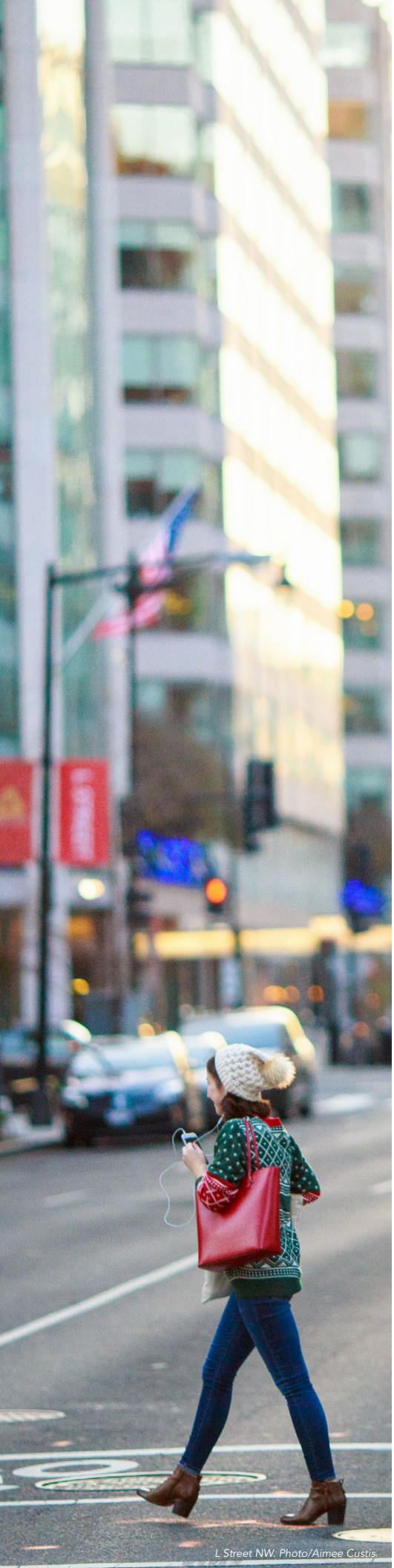
2021 STATE OF BUSINESS REPORT

Building Back

DC Chamber of Commerce
DELIVERING THE CAPITAL



L Street NW. Photo/Aimee Custis.

ABOUT THE DISTRICT OF COLUMBIA CHAMBER OF COMMERCE

The DC Chamber of Commerce is the voice of business in Washington, DC, the nation's capital. It advocates on behalf of businesses and entrepreneurs, and provides services to improve the business climate and attract new companies to the District of Columbia. As a leading advocate for economic growth, the DC Chamber reflects the diversity and prosperity of the District's robust business community, from tech startups to Fortune 500 corporations.

ACKNOWLEDGEMENTS

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 & CEO Angela Franco—are the catalysts for the production of the *2021 State of Business Report: Building Back*.

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ABOUT THIS REPORT

D.C. POLICY CENTER

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

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Farragut Square. Photo/Joe Flood.

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MESSAGE FROM THE CHAMBER

One of the nation's most resilient regions, Washington, DC, like the country itself, experienced unprecedented changes in its economy, workforce, and business community during the COVID-19 pandemic.

The *2021 State of Business Report* provides both data and analysis of the impact of COVID-19 on the region, examining its devastating toll on critical sectors and government tax revenues, but it also offers hope. The DC Chamber of Commerce presents a clear vision for how to transcend this moment and move forward to recover the vitality of this city again.

The District's economic strength leading up to the pandemic was due to a broad array of factors including its highly educated workforce, solid fiscal footing, world-class higher educational and research institutions, and opportunities created through smart economic development over the last decade.

However, both the strengths and the challenges faced by the District economy and its business community leading up to the pandemic have been reshaped by the crisis. Strengths were tested; challenges exaggerated. The report offers insights into how those shifts played out over the past 18 months, and what that could mean over the long term.

DC currently faces some of the highest regional housing prices in the country, and as a result, the region is experiencing an affordable housing crisis that has been deepened by the pandemic as prices exploded and left many wondering how to ensure affordable housing for low- and middle-income residents in the future.

A societal shift in attitudes about work remains a major threat to the District. The federal government and the business community are already grappling with how to convince employees to return to the office, particularly in downtown DC where office workers are the engine that drives economic activity.

There were bright spots in the report, though, such as the infusion of billions in new federal dollars for city recovery programs and the growth in personal income in high-wage sectors. The pace of business formation in the District also increased during the pandemic, reflecting the resilient entrepreneurs and business leaders who dared to open new businesses despite the often-crushing effects of the pandemic. It is a foundation to build from going forward.

As private- and public-sector leaders shape the economic recovery through business and policy decisions, those decisions must be informed by the reality of data and analysis. This report provides the vital details that can illuminate the breadth of the crisis and offer opportunities for the recovery. The *State of Business Report* provides data points that offer early insights into how the COVID-19 pandemic has impacted different aspects of the District's economy, and to help plan for a strong and equitable economic recovery.

Today, the DC Chamber of Commerce and its members work toward a future where these economic shifts and threats are no longer reshaping the world, but rather contributing to a brighter future.

Sincerely,

Angela Franco

Angela Franco
President & CEO

EXECUTIVE SUMMARY

Over the past year and a half, the COVID-19 pandemic has placed unprecedented burdens on the District's residents, establishments, and economy.

As businesses were forced to adjust to a new way of operating under a rapid shutdown of the city and the nation, the pandemic induced a historic spike in unemployment, with an added challenge of many residents exiting the labor force altogether due to personal health concerns or lack of childcare. By May 2020, employment numbers had hit a low point with 43,747 residents out of work. Businesses continued to operate at a reduced capacity, and mobility patterns hit a low point of 30 percent below pre-pandemic levels.

Because of continued uncertainty, there has been a sluggish and uneven recovery since the city lifted its stay-at-home order in May 2020. While the full range of economic impacts of the pandemic and how it will change cities remains unknown, near-term data highlight some of the challenges to recovery, as well as new opportunities that the District might be able to seize to build back better.

The District's dependence on commuter and visitor activity have made its economy particularly vulnerable to the pandemic.

Resident mobility, commuting, and tourist activity improved throughout the fall of 2020 and the first half of 2021, but remain below pre-pandemic levels. Recent data show that District residents' time spent away from home remains 10 percent below pre-pandemic levels, most workers continue to work from home with only one in four workers showing up in their offices, and the tourism industry is not projected to recover until 2024. As a result, total consumer spending remains an estimated 6 percent below pre-pandemic levels and consumer spending in restaurants, hotels, and entertainment are an estimated 29 percent below pre-pandemic levels. Consequently, the sales tax revenue associated with that spending remained 40 percent below pre-pandemic levels as of June 2021.

The rate of recovery has been uneven across the city's business establishments and industries.

Recovery across businesses in consumer-facing sectors, universities, businesses that support office workers, and small businesses continues to lag recovery in professional, scientific, and

Shaw. photo/Ted Eytan.

technical services. Grants and loans from the District of Columbia government and various federal programs have helped many businesses keep doors open and employees paid as they figured out how to adjust operations under shutdown. However, as economic activity remained slow for such a prolonged period, many small businesses had to close. As of June 2021, nearly half the small businesses that operated in January of 2020 were closed, and revenue was down by about 57 percent. These closures and the drop in revenue were concentrated in the leisure and hospitality industry, which still has about 82 percent of small businesses closed compared to pre-pandemic levels, with revenue down by 84 percent as of June 2021.

Similarly, job losses were also highly concentrated in consumer-facing industries such as leisure and hospitality, where employment as of June 2021 was 35 percent below February 2020 levels. Even as the industry begins to recover, hiring has been slow as workers have been unwilling to take open positions. Many workers have either moved on or cannot yet return to work due to heath concerns or lack of childcare.

In contrast, office-based jobs, such as those in the professional and business services industry, remain only 3 percent below February 2020 levels. Within this industry, it is the subsectors that primarily offer support to office workers, such as administrative services, that continue to lag, while employment in industries that

Penn Quarter. Photo/Aimee Custis

were easily able to switch to remote work are recovering and, in some cases, expanding.

Many establishments have found ways to successfully adapt to new ways of doing business; thus, there has been a shift from focusing on near-term concerns to longer-term concerns.

In the earlier months of the pandemic, businesses were primarily concerned with finances and the safety of their employees and customers. However, by July 2021, have shifted their focus to finding talent, hiring new employees, and investing in the right infrastructure for future operations.

Higher-wage jobs, which tend to be in sectors where transition to remote work has been relatively easy, are recovering more quickly than lower-wage jobs.

As a result, higher-wage workers are replacing lower-wage workers, Despite a decline in total private sector jobs in the city compared to pre-pandemic levels, total wages and salaries earned in the city are 5 percent higher.

While higher wages are good for income tax collections, this also indicates that job losses are concentrated in middle- and lower-wage jobs, hurting those who are further away from opportunity. This trend is exemplified by job posting data, which show that higher wage jobs that require a higher level of educational attainment are down 7.4 percent relative to pre-pandemic levels, while jobs that require little to no education are down 41.2 percent. Jobs in the latter category were hardest to begin with because of the customer-facing nature of many of these jobs, making recovery harder.

In the near term, it will remain a challenge for the city to maintain economic activity, support local businesses that are accustomed to greater foot traffic, and ensure that residents who can work remotely stay in the city.

The District's workforce has been particularly capable of shifting to remote work, as a relatively high share of jobs can easily be performed at home—61 percent in the region compared to a national average of 37 percent. This, combined with an increasing preference for telework and a continuous surge in cases

due to new COVID-19 variants, has made it challenging to retain economic activity in the District's core employment, hospitality, and entertainment centers. There has been a weakening of already soft demand for office space. Further, a larger share of residents compared to previous years are relocating away from the District—some only temporarily, and others for good. These relocations increase revenue risk for the city as well as local businesses that depend on commuter and resident foot traffic.

One bright spot throughout an otherwise sluggish recovery is an uptick in entrepreneurial activity.

While many businesses closed, the total number of establishments in the District increased throughout the pandemic, suggesting that new business formation has been strong. Data on business applications show entrepreneurial activity with business applications that have a high likelihood in transitioning into a business with a payroll were up by 8 percent in 2020, compared to 2019. This trend continued into 2021 with applications up by 37 percent in June 2021 compared to June 2019. These businesses, if turned into brick-and-mortar businesses, would bring back vibrancy and create new opportunities for residents.

Further, there is an opportunity to support the District's Black, brown, women, and immigrant entrepreneurs by eliminating existing barriers, such as the Clean Hands requirements or lack of access to high-speed internet or offering support to turn online businesses into brick-and-mortar businesses that are most likely to increase vibrancy across the city.

Continued support from the federal and District governments is essential for the recovery to achieve a new normal that is more equitable and inclusive while also strengthening the city's competitive position.

Both the federal government and the District of Columbia's elected officials were quick to respond to the unfolding economic crisis, enabling many businesses to stay afloat. US Census Bureau data suggest that nearly two-thirds of the District's small businesses have accessed some form of financial assistance from the federal government or the DC government. Local and federal support continues to matter, especially as the pandemic drags on and the full return of consumer confidence remains uncertain. Moving forward, it will be especially important to focus on some of the unique needs of the District's businesses.

Many establishments are now concerned about consumer and workforce confidence, the potential dampening of economic activity due to a more permanent shift to remote work, and the amplification of existing barriers such as the high cost of doing business in the District, accelerated inequalities, and workforce attraction and retention.

Importantly, the pandemic has highlighted existing inequalities and long-term recovery will depend on addressing these challenges, which include the need for better broadband infrastructure and connectivity, support for non-profits and community organizations, access to capital and opportunities in underserved communities, and access to childcare. Addressing these challenges and ensuring the District can recover to a new normal that is more equitable will rely on a close collaboration between the DC government and businesses. The District has already taken strong steps in meeting the needs of the city's businesses within the fiscal year 2022 budget and by investing in workforce with multiple paths to credentialing and gaining work experience through apprenticeships. However, more work is needed to ensure the District's business climate and competitive position continues to strengthen.

INTRODUCTION

The 18 months following the onset of the COVID-19 pandemic have been one of the most difficult and uncertain periods in the District of Columbia's history.

While the economic recession that stemmed from the pandemic lasted only two months in official estimates,[1] its impacts on the District of Columbia's economy, businesses, workers, and residents have been long-lasting and uneven.

The impacts of the COVID-19 pandemic were immediately felt by "high contact" businesses that rely on in-person services. Through May 2020, when the city was largely closed, consumer spending plummeted to below 60 percent of where it was prior to the pandemic.[2] Along with the impaired demand, the city lost nearly 79,000 private sector jobs,[3] and small business revenue declined by 80 percent.[4] Hotels, restaurants, entertainment venues, and retail establishments were at the epicenter of the demand shock: within a few weeks, 40 percent of these establishments closed their doors indefinitely and many reported that they had laid off a majority of their employees.[5] Consequently, in April 2020, unemployment claims skyrocketed to levels never seen before, especially for young workers and workers of color.

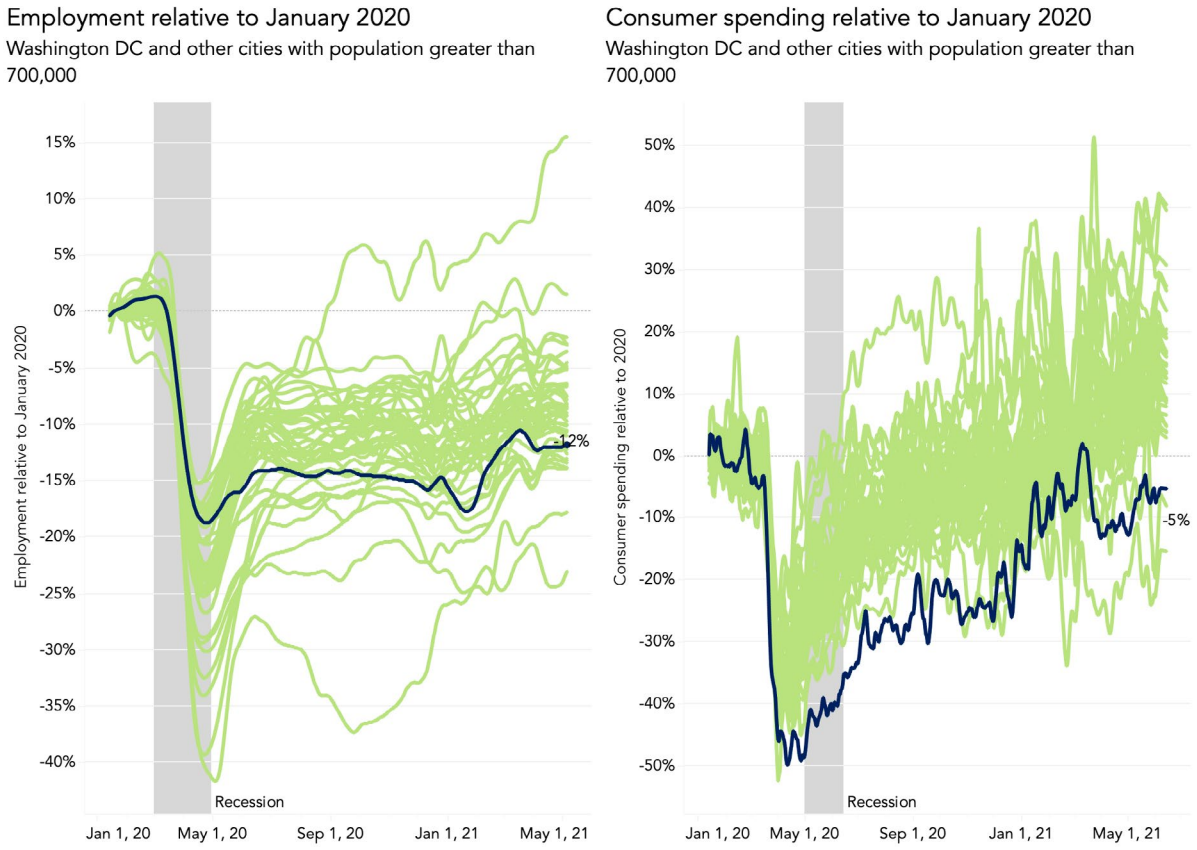
A sluggish recovery began in May 2020. The pivot in the economic picture came with the development of the vaccine, which allowed the District to shift from responding to the immediate effects of the pandemic to focusing on longer-term economic recovery. However, by June 2021—16 months later—the city had not gained back what it had lost. The District's nature as a 'destination,' and the city's reliance on the presence of commuters, tourists, and street-level activities have slowed down the pace of recovery compared to other cities across the nation. Employment in US cities with a population of 700,000 or more stood at about 8 percent below pre-pandemic levels in June 2021, but in the District, it was still 12 percent below, driven by the slow return of jobs in the arts, entertainment, leisure and hospitality, and administrative support sectors. In February 2020, these sectors accounted for 23 percent of all private sector jobs; in June 2021, their share had shrunk to 18 percent.

The chilling effect of the pandemic on commuter and tourist activity has been especially evident in the shifts in spending in the city, and the tax revenue associated with that spending. In June 2021—after all restrictions on economic activity had been lifted—office buildings remained largely empty. Only one in four workers had returned to their offices,[6] and Metrorail ridership was at less than one-sixth of pre-pandemic levels.[7] As a result, consumer spending was still 5 percent below pre-pandemic levels. In contrast, consumer spending across all US

cities with a population of 700,000 or more had already grown 13 percent *above* pre-pandemic levels. Notably, spending had moved from arts, entertainment, hotels, and restaurants (taxed at 10 to 14.95 percent) to retail and groceries (taxed at 6 percent or tax exempt). As a result, the same month, sales tax collections, at $107 million, were still 40 percent below the pre-pandemic levels.[8]

Despite its lagging recovery, the city has also showed many signs of resiliency, bolstered by both the federal aid and the District's own actions. At the onset of the pandemic, in March 2020, the city set aside $25 million in small business microgrants to put much-needed cash into the hands of small businesses. In fall 2020, the city set aside $100 million in a Bridge Fund specifically targeting retail, restaurants, entertainment venues, and hotels. Other

FIGURE 1 - Employment and Consumer Spending Relative to Pre-Pandemic Levels



Source: Opportunity Insigths Recovery Tracker.
Notes: Consumer spending data are displayed as three month moving average for city comparisons and as a two week moving average for subcategories.

U Street NW. Photo/Ted Eytan

programs provided direct supports to small and minority-owned businesses, legacy businesses, childcare centers, and businesses east of the Anacostia River. Federal aid to the District of Columbia government, totaling over $4.6 billion (of which $1 billion was received and spent in 2020) helped bolster these programs, allowing the city to provide cash assistance to ailing businesses through 2022. Additionally, federal legislation put $9.9 billion in the hands of DC residents, businesses, hospitals, universities, and public transportation agencies through tax credits, increased unemployment benefits, and loans and grants.[9] These supports have helped preserve both business capacity and personal livelihoods.

There have been other bright spots too. While many businesses closed during the pandemic, the pace of business formation in the District did not slow, and the number of business establishments increased. By the end of 2020, the District had 2,153 more business establishments than a year before, showing a 5 percent growth.[10] This strong entrepreneurial activity has also been evident in the rapid increase in business applications, which were 20 percent greater than historical levels.[11]

A second bright spot has been the income tax base driven by a strong stock market performance as well as relatively minor losses in employment for high-wage jobs. Wages

earned in the District, across all sectors, did not decline much and now run 3 percent above pre-pandemic levels. In high wage sectors, such as professional, scientific, and technical services, even though employment was 3 percent below pre-pandemic levels, wages and salaries were 10 percent higher in June 2021 compared to March 2020.

But disparities across sectors remain stark. For example, wage and salary earnings were still 23 percent below the first quarter of 2020 for the arts and entertainment sector, and 52 percent below for hotels and restaurants. Income tax contributions from these two sectors are relatively low due to lower wages and the large share of workers who do not live in the District, but these two sectors remain as indicators of "demand for DC" such as the urban lifestyle, housing, and commercial office space.

The full impacts of the COVID-19 pandemic remain unknown, which poses both short-term and long-term risks to the District's recovery. In the short term, spread of the Delta variant can hinder return to work, further distressing businesses in the city. In the long term, if remote work takes hold, it could reduce demand for housing and commercial office space in the city, which would ultimately impact government finances, public services, and programs. In fact, many business leaders across multiple industries expect remote work to become the norm, and the District is particularly suited for this trend, as an estimated 61 percent of all jobs in the Washington metropolitan area can easily be performed from home (compared to the national average of 37 percent).[12] Through the spring and summer of 2021, as the restrictions were slowly being lifted, 63 percent of adults who live in the District, and 57 percent who live in the Washington metro area, reported that at least one adult in their household was working remotely because of the pandemic. For the entire nation, it was 39 percent.[13]If teleworking takes hold, the District's economy may be permanently altered as this would reduce commuter activity and impair demand for office space.

The *2021 State of Business Report* chronicles the great transformation that took place over the 16 months of the pandemic. This was a period of tremendous uncertainty and resilience has changed commute patterns, real estate demand, business and consumer expectations, and government responsibility. Importantly, it has changed how businesses operate and grow. In the first section, the report outlines the impact of the pandemic on the District's economy and businesses. The second section outlines the risks and opportunities that face the District's businesses in the coming years. The third section reviews government policies implemented in response to the pandemic to support District's businesses as well as business practices that changed through the pandemic. It also examines the greatest impediments to a swift recovery and what businesses think should change to remove these impediments. The last section presents the DC Chamber of Commerce's Policy Agenda for 2022.

1. HOW DID THE PANDEMIC IMPACT THE DISTRICT'S ECONOMY AND BUSINESSES?

As the COVID-19 pandemic continued through 2020 and into 2021, it changed mobility, commute, and spending patterns across the Washington metropolitan region.

Economic activity shifted from employment centers—away from the District's downtown area—to the city's periphery and outer counties of the Washington metropolitan region. Even when the city cautiously lifted stay-at-home orders in June 2020, remote work remained the norm for a large share of workers in the region, and the District's downtown remained empty, with fewer than one in four workers returning to the office on a given day through the summer of 2021.

Along with declining mobility, consumer spending remained sluggish, which in return impacted the District's businesses, especially small businesses in customer-facing industries. Recovery for these highly impacted businesses has been slow and will depend on strengthened consumer confidence and return to normal activity. Due to continued uncertainties surrounding the new Delta variant, a weakened public transportation system, and the presence of a large number of jobs that can be performed remotely, returning to normal has been challenging, even with the release of COVID-19 vaccines and the lifting of some public health restrictions.

Over the last sixteen months, the private sector employment losses initially experienced in April 2020 have been reversed, but some sectors remain far from full recovery. Businesses in leisure and hospitality sectors had hired back half the employees who lost their jobs by July 2021, but there were still 26,900 fewer jobs in the sector compared to pre-pandemic levels. In health and education and in other services, job losses increased over time, largely driven by mass layoffs in universities, and the lack of demand for personal services such as hairdressers and dry cleaners. Throughout the pandemic, the only private sector industry that added more jobs is construction. This sector has been excluded from shutdowns, but its size in the District's employment base (15,500 employees) and growth (up by 600 by July 2021) are small.

Despite this sluggish recovery, District businesses have adjusted to the new normal. In the first few months of the pandemic, businesses were most worried about the safety of their customers and employees. Many applied for fiscal assistance from the federal government or the District government and put off their planned capital investments to increase their cash in hand. Many business establishments moved to remote work, and those that cannot—retail, arts, entertainment, restaurants, and hotels—looked for other ways of getting their goods and services to consumers. By the end of the summer of 2020,

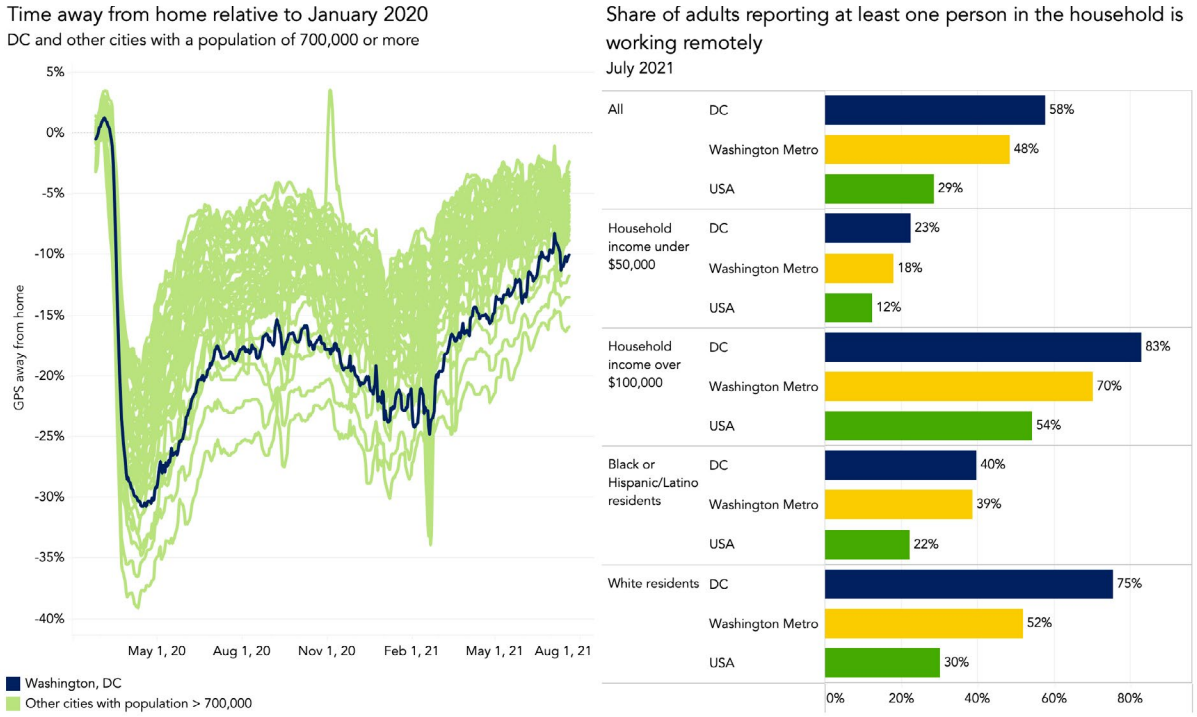
many businesses were still concerned with transitioning to remote operations. By the summer of 2021, their concerns had shifted to back to finding and hiring employees to return to full capacity.

District residents have broadly felt the impacts of the pandemic, but some parts of the city are recovering faster than others. Resident employment declined by 42,000 within a few months of the pandemic; and as of July 2021, employment was 23,000 below pre-pandemic levels. The unemployment rate has been steadily improving, and now stands at 7.2 percent compared to 10.6 percent in April 2020, but this is partly a result of some residents not returning to the labor force. Resident employment is down by 11 percent across the city, but with fewer people actively working or looking for jobs, the District's labor force is down by 24,500 (or 6 percent), partly explaining the reductions in unemployment.

IMPACT ON MOBILITY, COMMUTING PATTERNS, AND CONSUMER SPENDING

At its onset, the COVID-19 pandemic had a chilling impact on mobility and economic activity outside of the home. District residents immediately cut back the time they spent away from home by 30 percent, due to stay-at-home orders that were in effect through

FIGURE 2 - Changing mobility and commuting patterns

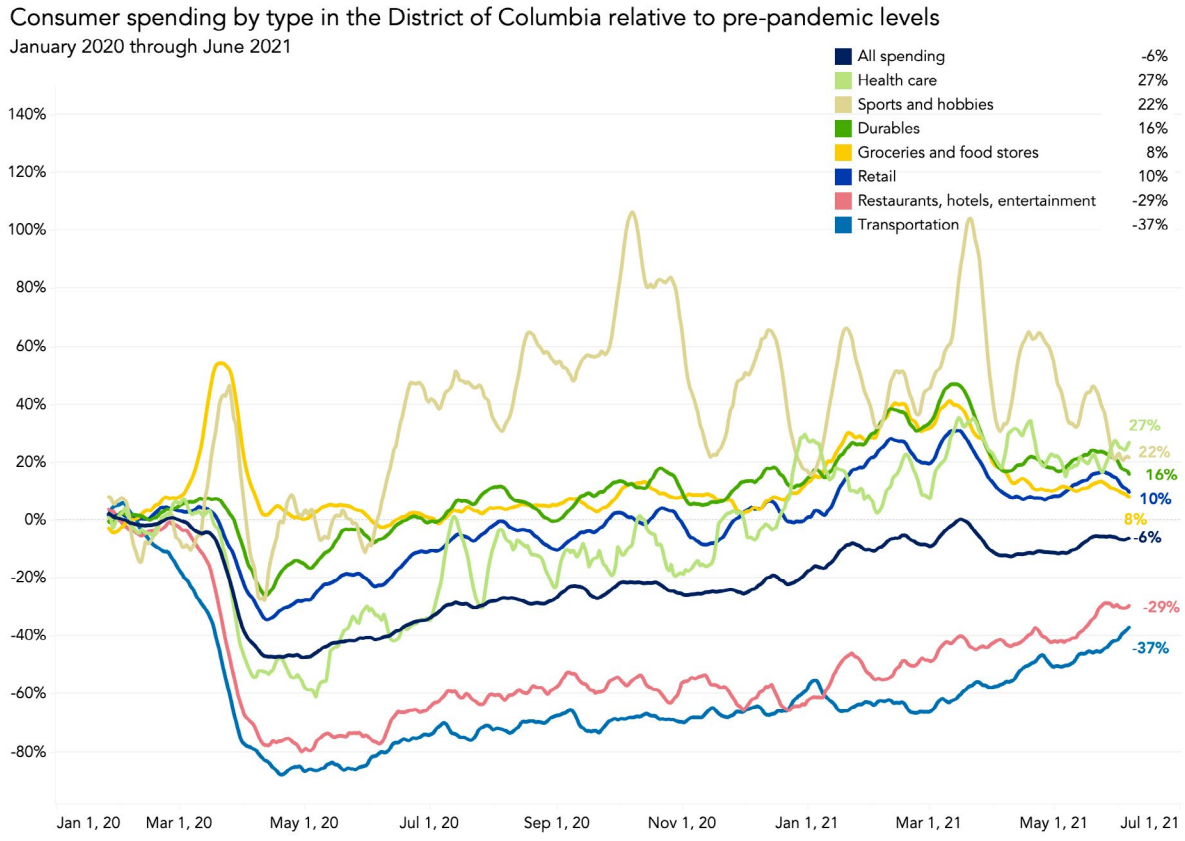


Source: Mobility data are from Google, and retrieved from Opportunity Insights, Track Recovery. Telecommuting patterns data are from US Census Household Pulse Survey - Week 33.

the end of May 2020. People slowly started leaving their homes more often throughout the summer, but mobility declined again as case counts increased through the fall and winter. It did not increase until vaccinations became widely available after March 2021. Still, mobility remains below pre-pandemic levels as remote work remains prevalent, and some residents continue to cut back their outside activities because of continued health concerns.

During different stages of the pandemic, time spent away from home declined more in the District than in other large cities with a population of 700,000 or more. Among these 44 large cities for which data are available, the District experienced the fourth largest decline following the three Bay Area cities of Oakland, San Jose, and San Francisco, through 2020, and even after the widespread availability of vaccines in early 2021.

FIGURE 3 - Consumer spending by type, relative to pre-pandemic levels



Source: Opportunity Insigths Recovery Tracker, based on credit card spending in the city.
Notes: Daily consumer spending data are displayed as a two week moving average.

An important contributor to changing mobility patterns in the District and the rest of the region is the presence of large number of jobs that can be worked remotely. Even with higher levels of vaccinations and a significant push by the city to bring commuters back, remote work appears to have taken hold, especially for higher-wage workers. In July 2021, for example, 58 percent of DC residents and 48 percent of metropolitan Washington, DC residents reported that at least one adult in their households worked remotely because of the pandemic. The frequency of remote work was four times higher in households with an income of $100,000 or more compared to households with an annual income under $50,000. Similarly, White residents, both in the District and the region reported working from home nearly twice as often as Black and Hispanic/Latino workers.[14]

The direct impact of reduced commuting and flagging interest in activities outside of the home has been a shift of consumer spending from outside activities, such as eating at restaurants or visiting a museum, to inside activities such as cooking, home improvement, or exercise. For example, spending on groceries and food stores rebounded to pre-pandemic levels by April 2020. By the end of 2020, they were running 9 percent above their historic levels. Retail spending recovered by January 2021 and settled on a higher path—at about 10 percent above historic levels. As gyms, recreation centers, and hobby classes remained closed, spending on sports equipment and hobby materials nearly doubled. In contrast, even after a full reopening of the District in the summer of 2021, spending at restaurants, arts and entertainment venues, and hotels were still 29 percent behind historic levels, and transportation-related spending was down 37 percent.

Notably, among the inner counties of the Washington metropolitan region, the District remains the only place where consumer spending lags pre-pandemic levels. In Montgomery County, Maryland, for example, spending had rebounded to 5 percent above pre-pandemic levels by the end of July 2021. In Virginia, spending was up 6 percent in Fairfax County, and 12 percent in Loudoun County.

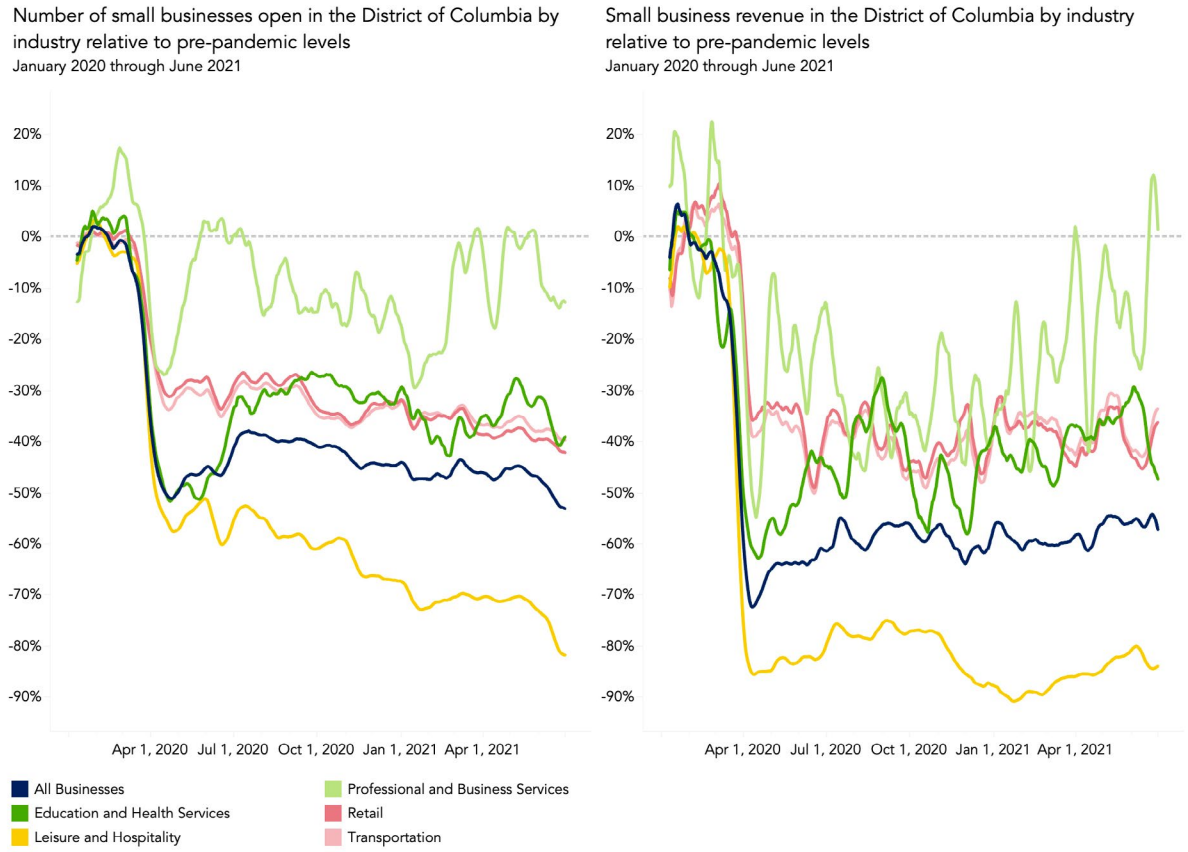
IMPACT ON BUSINESS OPERATIONS AND REVENUE

Changing spending and telecommuting patterns have had profound effects on business revenue and operations, especially in customer-facing sectors that mainly serve office workers. For many small businesses, challenges that existed prior to the pandemic, such as businesses fees, taxes, and rent, have become more burdensome. While the District's grant programs and federal aid have helped keep some doors open, adapting to a new way of doing business has been harder for industries that rely on in-person interactions.

At the onset of the pandemic, there was a steep drop, relative to January 2020, in both the number of open small businesses and small business revenue across all industries. In the ensuing months, many businesses found ways to adapt their operations, such as shifting to remote work, expanding outdoor seating and delivery options, and acquiring personal protection equipment (PPE). Since then, however, small businesses have begun to close again, perhaps because economic activity remained slow even as businesses exhausted initial microgrants or federal Paycheck Protection Program (PPP) funds. As of June 2021, the total number of small businesses open was about 53 percent lower than in January 2020, and revenue was down by about 57 percent.

The increase in closures and reductions in revenue were primarily concentrated in the leisure and hospitality industry. In June 2021, about 82 percent of small businesses in leisure and hospitality industry that had been active prior to the pandemic were closed. Revenue

FIGURE 4 - Small business operations and revenue, by industry



Source: Data from Wombly via Opportunity Insights COVID-19 data tracker, available at: Economic Tracker (tracktherecovery.org)

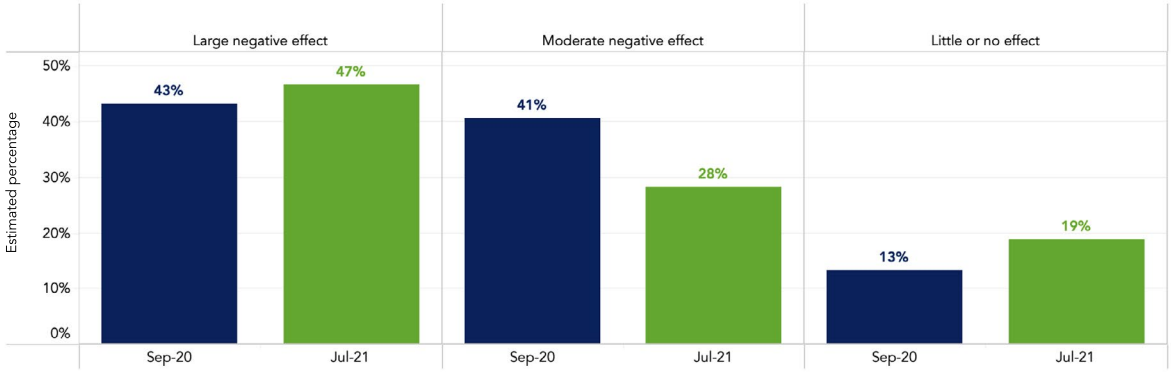
earned by small businesses in this industry was down by about 84 percent, showing no recovery since the beginning of the pandemic. In contrast, professional and business services industry companies, which have been able to adapt relatively easily, have seen only one in ten small businesses close and revenue has fully recovered.

Small businesses in customer-facing industries began to recover more quickly as more people were able to get vaccinated, public health restrictions were lifted, and offices reopened. After all restrictions on District businesses were lifted in mid-June 2021, there was a spike in revenue for businesses in the retail and transportation industries, though recovery for leisure and hospitality continued to lag. With the Delta variant and the mask mandate reinstated in at the end of July 2021, recovery in this sector may slow down again as it is closely tied to consumer confidence and people being able to comfortably leave their homes again.

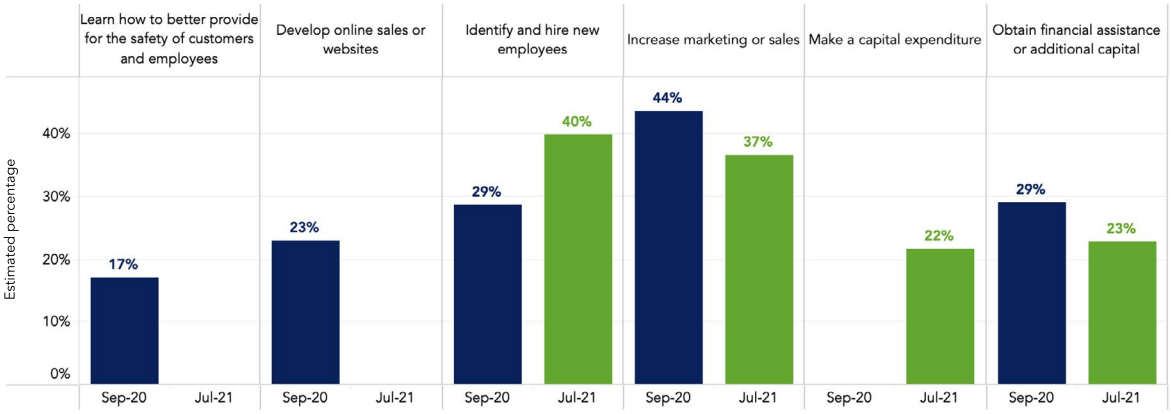
There is some evidence that businesses in the District have now adopted to a new normal, and business expectations about recovery have improved. In September 2020, nearly half the small businesses predicted it would take longer than six months for their operations to return to full capacity. By July 2021, that share had declined to 38 percent. While large negative impacts have persisted over time, in July 2021, some small businesses began reporting they were increasing both the number of employees and the paid hours worked by these employees. Importantly, concerns have shifted from immediate response to the COVID-19 pandemic to longer-term needs. In September 2020, many small businesses were worried about the safety of their employees and customers (nearly one in five) and adding an online component to their operations (nearly one in four). By July 2021, these issues were no longer a concern. Similarly, a smaller share of small businesses was focused on obtaining financial assistance

FIGURE 5 - The COVID-19 pandemic impact and immediate term needs of small businesses

Overall, how has this business been affected by the Coronavirus pandemic?



In the next 6 months, do you think this business will need to do any of the following?



Source: US Census Bureau Small Business Pulse Surveys for Week 28 and Week 44

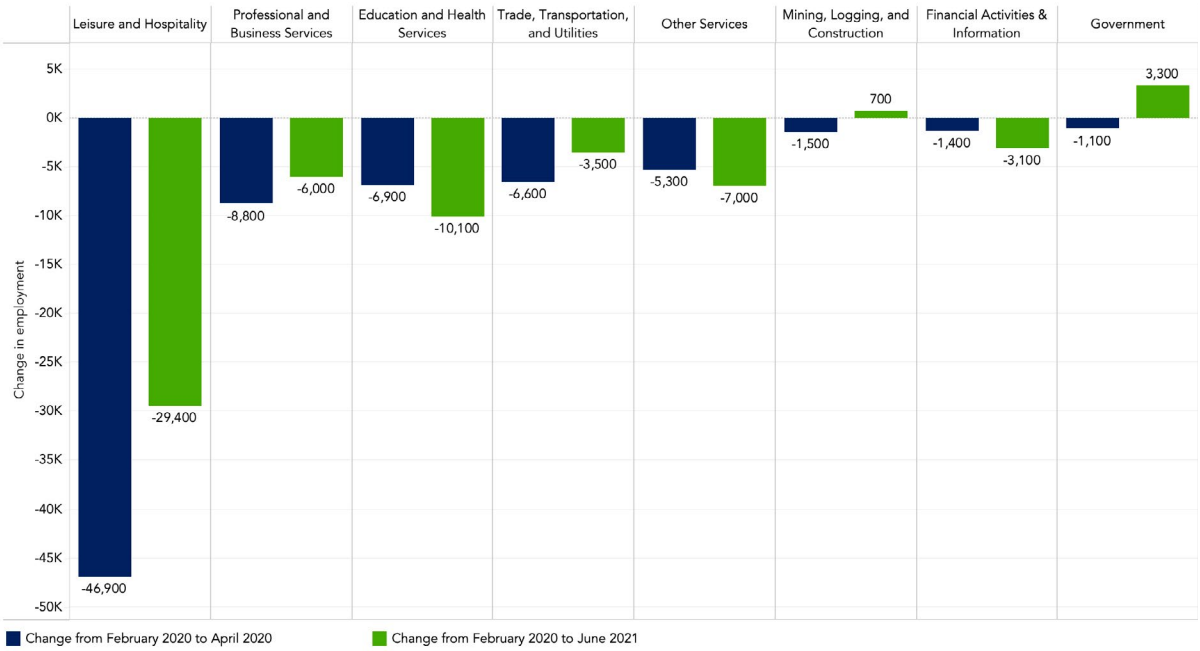
in July 2021 compared to September 2020. Rather, businesses are increasingly thinking about hiring new employees (two in five as of July 2021, compared to less than a third in September 2020) and investing in infrastructure and equipment (nearly one in four, up from none in 2020).

IMPACT ON EMPLOYMENT, RESIDENT LABOR FORCE, AND UNEMPLOYMENT

The continued decline in revenue and increase in business closures have greatly affected the District's employment, particularly among those in low-wage jobs that were not able to easily shift to remote work. As a result, sixteen months past the documentation of the first COVID-19 case, private sector employment in the District had not yet fully recovered. In June 2021, total private sector employment in the city was 506,000, or an estimated 58,600 below its peak before the beginning of the pandemic in February 2020.

The largest employment losses were, and remain, in the leisure and hospitality sector, where employment as of June 2021 was 37 percent below where it was in February 2020. With warmer weather and the removal of public health restrictions, the pace of hiring in this sector began to increase in April 2021, but it

FIGURE 6 - Net change in employment in key sectors in the District of Columbia, initial impacts v. longer-term change

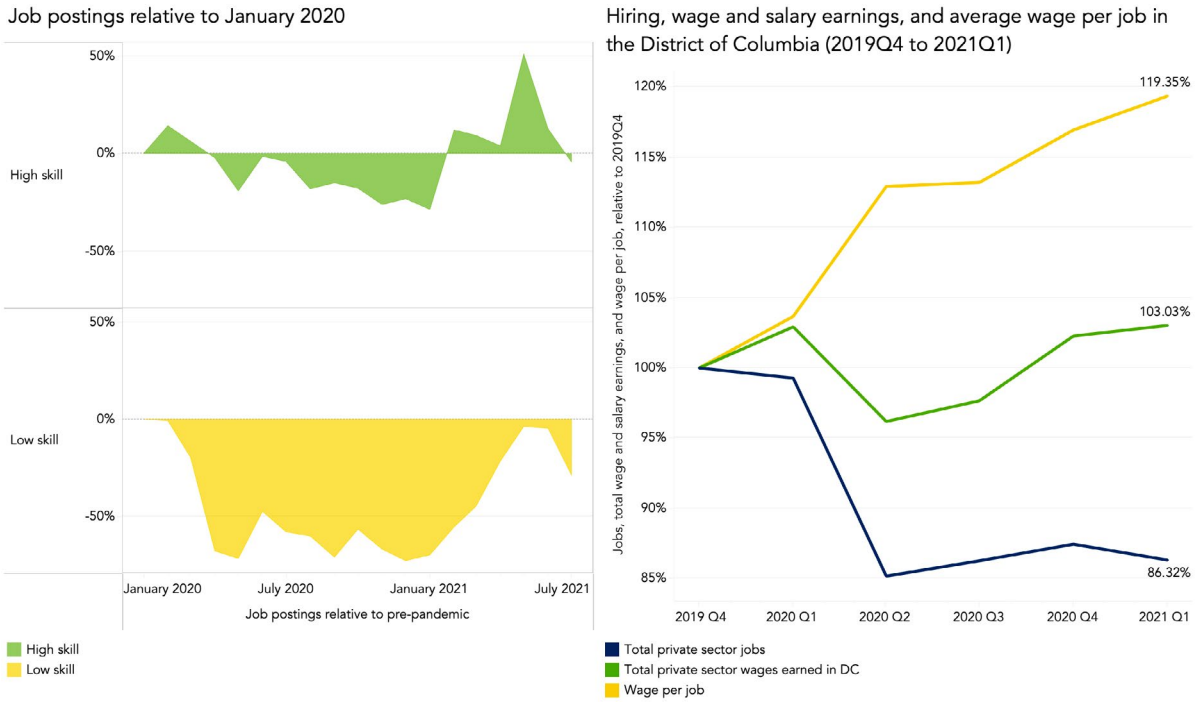


Source: Bureau of Labor Statistics, Current Employment Statistics (CES) - Employment, Hours, Earnings for State and Metro areas, released on July 16, 2021. The chart shows data for NAICS supersectors with a reported employment of 5,000 or more in the District of Columbia in June 2021.

has been curtailed by lack of workers willing to take open positions. This comports with national trends that show half of restaurants reported operating below their capacity because of lack of workers by summer of 2021.[15] Some hotel and restaurant workers have moved on, taking jobs elsewhere, and others cannot return to work due to ongoing concerns such as health and childcare.

In other sectors, too, hiring continues to be sluggish. In the professional and business services sector, which is the source of about a third of all private sector employment in the District, less than half of the initial employment loss had been made up by June 2021. Over 70 percent of the initial loss was in the administrative support subsector, including back-office workers, employment services, and concierge workers. This subsector, which heavily relies on commuter activity, continued to lose jobs into 2021. The professional, scientific, and technical services subsector, which includes many jobs that can easily be worked remotely, added nearly 2,200 new jobs between February 2020 and June 2021. As of June 2021, employment in this sub-sector was up 3 percent compared to June 2019. In three other sectors (education and health services, finance and information, and other services),[16] which collectively make up 47 percent of

FIGURE 7 - Job postings, hiring, wage and salary earnings, and wage per job



Source: Bureau of Economic Analysis, Wages and Salaries by NAICS Industry, data released on June 21, 2021. Bureau of Labor Statistics, Current Employment Statistics (CES) - Employment, Hours, Earnings for State and Metro areas, released on July 16, 2021. Data on job postings from Burning Glass, averaged over each month.
Note: The chart on earnings shows data for NAICS supersectors with a reported employment of 5,000 or more in the District of Columbia in June 2021. Quarterly employment is the average of employment reported for each month in the same quarter. Wage per job is obtained by dividing total wage and salary earnings with the average employment for the same quarter.

total private sector employment, job losses increased through 2021. These reductions have been primarily driven by continued job losses within the colleges, universities, and professional schools, and sluggish demand for personal services such as drycleaners, nail salons, and hairdressers.

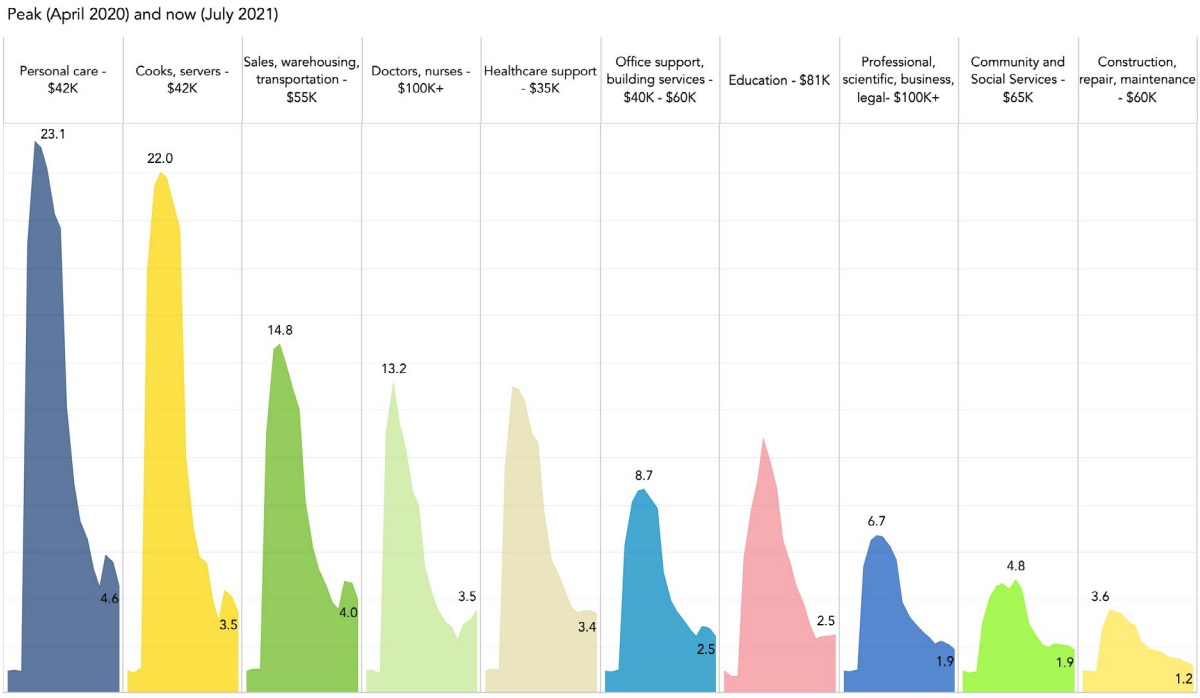
There is some evidence that as businesses hire new workers, lower-wage jobs are being replaced by higher-wage jobs in the District. There are fewer private sector jobs in the city compared to the pre-pandemic levels, but total wages and salaries earned in the city are 5 percent above pre-pandemic levels. Total wages and salaries earned in the private sector grew by 8 percent between June 2020 and June 2021. In fact, the average wage and salary earnings in the District's private sector[17] grew at an annualized rate of 15 percent between the last quarter of 2019 and the first quarter of 2021, from approximately $90,000 to $108,000.[18] This is seven times the growth in the consumer price index during the same period. While higher wages have been good for income tax collections,[19] the loss of middle- and lower-wage jobs is troublesome as it could be an indicator that the city is either too expensive, or not profitable enough for some businesses.

This trend is also evident in the data on job postings, which show that while the demand for high-skilled workers has bounced back, yet there are fewer job opportunities for low-skilled workers. Data on job postings from Burning Glass Technologies, a company that provides real-time data on in-demand skills and labor market trends, shows that jobs that are higher-wage and require a higher level of educational attainment are recovering more quickly. Jobs requiring higher educational attainment are down 7.4 percent relative to January 2020, while jobs that require little to no preparation are down 41.2 percent compared to January 2020. Occupations in latter group were hit hardest to begin with and may also take longer to recover given the customer-facing nature of many of them. Many establishments have also reported concerns about talent attraction and retention because standard training programs have been halted, workers are unable to return to work due to personal concerns, and in-demand skills have begun to change. In contrast, jobs that require a higher level of educational attainment have been less affected by the pandemic with less uncertainty around demand.

The pandemic triggered job losses across all occupations, however, occupations that could not easily transition to a remote setting experienced the greatest shock. Between February 2020 and June 2020, unemployment insurance claims for food preparation and serving-related workers increased 22-fold. Personal care and service-related workers, which also rely on in-person interaction, had a 23-fold increase in claims. There were also significant losses in office-support jobs, such as administrative assistants, back-office workers, and building workers, as remote work reduced the demand for these types of office-support workers.

As of June 2021, claims across all occupations were down from June 2020 but remained higher than pre-pandemic levels. Data show that recovery is happening much faster in higher wage jobs. Recovery has been strongest for professional, scientific, business, and legal occupations, where the median salary is above $100,000 per year. Personal care and services occupations, which have a median salary of $42,000, are recovering the slowest, with claims still 4.6 times higher than pre-pandemic levels. Occupations in food preparation and services, building and grounds maintenance, and sales-related services continue to lag in recovery as well. Despite this slow recovery, claims in each continues to trend downward, lifting the pressure on the District's Unemployment Insurance Trust Fund. The District started 2020 with $537 million in the Fund. City officials expected that the fund would run out of money

FIGURE 8 - Unemployment claimants in DC by occupation relative to pre-pandemic levels (And median wages for the occupation)

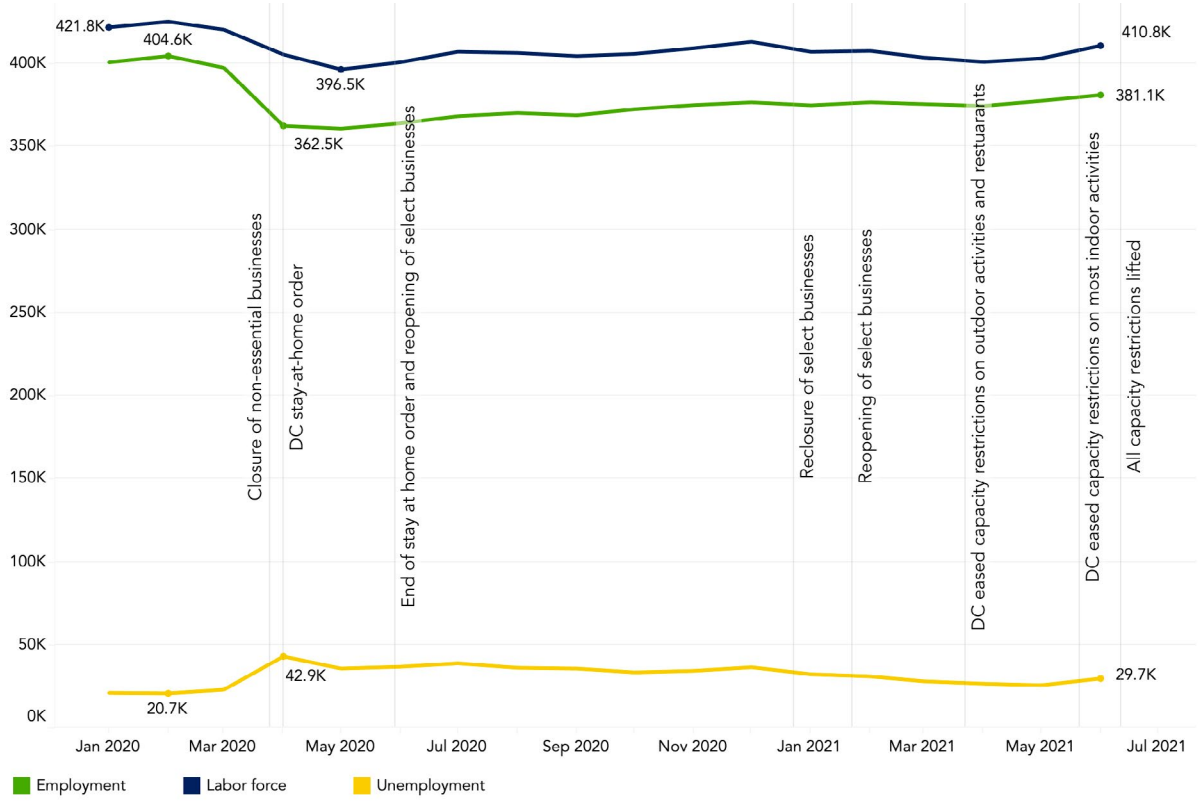


Source: DOLETA Report ETA 203 - Characteristics of the unemployed. Median wage by occupation from the Bureau of Labor Statistics, Occupational Employment and Wages, May 2020.

in October, but this did not happen. Rather, the fund hit its lowest balance in January 2021 ($20 million), but since then has recovered slightly and ended July 2021 with $58 million,[20] or approximately three months of benefits paid on average in the first six months of 2021.[21]

The pandemic also took a heavy toll on the District's resident workforce. At the onset of the COVID-19 pandemic, between February and May of 2020, 43,747 District residents lost their jobs, representing a 10.8 percent drop in resident employment. While employment numbers have been steadily recovering since hitting a low point in May 2020, they were still 3 percent below pre-pandemic levels in June 2021. Prior to the pandemic, the number of unemployed DC residents kept steady at about 21,000. That number jumped by 22,000 to reach nearly 43,000 in the first two months of the pandemic and continues to remain above historic trends. Similarly, the unemployment rate, which hovered around 5 percent prior to the pandemic, jumped to 10.6 percent in April 2020. While the unemployment rate has been declining since then, it remains above pre-pandemic levels, reaching 7.2 percent in June 2021, which is still up 1.5 percentage points compared to June 2019 and up 2.3 percentage points compared to February 2020.

FIGURE 9 – District of Columbia resident labor force, employment, and unemployment



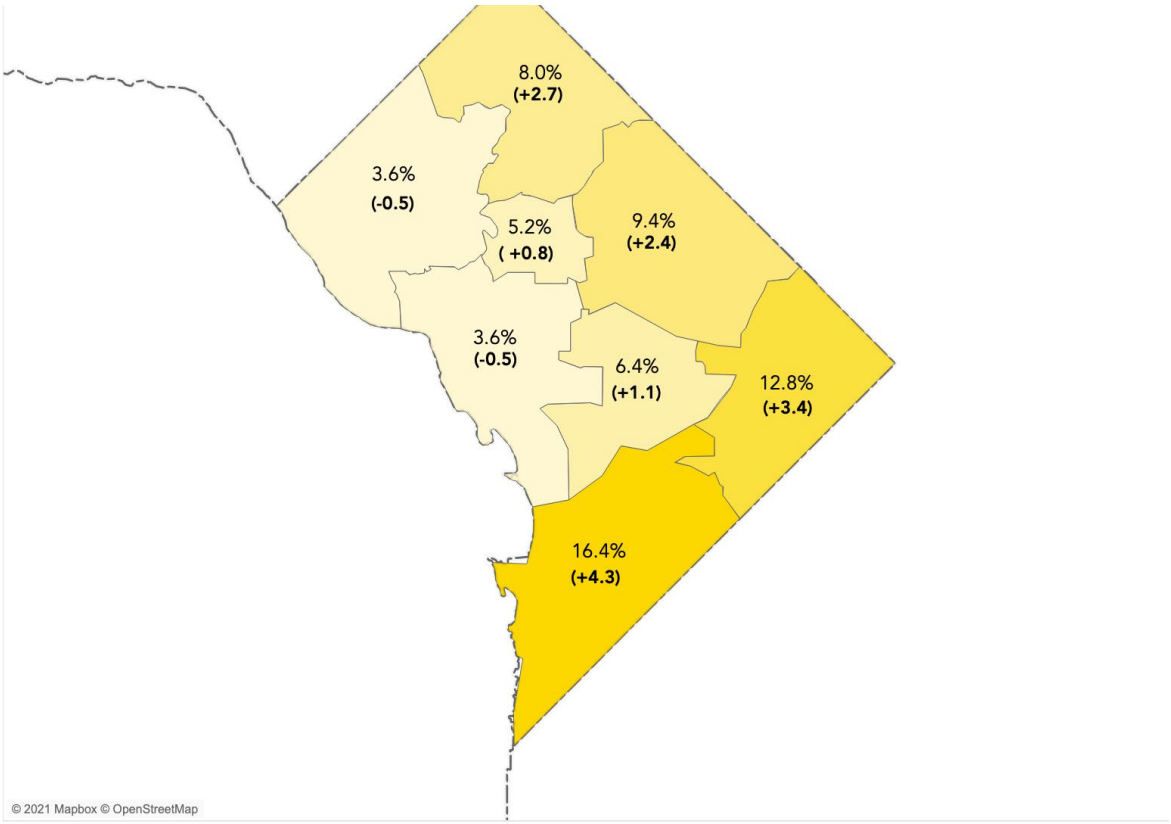
Source: BLS Local Area Unemployment Statistics (LAUS), released July 16, 2021.

The steady decline in unemployment is in part because some residents have struggled to re-enter the labor force as they face challenges such as access to childcare or personal health concerns. This is shown by an initial drop in the labor force by 6.7 percent between February 2020 and May 2020. The labor force continued to decline throughout the pandemic but has been increasing again since May 2021. As of June 2021, the labor force was 3.4 percent smaller than February 2020, a drop of 14,472 residents. Still, the recovery to date has been relatively quick compared to past recessions.

By the end of the recession in April 2020, the unemployment rate in the District had hit its peak and, for the most part, has been declining since. In contrast, in the months following the advent of the Great Recession in December 2007, unemployment continued to climb, hitting its peak seven months after the recession's official end in June 2009.

While all parts of the city experienced the initial shock to the workforce, some wards have been able to fully recover, while others continue to struggle after experiencing a greater share of

FIGURE 10 – Unemployment rate by ward, June 2021 and change since June 2019



June 2021 unemployment rate
(Change in percentage points relative to June 2019)

Source: DC Department of Employment Services (DOES), June 2021 data is preliminary and May 2021 data is revised.

employment losses. According to data from the Department of Employment Services, Wards 7 and 8 are the only two wards with unemployment rates that still stand above 10 percent. In both wards, the unemployment rate remains 3.4 and 4.3 percentage points higher, respectively, than pre-pandemic levels in June 2019. In contrast, Wards 2 and 3 have now fully recovered their unemployment rate to 0.5 percentage points lower than pre-pandemic levels. This is partially attributed to the higher exit rate from the labor force in these wards. Even in the years prior to the pandemic, the unemployment rates in Wards 7 and 8 were consistently high compared to other wards. Historically, these wards have also had fewer employment opportunities and more concentrated poverty. The pandemic has only amplified these existing challenges, putting Wards 7 and 8 in a more difficult starting position as they face recovery from the pandemic.

2. WHAT RISKS AND OPPORTUNITIES EXIST AS THE CITY BUILDS BACK?

As more people received vaccinations, public health restrictions adjusted, and businesses reopened, the District began to recover.

As reported in the previous section, employment in the city is growing, foot traffic is increasing, and revenue, while still depressed compared to pre-COVID projections, is showing signs of recovery. In the near-term, however, it will remain a challenge for the city to maintain economic activity, support local businesses that are accustomed to greater foot traffic, and recover jobs under the threat of residents who are able to leave due to remote work opportunities. The new Delta variant added another barrier to the recovery, as it increases uncertainty around public health guidelines and potentially delayed return-to-office to early 2022.[22]

The full spectrum of the economic impacts of the pandemic and how preferences for urban places will change as a result remains unknown. Near-term data highlight some of the challenges that the District has faced over the past 18 months and the importance of recovery. First, there has been a permanent shift of economic activity away from the District's core employment, hospitality, and entertainment centers following increased remote work. Second, these shifts have forced businesses and the federal government reassess their space needs and put a dent in lease activity, further weakening the already soft demand for office space. Third, increased preference for suburban life, combined with the ability to work remotely, has sent some residents away from the city. Importantly, weaker economic activity and sluggish growth have deeply impacted the city's finances, and fiscal risks remain real for future years, especially when federal fiscal aid that has helped support robust government spending disappears in future fiscal years.

On the upside, there is renewed entrepreneurial activity in the District, suggesting that many see new business opportunities in the post-COVID era. Despite numerous business closures, the total number

L'Enfant Plaza Metro. Photo/Bekah Richards.

of business establishments increased through 2020, and even the most negatively impacted sectors, such as restaurants and retail, have seen new businesses open or move into the city. These suggest that despite some of the near-term challenges, the District continues to be an attractive destination for some entrepreneurs and workers in the long-term.

RISKS TO RECOVERY

An immediate concern for the District is longer-term loss of commuter activity in the District. As noted in the first part of this report, a large share of jobs in the city can be worked remotely. A pre-pandemic survey of commuters in the region showed that 35 percent worked remotely at least occasionally, and an additional 25 percent reported they could and would telework if given the opportunity.[23] While telecommuting was steadily increasing during the pre-pandemic era, COVID-19 related restrictions triggered to a swift shift for most. In fact, by the summer of 2021, nearly half of adults in the region reported that there was at least one person working continuously from home in their household.

There is good reason to think that remote work impacts the District greatest among all jurisdictions of the Washington metropolitan region. The average household income of those who work in and commute to the District is routinely above $100,000,[24] and based on what households at this income level report, the share of residents and commuters who are working from home regularly is at or above 70 percent. These numbers are confirmed by office-entry data, which show that the share of workers who show up in an office in the District on a given day has been stuck at below 25 percent since the spring of 2021.[25] In the Washington metropolitan region, the share of workers who are in their offices on a given day has been below other key office markets across

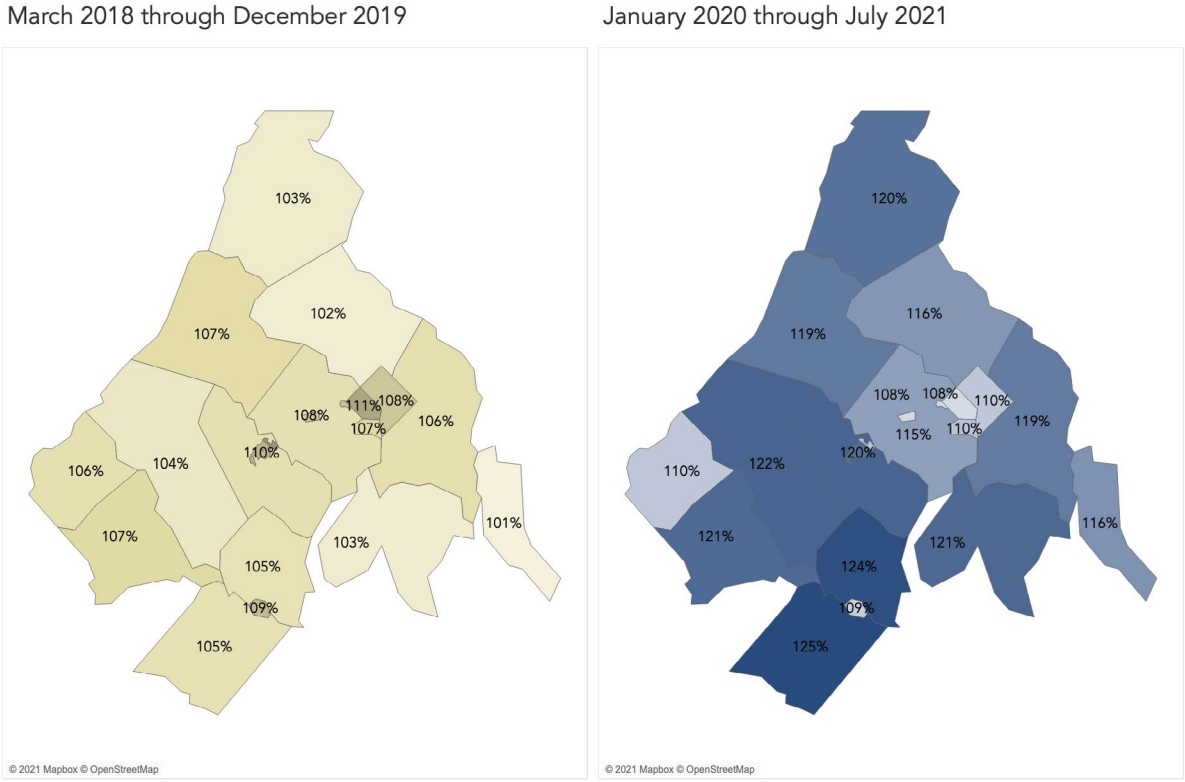
the nation throughout the pandemic, and it declined by 1.2 percentage points after the surge in the Delta variant.[26]

The surge in cases due to the Delta variant has caused many employers to delay their return-to-work plans. A survey of major employers in the region, conducted in July of 2021 before the rush of the Delta variant cases, showed that a majority of employers had developed hybrid work plans, and Labor Day was a commonly shared point to switch from remote to hybrid or in-person work.[27] Since then, many employers in the region have either indefinitely postponed their return to work or have shifted to a new target date, frequently in early 2022.

The implications of this delay in return to work are profound. In the short-run, lack of foot traffic ordinarily accompanying commuters will continue to dampen revenue for retail and restaurants, and consequently the District's tax revenues. In the long run, however, if remote work takes hold, it will permanently impact the demand for office space and housing. This would have dire consequences for the District's revenue base.

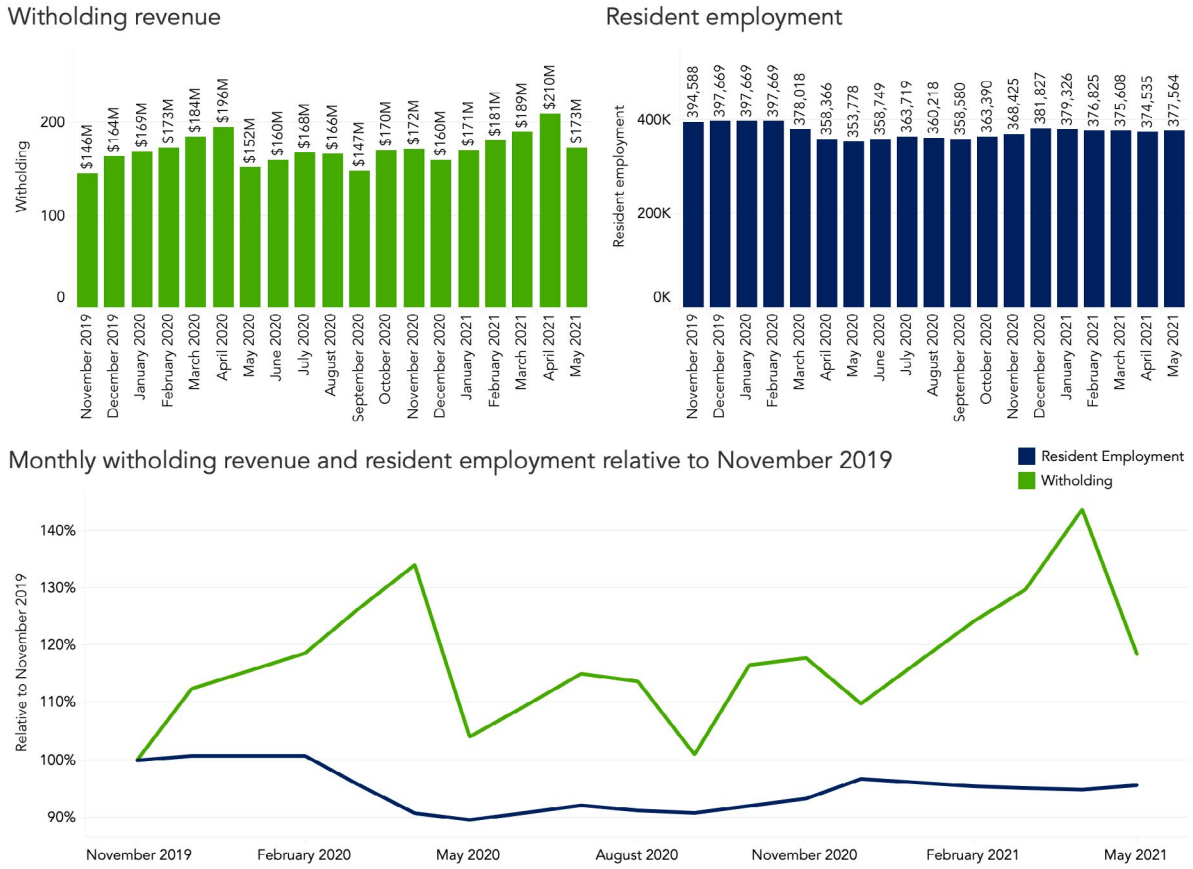
The first order impact of increased telework is flexibility on where one can live while working

FIGURE 11 - Value appreciation in single family homes in the Washington metropolitan region



Source: Zillow

FIGURE 12 - District of Columbia monthly withholding revenue and resident employment



Source: D.C. Office of the Chief Financial Officer, Office of Revenue Analysis, Monthly Economic and Revenue Trends, various months.
Note: Data for January 2021, June 2020, March 2020, and January 2020 are not reported. The charts present these estimated as the average of the previous and next months.

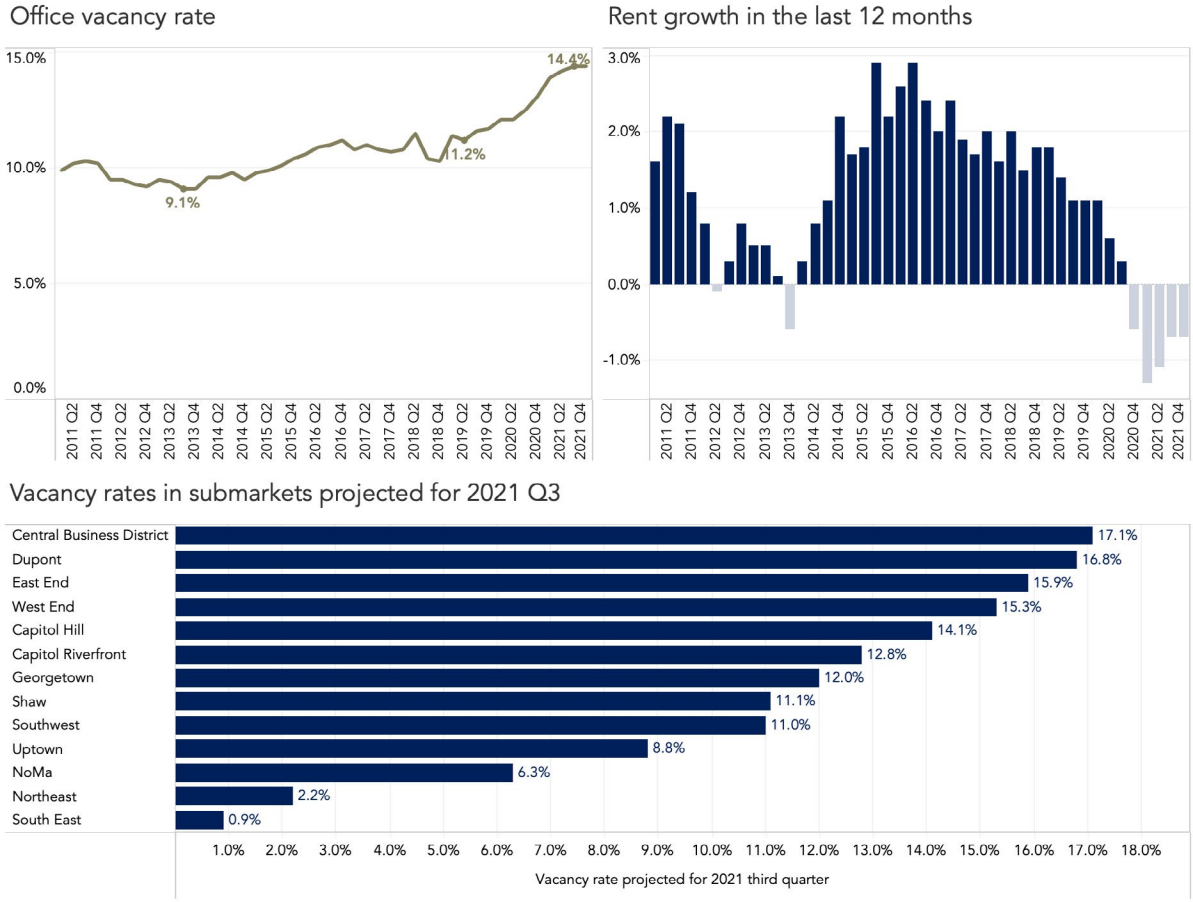
for a District-based company. In fact, recent research from the District's Office of the Chief Financial Officer (OCFO) shows that remote work has resulted in a higher than typical number of individuals and families moving out of the District, either temporarily or permanently.[28] According to this research, which uses change-of-address data from the United States Postal Service, 17,822 more residents moved out of the city in 2020 than in 2019. Among this group, approximately 9,300 indicated that the move was permanent and approximately 8,500 noted that the move was temporary.[29]

This trend of relocating away from employment centers can also be confirmed by comparing housing value appreciation data for the entire region during the 18 months prior to the pandemic and the 18-month period beginning in January 2020. While the District's residential properties, and especially single-family homes, saw a surge in demand during the pandemic, the value appreciation in the city has fallen behind

appreciation in suburban locations, reversing the trend from pre-COVID years. For example, between December 2010 and March 2018, single family homes across all counties in the Washington metropolitan region appreciated by 6 percent, but the appreciation was significantly higher in urban and dense central locations, including the District (8 percent) and Arlington (11 percent). During the period between January 2020 and July 2021, housing values appreciated faster in the District compared to the pre-COVID period (10 percent), but this growth fell behind the regional average of 16 percent. As Figure 11 shows, locations further away from the central employment districts appreciated particularly fast, and in many cases twice as fast as the District.

A curious puzzle with respect to moving trends is the continuous increase in withholding taxes throughout the pandemic that began in December 2020 despite no corresponding increases in resident employment numbers.

FIGURE 13 - Indicators of office demand in the District of Columbia



Source: CoStar

K Street NW. Photo/Bekah Richards

Data published by the OCFO shows that withholding revenue never declined below November 2019 levels during the pandemic. Since January 2021, withholding revenue has been 24 percent above November 2020 levels. In contrast, resident employment has never recovered above November 2019 levels and has hovered consistently around 96 percent of pre-pandemic levels since January 2021. It is unclear why withholding revenue and resident employment are moving in opposite directions, but one possible explanation is the recovery in high-wage jobs that tend to have disproportionately higher withholding taxes. Another possibility is that the residents who have moved out of the District have not consistently reported to their employers where they live and adjusted their withholding accordingly. If this is the case, the strong income tax collections could be undone by non-resident adjustments at the time of 2021 tax filings in April 2022.

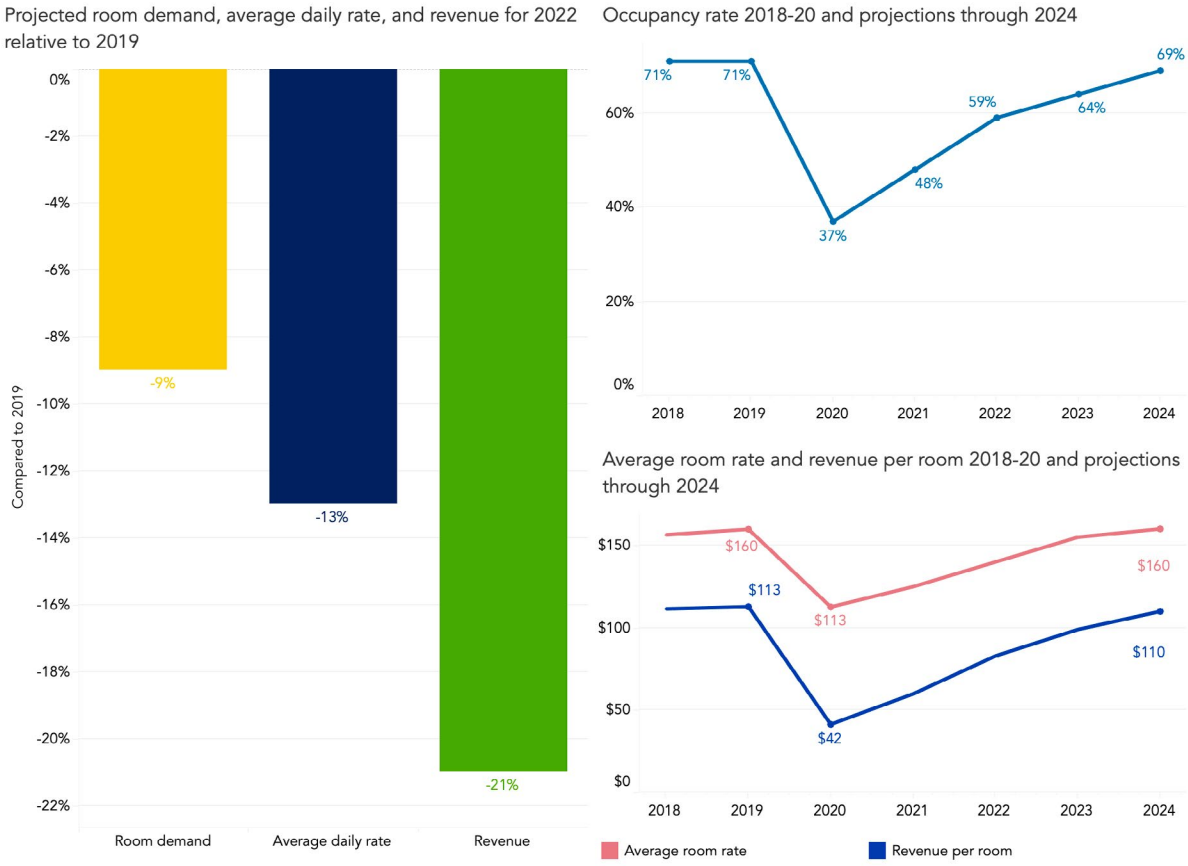
More direct fall-out from reduced commuter activity is a potential decline in the demand for office space in the District. Immediately after the COVID-19 pandemic began, leasing activity came to a complete standstill. It began showing some signs of improvement in the second quarter of 2021, with increased interest both from the private sector (accounting for 61 percent of new leases executed in the quarter) and the federal government.[30] The leases followed increasing property-touring activity after widespread availability of vaccinations in March 2021, but overall, lease activity remains stagnant.

Due to the halt in leasing activity, office vacancy rates have been rising. Even before the pandemic, office vacancy rates were at historically high levels, hovering around 11 percent across the city and as high as 15 percent in the downtown areas. Since the pandemic began, vacancy rates across all submarkets have increased to 15 percent, and vacancy in the central business district is projected to exceed 17 percent by the third quarter of 2021. Similarly, rent growth was negatively impacted during the pandemic, and in fact, rents have declined compared to 12-months prior since the fourth quarter of 2020. It is not clear how the new Delta variant will impact the demand.

The commercial, and especially office, market continues to face risks given the uncertainty around how much office space is needed if many workers continue to work remotely. Additionally, a significant factor in the health of office demand in the District is the federal government. Despite strong leasing activity from the federal government in the second quarter of 2021 (704,000 sq. ft.), there are indicators that remote work will become more frequent among federal workers. In June 2021, the Biden administration directed federal agencies to draft long-term policies for their workplace and remote work strategies, and it told them to provide maximum flexibility.[31] Because the federal government leases a significant amount of space in DC, the impacts of any footprint reduction would be felt greatly.

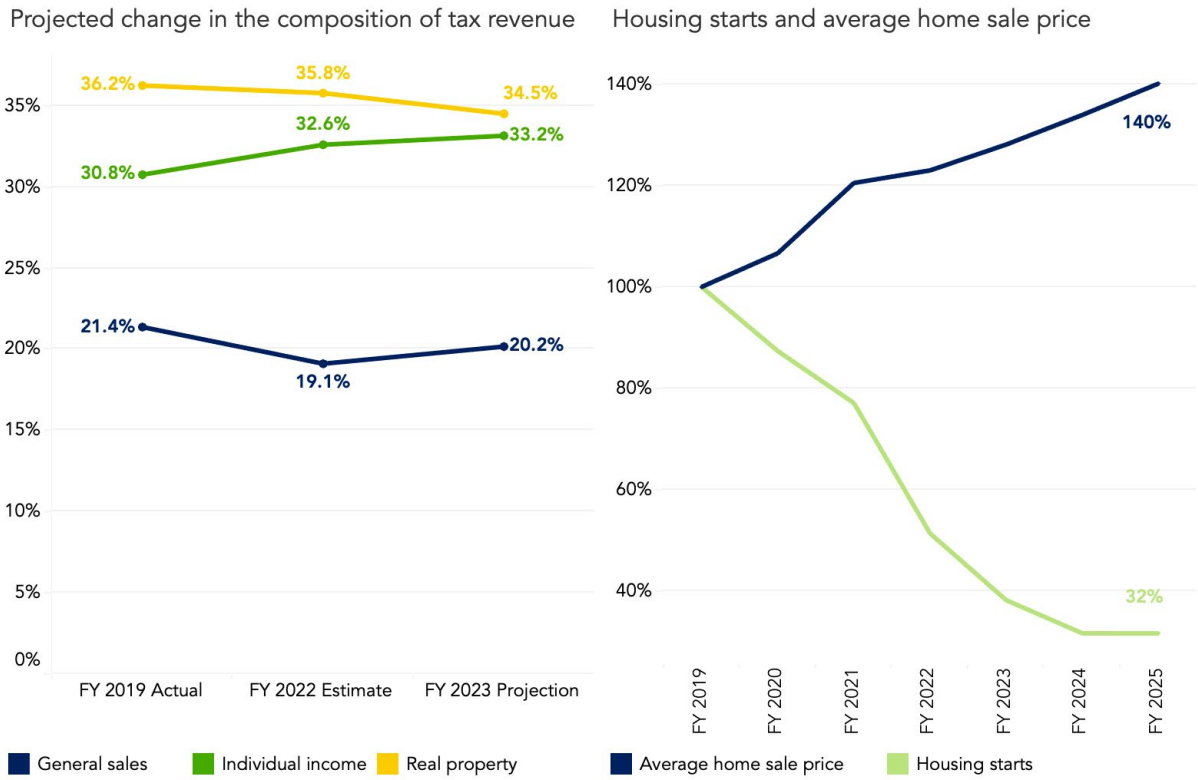
Finally, the tourism industry, another key source of economic activity and tax revenue in the

FIGURE 14 - Tourism related projections



Sources: Destination DC 2020-2022 Hotel & Vistitor forecast published in Spring 2021. Occupancy, average room rate, and revenue per average room projections are from HVS Market Pulse published on March 12, 2021.

FIGURE 15 - Composition of revenue and housing market indicators



Source: D.C. Office of the Chief Financial Officer, Office of Revenue Analysis, revenue estimates published in December 2020 and May 2021.

District, is recovering at an extremely slow pace. According to Destination DC, in 2020, the number of visitors who came to the District declined by more than half compared to pre-pandemic levels, because of a slower-than-expected reopening. Significantly, all indicators of the tourism sector's health—the number of visitors, average daily rate, and overall hotel revenue—are projected to remain far below pandemic levels in 2022 and are not expected to recover through 2024. This is a significant change for the District: given a combination of tourist attractions, the presence of the federal government, and a strong business and professional services sector, the District's tourism and visitor activity have remained relatively stable in previous recessions. But during the pandemic, the losses experienced in the District and the surrounding metropolitan areas have followed other large metropolitan areas.

These risks, when combined, increase the revenue risk for the city. Since the beginning of the pandemic, tax revenues that are reliant on DC's 'destination' status have taken the greatest hits. As tourists and commuters disappeared, the city lost nearly one third of its general sales tax revenue in Fiscal Year 2020,

and current projections show that it will end Fiscal Year 2021 with an additional decline of 9 percent. Parking taxes, which are dedicated to WMATA, have taken an estimated 56 percent hit.[32] Even traffic fines collected through automated enforcement have declined by an estimated $39 million, or 26 percent.[33]

The District's tax revenue is projected to return to pre-pandemic levels in fiscal year 2022, but there is still considerable risk to projections. The revenue estimators also recognize that a permanent reduction in business and leisure travel, greater demand for telework or suburban locations, or continued discomfort about congregating will have lasting impacts on the amount and composition of the revenue that the city receives, and the risks associated with each revenue base. At present, the city's reliance on income tax revenue is increasing relative to general sales and real property tax revenues. The city's reliance on income taxes will be even greater starting in 2022 due to recent increases in income taxes for high-income earners in the District. This tax base is much more volatile than real property taxes, which should be a concern for the city.

Another concern is apparent from projections is that the housing market could become tighter and costlier through the recovery. The OCFO is estimating that housing starts will decline to levels that are a third of what the city experienced in Fiscal Year 2019. This will lead to more expensive housing and can potentially be a bigger push factor than it is today, dampening household and population growth. This would add further risks to economic recovery and revenue.

THE BRIGHT SPOT: INCREASED ENTREPRENEURIAL ACTIVITY

With more workers and consumers staying home, revenue has been down for many establishments, making it difficult for them to stay open. Despite these challenges, data do not show a loss in establishments since the beginning of the pandemic. In contrast to the dip in consumer spending, preliminary annual data through Q4 2020 shows there was a 5 percent increase in total private establishments in the District between 2019 and 2020, up from a 2.6 percent increase between 2018 and 2019. This trend conflicts with the region. Within the Metropolitan Statistical Area (MSA), excluding the District, there was a 0.1 decrease in establishments between 2019 and 2020, down from a 0.4 percent increase between 2018 and 2019.

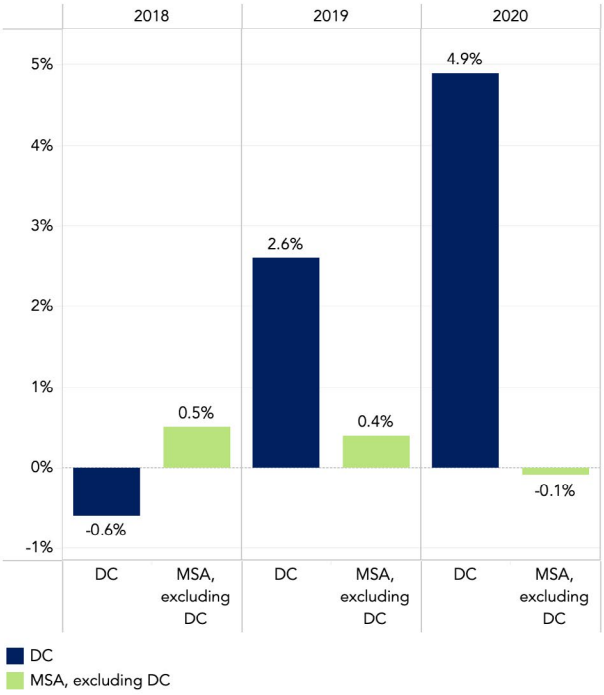
The District's increase in establishments could be due to a lag in the data, particularly if the federal Payroll Protection Program enabled some businesses that would have closed in a normal year to remain open. However, data on business applications confirm there has been more entrepreneurial activity as well. Business applications, which have a high likelihood in transitioning into a business with a payroll, were up by 8 percent in 2020 compared to 2019. This trend continued into 2021as applications climbed by 37 percent in June 2021 compared to June 2019.

The increases in the number of establishments and business application filings are welcome news for the District. Turning business ideas created in the aftermath of the pandemic into wage-paying businesses and eventually brick-and-mortar enterprises would not only bring back vibrancy but could also create chances for residents who find themselves excluded from opportunity.

Early research on the impact of the pandemic on small businesses found that closures were more common for businesses owned by entrepreneurs of color, and women- or immigrant-owned businesses.[34] These outcomes are partly related to the findings that Black-, women-, and immigrant-owned businesses are more likely to have low profit margins, lack access to capital, and be in consumer-facing industries.[35] These businesses are more deeply impacted by the pandemic. There is now evidence that businesses located in low-income

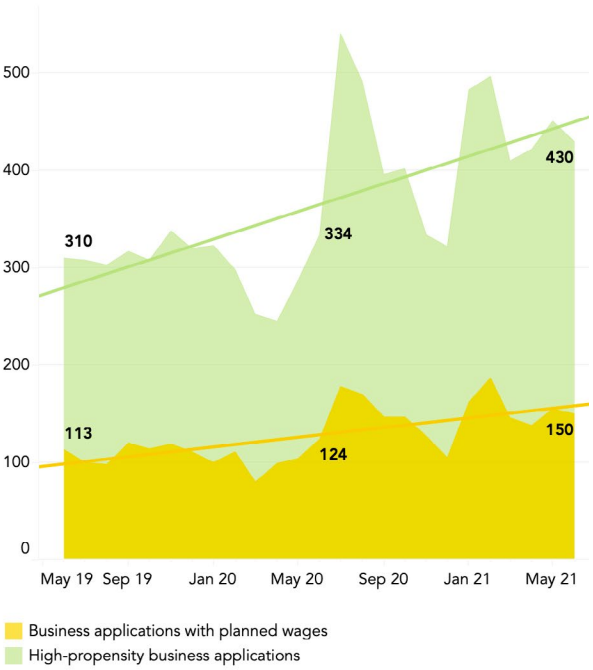
FIGURE 16 - Change in establishments and total business applications in the District of Columbia

Percent change in total private establishments from previous year
DC and MSA (excluding DC), 2018 through 2020



Source: Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages.

Total business applications for businesses that are likely to have a payroll
June 2019 thorugh June 2021



Source: Bureau of Labor Statistics (BLS), Business Formation Statistics.

and non-white neighborhoods were less likely to benefit from the PPP.

If past is prelude, many of the new business applications are by the District's Black, brown, female, and immigrant residents. These entrepreneurs are less likely to borrow, and more likely to start their businesses with smaller start-up capital funded by their own money.[36] They will also be less likely to benefit from federal or local tax incentives available to businesses, given their size and the structure of their businesses. To aid these entrepreneurs in successfully launching and growing their businesses and turning them into brick-and-mortar establishments that can increase vibrancy, the District could take a few simple steps that would come at relatively low costs, especially compared with the potential economic hits from a distressed downtown. These steps include making it easier to start a business: eliminate barriers such as Clean Hands requirements, investing in infrastructure, especially in high-speed Internet availability and access, and offer supporting initiatives to turn online and remote businesses into brick-and-mortar businesses.

3. HOW DID THE CITY AND ITS BUSINESSES RESPOND TO THE DEMAND SHOCK THAT FOLLOWED THE PANDEMIC?

When the COVID-19 pandemic first hit the District, the focus of public policy was limiting the spread of the disease. Business and school closures and stay-at-home orders that limited mobility were important to contain the pandemic, but came at a cost, depleting District businesses' capacity to bounce back when it is time to grow and thrive again.

With many businesses facing dramatic loss of revenue, they needed, first and foremost, financial support that could put cash in their hands. They also needed regulatory relief that would allow them to operate in ways that were not possible before. Businesses were also worried about their employees and wanted generous unemployment benefits including for independent contractors. Many also wanted direct and clear information about the resources available.[37]

The District government was quick to respond to these needs, using both its own resources and the federal fiscal aid that became available in 2020 and 2021. The first wave of federal assistance addressed many immediate problems with sick leave, expanded unemployment insurance, and one-time financial supports.

Locally, Mayor Muriel Bowser and the DC Council implemented several measures, including microgrants for small businesses, an eviction moratorium for businesses that cannot pay rent, and regulatory relief. As more resources became available, the city increased direct supports for businesses and made more types of businesses eligible for them, including a $100 million Bridge Fund specifically for businesses in the retail, leisure, and hospitality sectors. Through 2020, federal aid for District businesses resulted in some $3.5 billion for loans and grants through its PPP and Economic Injury and Disaster Loans (EIDL).[38] However, these loans and grants did not always reach the hands of businesses that needed them the most; some businesses were excluded because they did not have access to a bank that would accept their applications.

Interviews with business leaders show that businesses across all key industries in the District are most concerned with a weakened

Georgetown. Photo/Aimee Custis.

consumer confidence, challenges in rebuilding their workforce and returning to work, and a reduced competitive position of the District in the region. They express the need for the public sector to take the lead in returning to the office and to emphasize the importance of relaxing existing regulatory burdens to hasten the pace of recovery. Many see signs of employee fatigue and emphasize the need for greater collaboration between the government and nonprofits in delivering much-needed health services, especially mental health supports, to District residents and workers. Additionally, businesses recognize they will have to adapt to a new normal, with economic activity shifting from in-person to remote and online. This will require not only different types of investment and talent, but also a modified regulatory environment. Finally, equity remains central for District businesses, where they see a greater role for the DC government, especially in removing barriers to capital for entrepreneurs of color and women entrepreneurs, investing in broadband infrastructure, and increasing opportunities for underserved communities.

HOW DID THE FEDERAL AND DC GOVERNMENTS RESPOND TO SUPPORT DISTRICT BUSINESSES?

Both the federal government and the District's elected officials were quick to address the pandemic-driven economic crises. The federal government responded through a series of administrative decisions and financial assistance

that put more money in the hands of U.S. residents, businesses, and state and local governments. The combined supports for businesses, including Economic Injury Disaster Loans and grants, forgivable loans provided through the PPP, and the Main Street Lending Program approved through various federal legislation in 2020 and 2021 total more than $3.8 billion. To put this amount in context, the funds that are flowing directly to businesses is an estimated 3 percent of the District's Gross State Product.[39]

Additionally, District households received $449 million through stimulus checks first allocated in the CARES Act—the equivalent of 1.4 percent of all personal income in Fiscal Year 2021.[40]

The value of expanded eligibility and increased and extended unemployment benefits for the District's workforce is estimated at $2.3 billion (20 percent of all wages paid by the private sector in the District in calendar year 2020).[41]

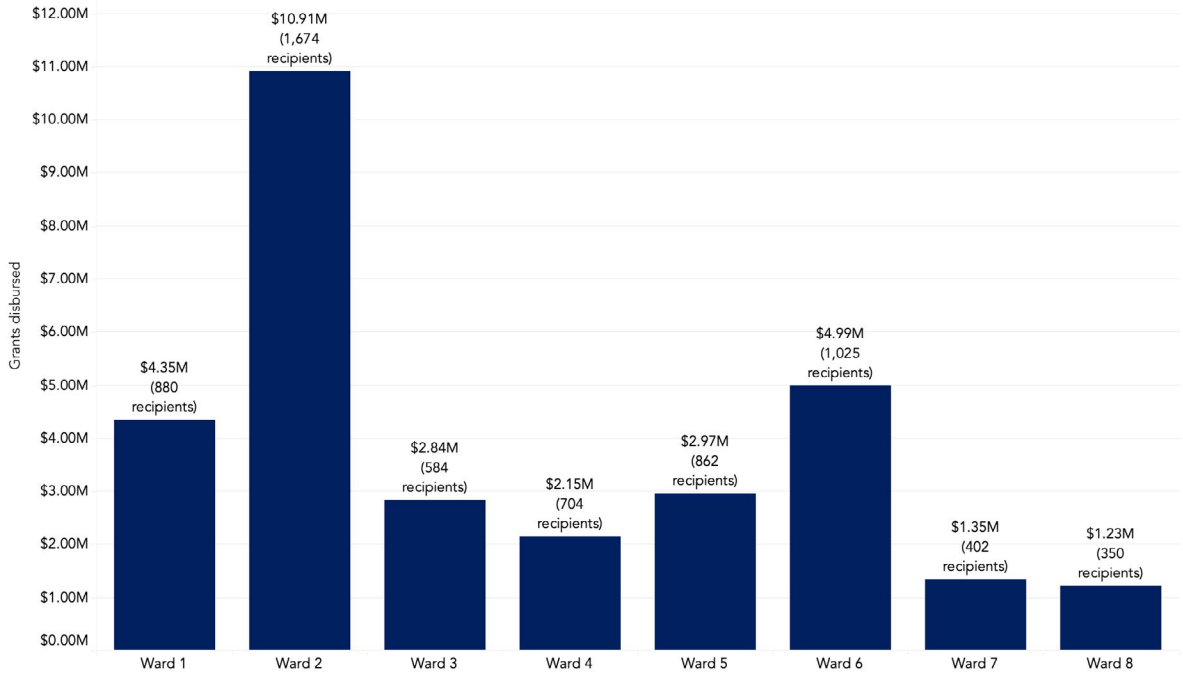
The DC government initially received $495 million in unrestricted federal fiscal aid through the CARES Act in 2020—an amount negatively impacted by the CARES Act's treatment of the District as a territory instead of as a state.[42] Later, the American Rescue Plan Act made up for this funding reduction, allocating the District $2.2 billion in flexible federal aid that can be used through Fiscal Year 2024.[43] The city has also received a significant amount of restricted federal aid targeting childcare ($23 million,

FIGURE 17 - COVID-19 related federal fiscal aid directly flowing to businesses and households in the District of Columbia

Recipient	Program	Type	Legislation	
Small Business	Economic Injury Disaster Loan Advance (EIDL-A)	Grant	CARES Act; PPP & Health Care Enhancement Act	$57,341,000
	Economic Injury Disaster Loans (EIDL)	Loan	PPP & Health Care Enhancement Act	$623,760,289
	Main Street Lending Program	Loan	CARES Act	$50,397,500
	Paycheck Protection Program	Forgivable Loan	CARES Act	$950,935,534
			PPP & Health Care Enhancement Act	$881,403,064
			Response & Relief Act	$1,239,288,086
	Total			$3,803,125,473
Household	Administration for Community Living (ACL)	Grant	CARES Act	$500,000
	Housing	Other	Response & Relief Act	$200,000,000
	Income Support	Aid to Individuals	Administrative Action	$151,254,310
	Nutrition Funding	Aid to Individuals	CARES Act	$5,926,852
		Federal Spending	CARES Act	$47,588,065
	Stimulus Checks ($1,200/person)	Aid to Individuals	CARES Act	$448,637,000
	Unemployment Benefits	Aid to Individuals	American Rescue Plan Act	$718,773,875
			CARES Act	$987,953,392
			Response & Relief Act	$395,286,387
	Total			$2,955,919,881
Grand Total				$6,759,045,354

Source: Covidmoneytracker.org.

FIGURE 18 - Distribution of the District's small business microgrants by ward



Source: DC Small Business Microgrants Program Report, February 11, 2021, published by the Office of the Deputy Mayor for Planning and Economic Development.

of which $6 million directly went to childcare providers), public schools ($608 million), and rental assistance for tenants and landlords (up to $200 million), matching grants for Medicaid ($819 million), funds for COVID testing, monitoring and response ($138 million), and operating and capital subsidies for the support and improvement of public transit (Over $1.9 billion). These funds have helped the District create additional programs directly benefiting the city's ailing businesses while balancing the city's budget without a cut back in services.

The District's elected officials were also quick to respond to the crises, providing cash assistance, regulatory relief, and tax deferrals for businesses most impacted by and least likely to survive the pandemic-induced economic shock. According to research from the JP Morgan Chase Institute, 50 percent of US small businesses only have a cash buffer of two weeks or less, and only 40 percent have enough for three weeks or more.[44] The leisure and hospitality sector (along with other services) makes up the largest share of businesses with fewer than 100 employees in the District.

Early efforts by the DC government focused on getting cash into the hands of businesses in the retail, leisure, and hospitality sectors. Just six days after the declaration of a public health emergency on March 11, 2020, the city launched the DC Small Business Recovery Microgrant program, which put over $30 million in the hands of nearly 6,500 District businesses by September 2020.[45] Of

this amount, $3.25 million was set aside to support businesses that have been operating in the District for at least 20 years. The grants varied in amount from $1,000 to $14,000, based on the type of applicant and the potential revenue loss associated with the shutdowns. Preliminary reports show that 60 percent of the grants were awarded to businesses in the arts, entertainment, recreation, retail, and personal services.[46]

The city also allowed hotels to defer their March real property tax payments to July and delayed sales tax collections by two months for businesses deeply impacted by the pandemic. Additionally, the city took steps to provide various regulatory relief, including in telemedicine (removing geographic licensing requirements for services provided in the metropolitan Washington region), allowing professionals to continue to work with expired licenses through the public health emergency, and relaxing rules of operation and allowable items that could be delivered by restaurants.

Other programs the District implemented to address DC businesses include:

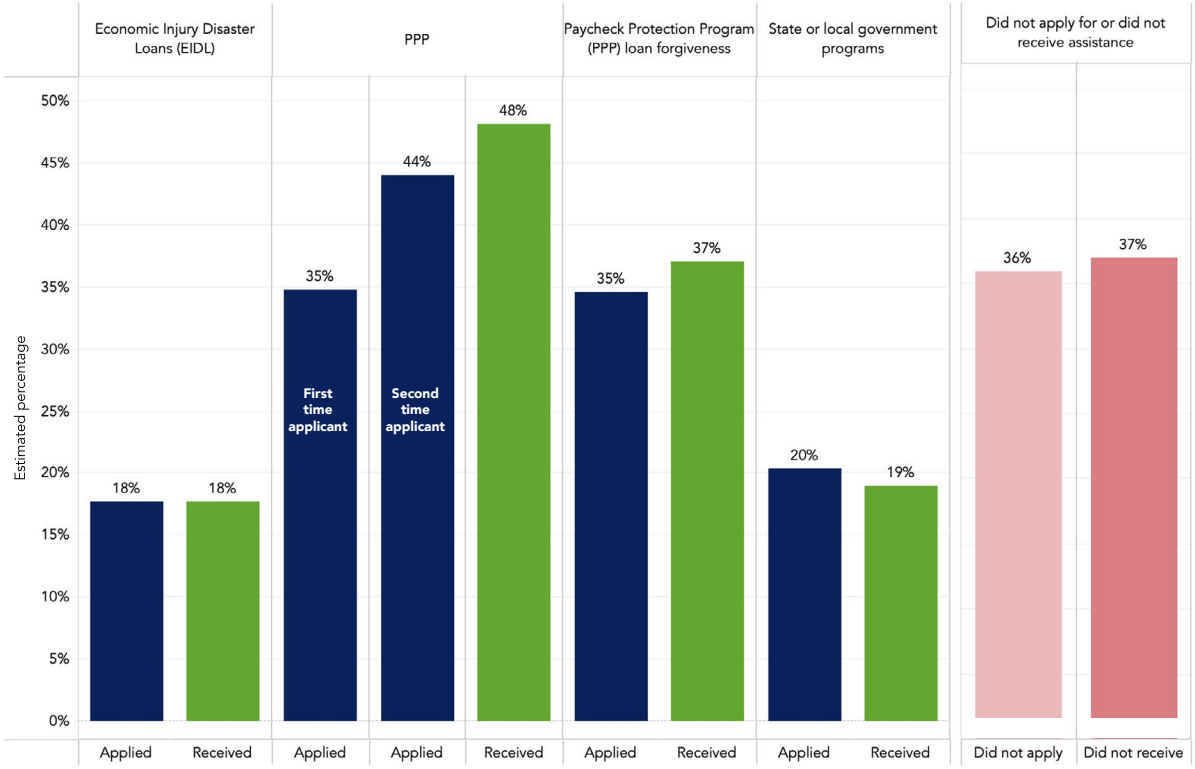
- Two rounds of free PPE for eligible District businesses. The DC Council also adopted legislation in August 2020 that allowed the Mayor to create a grant program to provide up to $1,000 for eligible PPE purchases.[47]
- The DC Local Equity, Access, & Preservation Funds (DC LEAF) managed by the Office of the Deputy Mayor for Planning and Economic Development (DMPED) provided $5.2 million in grants to 13 businesses to create new employment opportunities, improve food access, and stimulate local economic development. The program incorporates the Neighborhood Prosperity Fund,[48] the Nourish DC Fund,[49] and the Locally Made Manufacturing Grant Program,[50] which target commercial development projects and locally owned small food and manufacturing businesses.
- The Bridge Fund was used to distribute $100 million in financial aid among hospitality and retail establishments, largely following the parameters set forth by the Business Support Grants Emergency Amendment Act. The funding is allocated to four sectors: $35 million for restaurants, $30 million for hotels, $20 million for entertainment, and $15 million for retail. Additionally, $7.5 million of the aid was set aside for retail and restaurant businesses owned by women or people of color.
- The Streatery Winter Ready Grant Program provided recipients with $6,000 to assist in preparing their outdoor spaces for winter. As of November 2020, the program distributed funds to 542 restaurants and non-food retail businesses. The total budget set aside for the grant was $4 million.
- The Citywide Robust Retail Grants awarded 106 DC brick-and-mortar retail stores with $7,500 in reimbursement grants through the program ($800,000 in total) to help maintain operations and business viability.
- The Small Business Resiliency Fund offered $10,000 grants ($3 million in total) to small businesses (with up to 50 employees) to offset marketing expenses, purchasing PPE, adapting their business models, and developing e-commerce and online platforms.
- The DC East of the River Small Business Economic Relief Microgrant Program provided $816,000 in Community Development Block Grants, awarding 189 small businesses in Wards 7 and 8 to provide short-term working capital and help fund wages.

- The DC Child Care Provider Relief Fund awarded 437 local childcare facilities $4.6 million in emergency operational funding.

Survey data from the US Census Bureau show that nearly two-thirds of the District's small businesses have accessed some form of financial assistance from the federal government or the DC government. As of July 2021, 18 percent of small businesses have applied for and received loans and advance grants from the Economic Injury Disaster Loan program, and nearly half the businesses have accessed forgivable loans from the PPP. Further, 37 percent of small businesses report that they have been able to convert their PPP loan into a grant. One in five small businesses also applied for grants from the District's own grant programs, and almost all these businesses were able to access them. Finally, 36 percent of small businesses in the District did not apply for any type of grant or loan, and among those who have applied, about a third report that they did not receive the desired funding.

Business supports will continue into Fiscal Year 2022 including an additional $80 million in grants targeting the leisure and hospitality

FIGURE 19 - Small business access to aid in the District of Columbia



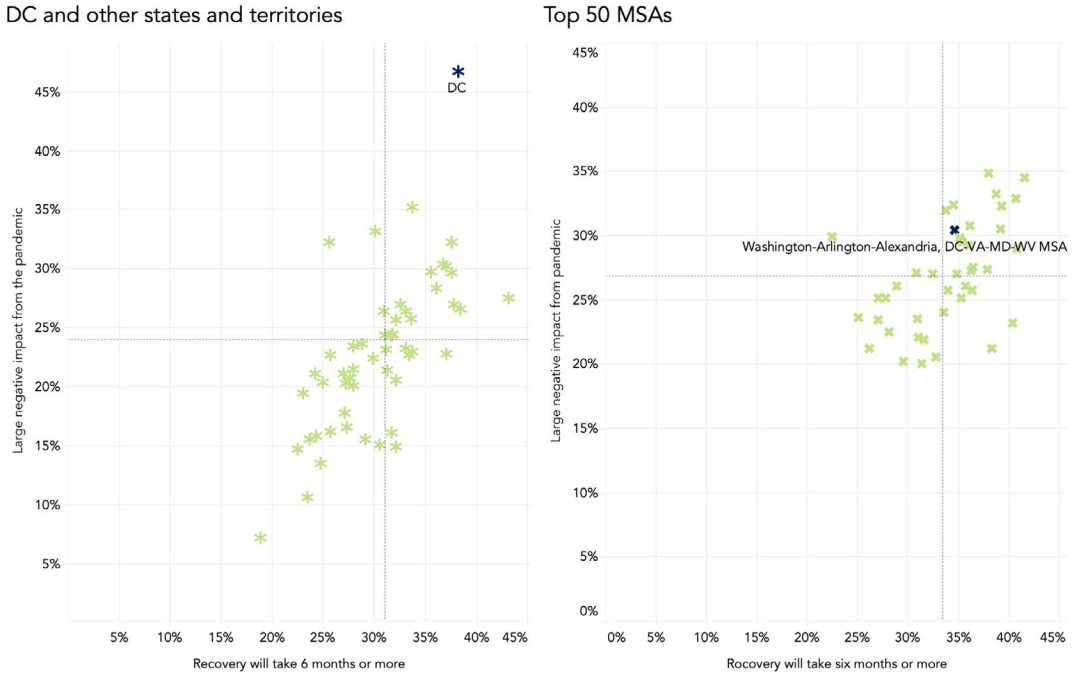
Source: US Census Bureau Small Business Pulse Survey Week 42 of June 28-July 4, 2021

industry that continues to suffer from the negative impact of the pandemic; a new $8 million Bridge Fund for arts venues; and $17.5 million to attract new businesses to the Downtown Area. In October 2021, the city will permanently reduce several business license fees down to $99 and implement a two-year reduction to $99 to obtain or renew non-health occupational and professional licenses.

WHAT DO THE DISTRICT'S BUSINESSES NEED?

Survey data suggest that businesses in the District have been more negatively impacted by the pandemic and hold more pessimistic views about the term of the recovery than their peers elsewhere. Across all states and territories, the District's small businesses are twice as likely to report that they have experienced substantial negative impacts from the pandemic (24 percent across all states versus 47 percent in DC). They also have more pessimistic views about recovery, with 38 percent reporting they expect that at least six months will pass before going back to full-capacity operations (compared to 31 percent across the nation). This is largely a result of the relatively specialized nature of the District, and its dependence on office workers as it serves as the employment center for office workers in a large metropolitan area.

FIGURE 20 - Share of small businesses that experienced a large negative impact from the pandemic, and expect a slow recovery, by state and metro area



Source: US Census Bureau Small Business Pulse Survey Week 45 for July 12-18, 2021.

7th and H Street NW. Photo/Ted Eytan.

The Washington metropolitan area, with its more diverse business base and mix of urban and suburban locations, reports a much lower incidence of large negative impacts (30 percent of small businesses) and slightly better expectations about recovery (35 percent of small businesses expect recovery to take more than 6 months). Still, it runs behind most of the large metropolitan areas. These findings suggest that the road to recovery could be hard in the region, and the District is particularly vulnerable.

Interviews with business leaders across key industries of the District also confirm that the economic impacts of the pandemic have been deep and disproportionate, and recovery would rely on several factors, including addressing a mix of new challenges and existing barriers that have become more burdensome due to the pandemic.[51] Businesses note that the pandemic has accelerated existing trends such as the shift to remote work and online shopping, highlighted the many sector interdependencies (for example, the dependence of retail on the education sector, especially college and university students, or the synergies between hospitality and real estate management), and created the need for a collaborative approach to recovery in some areas, especially workforce.

The most cited concern across all industries and types of businesses is consumer (and workforce) confidence. While measures of consumer confidence have improved through 2021 across the nation,[52] shorter-term expectations remain subdued among District's businesses. Retail businesses, hotels, restaurants, and the education sector are particularly worried about the lack of consumer confidence and its longer-term implications. With community anchors closed, retail businesses have seen their sales drop by more than 50 percent in 2020 over 2019 levels, and universities—among the biggest employers in the region—report that their tuition revenue has declined

FIGURE 21 - The business community's stated needs for short- and long-term recovery

Issue area	What do businesses want?	What can the government do?
Regulatory flexibilty	Allow businesses to innovate	Allow more use of public space for delivery of private services.
		Develop simple regulations to allow temporary use of vacant space.
		Provide clear regulatory guidelines regarding operations under COVID.
		Provide legal and regulatory infrastructure for conversions of use of space.
	Flexibility in licensing and regulations	Allow for flexible FAR calculations to accommodate shift to outdoors.
		Allow transfer of licenses to new locations.
		Expand alcohol delivery to retail.
		Provide for conditional occupancy permits.
		Increase occupancy levels.
	Reduce barriers to return to work	Fully reopen public transportation.
		Support childcare operators and develop clear guidelines regarding schools.
		Support employer subsidies for public transport.
	Reevaluate current regulations	Be considerate of regional competition and reduce cost of business.
		Help develop liability protections related to COVID.
		Suspend costly regulations until full recovery.
		Pause new business regulations until full recovery.
		Reconsider building and environmental regulations that increase cost of housing.
		Relax first-source requirements until full recovery.
Partnership with businesses	Access to capital	Bring investors to the city personally.
		Create a holding fund to pay for debt service for middle-income housing.
		Create credit support facilties for Black, brown, women and immigrant entrepreneurs.
		Increase access to capital to non-profits serving communities.
	Incentives	Provide incentives for short-term activations of vacant space.
		Provide incentives to lease to local businesses.
	Technical and financial assistance	Consolidate information on financial assisstance and other available resources.
		Develop model strategy for "return to work."
		Make regulatory changes necessary to support new business models.
		Support retail as they move to online platforms.
Talent Pipeline	Build a racially diverse talent pipeline	Work to keep talent here.
		Increase pathways to work to include residents without credentials.
		Provide opportunities for excluded youth to access job opportunities and internships.
	Ease credentialing requirements	Allow remote training and credentialing, especially in health care.
Engagement	Communications	Develop a campaign to bring back tourism and visitors.
		Develop clear communications around COVID-related regulations.
		Develop clear communications on the use of public space.
		Provide clear communications and metrics to guide return to work.
	Community engagement	Engage communities in healthcare and vaccination discussions.
		Communicate openly and clearly assistance available to public.
		Ask communities what they need in terms of mental health support.
	Partnership with businesses	Create partnerships for events or exhibits in public spaces.
		Create partnerships with landlords to ease eviction cliff.
		Create partnerships with philantropic organizations for testing.
		Create partnerships with universities for business support resources.
Cross-sector issues	Address health and safety concerns	Increase access to and use of rapid testing.
		Provide resources and guidelines for employee mental health.
		Simplify reporting requirements around COVID.
		Support health nonprofits, especially those that rely on volunteers.
	Invest in infrastructure	Invest in broadband capacity and access.
		Reopen public transportation and realign routes to needs.
Longer-term planning	Sector engagement	Engage government contractors to better understand how they pivoted.
		Engage the federal government, especially with respect to its real estate plans in DC.
		Work closely with universities to understand what they need to expand.
	Plan for the future	Develop a long-term economic plan.
		Revisit the city's tax policies to make DC competitive in the region.

Source: Washington DC Economic Partnership.

by 60 to 70 percent. Moreover, businesses recognize that remote work has become the norm in some sectors. While this might be a source of flexibility for the workforce, it would permanently dampen economic activity in the District, and shift the demand for retail, restaurants, housing, and office space to suburban jurisdictions. Many businesses want the public sector to advocate for the "return to work" and make this easier by fully reopening public transportation.

Businesses in every sector have noted that it would be a challenge to retain and rebuild their workforce. Some workers are unable to return to work due to personal concerns, while others may have moved on to jobs in different parts of the region as in-demand skills evolved through the pandemic. While the source of concern varies from industry to industry, the underlying need for talent is a common theme. For example, businesses in the leisure and hospitality industry noted that because previous employees have taken other jobs through the pandemic, bringing them back has been difficult. This process is further complicated by a lack of reliable public transportation. Hospitals and healthcare workers have seen their frontline workers burn out during the pandemic and have a hard time bringing in new employees as credentialing, which requires in-person training, has come to a halt. Businesses in professional and technical services similarly observe employee burnout and mental fatigue, which has disproportionately impacted women and working families with children. They also note that it has been difficult to attract technical talent, in part, because expensive housing has been a real barrier.

While there is long-term optimism, businesses also worry about existing barriers and burdens, and how the high cost of doing business in the District may slow down recovery. Businesses say they need temporary tools to survive until there is solid recovery, and longer-term regulatory changes to adapt to the "new normal" of doing business. For example, restaurant owners worry about additional legislative changes to the industry during the pandemic as they are already facing major shifts in demand. They note that high rents in the District have been the main cause of business failures, but cash flow has also been hampered by capacity restrictions and the abrupt and almost complete end of catering.[53] Their businesses have shifted to delivery, which now accounts for 10 to 15 percent of revenue, and there are signs that the industry will consolidate, especially hurting small and independently owned restaurants. Arts and entertainment venues similarly feel the pain. While they think in the long run, demand will return, better and clearer policies on the use of public space would help these businesses survive in the short term.

Retail businesses emphasize the need for conditional occupancy permits, the ability to transfer existing business licenses, and regulatory options that would allow for short-term activations as well as incentives for renting to local businesses.

In healthcare, where accreditation of professionals requires in-person classes, employers are demanding that the city adopt policies that would allow for online, virtual, and simulated training to ensure that staffing needs are met.

Landlords report they struggle with increased costs associated with building security, as the eviction moratorium made it impossible for them to address tenants who pose danger to others. Overall, businesses perceive that the District's competitiveness in the region has been diminished by the pandemic, and the government can help by improving the regulatory and tax climate.

Many businesses are concerned about adaptation, and how this will impact economic activity in the longer term. The pandemic paved the way for new preferences and a shift away from what the District has to offer: there is

less demand for office, retail, and restaurant space; increased interest in online shopping and in-home delivery of goods and services; and a growing preference for outdoor activities. Remote working has also led to a temporary exodus from the city as residents sought more distance, and businesses are worried that these changes may become permanent.[54]

Businesses across all industries agree that the pandemic has accelerated many existing inequities. The goal of the long-term recovery should be building to a new normal that is more equitable than pre-pandemic conditions. Existing inequities, such as access to capital for entrepreneurs of color and women entrepreneurs have widened through the pandemic, and in the short run, they can only be helped by grant programs—especially programs offered by the District, which have proven to be much simpler to access than federal loans and grants. With work and retail shifting largely online, businesses see an immediate need to enhance broadband infrastructure and connectivity, with specific programs to connect underserved communities to job opportunities and telehealth. Businesses also see an expanded role for non-profits and community organizations, especially in health and mental health, in meeting the needs of underserved communities and improving employee wellbeing. Importantly, they point to the need to support childcare centers to alleviate stress experienced by working families, especially working mothers. They see childcare both as an important component of "return to work" policies and an equity issue.

Crucially, the pandemic has underscored the importance of close collaboration between the District government and businesses in investing in and maintaining entrepreneurial capacity, ensuring the city's losses will not be compounded. The District's Fiscal Year 2022 budget has taken strong steps to meet the needs of the businesses, especially by providing additional supports in the leisure and hospitality sectors and making it cheaper to start a business. The city is also investing in workforce development with multiple paths to credentialing and gaining work experience through apprenticeships.

But more work is needed to ensure that the District's business climate strengthens the city's competitive position in the region, and that regulatory burdens and uncertainty are contained, and when possible, removed. Additionally, there are a number of steps the city can take to build a more equitable business climate, including by reviewing fines and fees that disproportionately target communities of color and underserved communities;[55] eliminating restrictive land use policies that make it difficult to build housing and increase displacement;[56] removing unnecessary professional licensing requirements that close the doors to opportunity,[57] and eliminating barriers to starting new businesses by simplifying business applications and increasing the threshold for Clean Hands background checks.[58] Adopting these measures should help build a more equitable business climate in the District now and into the future.

GREAT STREETS

The District's commercial revitalization initiative to transform emerging corridors into thriving livable, walkable, and shoppable neighborhood centers. Grants available to brick and mortar businesses located on designated Great Streets corridors.

GREAT STREETS RETAIL GRANT

Awards up to **$50k** towards storefront renovations, equipment purchasesand technology enhancements to support e-commerce.

ARE YOU GREAT STREETS READY?

For more information, visit **GreatStreets.dc.gov**

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

THE DC CHAMBER OF COMMERCE AGENDA FOR 2022

The 18 months that followed the onset of the COVID-19 pandemic showed that the District's businesses are resilient, but still face great uncertainty about the future.

In this environment, the most important role for public policy is to create flexibility and stability, and forge deeper partnerships with the District's businesses, so the city builds back faster and better, creating shared opportunities and prosperity for residents, workers, and businesses to thrive.

For the DC Chamber of Commerce and its membership, the most important priority is that District policies considered by elected officials during this time of rebuilding are focused on economic growth and shared opportunities. Four important policy components necessary to maximize growth and opportunity in the District are:

1. Creating regulatory flexibility to maximize innovation;
2. Working with employers to build a racially diverse local talent pipeline to guarantee future workforce needs and ensure that DC residents have job opportunities.
3. Keeping the District's fiscal house in order; and
4. Addressing the needs of the District's businesses for longer-term growth and sustainability.

The Chamber has developed a 2021-2022 Policy Framework that will serve as a strategic guide shaping the Chamber's policy work and actions as we continue to advocate, educate, and communicate on behalf of our members.

To help maximize innovation and growth, the DC Chamber of Commerce will:

- Advocate for regulatory flexibility and the removal of existing laws and regulations that make it difficult to attract and retain businesses and talent to the District. These include the modification of the ban on non-compete agreements that impacts employment in diverse sectors in the District, instituting a higher Clean Hands certification threshold to open opportunities for our Black, brown, women, and immigrant entrepreneurs, and revisiting existing regulations that may be suspended or modified to meet the post-COVID realities.

Black Lives Matter Plaza. Photo/Ted Eytan.

- Support robust incentives and resources to increase more foreign direct investment (FDI) and to support the recruitment of new firms to the District, as well as encouraging businesses to not relocate to surrounding jurisdictions.
- Advocate for reforms that provide the legal and regulatory infrastructure that can allow businesses to adapt to changing conditions, including adaptive and expanded use of public space, allowances for transfer of licenses, conditional occupancy permits, and use conversions in existing buildings.
- Support efforts to increase the infrastructure and resources to accommodate connectivity and e-commerce across all segments in our community.
- Encourage the DC government to make it easier for businesses to start and grow in the District and work with decisionmakers on a suite of incentives and supports to retain more employers.
- Advocate for more business outreach and notice of the changing regulatory landscape including additional education, training, and outreach on the recent changes and a longer grace period for compliance before imposing punitive action.

To help build a racially diverse talent pipeline, the DC Chamber of Commerce will:

- Increase opportunities for hiring DC residents both in the private sector and in the District government.
- Advocate for new pathways to work, especially for residents who are not

The business community's stated needs for short- and long-term recovery

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		Allow transfer of licenses to new locations.
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		Provide for conditional occupancy permits.
		Increase occupancy levels.
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		Help develop liability protections related to COVID.
		Suspend costly regulations until full recovery.
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		Relax first-source requirements until full recovery.
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	Invest in infrastructure	Invest in broadband capacity and access.
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Longer-term planning	Sector engagement	Engage government contractors to better understand how they pivoted.
		Engage the federal government, especially with respect to its real estate plans in DC.
		Work closely with universities to understand what they need to expand.
	Plan for the future	Develop a long-term economic plan.
		Revisit the city's tax policies to make DC competitive in the region.

credentialed, by working closely with the Workforce Investment Council and the Department of Employment Services.

- Advocate for incentives for on-the-job training and apprenticeship programs. Support programs that provide opportunities for youth who do not currently have access to job opportunities and apprenticeships.
- Advocate for occupational licensing reforms, including allowances for remote training and credentialing.
- Dissuade DC government from considering policies that weaken business owners' operating autonomy, dictate personnel decisions, and disrupt the employer-employee relationship.

To ensure that the DC government's finances remain strong during and after the pandemic-induced recession, the DC Chamber of Commerce will:

- Advocate for a comprehensive government expenditure review in anticipation of a future with tighter revenue and declining federal fiscal aid.
- Advocate for a full analysis of the District's revenues and tax structure through the Tax Revision Commission, taking into consideration a shifting tax base, longer-term risks, and the city's competitive position in the region.
- Advocate for the adoption of economic impact statements in advance of introducing legislation in the DC Council. The private sector is key to the sustainability and overall economic health of the District, and elected officials should seek input from relevant stakeholders, including non-government sources, interested parties, and affected industries to determine the relative impact on DC businesses.
- Advocate for a more comprehensive approach to fiscal policy and budgeting as revenue sources continue to be impacted by the COVID-19 pandemic and prevent ad hoc policy making without proper stakeholder input and consideration of the economic and competitive impact.

To address the needs of District's businesses to maximize longer-term growth, the DC Chamber of Commerce will:

- Advocate for programs that provide technical support and added programing to support the recovery of local and small businesses.
- Advocate that the DC government take the lead in developing a model return-to-work policy.
- Work with government partners to bring foreign direct investment (FDI) into the city.
- Support the creation of a COVID-19 liability model for businesses.
- Advocate for the creation of a credit facility and/or support the models that are already in place that prioritizes Black, brown, women, and immigrant entrepreneurs.
- Ensure that the District's workforce—especially essential workers—are safe, and advocate for greater access to health care, vaccination, and personal protection equipment (PPE) for all communities and employees across the city.

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ENDNOTES

[1] According to the Business Cycle Dating Committee at the National Bureau of Economic Research, the recession began in February of 2020 and ended in April of 2020, making it the shortest in the US history. NBER, "Determination of the April 2020 Trough in US Economic Activity," published on July 19, 2021, available at https://www.nber.org/news/business-cycle-dating-committee-announcement-july-19-2021.

[2] Opportunity Insights Recovery Tracker, available here: https://www.tracktherecovery.org/

[3] Bureau of Labor Statistics, State and Area Employment, Hours, and Earnings.

[4] DC Chamber of Commerce (2020), "2020 State of Business Report: Pivoting from Pandemic to Recovery", pg. 19 and 29, available at https://www.dcpolicycenter.org/wp-content/uploads/2020/10/2020-State-of-Business-Report_for-web_pages-1.pdf

[5] Zickuhr, Kathryn (2020), "How COVID-19 is effecting small businesses in D.C.", D.C. Policy Center, Washington DC, available at https://www.dcpolicycenter.org/publications/small-businesses-coronavirus/

[6] Data from Kastle.

7 WMATA Rail Ridership Data Viewer, available at https://www.wmata.com/initiatives/ridership-portal/Rail-Data-Portal.cfm

[8] In January of 2020, for example, the District's monthly sales tax collections were $169 million.

[9] Sayin Taylor, Yesim (2021), "The long view for the District's budget: What is awaiting the District in Fiscal Year 2022 and beyond", D.C. Policy Center, Washington DC, available at: https://www.dcpolicycenter.org/publications/budget-long-view/

[10] Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

[11] Sayin Taylor, Yesim (2021), "The establishment puzzle (and what it could mean for recovery) in the District of Columbia", D.C. Policy Center, Washington DC, available at https://www.dcpolicycenter.org/publications/establishmentpuzzle/

[12] Dingel, Jonathan and Brent Neiman (2020), "How many jobs can be done at home?" Becker Friedman Institute University of Chicago, Chicago, Illinois, available at https://bfi.uchicago.edu/wp-content/uploads/BFI_White-Paper_Dingel_Neiman_3.2020.pdf

[13] US Census Bureau Household Pulse Survey, Week 33. Transportation Table 1. Teleworking during the Coronavirus Pandemic, by Select Characteristics: United States.

[14] US Census Bureau, Household Pulse Survey, Week 33.

[15] US Census Bureau, Small Business Pulse Survey results by NAICS code for the period of July 12-18, 2021.

[16] As defined by the BLS, 'Other Services (except Public Administration)' is a sector that includes any establishments engaged in providing services not specifically provided for elsewhere in the classification system. This includes, but is not limited to, grantmaking, advocacy, dry-cleaning and laundry services, personal care services, and pet care services.

[17] This figure is estimated by dividing the wage and salary earnings in a given quarter by the average employment during the same quarter.

[18] This growth, documented elsewhere as well, was much higher than the national growth. For details see Office of the Chief Financial Officer (2021), "Economic and Revenue Trends: June 2021", page 7, available at https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/DC%20Economic%20and%20Revenue%20Trend%20Report%20_June%202021.pdf

[19] Withholding taxes—income taxes withheld from paychecks—which were 7 percent higher in June of 2021, compared to a year ago. For details, see Office of the Chief Financial Officer (2021), "Economic and Revenue Trends: June 2021", page 16, available at https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/DC%20Economic%20and%20Revenue%20Trend%20Report%20_June%202021.pdf

[20] Treasury Direct report available at https://www.treasurydirect.gov/govt/reports/tbp/account-statement/report.html

[21] US Department of Labor, DOLETA, Monthly Program and Financial Data.

[22] Cutter, Chip, "Remote Work May Now Last for Two Years, Worrying Some Bosses" Wall Street Journal, August 21, 2021, available at https://www.wsj.com/articles/remote-work-may-now-last-for-two-years-worrying-some-bosses-11629624605

[23] Metropolitan Washington Council of Governments, "State of the Commute Survey Report from the Metropolitan Washington Region, 2019" National Capital Region Transportation Planning Board and Metropolitan Washington Council of Governments, Washington DC, available at https://www.mwcog.org/documents/2020/06/17/state-of-the-commute-survey-report--carsharing-state-of-the-commute-travel-surveys/

[24] According to one-year data summaries from the American Community Survey for 2019, the average household income among DC residents who work in the District was $175,093; for those who commute from Maryland, the average household income was $162,927; and for those who commute from Virginia, it was $201,247. Data retrieved from the US Census Bureau on July 2, 2021.

[25] Data from Kastle Systems.

[26] Kastle Systems, "Getting America Back to Work", Kastle Back to Work Barometer for August 16, 2021, available at: https://www.kastle.com/safety-wellness/getting-america-back-to-work/

[27] Proctor, Carolyn M, "'Flexibility is critical.' D.C.-area execs give advice on return-to-office, reveal their plans." Washington Business Journal, July 29, 2021, available at: https://www.bizjournals.com/washington/news/2021/07/29/washington-business-leaders-back-to-office-plans.html

[28] Moored, Ginger (2021), "D.C. lost at least 17,000 more people during the pandemic than in the prior year, according to USPS data on net moves. At least 9,000 of the loss appears to be permanent." Districtmeasured.org, DC Office of the Chief Financial Officer, available at: https://districtmeasured.com/2021/07/08/d-c-lost-at-least-17000-more-people-during-the-pandemic-than-in-the-prior-year-according-to-usps-data-on-net-moves-at-least-9000-of-the-loss-appears-to-be-permanent/

[29] In a typical year, only a few hundred filings show temporary moves. For example, this number was 186 in 2019.

[30] This information is from the second quarter office report from CBRE.

[31] Banister, Joe. "The Federal Government Could Soon Give Back Millions Of Square Feet Of Office Space." Bisnow, August 19, 2021, available at https://www.bisnow.com/national/news/office/federal-remote-work-shift-could-hurt-office-markets-nationwide-109928

[32] Prior to the pandemic, parking taxes (at 18 percent) generated an estimated $80 million each year (See Fiscal Year 2021 Budget book page 3-12). The estimated revenue for fiscal year 2022 is 45 million.

[33] The February revenue estimate shows that the total fines and fees the city collected in Fiscal Year 2021 are projected to be $108 million, down from $147 million in Fiscal Year 2020. Automated enforcement is the bulk of these collections. In Fiscal Year 2022, the revenue estimators a projecting an improvement, but the total collections are expected to be still 6 percent below Fiscal Year 2020 levels.

[34] Robert W. Fairlie (2020). "The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey". NBER Working Paper No. 27309, available at: https://www.nber.org/system/files/working_papers/w27309/w27309.pdf

[35] Misera, Lucas (2020). "An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms". Federal Reserve Bank of Cleveland, DOI: 10.26509/frbc-cd-20201008, available at: https://www.clevelandfed.org/en/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx

[36] Perry, Nick (2021), "Overview: Black-Owned Business Statistics and Trends for 2020", Fundera, available at: https://www.fundera.com/resources/black-owned-business-statistics

[37] Zickuhr, Kathryn (2020), "How COVID-19 is effecting small businesses in DC", D.C. Policy Center, Washington DC, available at: https://www.dcpolicycenter.org/publications/small-businesses-coronavirus/

[38] Sayin Taylor, Yesim (2021), "The long view for the District's budget: What is awaiting the District in Fiscal Year 2022 and beyond", D.C. Policy Center, Washington DC, available at: https://www.dcpolicycenter.org/publications/budget-long-view/

[39] Based on calendar year 2021 first quarter GDP estimates for the District of Columbia published by the Bureau of Economic Analysis.

[40] Based on the District's personal income estimated for Fiscal Year 2021 by the Office of the Chief Financial Officer.

[41] Based on the 2020 Q3 Quarterly Census of Employment and Wages published by the Bureau of Labor Statistics.

[42] Had the District been treated like a state in the CARES Act, its disbursement would have been $755 million higher.

[43] Sayin Taylor, Yesim (2021), "The long view for the District's budget: What is awaiting the District in Fiscal Year 2022 and beyond", D.C. Policy Center, Washington DC. Table 1, available at https://www.dcpolicycenter.org/wp-content/uploads/2021/05/Table-1.png

[44] Grandet, Carlos, Chris Wheat and Diana Farell, (2019), "Place Matters: Small Business Financial Health in Urban Communities", JP Morgan Chase Institute, Washington DC, available at https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-place-matters.pdf

[45] The city committed $25 million, and Events DC and the Department of Housing and Community Development contributed another $5.7 million in co-grants.

[46] This analysis is based on the information provided by the DC Small Business Recovery Microgrant Interactive Dashboard, based on data collected through September 25, 2020. The information provided by this dashboard accounts for approximately $6 million of the total $30.8 million provided by the program and should be treated as an estimate. Available at https://www.arcgis.com/apps/opsdashboard/index.html#/a810e8a2cf0a479d8e9a4ac6d5cf7d14.

[47] A23-384, "Protecting Businesses and Workers from COVID-19 Emergency Amendment Act of 2020,"67 DCR 9870, effective, Aug. 13, 2020.

[48] The Neighborhood Prosperity Fund supports real estate, retail, or mixed-use development projects in census tracts where the unemployment rate is 10 percent or more.

[49] The Nourish DC Fund aims to help the District's small food businesses, particularly those owned by people of color, in neighborhoods that lack sufficient grocery and food amenities.

[50] The Locally Made Manufacturing Grant caters to small businesses in a Great Streets corridor that engage in light manufacturing.

[51] The observations offered in this section are from focus groups held by the Washington DC Economic Partnership with businesses across major industries through late 2020 and early 2021.

[52] Consumer Confidence Survey (2021), "Consumer Confidence Fell in August to Lowest Level since February", The Conference Board, available at https://conference-board.org/data/consumerconfidence.cfm

[53] Koszycki, M.K. (2020). "Ben Lin talks catering during COVID." The District Fray Magazine, available at https://districtfray.com/articles/blin-catering/

[54] Moored, Ginger (2021), "D.C. lost at least 17,000 more people during the pandemic than in the prior year, according to USPS data on net moves. At least 9,000 of the loss appears to be permanent." Districtmeasured.org, DC Office of the Chief Financial Officer, available at https://districtmeasured.com/2021/07/08/d-c-lost-at-least-17000-more-people-during-the-pandemic-than-in-the-prior-year-according-to-usps-data-on-net-moves-at-least-9000-of-the-loss-appears-to-be-permanent/

[55] Zickuhr, Kathryn (2019), "Applying a racial equity lens to fines and fees in the District of Columbia", D.C Policy Center, Washington DC, available at https://www.dcpolicycenter.org/publications/racial-equity-fines-fees/

[56] Sayin Taylor, Yesim (2019), "The economic cost of land use regulations", D.C. Policy Center, Washington DC, available at: https://www.dcpolicycenter.org/publications/economic-cost-land-use/

[57] Sayin Taylor, Yesim (2019), "The impact of occupational licensing requirements in D.C", D.C. Policy Center, Washington DC, available at: https://www.dcpolicycenter.org/publications/occupational-licensing-2019/

[58] There is pending legislation that would increase the limit for Clean Hand certification from its current level of $100 in debts owed to the city to $5,000. For details, see B24-0237 - Clean Hands Certification Equity Amendment Act of 2021 introduced by Councilmembers Kenyan McDuffie and Brianne Nadeau on May 3, 2021.

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