

1. Executive Summary

The recommendations contained in the economic development part of the Committee report are based on an exhaustive review of the DC government websites, interviews with numerous city officials, including information gleaned from city officials who attended our meetings, as well as interviews with developers, property owners, retailers, and owners and managers of art institutions in the neighborhood.

In considering the zoning recommendations, the Committee came to the conclusion that zoning recommendations, without being supplement by collateral economic development activity, would not achieve the community's goal of vibrant arts, retail and service corridor.

The recommendations contained herein have broad applicability across the existing overlay neighborhood, and are presented as recommendations to all the relevant ANCs and neighborhood-based organizations. These organizations may wish to consider, and implement, these recommendations in pertinent part. Because the Arts Overlay Committee was created under the authority of ANC2F, we have presented, in a separate appendix, a set of ANC2F-specific recommendations.

Executive Summary - Findings

The presence of arts in the neighborhood is important to economic development. For every dollar in direct and event-related spending, another dollar was generated in tax revenues and local household income.

Retailers and galleries are reporting upward pressure on rents, caused by the growth in commercial property taxes over the past few years and by the relative success of the commercial corridor. With property tax increases passed along to commercial tenants, art galleries and non-profit arts institutions in particular are at risk. Restaurants are less subject to these pressures, due to cash flow from alcohol beverage sales.

In addition to paying rising taxes, **retailers and art institutions are reporting that the economic downturn is presenting a significant challenge.**

Business owners, developers, and former city officials oppose the creation of a Business Improvement District to finance economic development.

There are two reasons cited for this: (1) the area is too small and has too few businesses to support a BID (2) retailers are already struggling in the downturn and do not want landlords passing on additional increases. **To the extent city resources exist, or in the future can be allocated, to provide economic development to the arts district, those resources can either be**

administered directly by the city (e.g., streetscape projects administered by DDOT) **or can be in the form of resources that flow to a community-based organization(s) in the form of grants.** In the latter case, the neighborhood will need to consider the extent to which it can leverage existing 501(c) (3) or (c) (6) organizations, or whether new nonprofit organizations will need to be created to take advantage of grants programs.

In reviewing the long list of economic development programs currently offered by the city, we found only one – the Neighborhood Investment Fund – that may be funded in FY10 and that is potentially available to neighborhood organizations. A long list of other programs (Great Streets, Main Streets, etc) is not available to our area currently. However, as currently administered, **there are significant challenges to procuring money under the NIF for economic development,** even though the program was created by the Council for that purpose. The Committee report makes recommendations on how the Deputy Mayor for Planning and Economic Development should change the NIF program to encourage its use as an economic development tool.

Executive Summary -- Recommendations

1. Tax policy: All retailers and small arts businesses were uniform in their view that property tax burdens had escalated to the point that higher rents were threatening their future success, in spite of the City Council's relatively recent efforts to cut taxes on the first \$3 million of a property's value. The Committee also recognizes that (1) the need for additional property tax relief for small businesses is not limited to the Uptown Arts Overlay; (2) the economic downturn and drop in tax revenues makes it difficult for the city to extend significant property tax breaks to all commercial property at this time; and (3) a property tax break more limited in geographic scope and limited in time might be attainable. For that reason, **the Committee recommends further property tax relief targeted to the city's 12 Neighborhood Investment Fund areas, which would include portions of the Uptown Arts Overlay in the Logan and Shaw neighborhoods.** ANCs and neighborhood organizations should advise their city council representative that further and temporary (2-3 years) property tax relief in the city's previously identified Neighborhood Investment Fund areas is advisable to help sustain small business and employment through the economic downturn. The Committee suggests that, as with prior relief, the measure should be targeted to the first \$3 million of assessed value to ensure the measure is targeted to small business, and there should be a measurable decrease in the assessment rate for the next 2-3 years.

In addition, **the city should study creative tax policies to determine whether there could be specific tax policies instituted to support arts uses and arts districts.** This tax policy could be directed to the Preferred Arts Use List now being developed in the zoning process, as amended by the zoning

recommendations made in Part 1 of this report. Relevant neighborhood organizations should consider making a request for examination of this issue to the city's CFO together with the Office of Planning and Deputy Mayor for Planning and Economic Development.

2. Neighborhood Investment Fund: Pending in the FY10 budget is approximately \$835,000 for the Logan NIF. **ANC2F should call upon city officials to ensure that the NIF categories for funding in FY10 and beyond are sufficiently flexible with respect to economic development that the neighborhood can take advantage of the money to develop the arts district.** Once the funding categories are broadened to specifically include economic development, the ANCs can further consider how to encourage specific projects. In addition, the ANCs should also remain current on the NIF requests for proposal to be issued by the Deputy Mayor for Planning and Economic Development in the October-November time frame. Once the rules are public, the neighborhood should work to ensure that NIF grants can be obtained by a qualified group or groups in support of the commercial corridor to the extent allowed under the rules.¹

3. Uses of the NIF: The Committee recommends that to support the Arts Overlay district, ANCs and neighborhood organizations seek to **use the available funding on the following projects, in descending priority: (1) financial support for the Mid-City Business Association in support of retail activities in the Uptown Arts District, including a pilot Hospitality Business Orientation program; (2) visual branding/visual identity of neighborhood including, for example, banners;² (3) planning for development of an ongoing arts event to help develop the neighborhood's "brand" as an arts location; (4) development of public transportation routes to better support the community and alleviate pressures on parking; (5) planning for expanded street vending to focus on dead zones; (6) improving the use of vacant windows.**

4. Streetscape: While the U Street streetscape project appears to be on track and funded for FY11, the 14th Street streetscape project's future is somewhat less certain. The **relevant ANCs should endeavor to remain in consistent**

¹ At its September 2, 2009 meeting, the ANC2F adopted this recommendation, and on September 11, 2009, sent a letter to the Deputy Mayor recommending revision of the funding categories.

² An earlier attempt at organizing banners failed when the organizing entity (a 501(c)(3) that was inexperienced in economic development) apparently committed the funds without producing banners. Several retailers advised the Committee that they continued to have an interest in banners, especially if their business name could be added to the bottom of the banner, which was in the original plan. Given that the cost of this type of program is well under \$50,000, the Committee urges the ANC to take what steps it can to free up NIF for this purpose, possibly using Mid-City Business Association as the designated entity to organize the banners.

communication with DDoT to press both projects to completion, and, as relevant, to make their views known to the city council.

5. Parking: (a) DDoT should **perform a 14th Street parking study called for in the city's Comprehensive Plan**.³ and (b) DDoT should install **the new credit-card meters** either as part of the streetscape project (in the case of U Street) or in advance of the 14th Street streetscape project. Adjusting the pricing of parking and the time of day could benefit neighborhood retailers whose customers may need short-term parking.

6. Industrial Revenue Bonds: With the upcoming census, it is unclear whether the 14th and U Street area, now mostly designated as an Enterprise Zone, will continue with that designation, due to differences in poverty rates in the area from a decade ago. If the designation is lost, private enterprise will no longer be eligible for loans supported by IRBs. Even if private enterprise cannot take advantage of IRB-sourced borrowing, city-based 501(c) (3) organizations can do so even if the corridor loses its Enterprise Zone status. **The Committee recommends that this program should be explored further to the extent a section 501(c)(3) entity is formed or identified to promote an arts district.** Participation in the program would mean that the non-profit entity sees an opportunity to acquire or renovate real property. An example of such future development is the public property now operated between S & T and 13th and 14th Streets NW.

7. Commission on Arts and Humanities: via the ANCs, or separately through established or new 501(c) (3) organizations, work with the Commission to **integrate the Uptown Arts District into the Commission's strategic plan. Consider launching a street arts festival and/or other cultural events to establish and brand the neighborhood as an arts district, and consider whether to apply for grants for a public arts** project in FY11.

8. Retail Action Strategy and Creative Action Agenda (Office of Planning): The **ANCs should monitor the release of these planning documents (expected in fall of 2009) and pursue how to use them in support of arts and retail in our neighborhood.** In particular, finding additional funding toward branding the neighborhood and highlighting the arts presence here is a top priority.

9. Artist Live/Work: In addition to the zoning recommendations made in Part 1 of this report, the **ANCs should work with developers to create live/work options for artists in new developments, and should further work with the Cultural Development Corp. to ensure that such projects developed are well-designed and will enhance the arts district.**

³ Action NNW-2.3.B: 14th Street Parking Study, The Comprehensive Plan for the National Capitol: District Elements.

10. Heritage Trails: The Cultural Tourism DC is in the final process of selecting projects for its remaining trails. While U Street has a completed trail, the 14th Street area in Logan does not have a trail and is not currently on the list to receive one. The **Committee recommends that the Logan Circle Community Association consider organizing a group of interested residents who would support a design committee, and make the neighborhood's interest known to Cultural Tourism DC.** Longer term, Cultural Tourism DC is considering how it might work to define “cultural corridors” that overlay the Heritage Trails, and the relevant ANCs should pursue this longer term strategy with Cultural Tourism DC, since it appears to align well with the community’s goals for an arts district.

10. Reeves Center: **The city should add an arts component to the future redevelopment of the Reeves Center.** The Office of Planning, and other relevant city agencies, should consult the community through the ANCs to develop a plan for how arts uses can be integrated into this building.

11. Central Union Mission project: This development project has been stalled repeatedly leaving a large “dead zone” on the east side of 14th between Corcoran and R Streets. In the latest development, a lawsuit filed by the ACLU concerning a constitutional question about the city’s ability to support an organization that has a religious purpose has stopped the project’s forward momentum. **The city needs to resolve the lawsuit and allow the creation of a new facility serving homeless individuals, thereby allowing development on the site to proceed.** The Committee views redevelopment of this site as critical to the success of retail and arts in the Arts Overlay District.

11. Verizon building at 14th and R Streets: This site of a Verizon central office facility, at the corner of 14th Street and R Streets, is presently a retail “dead zone”. The building is partially bricked in on the first floor. As a corner location, it is a critical site for the future of a successful retail corridor. The **Committee recommends that the city work with the community and Verizon to determine whether there are opportunities to utilize the space,** particularly on the first floor, in a different way and for retail use.

12. City–owned property: In the Office of Planning’s final reports on the Logan and Shaw NIF areas, there is an appendix listing all publicly owned properties. The **Committee recommends that future development of these publicly owned properties should be targeted to arts and/or artist live/work space, as appropriate.**

13. New neighborhood-based economic development organization: The **ANCs should consider whether existing non-profit organizations in the neighborhood are sufficient to support ongoing and coordinated economic development activity including, but not limited to, the development of an economic development strategy for the Uptown Arts District, acting as a grants recipient (e.g., for economic development and branding activity),**

and promoting and cultivating the continued growth and success of the Uptown Arts District. Throughout the recommendations, the Committee has referred to the need of non-profit organizations to carry out the work of building a strong and vibrant arts district. In part, this is driven by city regulations, such as entities eligible to receive economic development grants. In addition, the Committee found in its review that many successful arts districts around the country are supported by this type of non-profit entity, normally a “501(c) (3)”. Importantly, these entities do not compete for arts funding with arts institutions, but act as a promotion and development vehicle for the district. In the Committee’s view, a similar institution (or institutions) is needed to foster and promote the Uptown Arts District.