data retrieved on August 2, 2017.
D.C Policy Center | dcpolicycenter.org

Thus, GSP overstates the total economic activity in the District. It also understates the economic growth. To wit, in 2016, GSP attributable to the private sector was valued at nearly $84 billion, representing a real growth of 71 percent (average annual rate of 3.6 percent) since 1997. Private sector growth was strongest between two recessions, at an annualized rate of about 4 percent. Since the Great Recession, the city's private sector grew at 2 percent, outpacing the metro area, which grew at 1.9 percent.

Another metric of economic activity, earnings in the District, grew by more than 73 percent in real terms since 1997. In 2016, total earnings in the District, including earnings by non-DC residents, stood at $96 billion, and net earnings (earnings after contributions to pension and insurance plans) was $86 billion. Resident earnings—earning by all DC residents regardless of where they work—grew even faster, by 87 percent during the same period, reducing the impact of the "commuter bite," (the share of income earned by non-residents.) The commuter bite is important because the District cannot tax this income, although it is earned within city boundaries. In 2016 District residents claimed $35 billion of DC's net earnings, and commuters claimed $51 billion. That is, the commuter bite consumed 59 percent of all earnings in DC in 2016. At the time of the Revitalization Act, the commuter bite was much higher, at 64 percent. The commuter bite is declining because the District's population is increasing, and more people who work in the city are also now choosing to live in the city. Additionally, reverse commuters—those who live in the city but work in the suburbs—are changing in nature. They now hold higher-paying jobs than the reverse commuters of the late 1990s and early 2000s.

Net Earnings in DC and by DC Residents

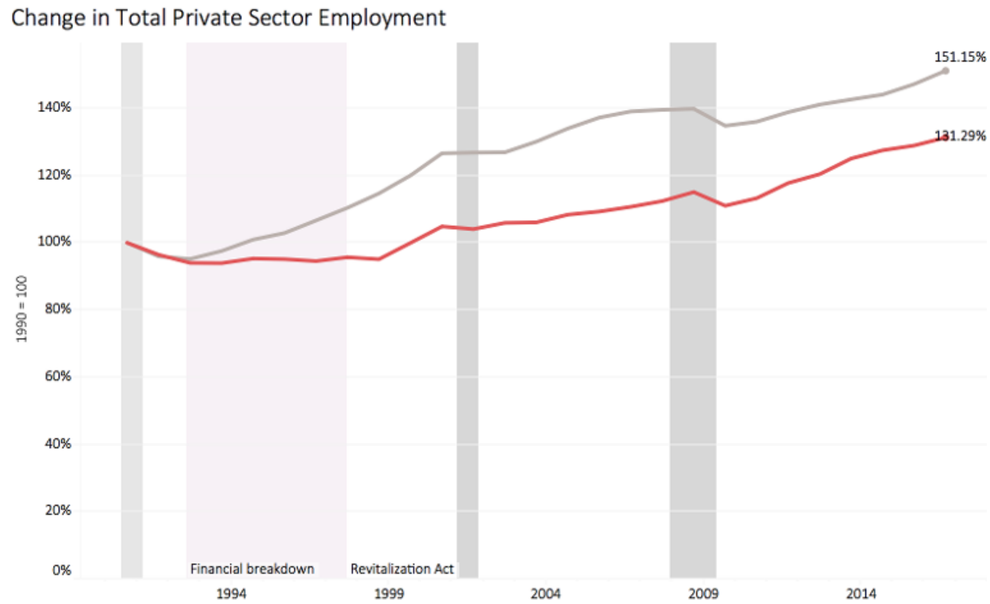


Source: Bureau of Economic Analysis, SA4 Personal Income and Employment by Major Component, Retrieved on August 2, 2017. Net earnings are earnings after employer and employee contributions for pensions and insurance funds. Commuter bite is the residency adjustment--showing the difference between the net earnings of commuters and reverse commuters. Net earnings of D.C. residetns is the difference between the net earnings in the District and the commuter bite.
D.C. Policy Center | dcpolicycenter.org

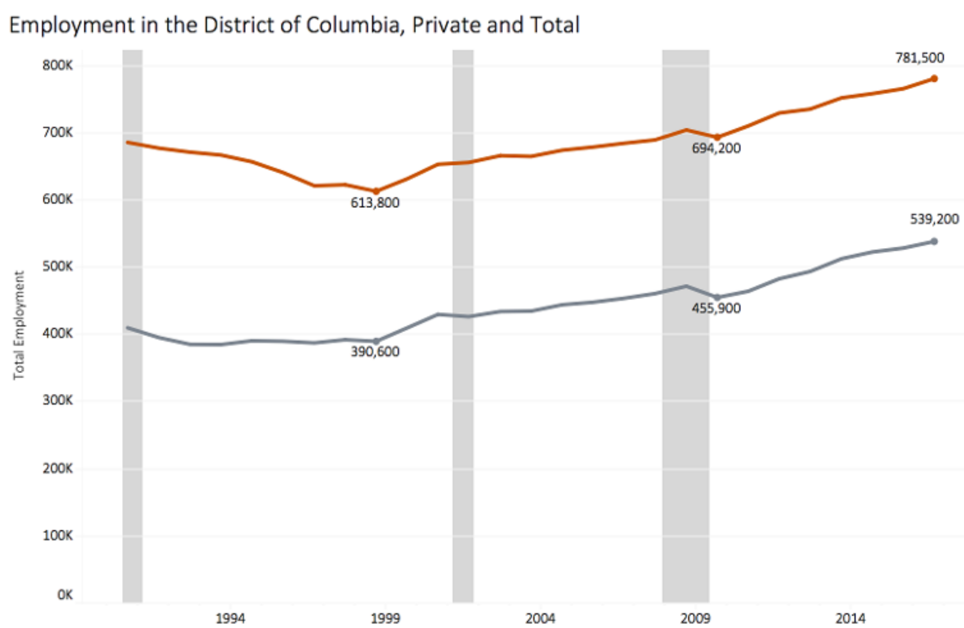
More jobs in the private sector

For the District, the 1990s proved to be a lost decade for employment, one from which the city is still trying to recover.[5] The decade began with a national recession, continued with a federally-engineered recession as the federal government reduced its spending in the city, and, finally, a self-inflicted budgetary wound that led to the Revitalization Act. By the end of 1997, jobs in the District had shrunk by 5 percent, whereas jobs in the metro area had grown by 10 percent. Only in 2000 did the District bounce back to the same level of employment it had in 1990. The big gap in job increases since 1990 is entirely due to the District's underperformance in this lost decade.

Since the Revitalization Act, the District experienced high job growth, especially in the private sector, consistently outperforming the growth of the greater metropolitan area. At the end of 2016, the District's establishments collectively hired over 780,000 employees, with 60 percent working in the private sector. Private sector employment has increased by more than 25 percent since 1998, the first year after the Revitalization Act was enacted and the low point for DC employment. There has been positive job growth in the private sector every year except for 2009 (which saw a decline of 7,600 jobs). But even that year, total job losses were tempered by the expansion of federal employment, resulting in a net reduction of only 2,100 jobs. Private sector employment growth has been particularly strong since 2011. During the six post-recession years, the city has added nearly 70,000 private sector jobs, accounting for over half the growth in employment since 1998. Public sector growth during the same period has been nearly flat. In 1997, the federal and District governments combined hired 233,200 workers; in 2016, public employment was at 239,400. The public sector is still the largest source of employment in the District, but its share has declined from 37 percent at the time of the Revitalization Act to 31 percent today.



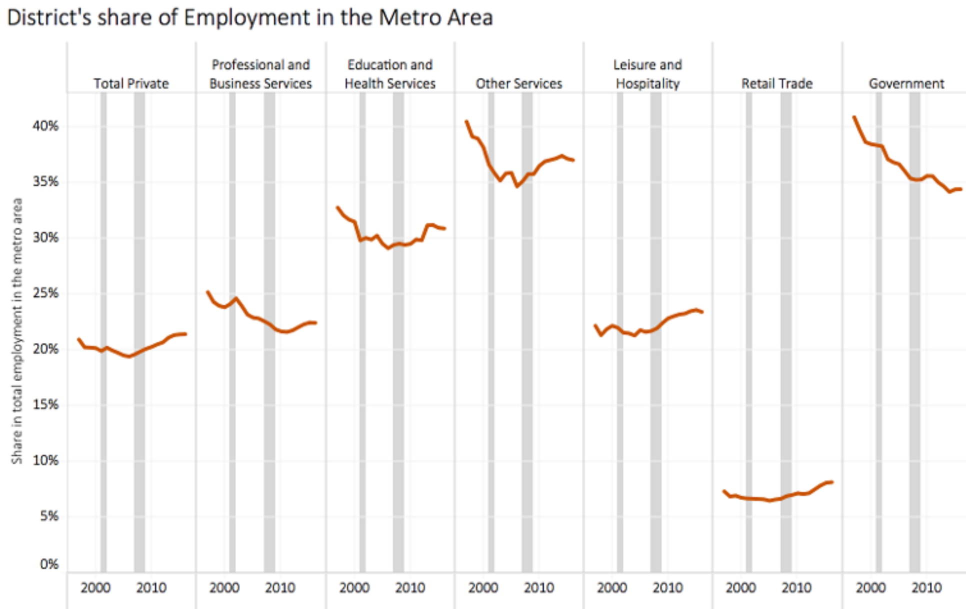
Source: Bureau of Labor Statistics, Current Employment Statistics, State and Area Employment, Hours, and Earnings, Retrieved on February 7, 2017. Because the data is not seasonally adjusted, we only present one month to smooth the lines.
D.C. Policy Center | dcpolicycenter.org



Source: Bureau of Labor Statistics, Current Employment Statistics, State and Area Employment, Hours, and Earnings, Retrieved on February 7, 2017. Because the data is not seasonally adjusted, we only present one month to smooth the lines.
D.C. Policy Center | dcpolicycenter.org

[5] Private sector employment has increased by over 30 percent in the District since 1990. The Metro region surpassed us, however, with a 50 percent job increase over the same period. To be clear, the Metro area did not outperform the District consistently: between 1990 and 2016, in eleven separate years, the District's jobs grew faster (or shrank slower) than the entire metro region and in one year, it grew about the same.

The health and education sectors have been leading the growth in employment in the District, adding 52,000 jobs (64 percent growth rate) since the Revitalization Act. Most of this expansion took place after the Great Recession. Since then, these two sectors have added over 4,000 jobs per year, increasing their share in all private sector employment to 24 percent (from 21 percent in 1998). Professional and business services—the largest sector in metro employment—grew by 46,000 jobs, but job growth has softened since 2009, with an annual average job increase of 2,500. Leisure and hospitality sectors, mainly hotels and restaurants, added 32,800 jobs (a 77 percent increase) and is now the third largest source of employment in the city. Other services, which include lobbying, associations, and personal services, added 17,000 jobs. The information, transportation, and utilities sectors all shrank, both in the District and the entire metropolitan area.



Source: Bureau of Labor Statistics, Current Employment Statistics State and Metropolitan Area Series, seasonally unadjusted, annual estimates. Retrieved on August 12, 2017. The Metropolitan Area is the Washington-Arlington-Alexandria, DC-VA-MD-WV.
D.C. Policy Center | dcpolicycenter.org

While employment is increasing faster than the metro area, we are losing our relative strength in some of the higher-paying industries to the suburbs. The District still holds about 21 percent of all private sector jobs in the metro area, but its employment growth relative to the region has occurred in industries that pay lower salaries. The professional and business services sector, where the District is losing ground, pays significantly more ($92,500, according to the Bureau of Labor Statistic estimates) relative to other key sectors, such as education ($40,290), health and social assistance ($47,840), restaurants ($22,700), hotels ($37,200), retail trade ($25,810), and other services ($68,700).

The creative economy: Can fashion take hold in DC?

Fashion is a multi-trillion-dollar industry that can be the foundation for a local economy.

As the momentum for locally designed and manufactured products continues to grow nationwide, how can DC take advantage of the amazing energy and sense of purpose among fashion entrepreneurs in the city? The key players–educational institutions, the private sector, the government, and the consumer — are in place, but the endeavors of each need to be stitched together to create a cohesive pattern for developing and sustaining fashion as a local industry. ·

- **Education: Crafting a Foundation.** Three universities offer degree programs related to fashion: The University of the District of Columbia offers an AAS in Fashion Merchandising, focusing on the business – including elements of production and forecasting trends - rather than the design components of fashion. Howard University offers a BFA in Design with a concentration in Fashion Design. Students learn about production, branding, and the increasingly important topic of sustainability of materials. Marymount University offers both fashion design and fashion merchandising degrees.
- **Private Sector: Weaving Together Individual Components:** Designers, stylists, PR professionals, influencers, and even lawyers, are a part of the private sector mosaic. DC offers a vibrant retail sector and strong salaries: In DC, the average wages for those working in the fashion apparel industry are higher than national wages and wages in large states such as California.
- **Local Government: Fostering Innovation and Improving the Business Climate.** The District has increasingly focused on the creative industry, including fashion, as a means of growing the District's economy. Past and current administrations have built a Creative DC Action Agenda, established the Commission on Fashion Arts and Events (CFAE) to promote the District's fashion and beauty industry and to position DC as a more competitive environment, and added the Fashion and Retail sector to its four creative sectors, to encompass makers, service providers, and retailers in fashion and personal care. Additionally, the DC City Council established a "Made in DC" initiative and made a commitment to preserve workspace for creative workers.
- **An Active Consumer: Valuing Local Artisans and Stores** The final component for bolstering the DC fashion industry is an engaged customer: ultimately, the consumer will decide the fate of the fashion industry in DC. Consumers might be locals who want to see their neighbors succeed, or tourists who want to commemorate their visit to the nation's capital.

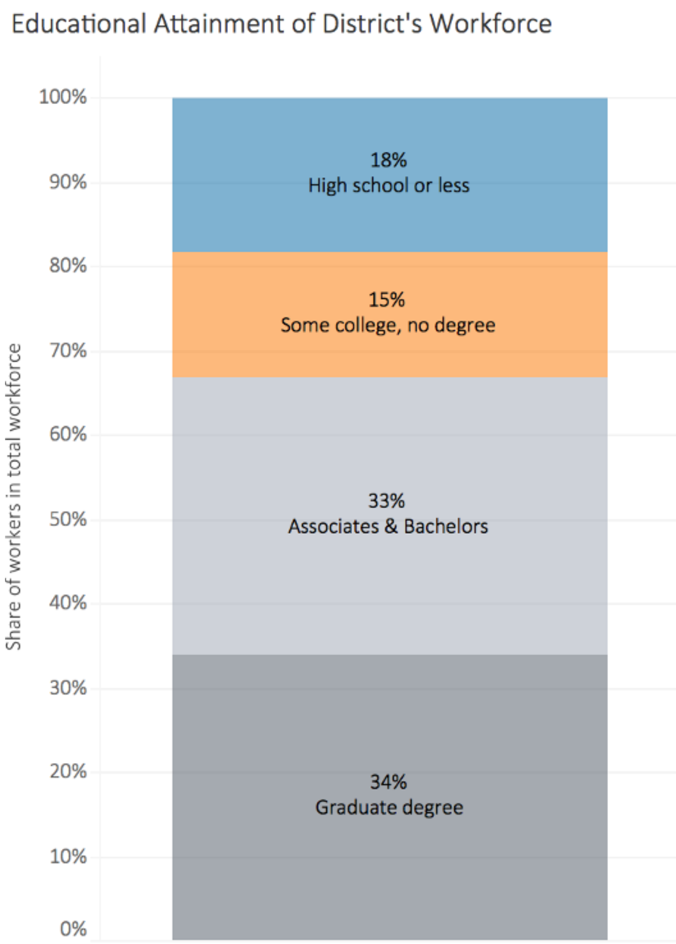
Designers need to create. To do that, they need educational opportunities to learn the craft and adequate and affordable space in which to design and produce. The government can assist in that aspect with responsible zoning and tax benefits. The growth in the retail sector can justify government support. The consumer must value a locally made item and locally owned store and seek it out. If treated as a business and a generator of economic growth, fashion can be a viable industry in the nation's capital.

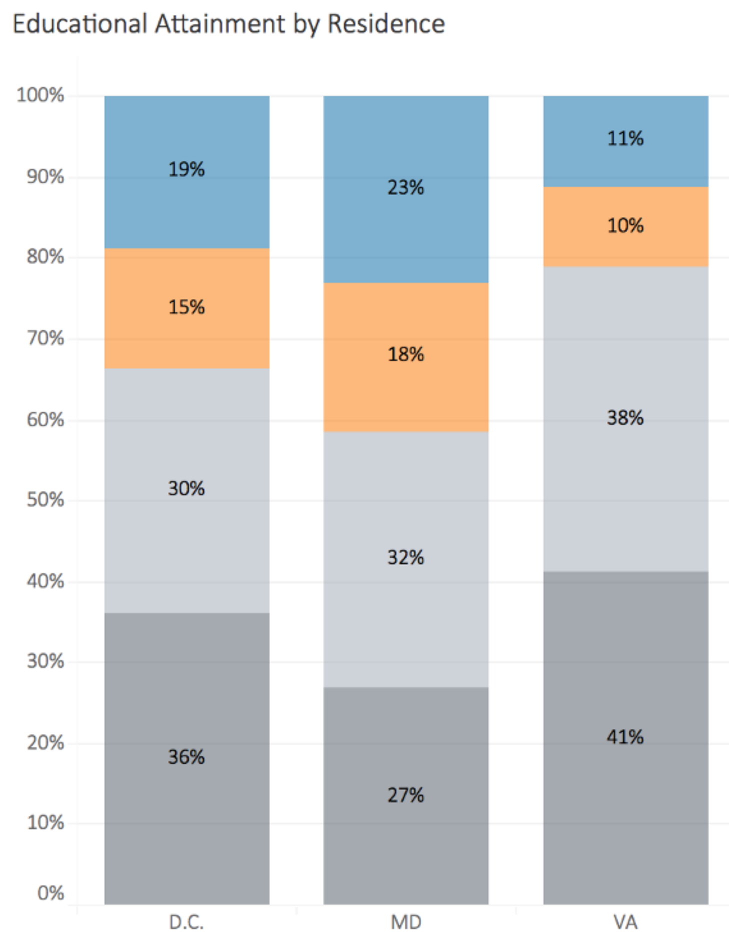
Source: Jochmanns, H.. F. Making D.C. a Fashion Hub: A Pattern for Success, D.C. Policy Center, 2017.

A talented workforce

The District draws its workforce from the larger metropolitan area, and the city attracts an educated workforce from all around the country. In 2016, 828,000 people worked in the District, including those who are self-employed.[6] Among these workers, only 267,100 (32 percent) were DC residents. The remainder commute from Maryland (327,400 workers, or 40 percent of the workforce) or Virginia (234,200 workers, or 28 percent of the workforce). In addition, many DC residents in the District's workforce are newcomers. Between 2000 and 2015, the District received nearly 185,000 new residents who moved into the city because they got a job in the District or their job was relocated to the District.[7] Another 67,000 moved here to attend college or because they had just graduated and found the District to be an attractive job market. Not all of these newcomers stayed, but over 42 percent of District residents who moved to the city sometime in the previous 12-month period, did so for their careers.

The District benefits from one of the most educated workforces in the country. One third of the District's workers hold a graduate degree (doctorate, master's or a professional degree); one third have a college degree; 15 percent have attended some college but did not receive a degree; and 18 percent have a high school degree or less. Educational attainment is highest among commuters from Virginia. Among Virginia workers, 41 percent have graduate degrees, and 21 percent lack a college degree. In contrast, 41 percent of commuters from Maryland do not have a college degree. Many of these workers from Maryland, especially from Prince George's County, are former DC residents who have been priced out of the District's housing market. Prince George's County has the highest number of migrants from the District. In 2015, for example, nearly 10,000 DC residents, mostly from Wards 7 and 8, moved there to access cheaper housing and an easier commute.[8]





Source: American Community Survey, Public Use Microdata population records for DC, MD, and VA for 2015. The education attainment is calculated using the SCHL variable and grouped together for better presentation.
D.C. Policy Center | dcpolicycenter.org

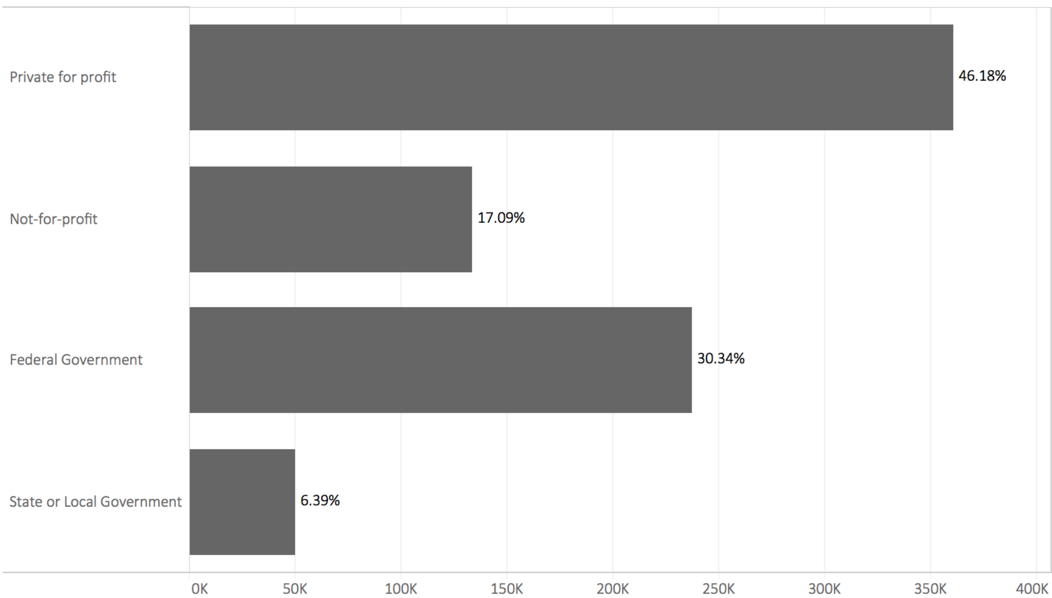
[6] An estimated 782,000 of these jobs were wage and salary jobs in the private or public sector. The estimates are developed using the 2015 American Community Survey Public Use Microdata available at the U.S. Census Bureau website.

[7] Data from the Current Population Survey. Because the District's sample size is extremely small, the Census recommends combining at least three years of data to produce reliable estimates. Here, we combine fifteen years of data. For details, please see Sayin Taylor, Y.(2015), *Residents Move in for Jobs, Move out for Housing*, District Measured, DC Office of the Chief Financial Officer, Washington DC.

[8] Rabinowitz K.(2017), *Prince George's County a Popular Home for Many Former DC Residents,* D.C. Policy Center, Washington DC.

Wages and salaries paid in the District are among the highest in the nation. In 2016, the median salary paid in the District was $82,950, 1.7 times the median salary in the United States (reported at $49,630), according to the Bureau of Labor Statistics. One explanation for high wages and salaries is the presence of the federal government as an employer. In 2016, the federal government employed 237,300 workers in the District, which accounts for 30 percent of the District's 782,000 jobs. The median salary for federal workers was $112,000. District residents held about 50,000 of these jobs, and the remainder were filled by commuters from Maryland and Virginia. Median salaries in the private sector, in comparison, were much lower at $61,000 in the not-for-profit sector (17 percent of the workforce), and $48,000 in the for-profit sector (46 percent of the workforce).[9]

Number of Workers in DC by Sector



Source: American Community Survey, Public Use Microdata population records for DC, MD, and VA for 2015. The sectoral distribution is calculated using the Class of Work variable.
D.C. Policy Center | dcpolicycenter.org

District residents who work in the city tend to be educated, but data shows that as a group, they hold a disproportionate share of the lower- paying jobs: 44 percent of jobs that pay a wage of $30,000 or less are held by DC residents, compared to 32 percent of all jobs in the District. Virginia residents tend to hold a larger proportion of higher- paying jobs (28 percent of jobs in the District and nearly 40 percent of all jobs that pay $100,000 or more.)[10]

While the federal government presence has had a positive impact on wages and salaries, it is important to note that the District attracts a workforce with skills that are valued nationally. This can be seen in the occupational mix of the city. The District has one of the highest concentrations of management, professional, and technical occupations in the country. Managerial, professional, and technical occupations, which tend to pay higher wages, are the largest source of employment in the District. In 2016 these occupations—across all industries—were filled by 305,000 employees, accounting for 49 percent of all employment in the District, compared to 39 percent in 2001 (the earliest year for which there is comparable data). By comparison, management and professional occupations make up only 16 percent of jobs nationally. In addition, within the metro area, more of these jobs are in the District proper. The share of management, professional, and technical jobs in the greater metro area is 47 percent—higher than other metro areas with a similar workforce composition.[11] These professionals have high levels of abstract skills, such as data analysis, creative thinking, and interpreting data for others, which are the most highly valued skills in the labor market.[12]

The second largest group of workers in the District is in service occupations. In 2001, service occupations, with 101,000 jobs, accounted for 17 percent of all District employment. Fifteen years later, these occupations accounted for 128,500 jobs, or 19 percent of all jobs in the city. The biggest gain in employment among service occupations has been in food preparation and food service—chefs, kitchen staff, and wait staff—which increased from 33,900 to 55,600 (57 percent growth) between 2001 and 2016. Personal care and service occupations added 7,200 new jobs, an 89 percent increase. Service occupations are higher in demand largely because of DC's growing population. There are more restaurants, dry-cleaners, spas, hair salons, pet groomers, and gyms in the District, serving the city's growing and increasingly affluent population. In contrast, the city is losing ground in office and sales occupations—the bread and butter of middle-class employment. Office and sales occupations, at 107,800 employees, now account for 15 percent of all jobs in the city. This is a decline of 46,000 jobs (or a 10 percentage points in share). [13] All the job losses in this occupational group are due to the decline in office and administrative support jobs. In 2016, 80,600 District workers held such support jobs, a decrease of 45,000 support jobs from 2001.

[9] The salary range in the private sector is very large. The average wages paid in the for-profit sector for the same year is $76,000.

[10] Estimate base on the 2014 American Community Survey data.

[11] For example, in the Boston-Cambridge-Quincy, MA metropolitan area, the comparable share is 44 percent. In the San Francisco-San Mateo-Redwood City, CA metropolitan area, it is 41 percent .

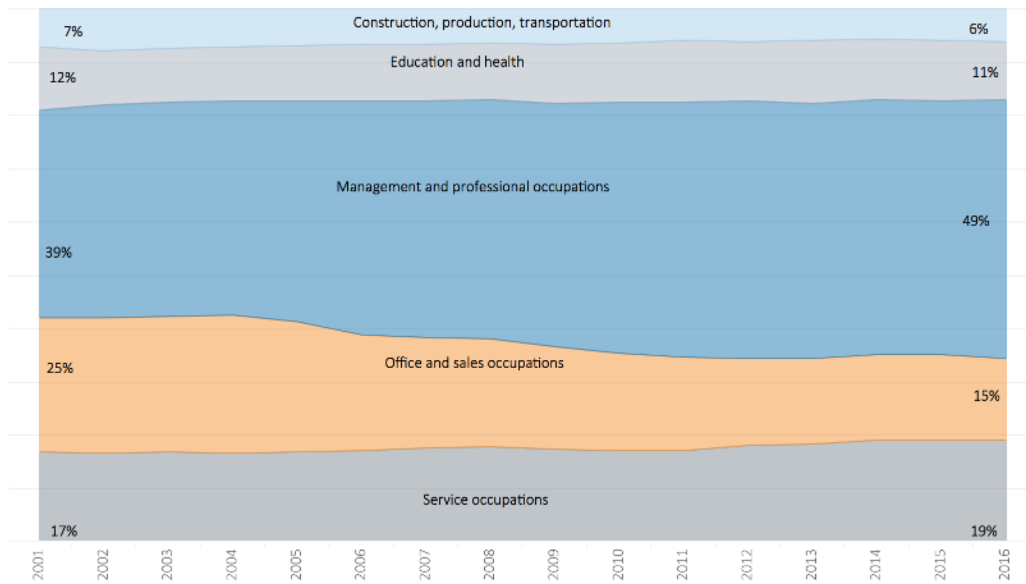
[12] Two economists, Daron Acemoglu and David Autor, have used data from U.S. Department of Labor's O*NET program, the nation's primary source of occupational information, to score each occupation along three dimensions: abstract skills, routine skills, and manual skills. For details, see Acemoglu D. & Autor D. (2010), Skills, Tasks and Technologies: Implications for Employment and Earnings, NBER Working Paper No. 16082. For an application of this work to the District of Columbia, see Sayin Taylor Y. & Wilkins J.(2016), Abstract abilities and skills are the best predictors of high wages in the District, District, Measured., DC Office of the Chief Financial Officer, Washington DC.

[13] This group includes Office and Administrative Support Occupations (BLS Occupational Code 43), and sales and related occupations (BLS Occupational Code 41).

Several factors can help explain the decline in office jobs. First, decline in office and administrative support occupations is not unique to the District. Jobs for these occupations are disappearing everywhere and being replaced by automation and computerization. Technology has simplified administrative tasks, from managing communications to maintaining file rooms to keeping accounts, and most businesses rely on a much smaller support staff. In the greater metro area, for example, 75,000 such jobs disappeared. But the decline in the District has been faster, and more than half the losses in the region were in the District. This may have to do with increasing rents, which force many businesses to relocate their back-office operations (together with the support staff who manage these operations) to the suburbs and beyond.

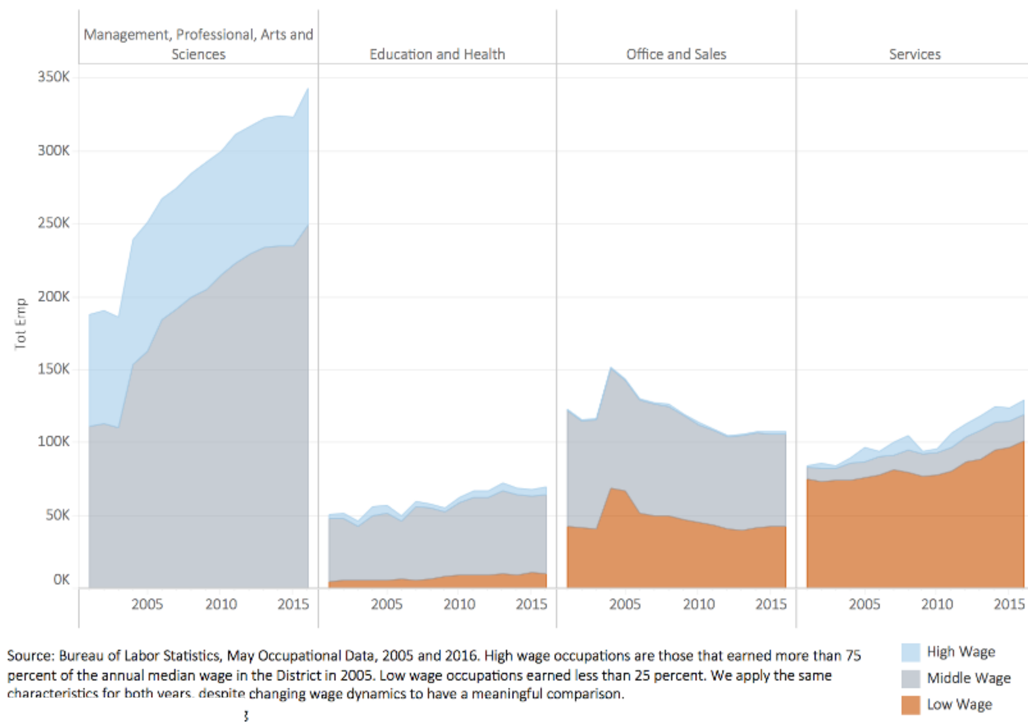
Despite strong job growth, the District is losing relative ground when it comes to high-wage jobs, especially high-wage jobs in professional, management, and technical occupations.[14] In 2001, of the 186,000 jobs occupied by professionals, managers, and technical staff, 76,000 (or 41 percent) were high-paying jobs. In 2016 the share of high-wage jobs among professionals and managers decreased to 27 percent. While there are more jobs for high-wage occupations compared to 2001 (17,000 more), middle-wage jobs increased even faster (128,000 more). In all other major occupational groups with a large presence in the District (education, health, office, sales, and service occupations), high-paying jobs increased marginally (by 12,000 jobs combined). In these sectors, the losses are in middle-wage occupations, which have declined in share (from 51 percent to 45 percent), while low-wage jobs increased their share from 47 percent to 50 percent.

Occupational Profile of the District's Workforce



Source: Bureau of Labor Statistics, May Occupational Data, 2005 and 2016. We exclude Fishing and Farming, which had very small number of workers in both years. We also exclude social workers, for which no data are available for 2005.
D.C. Policy Center | dcpolicycenter.org

High, Middle, and Low-Wage Occupations in DC, 2001 to 2016



Source: Bureau of Labor Statistics, May Occupational Data, 2005 and 2016. High wage occupations are those that earned more than 75 percent of the annual median wage in the District in 2005. Low wage occupations earned less than 25 percent. We apply the same characteristics for both years, despite changing wage dynamics to have a meaningful comparison.

[14] For this analysis, occupations are classified as high-, middle-, or low-wage based on the salary it commanded in 2001. Occupations with median salaries that fell somewhere between 25th and 75th percentiles of all salaries paid in 2001 are classified as middle-wage. Occupations that commanded salaries greater than the 75th percentile are classified as high-wage, and those with salaries below the 25th percentile mark are low-wage.


TAQUERIA
U.S. POST OFFICE

THE RESIDENTS

The District's demographic change since the Revitalization Act has been remarkable. The city increased its population by 20 percent, and has finally reversed its loss of families and young children. While household counts increased through the entire period, household sizes began to increase in 2010, signaling the return of families. Incomes have risen as more affluent residents started moving into the city. Both the labor force and resident employment increased rapidly during this period (41 percent and 44 percent, respectively), but by March 2017, the change in the total number of unemployed residents was minor compared to 1997, with an increase of fewer than 1,000.[15]

The prosperity that characterizes DC's post-revitalization did not lift all boats. While incomes have increased, so did income inequality. To be clear, poverty and inequality are generally worse in cities than the rest of the country, and cities with vibrant economies tend to have the highest inequality of all. They entice the best educated workers with higher wages, while poorer residents can access more social services (such as subsidized housing). They are also surrounded by vibrant suburban communities that offer opportunities for upward mobility, shallowing out the middle. The downside of rapid growth and proximity to a highly-accessible large metropolitan area is concentrated poverty and segregation, which are both present in the District. Some parts of the District today are poorer compared to 2000, with high levels of unemployment. Racial segregation is also increasing. The proportion of white residents in DC are higher in general, this proportion fell in some neighborhoods. In some neighborhoods, especially west of Rock Creek Park, a declining white population is a sign of decreased segregation. In others, however, where the white population had already been low (below 5 percent), it is a sign of increased segregation.

A city that is increasingly attractive to families

The District is one of the fastest growing large cities in the country.[16] After hitting rock-bottom in 1998 (565,230 residents), the city's population now stands at 681,170—its highest point 1977. It took 20 years between 1977 and 1997 for the District to lose one-fifth of its population, and it took the same amount of time to gain it back. The turnaround in population began in 1999, but growth ramped up beginning in 2006. Since then, the District added 114,000 more residents, its and population growth shows little signs of slowing down.

The first wave of population growth began with working-age adults. The 25-64 cohort added 86,000 residents since 1998 (28 percent growth compared to the overall population growth of 19 percent), accounting for three quarters of the population growth since 2006. The next group to catch up was young adults ages 18-24, who started arriving in the city in search of jobs and urban amenities. But there are some signs that the city is becoming too expensive for young adults. According to research by American University, 46 percent of Millennials (ages 20-34) think that the District is too expensive to live in permanently and say they will likely move out when they start forming families.[17] Data suggest this is already happening: There are still more young adults in the District compared to 1997, but their numbers have been on the decline since 2010.

As the city improved its finances, schools, and services, it became more attractive to families. Despite growing household numbers, the District continued losing families to the suburbs during the 10 years following the Revitalization Act. Between 2000 and 2010, the District added 16,700 new non-family households but lost 12,700 families. Since then, the number of families has been growing at more than twice the rate of the population. Between 2010 and 2015, the District added 24,000 families (23 percent growth), compared to 5,800 non-family households (3 percent growth). There are also some signs that families are staying longer. This can be seen in the growing number of children, especially school-age children.[18] While there are still fewer children ages 5-17 in the District compared to 1998, this cohort reversed its losses as of 2011, and since then has made up two-thirds of its decline.

---

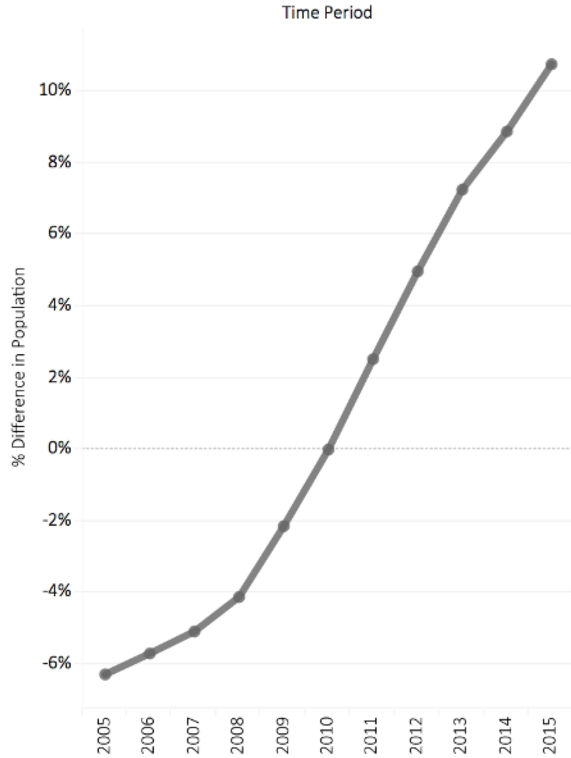
[15] It is important to note that unemployment is far more volatile than employment and the size of the labor force. Month to month changes in employment and labor force (using a 12-month moving average) has been within -0.3 percent and 0.8 percent between 1997 and 2017. Change in unemployment, however, moved much more drastically from -3 percent to +4 percent. That is because the unemployment base is small so minor month-to-month changes could produce large percentage changes.

[16] In 2016, the U.S. Census Bureau ranked DC 15th on a list of fastest-growing cities with a population of 50,000 or more.

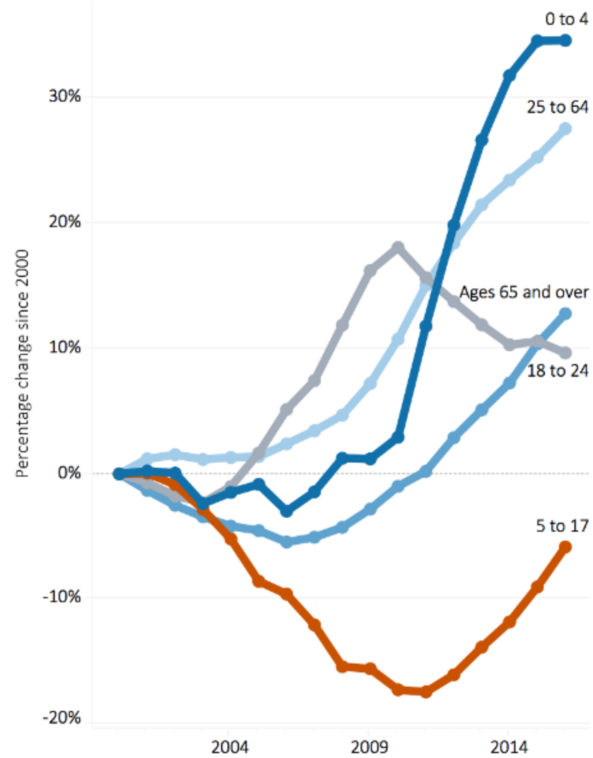
[17] For details, see *Millennials, the Greater Washington Index, 2016*, published by American University, Business in the Capital. [113] This group includes Office and Administrative Support Occupations (BLS Occupational Code 43), and sales and related occupations (BLS Occupational Code 41).

[18] Having a child had been one of the greatest predictors of leaving the city. Most families left the city in the four years that follow the birth of their first child. But recent research show that families might be delaying these decisions to middle school years. For details, see Moored G.2015), *The Middle School Effect*, District, Measured, DC Office of the Chief Financial Officer. Also see Moored G. and Metcalf L. (2015), *DC Parenthood: Who Stays and Who Leaves?* published by the Office of Revenue Analysis, DC Office of the Chief Financial Officer, Washington DC.

DC Population, 1977 to 2016

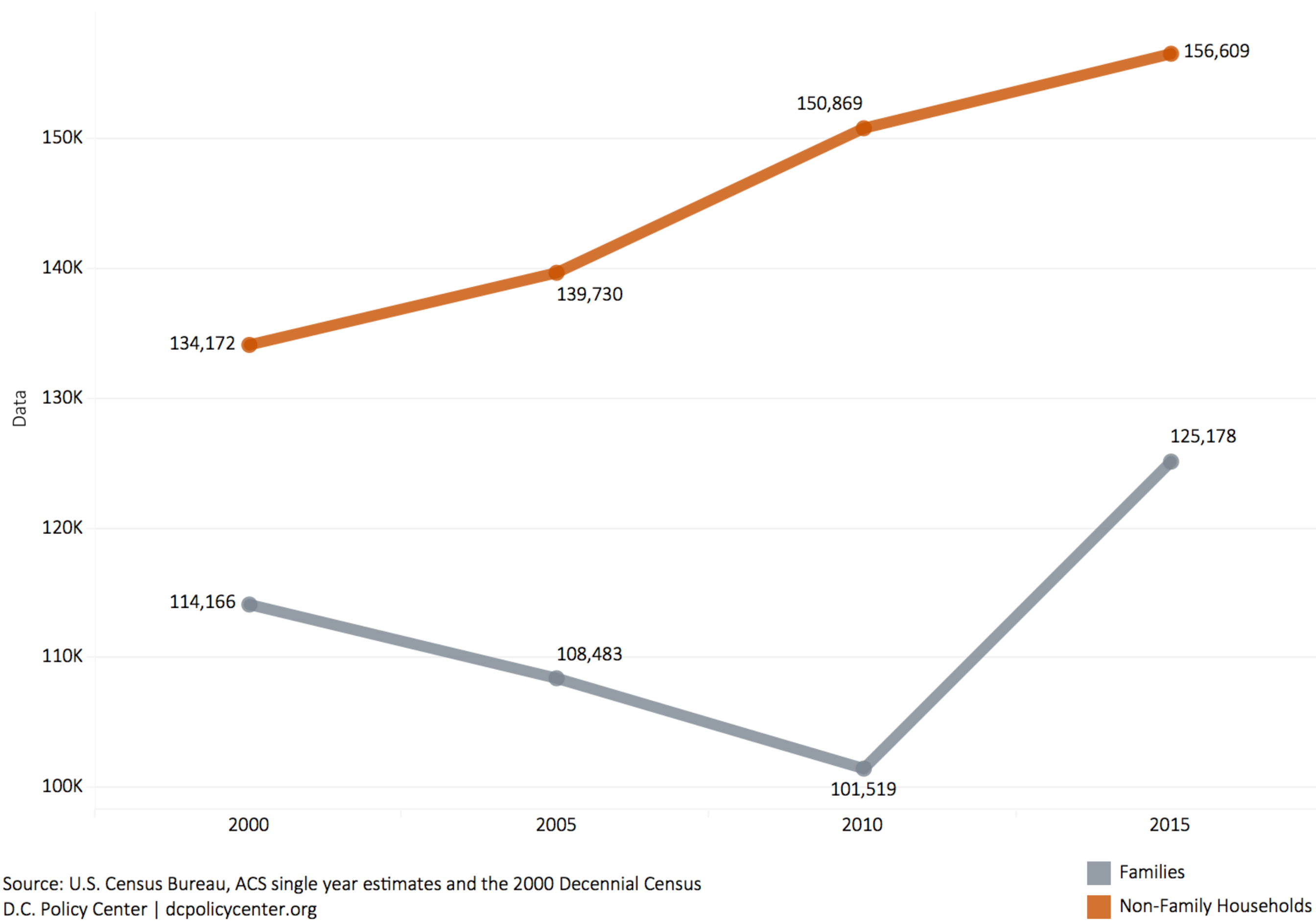


Population Change Across Age Groups in DC

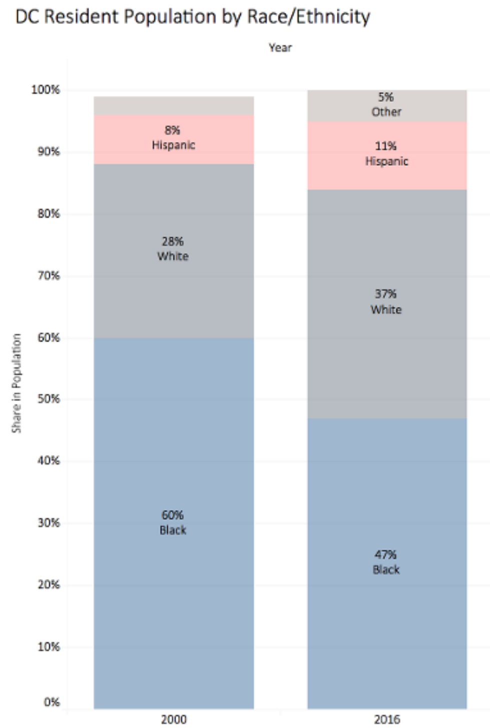


Source: U.S. Census Bureau and Kidscount.org
nter.org

Households in DC, 2000 to 2015



Source: U.S. Census Bureau, ACS single year estimates and the 2000 Decennial Census
D.C. Policy Center | dcpolicycenter.org



Source: U.S. Census Bureau, 2000 Decennial Census, U.S. Census Bureau American Community Survey 2010 to 2015 and Population Projections
D.C. Policy Center | dcpolicycenter.org

The District's population today looks very different from how it did at the time of the Revitalization Act. The massive black suburbanization DC experienced had already started at the time of the Revitalization Act, but black residents were still the racial majority at 60.4 percent of the District's population, followed by white residents (28.4 percent) and Hispanic or Latino residents (7.9 percent).[19] The demographic changes since then have been so great that the District now joins New Mexico, California, and Texas as one of the four states without any one racial group forming a majority of the population.[20] Today the share of black residents stands at 47.3 percent (2016 data) and the share of white residents have increased to 37 percent as newcomers to the city are disproportionately white. The share of black residents has decreased across all age groups,[21] but this decline has been most prominent among adults 24-45 and children under 5. Among the 24-45 cohort, population grew by 65,900 across all racial and ethnic groups. White residents made up 56,000 of this net increase while the number of black residents fell by 11,213. As a result, the share of blacks residents fell from 55 percent to 37 percent, and the share of white residents increased from 35 percent to 50 percent. The under-5 cohort increased by 10,100 children. While the number of white children under the age of 5 increased by 7,700, the number of black children in this cohort declined by 1,200.

Resident incomes growing faster than incomes in the region

With population and household growth, and especially as the city attracts more affluent and educated residents, incomes have been soaring. Total personal income in the District, adjusted for inflation, grew 1.7 times since 1997; and now stands at $51 billion. Per capita real income has grown, too, first at pace with total income until 2006, but then more slowly as the District's population grew and the number of children inched up. The District's per capita income now stands at $75,596, representing a 50 percent increase in purchasing power of the District resident since 1997.[22] The District has outperformed the metro region in both population and income growth since 2006. Total personal income grew 1.45 times faster in the metro region (51 percent v. 35 percent), and per capita personal income grew 1.5 times faster (29 percent vs. 18 percent), all when the District's population growth outpaced the metro area population growth.[23]

---

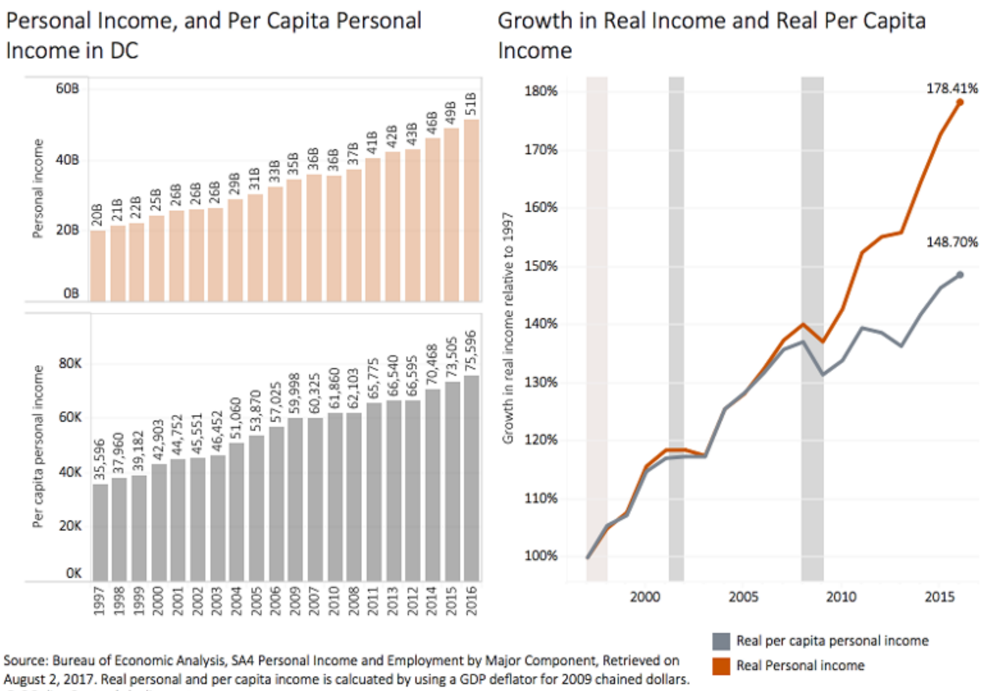
[19] According to data from the U.S. Census Bureau, the demographic high-water mark for the District as a majority-minority city was 71.1 percent blacks in the 1970 census. Whites residents were 27.7 percent and "persons of Spanish language" (of any race) were 2.1 percent. Rusk D. (2017), *Goodbye to Chocolate City,* D.C. Policy Center, Washington DC.

[20] However, the District's case is unique in that, in recent decades, the majority group was black residents (The other three states had majority-white groups). See Rusk (2017).

[21] The number of black residents declined too, in all groups except for the age 45 to 64 cohort.

[22] This Bureau of Economic Analysis data used here is different from what the Census Bureau reports as the median personal income. The BEA derives personal income and per capita personal income from earnings figures (for example, by adjusting the earnings for residency). The Census Bureau's personal income figures are based on the data collected by American (ACS) Survey. The ACS data are topcoded. That is, incomes above certain levels are reported as a single value. Therefore the Census Bureau figures are medians.. Because of topcoding, ACS data generally underestimates personal income.For example, the five-year data summaries for ACS show that median personal income in DC was $50,187; and median household income was $75,678. BEA reports per capita income at $75,678. The median personal income was higher than that in the metro area ($44,677), but the median household income was lower ($75,678). This is because households are larger in the metro area (2.8 persons) compared to the District (2.2 persons).

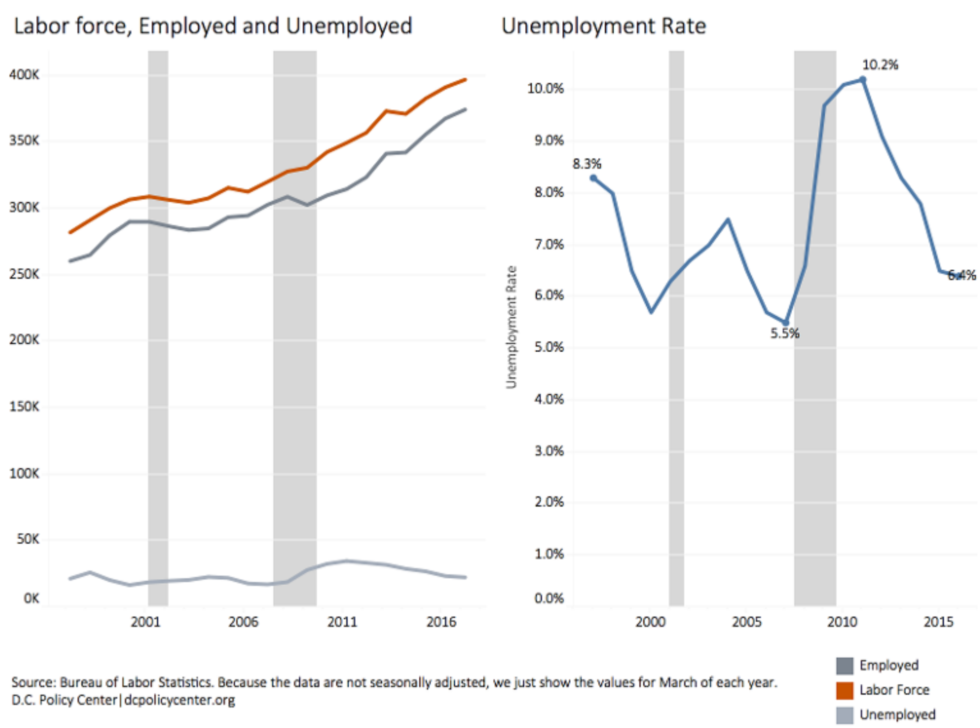
[23] The data refer to Washington-Arlington-Alexandria, DC-VA-MD-WV (Metropolitan Statistical Area), as reported by the BEA.



Source: Bureau of Economic Analysis, SA4 Personal Income and Employment by Major Component, Retrieved on August 2, 2017. Real personal and per capita income is calcuated by using a GDP deflator for 2009 chained dollars.
D.C Policy Center | dcolicycenter.org

The District's labor force and resident employment have been growing, yet, the net change in the number of unemployed residents since 1997 has been trivial. According to the Bureau of Labor Statistics, the number of employed DC residents increased from 260,500 to 374,500, or by 114,500 (43.7 percent) between 1997 and 2016. During the same period, the District's labor force—all residents employed or looking for work—increased by 115,500 or 40.7 percent. That is, the number of unemployed residents in the city barely changed. Since 1997, for every new addition to the labor force, unemployment increased by only five people (or about 1,000 in total). At the time of the Revitalization Act, the District's unemployment was at 9 percent. Unemployment rate fell as more people left the city and the labor force in 1998 and 1999. It inched up again to 7.5 percent as DC's population increased. During the Great Recession when the unemployment rate jumped up to 10 percent. Since then, the unemployment rate decreased rapidly and now stands at 5.9 percent (12-month moving average as of March 2017).

Resident employment increased especially fast after the Great Recession, outpacing job growth in the nation, in the metro area suburbs, and even in the District. Between 2012 and 2016, resident employment increased by over 46,000 (or 14 percent), more than twice the rate at which employment grew in the nation (6.6 percent) or the DC suburbs (3.5 percent). The District holds only 12 percent of the labor force in the metropolitan area, but its residents claimed one third of the new jobs regionally. This increase, which averages fewer than 12,000 per year, is about the same as the average growth in DC's population over that period. And while jobs in the city grew at 1.4 percent per year, resident employment grew even faster, at 3.8 percent. Perhaps new residents coming to the city are increasingly replacing commuters who hold jobs in the District, increasing the share of residents holding jobs. Or more DC residents are commuting to the suburbs, adding to the resident employment but not employment in the city. And, finally, some of this could be due to increased self-employment among DC residents, which would add them to the "employed" count but not toward the wage and salary employment as self-employed, unless they incorporate their business. Self-employed residents are excluded from wage and salary employment counts, but are counted as employed in household surveys. [24]



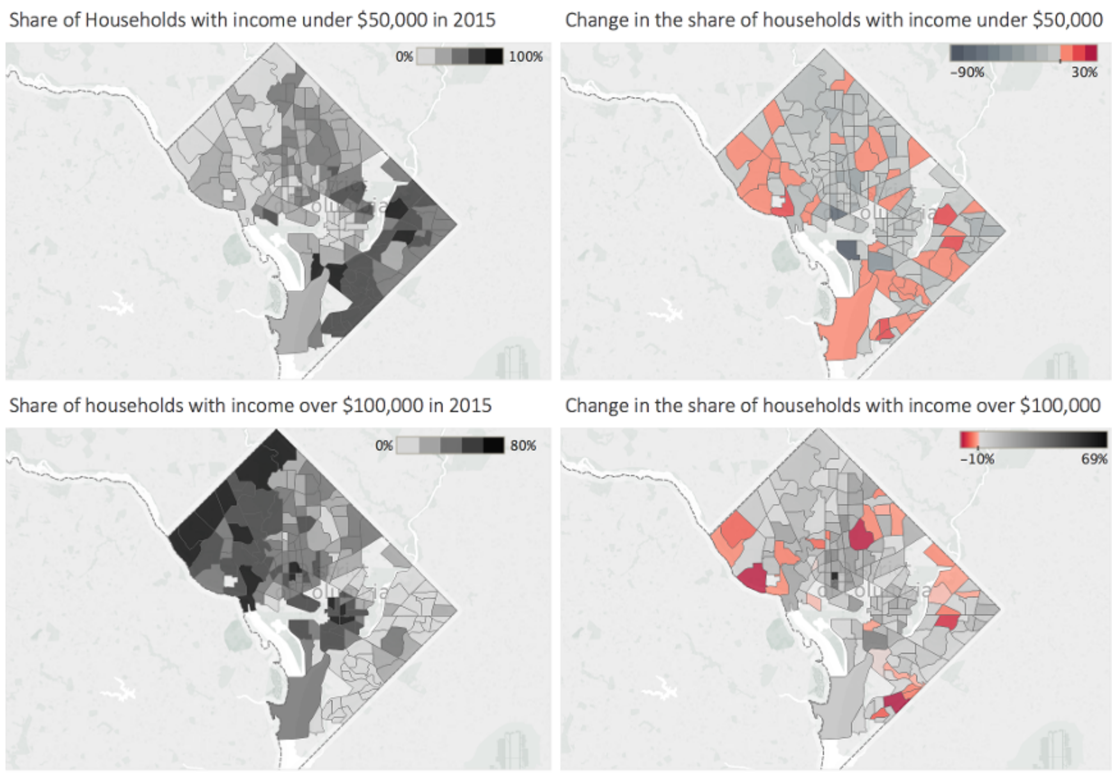
Source: Bureau of Labor Statistics. Because the data are not seasonally adjusted, we just show the values for March of each year.
D.C. Policy Center | dcpolicycenter.org

[24] Swaim S. (2016) *For more than three years now, District resident employment has grown faster than the jobs in the city,* District, Measured. DC Office of the Chief Financial Officer, Washington DC.

While the District's unemployment rate is much lower in 2017 than compared to 1997, it was not always the case in the years following the Revitalization Act. There are two periods within the last 20 years where unemployment increased for at least six consecutive months at a rate faster than employment or labor force. These include the four years that began with the 2001 recession (with a brief pause at the end of 2002) and during the Great Recession, specifically the period of 50 months which began in January 2008. This second episode is particularly illustrative of the disconnects between overall employment in DC and the employment status of DC residents. At the height of the Great Recession, the largest loss in total employment in the District was about 2,100. By 2010 federal job increases (17,000 since 2008) had fully compensated for the job losses in the private sector and local government (down by 8,500). During the same period, unemployment among DC residents increased by 13,600, from 19,000 to 32,600. In fact, resident unemployment increased through 2012, reaching 34,800.

Not all residents benefiting from DC's rising incomes

The economic prosperity that characterizes the post- 2006 period in the District has not been widely shared. Since the end of the Great Recession, unemployment decreased everywhere in the city, yet it remains high in certain neighborhoods, especially in East of the River neighborhoods. Today unemployment stands at 5.9 percent, but, in Ward 8, it is 12 percent.[25] As new families move in, family incomes have increased, but not everywhere. The median income of families with children has declined between 2000 and 2015 in some of the East of the River communities even before adjusting for inflation. Only 40 percent of households had median incomes below $50,000 in 2015 (down by 8 percentage points since 2009), but this share was as high as 80 percent in some communities. And 35 percent of the households have incomes above $100,000 (up 8 percentage points), but there is some sign that higher- income families are leaving East of the River neighborhoods.



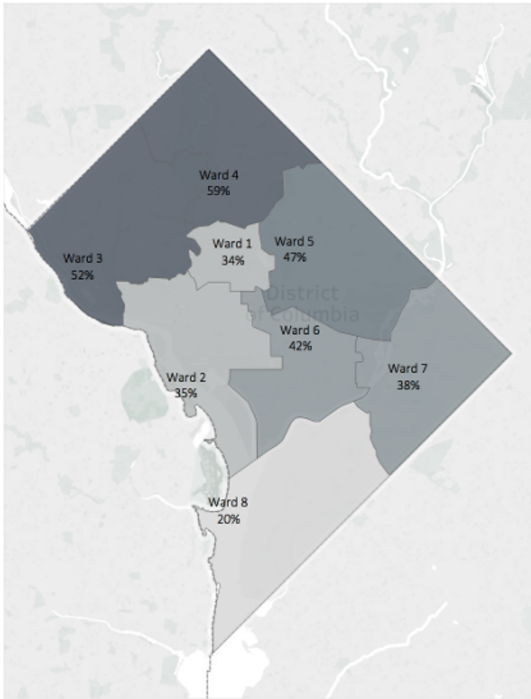
Data notes: the census tract maps show the change over time in the share of households that receive incomes under $50,000 and over $100,000. We exclude tracts with fewer than 100 households. The tracts are based on 2010 census definitions. Data source: ACS 5-year estimates for 2005-2009 and 2011-2015.

Housing remains a challenge, especially for low-income residents. Housing prices in DC increased much faster than the prices in the metropolitan region, and much faster than the median income in DC—meaning that DC residents of all income levels are spending an increasing share of their incomes on housing. [26] Today, the median home price in DC is five times the median income. The relative as well as absolute rise of housing prices affects low-income residents the most, and contributes to their displacement from neighborhoods that see property values rise the most. Low rates of homeownership means that families cannot capitalize on the value gains of a home, and they will be more likely to be displaced. With DC's large transient population, it is expected that the share of owner-occupied housing would be low in the District, and lower in wards with large stocks of rental units, especially around the downtown area. However, there is great variation across different parts of the city. In Wards 3 and 4, more than half the housing is occupied by their owners. In Ward 7 this share is at 38 percent, and in Ward 8, 20 percent and declining.

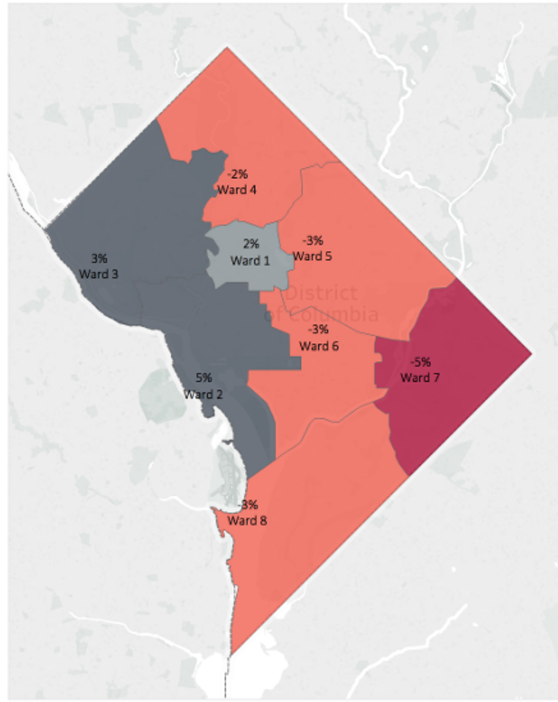
[25] Unemployment is still significantly improved since the end of the Great Recession, and now stands at a lever lower than unemployment has ever been in Ward 8. In 2007, when the recorded unemployment in the District was its lowest at 5.7 percent, Ward 8 unemployment rate was 17.2 percent. Now, it stands at 12 percent.

[26] Swaim S. (2017), *DC's Median home price, 3 times more than the median family income in 1991, is now 5 times more.* District, Measured, DC Office of the Chief Financial Officer, Washington, DC .

Owner Occupied Housing, Shares by Ward

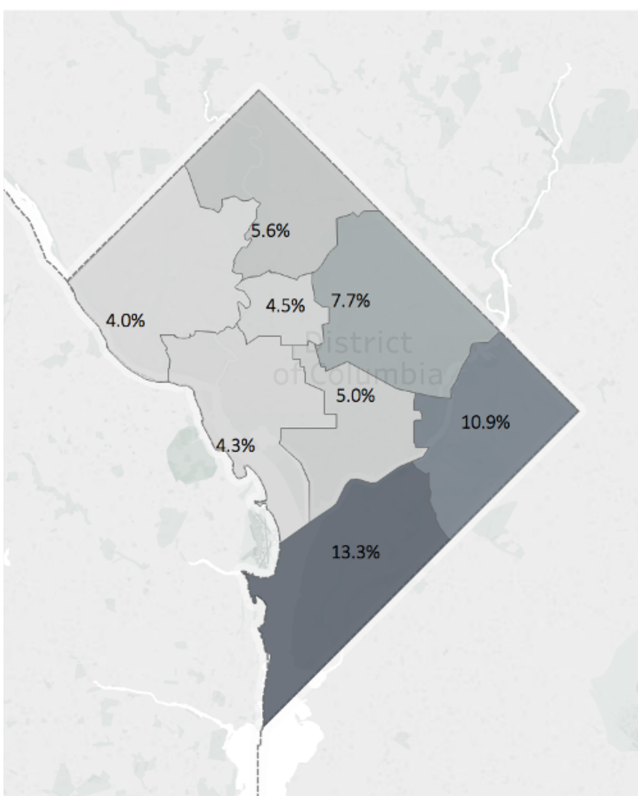


Change since 2010

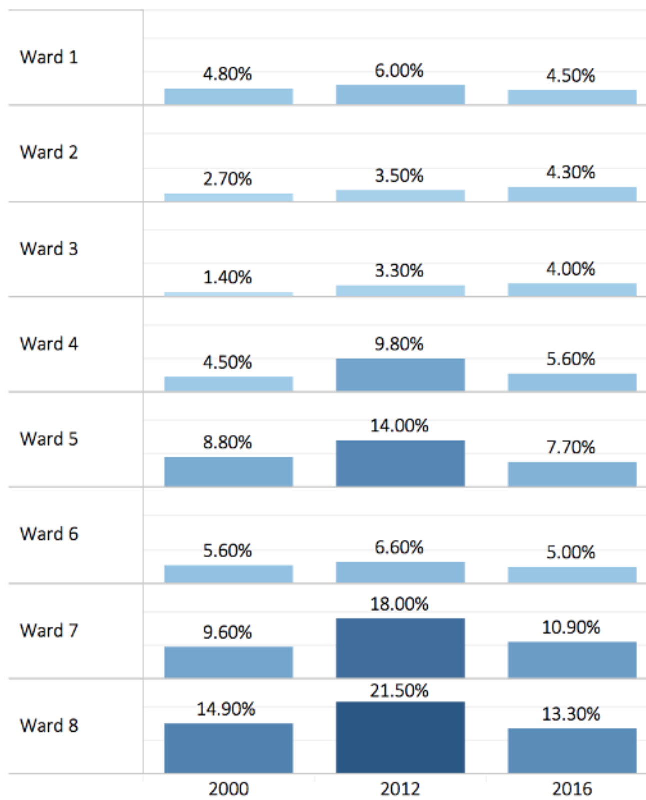


Source: U.S. Census Bureau, American Community Survey 2010 to 2015 and Population Projections
D.C. Policy Center | dcpolicycenter.org

Unemployment by ward, 2016



Unemployment Rate by Ward, Selected Years



Data Source: U.S. Census Bureau, American Community Survey, 2011 - 2015
Table: DP03, Selected Economic Characteristics, and DC Department of Employment Services, 2016
D.C. Policy Center | dcpolicycenter.org

DC leads in antipoverty policies, but the District cannot improve lives without improving opportunities

Disparities in the District continue to increase despite great efforts on the part of the DC government to address them. In a 2017 study, the D.C. Policy Center reviewed District policies aimed at supporting its most vulnerable residents, finding that the District has one of the strongest sets of policies among US cities to protect its vulnerable residents. The findings include:

- **Spending for the low-income in the city has been increasing at rates greater than overall spending.** Between 1997 and 2014, real spending in areas such as education, housing, and welfare for low-income residents was consistently higher than regular per capita spending. It also increased faster: at 171 percent in real terms, while per capital government spending grew by 153 percent.
- **DC's income tax regime is highly progressive.** Families earning under $25,000 have the second-lowest income tax burden in the country. (Families in New York City have the lowest.) Families earning under $50,000 have the lowest overall tax burden in the metropolitan area.
- **The District has the second lowest rates of uninsured residents in the entire region**. DC created the locally funded HealthCare Alliance in 2001 to circumvent federal Medicaid restrictions so that, for example, undocumented immigrants could receive free insurance. During the Obamacare Medicaid expansion, DC shifted its already insured low-income residents into the federal Medicaid system.
- **DC provides strong worker protections.** These include a $15-per-hour minimum wage, paid family leave, minimum scheduling requirements for certain workers, and strong protections against what is known as "wage theft".
- **The District's welfare program does not have hard time limits.** Along with no time limits, it also does not have high levels of sanctions on families that cannot meet the work requirements in the federal Temporary Assistance for Needy Families.
- **The District government has a large policy arsenal to fight for affordable housing.** DC is one of a handful of cities that has a Housing Production Trust Fund, and provides local gap financing (highest per capita in the country) for developers to build or maintain affordable or low-rent housing without losing money. DC is also one of a handful of cities that has a locally funded housing voucher program to cover the difference between what families can afford to pay and the actual rent. Inclusionary Zoning requires development projects to include affordable units, while land disposition rules require that developers include affordable housing when they acquire city land.
- **DC is a "tenants' rights" city, with strong controls over evictions**. Cities in only four states—and the District—have rent control laws, and DC has its own unique Tenant's Right to Purchase Act (TOPA), which gives tenants the first opportunity to buy their units if their landlords want to put them up for sale. TOPA is a gentrification roadblock that no other city offers. ·
- **DC's homelessness policy is relatively progressive as well**. DC is just one of a few cities that provide shelter for all homeless families year-round.

Despite all these efforts, disparities continue to increase. Business conditions remain precarious in certain neighborhoods, as incomes continue to decline. In certain parts of the city, the residents do not have access to restaurants or grocery stores, retail, or even doctors' offices. While the government has a few policy tools to address these disparities, the real improvements will only come with investments in communities and empowering individuals and businesses.

Source: Strauss, B. (2017), *DC Leads in Anti-Poverty Policies*, D.C. Policy Center., Washington D.C .

BUSINESSES IN THE DISTRICT

In 2015 there were 45,000 private sector establishments in the District, and 80 percent were small businesses with fewer than 20 employees. While there are more establishments today compared to 1998, a relatively smaller share of DC's economic activity is taking place in small businesses. Business consolidation increased after the Great Recession, particularly in retail and personal services. Employment in health and education, too, is shifting out of smaller firms to mid- and large-sized firms.

There is a great amount of churn, both in employment and in firms, and firm survival rates are low. In 2016, 3,650 new firms started their operations in the District of Columbia, creating 18,800 new jobs, or about 3.4 percent of total private sector employment. On the down side, 3,352 businesses that had hired employees in the previous year stopped hiring, either because they closed or they moved elsewhere. The closing businesses took with them 15,700 jobs, about 28 percent of all jobs lost in the District during the same period. In 2016, only 1 out of 25 jobs were new additions, the rest of the new job openings offset jobs that were lost somewhere else in the District. In other words, 24 out of 25 positions (or 96 percent of all job openings) were compensating for existing jobs. One-quarter of new firms in DC do not survive their first year, and half of companies will be shuttered before their fifth anniversary. In 2016, 20 percent of District's establishments were 20 years or older, and 71 percent were 6 years or older. Older firms tend to be larger too: firms that were 26 years or older accounted for 37 percent of all private sector employment, while firms that had been established for five years or less accounted for 16 percent.

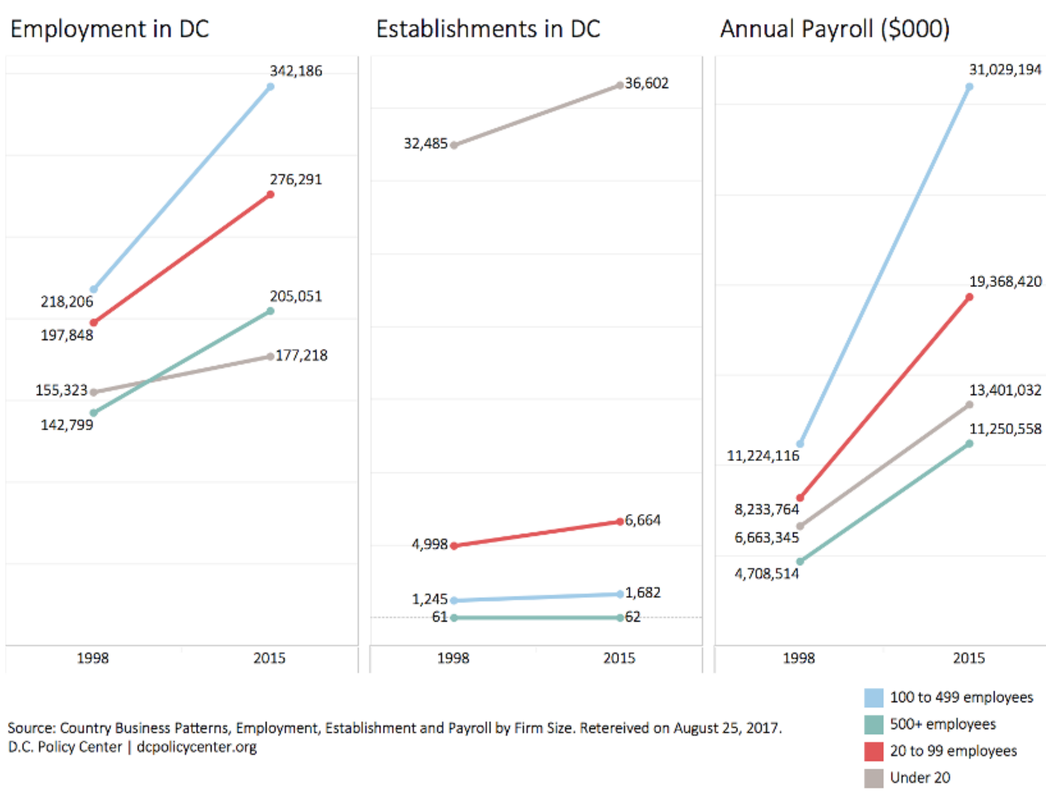
The business climate in the District has changed significantly since the Revitalization Act. First, the city's finances have shown tremendous improvement: Its revenues have tripled since 1997, growing faster than its economy or population. Even through the Great Recession, which devastated many state and local governments, the District's revenue remained relatively stable. It declined by a combined 6.4 percent between 2008 and 2010, and returned to its pre-recession levels by 2011. The strong revenue growth allowed the District to implement comprehensive tax reform, reducing taxes on businesses and low- and middle-income residents. For the first time, franchise taxes in the District are at par with Maryland's. But District businesses still pay high commercial property taxes, multiple fees for licenses, and additional fees for government services.

Since the Revitalization Act, the District has become an increasingly attractive place to work and live. DC tourism and hospitality industries continued their growth and remained resilient during the Great Recession. Presence of strong sport teams attracted residents across the entire metro region to the city. The District government's economic strategy is now focused more on improving services to the businesses and expanding economic growth to the parts of the city that have been excluded in recent years. These are positive developments. But businesses still face high costs of doing business: some are due to market forces, such as high commercial rates and high salaries. Others are a result of government requirements on businesses, such as licensing fees or the cost of adhering to social regulations.

Changing businesses structure

The District has more establishments than it did at the time of the Revitalization Act, but the nature of these establishments have been changing. Between 1998 and 2015 (the latest year for which firm size data are available), the District's private sector added over 110,000 net new jobs and 6,200 net new firms (up 15 percent).[27] Employment increased among firms of all sizes, but the largest gains were made in firms with 100 to 500 employees. Employment in these larger- sized firms increased by 57 percent, at almost twice the rate of employment growth across all firms of all sizes (27 percent). In contrast, employment among smaller businesses grew at half the rate of the entire city. Firms with fewer than 5 employees grew their employment by 11 percent, and firms with 5 to 19 employees grew their employment by 15 percent. The largest gains in establishments have been among the smallest businesses, accounting for half of the increase in the number of establishments. In terms of percentage changes, the largest increases in establishments have been among firms that employ 20 to 99 employees and 100 to 499 employees. The number of firms in this size range has increased by over a third (33 percent and 35 percent, respectively) compared to 15 percent across firms of all sizes. This suggests some consolidation among firms in the District.

Retail, health and education, and personal services are experiencing the greatest consolidation. In 2015 there were 260 fewer retail establishments in the District compared to 1998 (a decline of 12 percent), even though total employment in the retail sector grew by 17 percent. The number of retail establishments with 100 to 500 employees increased by 17 percent (over 230 new firms of this size), and these new establishments account for nearly all the net increase in employment in retail.[28] In education and health, the number of establishments with 20 or fewer employees stayed about the same, but they shrank in size, losing employment to larger firms. All the gains in employment and establishments happened in mid- to large-size firms, especially those with 100 to 499 employees, which accounted for nearly 90 percent of the growth in employment in these two industries. There also were similar patterns of consolidation in other services, which includes personal services, lobbying firms, and associations, with employment again shifting to mid- to large- sized firms. In contrast, firm sizes and employment patterns remained relatively stable among the District's more established industries. The number of firms of all sizes grew at similar rates in professional services, but at the margin, hiring has been in larger firms. In the hospitality sector, the gains have been in firms with 20 to 49 employees.

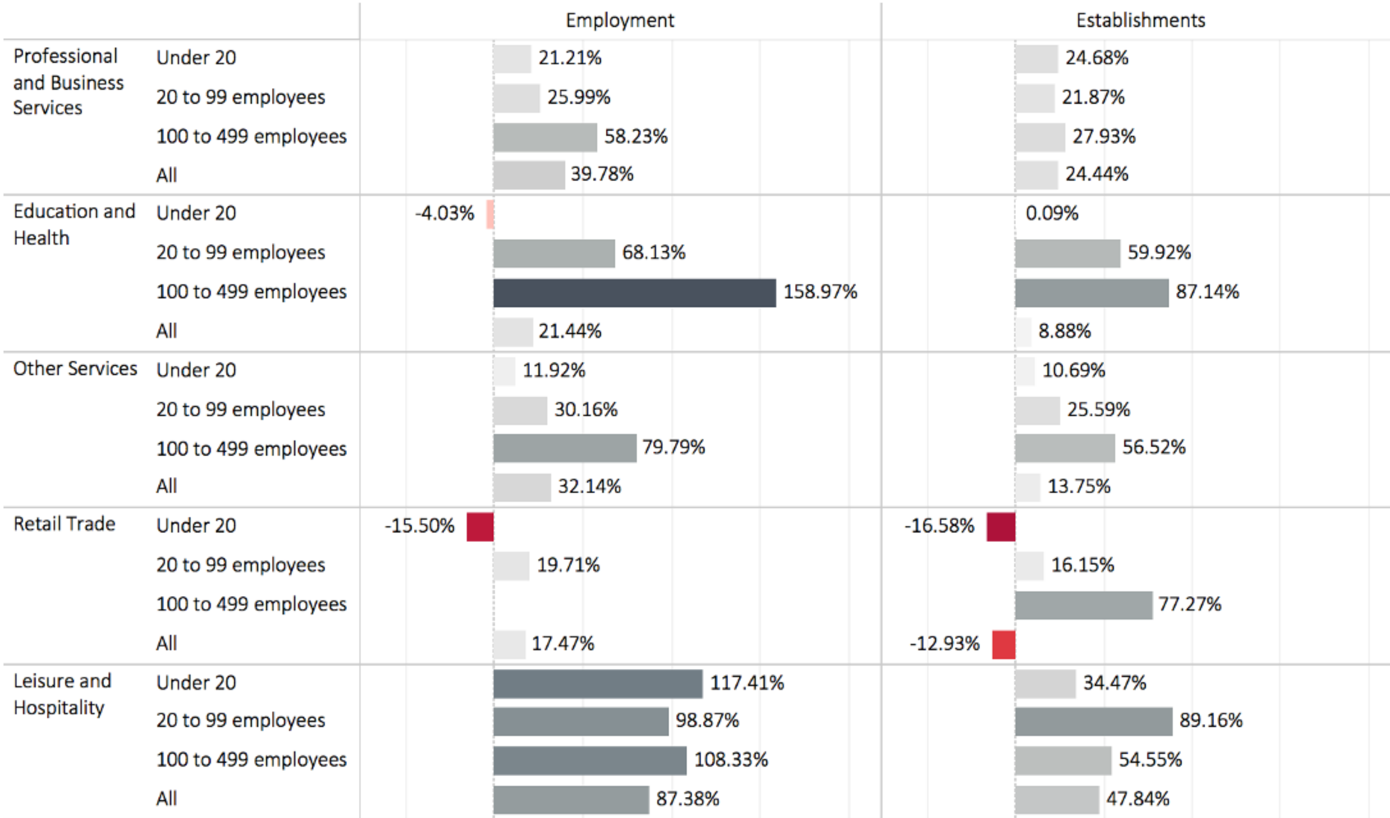


Source: Country Business Patterns, Employment, Establishment and Payroll by Firm Size. Retereived on August 25, 2017.
D.C. Policy Center | dcpolicycenter.org

[27] This number is slightly different from the BLS data used earlier, because this report has excluded firms and employment at firms that were non-classifiable across different sizes.

[28] The figure next page does not show this as the data from 1998 was suppressed. However, this conclusion reflects that net employment increased by about 3500, and the gains in firms with 20 to 49 employees almost made up for the losses in firms with fewer than 20 employees .

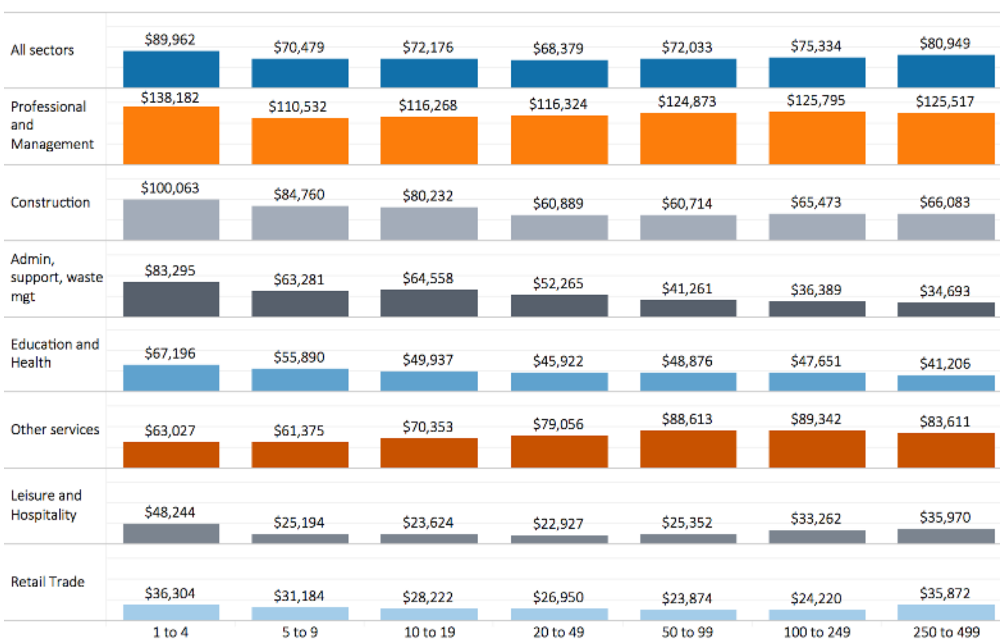
Percentage Changes in Employment and Establishments in DC, by Sector and Firm Size, 1998 to 2015



Source: Country Business Patterns, Employment, Establishment and Payroll by Firm Size. Retereived on August 25, 2017. In 2015, there were 7,200 employees working in retail establishments with 100 or more employees. We cannot calculate the change for that year because the data for 1998 has been supressed.
D.C. Policy Center | dcpolicycenter.org

Wages tend to be highest in firms with fewer than 4 employees, at least when estimating them using annual payroll and employment data.[29] This conclusion could reflect that smaller firms are generally sole proprietorships and the wages of the owner, which must compensate him or her for the larger risks, increase the averages.[30] In 2015 the average wage paid in the District was $74,900, and the average wage paid in firms with fewer than five employees was close to $90,000. The District's strongest sector is professional and business services, which includes professional services, management services, and administrative services. Salaries were highest among firms that specialize in professional and management services ($124,100) and lowest in retail ($28,800). In many sectors, wages increase by firm size, beginning with firms with more than five employees. The notable exceptions are health, education, construction, and administrative support industries.

Wages Paid in DC by Sector and Firm Size



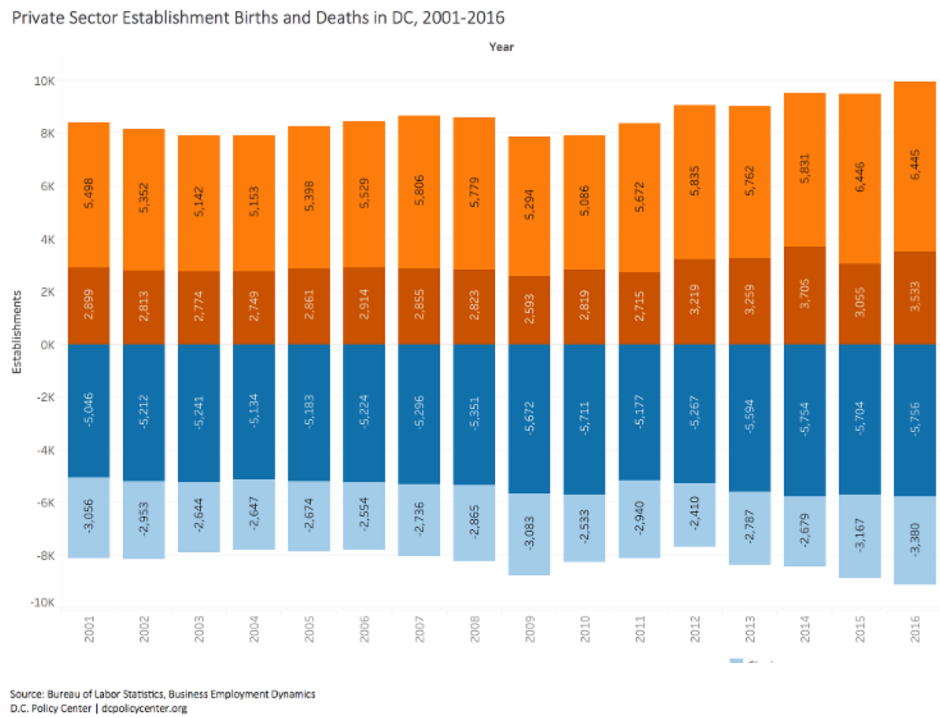
Source: Country Business Patterns, Employment, Establishment and Payroll by Firm Size. Retereived on August 25, 2017. Annual wages by industry and firm size is estimated by dividing the total payroll with total number of employees in 2015.
D.C. Policy Center | dcpolicycenter.org

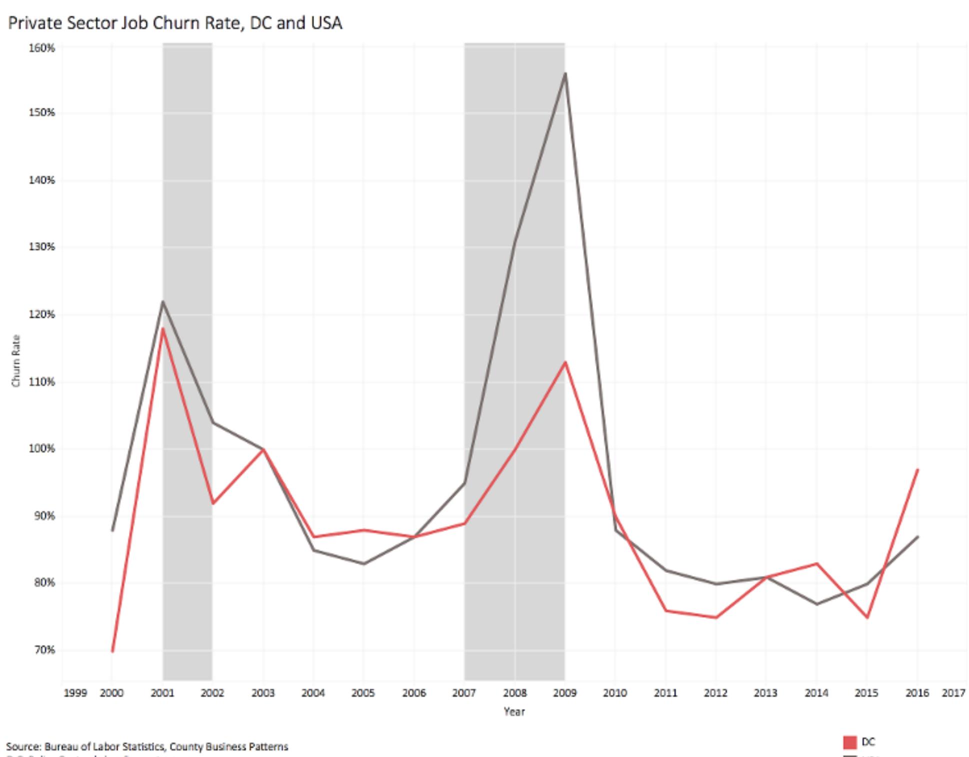
[29] This wage is averaged across all types of occupations in the firm.

[30] Among these smallest firms, 10 percent register as sole proprietorships compared to about 3 percent for firms with five or more employees.

Increasing job churn

There is great amount of churn both in employment and in firms. In 2016 3,650 new firms started their operations in the District. At the same time 3,360 firms stopped operating. New companies collectively added 18,800 jobs, or about 3.4 percent of total private sector employment. However, 3,352 businesses that hired employees in the year before stopped hiring due to closing or moving elsewhere. This number has been increasing the last two years. The closing businesses took with them 15,700 jobs: this is about 28 percent of all jobs lost in the District during the same period. In 2016, only 1 out of 25 jobs were new additions, the rest offset jobs lost somewhere else in the District. That is, 96 percent of all job openings were compensating for existing jobs.





The churn rate—the share of new job openings that compensate job losses elsewhere in the economy—is a key leading indicator of growth. The higher the churn rate, the lower the net number of job increases. For example, if an economy adds no net new jobs, the churn rate is 100 percent; all new job openings in a firm go to compensate the job losses in some other firm. When the churn rate goes above 100 percent, the city is losing jobs; new and expanding establishments continue adding jobs, but they are not doing it as fast as the rate at which contracting and closing businesses are removing jobs. The District weathered both the last two recessions better than the nation in general. Often, the federal government's expansion is the reason why the District's total employment does not suffer much, but churn data from the private sector illustrates that the private establishments in the city handled the recession much better than the private establishments in the U.S. in general.

Churn rate among the nightlife establishments in the District

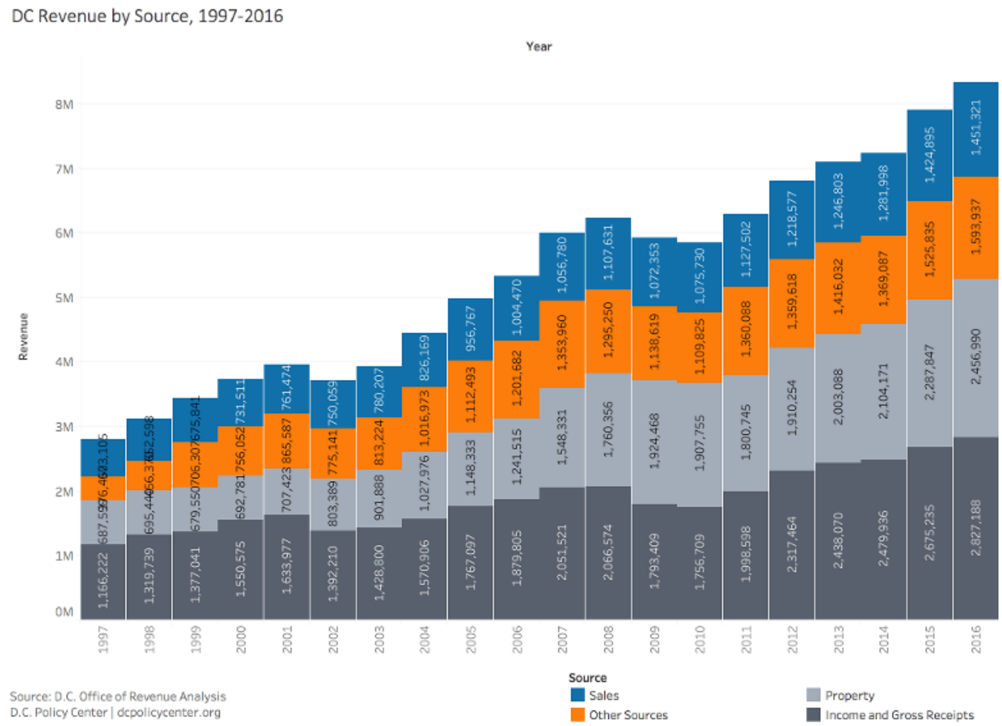
The number of bars, clubs, and restaurants in DC grew almost 50 percent from 800 in 2008 to nearly 1,300 in 2016. This increase comes during a time when the District's population and median income increased significantly. Some neighborhoods have experienced more nightlife growth than others, particularly gentrifying neighborhoods such as Shaw and the H Street Corridor. Areas experiencing smaller demographic shifts, such as Woodley Park, experienced a smaller change in the night life-establishments. DC Policy Center fellow Kate Rabinowitz analyzed data on business licenses for night-life establishments and found the following:

- **Restaurants make up 71 percent of nightlife in DC as of 2016.** The number of restaurants in DC increased 37 percent between 2008 and 2016. During the same period, the number of bars grew by 77 percent, while the number of nightclubs decreased by 8 percent. In neighborhoods with an older population and less demographic change in recent years, restaurants remain the major or only form of nightlife. In Palisades and Chevy Chase, restaurants are the only form of nightlife. In neighborhoods such as Georgetown and Glover Park, restaurants are still the predominant form of nightlife.
- **It is hard to reverse the impacts of moratoriums on liquor licenses.** Market forces are not the only influence on the growth of new nightlife establishments. In Dupont Circle, Adams Morgan, Georgetown, and Glover Park, moratoriums on new restaurant liquor licenses curbed short-term restaurant growth. These moratoriums were relaxed by neighborhoods beginning in 2011 in West Dupont. It is possible that the relaxation of nightlife moratoriums will result in new nightlife establishment openings in Georgetown and Glover Park, but little growth has occurred after the relaxation of similar moratoriums in East Dupont, West Dupont, and Adams Morgan. In addition, nightlife is further restricted in Georgetown due to a DC law limiting the Georgetown Historic District to just six taverns and nightclubs.
- **Restaurants with liquor licenses face more restrictions in comparison to bars and nightclubs with liquor licenses**. These restrictions include a kitchen that remains open until two hours before closing time, gross food sales more than $2,000 per occupant (or 45% of gross annual receipts), and a prohibition on entertainment (including dancing and cover charges) without additional prior approval. Bars have fewer restrictions, and nightclubs have the fewest restrictions.
- **Nightlife has become more dispersed around the city.** In 2008 nightlife was more geographically concentrated in central areas of the city, including Dupont Circle, Downtown, Chinatown, and Georgetown. By 2016 neighborhoods such as Logan Circle, H Street, U Street, and the Navy Yard had experienced a large increase in the number of nightlife establishments. There has been a particularly large increase in nightlife in neighborhoods with recent economic and demographic shifts.
- **Gentrification has been a key driver of growth in nightlife establishments.** Neighborhoods with particularly large increases in nightlife in this period include Shaw, Logan Circle, H Street, and Columbia Heights. The number of nightlife establishments in Shaw, H Street, and Columbia Heights more than doubled, while the number of nightlife establishments in Logan Circle in 2016 was nearly triple that in 2008.
- **Business churn is high; survival rate is low.** While there has been overall growth in nightlife establishments, many of the same neighborhoods have experienced a significant number of establishment closings. Closings over the past decade including longtime establishments that predominantly served LGBTQ and African-American residents in the Navy Yard and along the U Street Corridor, respectively.
- **As the city's demographics change, the District's nightlife establishments appear to have a hard time keeping up with costs or the changing tastes of their clients**. During and after the Great Recession, nightlife growth was limited. In 2009 very few new nightlife establishments opened. In 2010-2011 and 2014, the number of new nightlife establishments increased around the District. Of the 363 establishments that opened in 2010 and 2011, just over 50 percent were still open in 2016. Each year, roughly 10 percent of nightlife establishments closed. The trend is not uniform, however. In neighborhoods such as Ivy City and Brookland, there have been fewer nightlife establishments closing. In 2016 there was a spike in closures in several neighborhoods across the city, including Georgetown, Adams Morgan, and Columbia Heights, which may indicate that the recent boom in nightlife may be ending.

Adapted from Rabinowitz, K. (2017) *Special focus: the night life,* DC Policy Center, Washington D.C.

Improving business climate and competitiveness

The business climate in the District has improved significantly since the Revitalization Act. In 2016 the District's gross revenue collection was $8.3 billion—three times its level in 1997. The largest source of growth has been from revenues such as fines and fees, which grew four times. Real property tax revenue increased 3.5 times and sales and income tax revenue increased about 2.5 times. Some of this increase was because of changing tax rates, but most because of the growing tax base. Even through the Great Recession, which devastated many state and local governments, the District's revenue remained relatively stable: it declined by a combined 6.4 percent between 2008 and 2010, and returned to its pre- recession levels by 2011.



The District went through a major tax rate reduction after the Revitalization Act, but taxes generally increased between 2005 and 2010. In Fiscal Year 2015, the District began implementing another tax reform package that is expected to reduce taxes across the board by an estimated $210 million in 2018. These changes have:

- Created a lower middle-income tax bracket for incomes between $40,000 and $60,000, with a marginal tax rate of 6.5 percent; created a higher income tax bracket for incomes between $350,000 and $1 million, with a marginal tax rate of 8.75 percent; and created a millionaire tax bracket with a marginal tax rate of 8.95 percent.
- Raised exemptions, deductions, and credits for low-income families.
- Exempted passive investment vehicles from the unincorporated business franchise tax.
- Reduced the franchise tax on businesses gradually from 9.975 percent to 8.25 percent.
- Raised the tax threshold for estate tax from $1 million to the federal level.
- Expanded the sales tax base, and moved to a single-apportionment factor solely based on sales tax (increasing the sales tax burdens on services, as well as multi-jurisdictional firm).

The District's franchise tax is now, for the first time, on par with Maryland, but remains above Virginia's. Virginia jurisdictions impose an additional gross receipts tax on businesses, reducing the tax-rate gap by as much as 0.6 percentage points for some firms. But the District has a gross receipts tax, too, which is a flat amount depending on gross receipts size, and could be as high as 0.13 percentage points for mid-sized firms. The District has the lowest sales tax, reducing the burdens on business-to-business sales, but it's the only jurisdiction with a higher real property tax rate on commercial property even when one includes the surcharge on property taxes some businesses in Arlington, Fairfax, and Fairfax County pay for the construction of the Metro's Silver Line.

While the District's tax rates remain high, the city is still a very attractive place for businesses (and residents). It has a large and growing resident population with high purchasing power. The city, with its active cultural and night life, walkable neighborhoods, and competitive sports teams, is now seen as a good place to live and raise children. These amenities are also important for firms, as they generally correlate with a productive workforce. DC also offers high connectivity to the world, and strong professional growth opportunities, which contribute to the perception that it has a high quality of life and occupational specialization. The demand for District businesses from commuters and visitors is also high. In 2016, 22 million tourists visited the District, compared to 15 million in 2004, the earliest year for which there is data. DC's hotel occupancy rate was 77 percent, and has been increasing consistently since 2001 (when it stood at 68 percent), except for a few dips during the Great Recession. In 2015, more than 4 million people attended the games of the Washington Nationals, the Washington Wizards, or the Washington Capitals, up from 3.4 million in 2007—the first year when attendance figures were available for all three teams.

Finally, the District government's current economic development strategy is putting more emphasis on competitiveness than ever before. The strategy has a sharper focus on creating jobs and fostering entrepreneurship and innovation, while advancing inclusive prosperity in the District. It also emphasizes improving government services to businesses—an area where the District has generally performed poorly. The city is tracking data on firms, longevity, metrics of innovation, business finance conditions, and workforce. It is also expanding support for small businesses and innovative firms.

Business Tax Rate Comparisons, DC and surrounding Jurisdictions

Rates	Income/ Franchise	Personal Property Tax Rate (Value > $250,000)	Gross Receipts	Sales Tax	Parking Tax	Commercial property (per $100 of assessed value)
District of Columbia	8.25%[1]	3.4%[2]	See note[4]	5.75%	18%	$1.65/1.85[9]
Montgomery County	8.25%	1.9335%[3]	n/a	6%	n/a	$1.138
Prince George's County	8.25%	2.5%3	n/a	6%	n/a	$1.112
Arlington County	6%	5%	0.36%[5]	6%	n/a	$0.993[10]
Fairfax County	6%	4.57%	0.31%[6]	6%	n/a	$1.13[10]
City of Fairfax	6%	4.13%	0.4%[7]	6%	n/a	$1.06[10]
City of Alexandria	6%	4.75%	0.58%[8]	6%	n/a	$1.073

Table Notes: [1]Beginning in 2018. At present the rate is 9 percent. DC taxes both incorporated and unincorporated businesses [2]13.4 percent taxable personal property tax greater than $225,000 [3]Montgomery and Prince George's County municipalities add additional supplemental personal property tax.[4] Imposed on firms with gross receipts greater than $5 million at a flat rate of $5,000 to $16,500 depending on size of gross receipts. Will expire when the District repays its baseball bonds.[5]Arlington County Gross Receipt Taxes are based on company industry: Professional Services (0.36%), Business Services (0.35%), Software (0.18%) [6]Fairfax County Gross Receipt Taxes are based on company industry: Professional Services (0.31%), Business Services (0.19%), Software (0%) 7City of Fairfax Gross Receipt Taxes are based on company industry: Professional Services (0.4%), Business Services (0.27%), Software (0%) [8]City of Alexandria Gross Receipt Taxes are based on company industry: Professional Services (0.58%), Business Services (0.35%), Software (0.35%)9The lower rate is applied on the first $3 million of assessed value. The District's residential rate is even lower, at $0.84 per $100 of assessments. [10] In Arlington, Fairfax, and Fairfax city, Properties designated as "commercial" are also subject to the additional real estate tax of [surcharge] per $100 of assessed value if they are in the transportation district (Transportation Capital Fund)".

However, there are also some factors that could slow business growth:

- **The cost of doing business is extremely high in the District.** The highest source of costs are office space and wages. At $50 per square foot (SF), DC commercial property is extremely expensive compared to the surrounding jurisdictions. The average rent in Northern Virginia is now at $36 SF, and even in closer places, such as Arlington, the average rents hover around $42 SF. The District has the lowest vacancy rates in the metro area: of the 140 million SF of developed commercial space, only 10 million SF are vacant.
- **The District has many regulations that increase the cost of business.** District businesses must pay a multitude of fees for businesses licenses, occupational licenses, and permits, and face high fines in civil fractions. These costs have grown faster than the economy in recent years. As described earlier, these costs are also the fastest-growing source of revenue for the District government.
- **Social regulations further increase business costs.** In recent years, the District has enacted many laws that further increase the cost of doing business. These include a $15 per hour minimum wage, paid leave benefits that will cost businesses $280 million per year, and restrictions on how businesses can schedule their employees, among others. While the minimum wage, better parental and sick leave benefits, and jobs with stable schedules have positive impacts on the District employees, they also hurt small businesses and low-skilled employees. A recent study from Seattle has shown that the $15 minimum wage not only came at the expense of low-skill workers, it also reduced employment across the entire city.[30] Another study from San Francisco shows that minimum wage hikes have impacted smaller, cheaper restaurants, which are also more likely to hire lower-skilled workers.[31]
- **The District government has recently focused on investments in the innovative economy, and these come at the expense of more traditional businesses.** Data suggests that these investments are not supporting smaller businesses or accelerating growth. Only 1.8 percent of jobs in the entire metro region are coming from startups. The District and the metro region rank 197th across all metro areas in the country in start-up employment, behind cities such as Fargo, Minn., Lubbock, Texas, and Lawton, Okla.[32] One reason might be the workforce in the District. Startup companies in the District offer wages and salaries that are at 60 percent of wages and salaries offered by all companies. This is a deeper cut than the workers take to join start-up firms in places such as San Francisco and Austin, but on par with cities such as Boston and Seattle. One exception can be seen in the industries where startups offer more competitive salaries. In DC this include the information industry, which is a very small part of the District's economy, and health and social assistance, where scale matters greatly.

---

[30] Jardim et al. (2017) *Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle.* NBER Working Paper o. 23532

[31] Luca D. & Luca M. (2017), *Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit"* Harvard Business School NOM Unit Working Paper No. 17-088.

[32]Bureau of Labor Statistics, Business Dynamics Statistics, Job Creation from Startups as a Percentage of Total Employment in Metro Area.

[33] Giachetti S. (2016). *DC's startup economy: How much does it pay to work at a startup in DC compared to other companies and other cities?* District, Measured. DC Office of the Chief Financial Officer, Washington, DC.

LOOKING FORWARD

The years that followed the Revitalization Act have been good for the District. The city has become an attractive place to work and live in. Population, jobs, incomes, and the number of business establishments have increased. But the economic and demographic shifts affecting the city do not benefit everyone. While quality of life has increased and businesses have become more vibrant in some parts of our city, there are other parts where incomes are falling, families continue to leave, businesses struggle, and residents live without access to basic amenities such as grocery stores. In some neighborhoods, especially those located East of the River, residents worry that economic growth will also be a source of displacement. This need not be the case. Research shows that under the right conditions, an influx of wealthier residents can help everyone. Enabling businesses to thrive in all parts of the city is an important ingredient in this mix, and the District government can help by encouraging more economic activity and development. Some elements of such a expanding opportunity are already a part of the District's economic strategy, but the strategy does not go far enough. These initiatives would build upon the existing strategy and provide greater opportunity:

- **Assess costs of doing business and their impact on small and medium sized firms, businesses owned by women and minorities, and new firms.** While tax rates are lower, the regulatory burdens on DC businesses remain high. District businesses pay a multitude of fees for business licenses, occupational licenses, permits, and even for services from the government such as administration of unemployment benefits or review of government-imposed planning documents. These costs affect small businesses and businesses owned by women and minorities more than they impact larger businesses. Additionally, civil infractions, such as fines associated with not cleaning pavements or keeping business doors open, might be just a nuisance for some establishments, but could become a detrimental cost for businesses with tight cash flows. The District should consider the impact of these fees and fines on certain businesses, and, perhaps in developing areas in the city, waive or eliminate them when they become detrimental to a business's existence.
- **Reassess the cost of social regulations, especially for small businesses and low-skilled employees.** The District has studied the impact of minimum wage and paid leave benefits and has concluded that the economic costs would be negligible. But recent research shows that these social regulations cut deeper into small firms and businesses serving (and hiring) low- income residents.
- **Reassess zoning to increase mixed- use and multi-business locations.** Research shows that business displacement is more permanent in neighborhoods with single- business establishments, and empty storefronts stay empty longer in neighborhoods with increasing costs.
- **Carefully assess the distributional and racial impacts of all policies.** Do policies, regardless of their goals, increase economic and racial segregation? Are they equally relevant and beneficial to all residents in the city?
- **Continuously reassess tax burdens.** Reform the unemployment tax structure. At present the businesses pay for more into the system than needed to provide benefits. Consider reducing commercial real property tax rates. Commercial property is extremely expensive, and high tax rates make the District less competitive.
- **Improve jurisdictional cooperation in transportation, housing, and workforce development.** The District's economy is intertwined with the economies of surrounding jurisdictions. Many of the city residents, especially those who work low-paying jobs, are employed in surrounding jurisdictions. In return, the District attracts many of its workers from the larger metropolitan area. Despite this interdependence, interjurisdictional cooperation in the region is weak. Metro is the prime example of the value added from strong cooperation. While working to solve the funding and governance needs of the Metro, the leaders in the District should also look for more jurisdictional cooperation on other regional issues such as housing and workforce development.

The Revitalization Act was a turning point in the District of Columbia and emerging out of the Control Board era required fiscal discipline and careful consideration of our future. The District continues to carry these lessons with it as the administrations that followed the Revitalization Act have continued to strengthen fiscal discipline. The next biggest challenge is inclusive growth, which would require the government and the businesses to work together and increase opportunities for our most vulnerable residents.

Glossary

1990-91 National Recession: This recession began in July 1990 and lasted 8 months through March 1991. It was mild relative to other post-war recessions, but employment was sluggish in the following recovery period, and unemployment continued to rise through June 2002.

Central Corridor: Neighborhoods that lie west of the Anacostia River, east of the Rock Creek Park, and north of Dupont Circle. These neighborhoods experienced the largest grow in population and number of families since 2009.

Commuter Bite: a term that refers to the income earned in the District by non-residents who work in the city. This is an important metric for the District because it captures the income we cannot tax because of federal preemptions.

Control Board: The District of Columbia Financial Control Board (officially the District of Columbia Financial Responsibility and Management Assistance Authority) was a five-member body established by the United States Congress in 1995 to oversee the finances of Washington DC. Created through the District of Columbia Financial Responsibility and Management Assistance Act of 1995, the board had the power to override financial decisions including decisions on the budget, borrowing, and contracting, by the mayor and the city council. The Control Board suspended its activities on September 30, 2001, when the District achieved its fourth consecutive balanced budget, but it can come back if the city does not achieve a balanced budget.

Federally-engineered local recession refers to the period between 1994 and 1997 when District's economy continued to contract because of reduced federal spending in the city. By the end of 1997, jobs in the District had shrunk by 5 percent, whereas jobs in the metro area had grown by 10 percent. Only in 2000 did the District bounce back to the same level of employment it had in 1990.

Franchise Tax: Franchise taxes are imposed on the incomes of businesses. In the District, corporation franchise tax is imposed on corporations carrying on a trade, business or profession located in the city or receiving income from District sources. The tax on unincorporated businesses is imposed on businesses with gross income over $12,000. [34]

The Great Recession: A period of general economic decline observed in world markets between 2008 and 2012, generally characterized as the worst global recession since the 1930s and the Great Depression. Its causes largely originated in the United States, particularly related to the real-estate market and the subprime mortgage crisis, which involved over-securitization of high risk mortgages. In the US, the contraction began in December 2007 and ended in June 2009, extending over 19 months, lead to major shifts in the financial markets, and the bailing out of banks by the U.S. government.

Gross state product: This the market value of goods and services produced by the labor and property located in a state, including the expenditures made by the government that affect the state. While it is a useful metric, it overstates the economic activity in DC because it counts all procurement made by the federal government as DC economic activity even though the economic impacts of that procurement could be felt elsewhere in the country.[35]

Job Churn Rate: A measure of how many new job openings compensate for the job losses somewhere else in the economy. The higher the churn rate, the lower the net number of job increases. For example, if an economy adds no net new jobs, the churn rate is 100 percent; all new job openings in a firm go to compensate the job losses in some other firm. When the churn rate goes above 100 percent, the city is losing jobs; new and expanding establishments continue adding jobs, but they are not doing it as fast as the rate at which contracting and closing businesses are removing jobs.

Personal Income: Personal income is the income received by, or on behalf of, all persons from all sources: from participation as laborers in production, from owning a home or unincorporated business, from the ownership of financial assets, and from government and business in the form of transfer receipts. It includes income from domestic sources as well as from the rest of the world **Per capita personal income:** is personal income divided by the population.

Resident adjustment: This is the adjustment made to derive resident earnings from earnings received in a local jurisdiction. In the case of the District, we subtract from earnings the wage and salaries received by all who work in the District but not live in the city (that is, the commuter bite) and add the wage and salaries received by all who work outside the District but live in the city.

Revitalization Act: The National Capital Revitalization and Self-Government Improvement Act of 1997, also known as the Revitalization Act, was enacted on August 5, 1997, to make numerous changes on the fiscal relationships between the District of Columbia and the federal government. The Act terminated the annual payment the District received from the federal government ($660 million in 1997). In return, the federal government took over the court system and the pension liabilities of District workers that accrued as of 1997, and offered a way for the city to finance its ballooning debt.[36]

[34] For details, see D.C Tax Facts, 2017, published by the D.C. Office of the Chief Financial Officer.

[35] Bureau of Economic Analysis provides a glossary of all the terms covered in its analyses, available at https://www.bea.gov/glossary/glossary.cfm.

[36] Bouker, J. (2008), The D.C. Revitalization Act: History, Provisions, and Promises, Appendix to Building the Best Capital City in the World, Appleseed DC, and Brookings Institution, Washington DC.

Washington, DC

Awards and Recognition

#1 TOP 10 SOFTWARE HOT SPOT
Forbes, April 2016

#1 IN GREEN BUILDING LEADERSHIP
Clean Edge, 2016

#1 COOLEST U.S. CITY
Forbes, August 2014

#2 STRONGEST ECONOMY IN THE U.S.
Business Insider, January 2016

TOP 5 BEST CITY PARKS IN THE U.S.
Trust for the Public Land, May 2016

TOP 10: U.S. CITIES FOR NEW CONSTRUCTION
Forbes, June 2015

#1 FITTEST U.S. CITY
USA Today, May 2016

RESTAURANT CITY OF THE YEAR
Bon Apetit, August 2016

#1 BEST CITY TO VISIT
Lonely Planet, 2015

BEST EDUCATED CITY IN AMERICA
Forbes, 2014

TOP 5: CITIES FOR BIOTECH INVESTMENT
NVCA/Reuters, 2014

TOP 10: MOST WALKABLE CITY IN THE U.S.
Walkscore.com, July 2016

TOP 10 BEST U.S. CITY FOR GLOBAL INVESTMENT
Forbes, 2016

TOP TEN IN VENTURE CAPITAL INVESTMENT
Entrepreneur, 2014

#1 BEST CITY FOR COLLEGE GRADS IN U.S.
Forbes, 2015

52 PLACES TO GO IN 2016
New York Times, 2016

WASHINGTON, DC DELIVERS

Opportunity

6th hottest startup hub in the United States in 2016. (Inc.)

Connections

First in U.S. cities for women in tech in 2016 (SmartAssets)

Innovation

9th most innovative U.S. city in 2014. (CNNMoney)

Economic Momentum

12th in U.S. cities in economic momentum and vitality in 2014. (Forbes)

Culture

6th most cultured city in America in 2015. (Travel + Leisure)

Talent

2nd U.S. city for its rising tide of well-educated transplant workers in 2015. (National Journal)

Quality of Life

2nd in U.S. cities for its well-rounded education market and high-powered education systems. (Portfolio)

The DC Chamber of Commerce is the region's largest and most dynamic business network, creating a better environment to work, play, and do business in the District.

No other business organization delivers what we do: **We deliver the capital.**

DC Chamber of Commerce
DELIVERING THE CAPITAL

WE ARE WASHINGTON DC

LEARN MORE AT WWW.DCCHAMBER.ORG.
DC Chamber of Commerce | 1133 21st St NW Suite M200, Washington, DC 20036 / 202-347-7201