3. The Committee's Findings

1. While the Arts Overlay District has been a useful tool, the ***ARTS Overlay has failed to be fully effective in promoting its arts objectives*** for many reasons; 3 of the most important reasons are:

   (1) The original "bonus" density and other zoning-related incentives were poorly targeted and relatively insignificant in size
   (2) The zoning objectives were not supported by other Government policies to catalyze and support arts growth in the district
   (3) The ARTS Overlay district (which is the largest neighborhood overlay zoning district) is too large and unwieldy in size and encompasses diverse zoning contexts, which has made it difficult to consolidate community institutions behind a cohesive approach to support and promote the overlay's goals.

2. Nonetheless, numerous research studies indicate that ***arts spending has a powerful economic multiplier effect*** and generates significant downstream spending, jobs and tax revenues, making the incentivization of arts uses via zoning and other tools a valid urban planning strategy.

3. ***What's good for the arts is good for retail/restaurants*** and to help the arts we need to have a healthy retail and restaurant sector. Arts businesses, retailers and restaurateurs agree that there is a symbiotic relationship between these businesses generally, and that a healthy growing commercial district generating foot traffic 18 hours per day "floats all boats".

4. However, among these symbiotic uses – arts, retail and restaurants – ***arts uses typically require a more actively supportive policy environment to survive*** because they generate less cash flow and are more vulnerable to high rents/taxes.

5. ***Four ingredients*** were repeatedly pointed to as being important to the future development of the district:

   (1) "Momentum": loss of businesses &/or failure of critical development projects to go ahead would likely have negative impacts on the district that may last for years
   (2) "Special Appeal": this district's "special appeal" to developers, businesses and residents alike is closely related to 2 factors: (i) business diversity; and (ii) the arts
   (3) "Daytime Foot Traffic": the need to grow daytime foot traffic in order to support retail
   (4) "Dead Zones": the need to overcome "dead zones" in the streetscape (especially along 14th Street) and join up the existing "clusters" of retail and other development

6. ***Arts uses*** (especially artists and galleries) are finding it very difficult to pay the rents in this district and there is a high probability that we will face substantial loss of these uses in our area during the current recession.

7. The same is true of ***small independent retailers*** in our district: many are experiencing difficulty; more closures are expected. Both arts uses and independent retailers noted the heavy impact of DC's commercial property tax on their costs.

8. Overall, the "jury remains out" on whether ***the retail model on 14th and U Streets*** yet has the (commercially viable) critical mass necessary for a retail district that is self-sustaining over the course of a full economic cycle.

9. In contrast, the ARTS district continues to attract numerous ***restaurant developments*** (perhaps a dozen new announcements and/or openings over the past 2 months).

10. In addition, several ***key development projects*** are well-advanced in the planning stages, for example: Utopia project, Whitman Walker Clinic project, Central Union Mission project, Room & Board project.

11. ***Financing challenges*** in the current economic environment are likely to delay at least some of these key development projects and are already delaying or preventing some retail, office and other uses from moving into the area.

12. While the relevant time horizon for zoning regulations is around 20 years and is thus a much longer time period than simply the current recession, ***nonetheless the current economic environment is an important backdrop*** against which DC's Zoning Review is taking place.