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Catalyst *Special Edition*

District Strong Economic Recovery Mini-Conference Summary Report

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Mini-Conference Co-Hosts

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Greater Washington Partnership

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Letter from the CEO and Executive Director

Dear Friends,

At the Federal City Council (FC2), we tend to look forward, knowing that the path to creating a more dynamic future for the District of Columbia isn't found in the past but rather lies ahead of us. That is especially true at this critical juncture in the life of our city and country.

After facing a grave threat to our health and economic stability in 2020, the coming distribution of a COVID-19 vaccine holds great promise in 2021. To better prepare for this next period, the FC2 convened the **District Strong Economic Recovery Mini-Conference** to advance a shared understanding of our economic future.

FC2 joined with the Deputy Mayor for Planning and Economic Development (DMPED) and the D.C. Policy Center to cohost the Mini-Conference in December 2020. The goal was clear: discover the city's readiness for a return to work and consider how best to build an economic recovery grounded on our underlying principles of ***equity, resilience and innovation.***

D.C. has all the ingredients—an educated workforce, innovative companies, top universities and world-leading think tanks—to devise a recovery playbook that emphasizes equity, social justice and the revitalization of economic sectors, such as hospitality, tourism and retail, which have been decimated by the pandemic.

Let me offer my appreciation for the pro-bono contributions of our six consulting firms and one think tank—Accenture, Deloitte, EY, JLL, KPMG, McKinsey and the D.C. Policy Center—to the conference. Their remarkably thorough work was conducted over a six-week period in September and October 2020 for the FC2 and in partnership with the Deputy Mayor for Planning and Economic Development. Their insights will drive our recovery strategy.

We are also grateful for the generous support from our sponsors at Capital One, PNC Bank, United Bank, Boston Properties and Washington Gas. The Mini-Conference was a chance for us to draw on the best thinking in the District, from our Trustees to our business community and research partners to our elected officials. Our allies leaned in with tremendous in-kind resources by rallying widespread interest in the virtual gathering and analyzing D.C.'s impacted sectors and sharing their economic forecasts.

Our work at the Federal City Council, the D.C. government and the broader D.C. community in 2020 is a testament to the local expertise, perseverance and philanthropic resources we can leverage as we address our changed world and uncertain future with equity, resilience and innovation.

Sincerely,

Tony Williams

DISTRICT STRONG ECONOMIC RECOVERY MINI-CONFERENCE CORE THEMES:

- **EQUITY.** COVID-19 has worsened D.C.'s stark racial inequalities. D.C.'s recovery strategy needs to have equity at its core and in all aspects of recovery planning, and it must leverage existing initiatives such as TechTogether and FC2's Employers for Equity.
- **RESILIENCE.** D.C. needs a strong economy so it can afford quality government services, infrastructure investment and a robust social safety net. D.C. has launched a myriad of programs and micro grants to assist resident, workers and businesses, including its latest Bridge Fund designed help employers in the hospitality and retail industry bridge the divide until reopening.
- **INNOVATION.** Businesses and government alike have responded creatively to the crisis, developing new ways to use public space, reduce regulatory barriers and rethink processes. The advent of telehealth, alcohol home delivery and public dining exemplify how innovation is the bedrock of D.C.'s recovery strategy.

A PATH FORWARD:
Innovation & Purpose

As the District of Columbia keeps an eye on the future when it can fully reopen, its city leaders know that flare-ups in COVID-19 cases and deaths will ultimately drive policy as they consider what is best and safest for D.C. residents and workers.

“Part of the reason why we’ve been on the tail end of seeing surges and spikes is because of the amount of compliance we see in the District, which is higher than the rest of the U.S.,” LaQuandra Nesbitt, MD, MPH, Director of DC Health, told Mini-Conference participants. “We have rates of mask compliance as high as 85% or 90%.”

D.C.’s success tracks back to its commitment to innovation in devising policy, data and health solutions to respond to the virus. “The crisis has been a catalyst for innovation,” said Thomas M. Davis, former Congressman and President of the Federal City Council (FC2). “Continued innovation needs to be a bedrock of our system.”

DC Health has brought purpose and integrity to preparing for the arrival of the vaccine. The focus has been on understanding and spotlighting what health care providers need to do to be effective in a public health emergency and to distribute the vaccine in a fair and equitable manner.

“We began prioritizing getting all the information we needed about vaccines, even buying the equipment and supplies that would be needed. We didn’t want to have the same supply chain issues,” Nesbitt said.

DC Health has established a series of advisory committees to provide critical input in shaping D.C. policy about distributing the vaccines. They are reaching out to key constituencies to ensure D.C.

INTRODUCTIONS

Thomas M. Davis,
Former Congressman of the U.S. House of Representatives

FACILITATOR

Anthony A. Williams,
CEO and Executive Director, Federal City Council

PRESENTERS

LaQuandra Nesbitt, MD, MPH, Director, DC Health

John Falcicchio, Deputy Mayor for Planning and Economic Development is able to achieve health equity while also having a process that's transparent and evidence-based.

John Falcicchio, Deputy Mayor for Planning and Economic Development, said that the District has used a similar drive toward innovative thinking in addressing the concerns of small business owners and other employers. Most recently, Mayor Muriel Bowser established the Bridge Fund, a $100 million grant fund supporting D.C. businesses and workers in the hospitality, entertainment and retail sectors.

"The District was really on the rise when we started 2020," said Falcicchio. "We had eclipsed the 800,000-job marker. We saw all the fruits of our labor. Our fundamentals were so sound. Our rainy-day funds were the envy of the nation."

Falcicchio said the Bridge Fund is a groundbreaking example of serving businesses where they most need it. Dollars will be disbursed via four programs: the Restaurant Bridge Fund ($35 million); the Hotel Bridge Fund ($30 million); the Entertainment Bridge Fund ($20 million); and the Retail Bridge Fund ($15 million). Applications for the program were accepted up until December 22.

"We wanted to show the business community we're there and a partner," said Falcicchio.

Falcicchio said the Bridge Fund was necessary to respond to ongoing job losses. D.C. has lost some 56,000 jobs so far in 2020 and 36,000 of them have been in the hospitality sector. "We need to make sure that they're able to weather this winter," Falcicchio said.

A similar level of innovative thinking has been employed at DC Health, noted Nesbitt, pointing out that the District has been particularly successful in using data to drive forecasting, policymaking and decision-making. "We were recently recognized as having one of the Top 4 dashboards in the country," she said. "It's a reflection of the hard work of the team at DC Health."

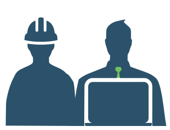
Another reason for D.C.'s low transmission rates has been its adherence to mask and social distancing mandates. Nesbitt thanked the business community for stepping up and helping with compliance on these public health requirements.

She said the business community's continued help will be essential as the vaccines become available. Not only will businesses be asked to amplify the message about getting the vaccine, but they will also be encouraged to evaluate whether the adoption of vaccines will be the most effective tool for reducing transmission. "What's better for your workforce—current protections or the vaccine—to get to where we need to be?" ■

DC COVID-19 VACCINATION PLAN

CDC-phased approach to vaccination

The Centers for Disease Control and Prevention's (CDC) Advisory Committee on Immunization Practices (ACIP) will publish vaccination recommendations after vaccine approval by the Food and Drug Administration (FDA).



The District's Phase 1

Vaccine allocation is based on the critical infrastructure workforce serving and working in the District, as opposed to just those workers who are District residents. It identifies all individuals working in a specific setting as opposed to specific profession types in those settings.

Phase 1-A

Paid and unpaid people serving in health care settings who have the potential for direct or indirect exposure to patients or infectious materials and are unable to work from home.

Phase 1-B

People who play a key role in keeping essential functions of society running and cannot socially distance in the workplace (e.g., healthcare personnel not included in Phase I-A, emergency and law enforcement personnel not included in Phase 1-A, food packaging and distribution workers, teachers/school staff, childcare providers), and people at increased risk for severe COVID-19 illness, including people 65 years of age or older.

Source: DC Health

RETURN TO WORK
Impact & Outlook

The Mini-Conference included two lightning-round sessions where moderators led brief discussions of key sectors or concerns. In the *Return to Work* session, Robert McCartney, Senior Regional Correspondent at *The Washington Post*, moderated a discussion among industry leaders and research consultants about three areas of interest: transportation, education and return to the office.

"The core material we are sharing today has been made possible by pro bono research from the District's leading consulting firms," said Thomas Davis, former Congressman and President of the Federal City Council. "I want to thank the D.C. Policy Center, JLL and McKinsey for their contributions to the *Return to Work* session."

Transportation: Metrorail and Metrobus

As workers shifted from downtown offices to home-based Zoom calls during the pandemic, they abandoned their Metro commutes, leaving rail cars, buses and parking lots empty. The result was a collapse in Washington Metropolitan Area Transit Authority (WMATA) revenues and a nearly $500 million shortfall.

That's difficult news for the region, which counts on WMATA to transport its workforce, keep vehicle emissions low and serve area residents. Already, WMATA is instituting $176 million in cuts for the remainder of FY 2021 budget, which began on July 1, 2020. These cuts threaten the region's post-pandemic recovery and could put at risk recent efforts to improve the Metro system. "It will be a bare bones operation," said Paul C. Smedberg, Chairman of the Board of WMATA. "It's a real crisis."

FACILITATOR

Robert McCartney, Senior Regional Correspondent, *The Washington Post*

PRESENTERS

Transportation Systems
Ben Safran, McKinsey, and Paul Smedberg, WMATA

Education & Childcare
Yesim Taylor, D.C. Policy Center, and Chancellor Lewis Ferebee, District of Columbia Public Schools

Future of Downtown: Back to the Office
Adam Cook, JLL; Marilyn Jordan Taylor, University of Pennsylvania; and Leona Agouridis, Golden Triangle Business Improvement District

WMATA has joined with other U.S. transit agencies seeking federal aid to offset deficits. Congress could pass a long-overdue stimulus package with $32 billion in emergency operating funds for transit agencies nationwide. Or it could follow up in early 2021 with extended funding for transit operations in annual federal appropriations. "Hopefully, the new administration will do something for transportation and transit in general," said Smedberg.

Tom Dohrmann of McKinsey said the progress on the vaccine should facilitate the economic recovery, especially if it brings workers back to their offices, though it will likely take until 2023 for Metro to return to 2019 ridership levels. If the federal stimulus funding comes through, the return to pre-pandemic levels could be realized in 2022. "Ridership is at the core of government and federal support for transit," Dohrmann said.

Facing its severe budget shortfall, WMATA announced that its proposed FY 2022 budget, which would take effect on July 1, 2021, would end weekend rail service, eliminate rail service at 9 p.m. weeknights, close 19 Metrorail stations and eliminate some bus service. If more riders show up, revenues will increase and the need for these cuts will be unnecessary, Smedberg added.

"We will be prepared to welcome riders back, for sure," said Smedberg. "We understand that Metro is essential regardless if everyone comes back at once or more people are working a hybrid schedule. We're doing everything we can to make sure people feel safe, regardless of where we are with the vaccine." **To access the full McKinsey report on Transportation, please click HERE.**

Education: K-12 and Childcare

Prioritizing students and their families living through the COVID-19 pandemic has been a primary concern for the District of Columbia Public Schools (DCPS) as it wrestles with how to keep K-12 students safe while providing superior learning opportunities.

"We did a lot of professional development in preparations for this academic year," said DCPS Chancellor Lewis Ferebee. "For the early grades, that's the group we prioritized to get into the building first."

For students who returned to in-person school in November, Ferebee said the DCPS has provided social and emotional supports, and it has prioritized students who are homeless and living with a disability. Only a handful of staff members have tested positive for COVID-19 since opening, but the transmission was not related to the school. "We believe that schools are in fact probably one of the safest places," Ferebee said.

The Chancellor said that he has looked at other return-to-school models from other school districts because there has been little guidance from the federal government. He said the one lesson he took from the New York Public Schools experience was not linking opening or closing schools to rigid COVID-19 rates.

Ferebee said DCPS is on track to come back in-person on Feb. 1, 2021—the beginning of Term 3. Elementary school students are coming back first, in November, December and January, followed by the wide-scale implementation with teachers and all students in school buildings in February.

The outlook for childcare services is particularly ominous in the District. Childcare businesses have been hard-hit by the pandemic because they are so intimately tied to parental work. Some 26,000 workers dropped out of the workforce in the first three months of the pandemic, and half of the group reported that they left their jobs to take care of a child at home. One-third of them have children under the age of 3.

"The recession stemmed from COVID-19 and resulted in a sharp decline in the District's labor force," said Yesim Taylor, Director of the D.C. Policy Center. "The job loss we've seen in such a short period of time is about equal to five years of job growth."

Taylor noted that by mid-May, 88% of all childcare facilities in D.C. were closed. Today 71% of childcare businesses are at 25% capacity.

Taylor suggested that the D.C. Council and the Mayor could do more to ease the regulatory burden for childcare businesses. For example, building requirements and outside yard rules could be temporarily shelved to help childcare agencies survive the pandemic.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which passed Congress in March 2020, provided states with $3.5 billion through the Child Care and Development Block Grant to support access to care. Some have suggested that additional funding for transit agencies and businesses would go a long way toward revitalizing childcare issues as people are put back to work. **To access the full D.C. Policy Center report on Childcare, please click HERE.**

Future of Downtown: Back to the Office

The Future of Downtown conversation revolved around the findings of a new report indicating that downtown D.C. was already experiencing a transition in its lifecycle before COVID-19 arrived. The report, completed by the Urban Land Institute for the Deputy Mayor for Planning and Economic Development, found that D.C. office real estate vacancy rates were high—higher than those in most other gateway cities—and showing a troubling weakness in the market.

Professor Marilyn Taylor, who led the project, said the report concluded that cities need to leverage partnerships with schools, universities and businesses to strengthen their downtowns. She predicted that offices would need to change to accommodate employees as they return after so many months teleworking.

"The biggest change needs to be in the interaction with the ground floor retail, parks and programs and workers," said Taylor. "We are still people who need interaction."

Taylor said the public realm should also support small and minority-owned businesses that are responsible for the character of the city and provide workers with more work-life options. Finally, the city and business sectors need to work together to dramatically buildout workforce training offerings.

Adam Cook of JLL noted that the teleworking experiment had proved fairly successful during the pandemic, but it will be hard for business leaders to manage the productivity of their workforces if it continues. The success of teleworking is due in no small part to the fact that workplace relationships had been cemented in an in-person setting, before working remotely.

"Most organizations were pleasantly surprised with the world's largest change management experiment for work-from-home," said Cook. "The news is the experiment happened and, for most people, it did go very well."

Cook says he expects the migration of workers and families to the city to continue. "D.C. hasn't seen the same mass exodus that Manhattan, London and Tokyo have," said Cook. "Once this is all said and done, we'll continue to see the influx of population into the urban center from the residential standpoint."

Leona Agouridis, Executive Director of the Golden Triangle BID, said that 90,000 office workers traveled to the Golden Triangle by train before the pandemic. BIDs have worked hard in the District to reinforce the safety of working downtown and to offer amenities to woo back workers to the area and to keep them from going home after 5 p.m.

"The outdoor spaces are welcoming, but small businesses in ground floor retail and food shops are still the lifeblood of the downtown," Agouridis said. "Their presence is absolutely an existential issue for us. It's the ground floor retailers who are serving the office workers upstairs." **To access the full JLL report on the Future of Downtown, please click HERE.** ■

ELECTED OFFICIALS
LOOKING FORWARD

After nearly a year of uncertainty due to COVID-19, District leaders are cautiously optimistic about D.C.'s future, especially given that the city has labored to contain its fiscal and health risks through sensible management and in light of the untold sacrifices of D.C. businesses and residents.

"We've had a conservative approach," D.C. Mayor Muriel Bowser told conference participants. "It's allowed us to relatively contain this virus in our city and in this region. We are going through the last of the dark period of COVID-19. We still have the holidays and the holiday travel and the winter months to contend with. I'm confident our public health system and our hospital network can support the system."

Bowser, D.C. Council Chairman Phil Mendelson and Delegate Eleanor Holmes Norton joined in lively conversations with Anthony Williams, FC2 CEO and Executive Director. They discussed how D.C. needs a strong economy to afford quality government services, infrastructure investment and a sustainable social safety net.

Despite D.C.'s remarkable resilience, the city is not out of the woods yet. The District is still dealing with the aftereffects of the congressional decision to shortchange D.C. relief funds by $755 million. Last March, Congress gave D.C. substantially less than half of the formula aid it provided states to address budget problems arising from the pandemic.

At the time, federal relief legislation guaranteed at least $1.25 billion to states, but the District was forced to split a smaller fund with five U.S. territories. This was a change from past practice when D.C. was treated as a state and not a territory. The District received only $495 million from the Coronavirus Relief Fund for calendar year 2020.

"The biggest issue for us right now is the shortchanging of dollars for us by the Congress," said Mendelson. "It would make such a difference. If we had more money, there wouldn't be such a tension."

Mendelson also fears that the late fall / early winter uptick in COVID-19 cases and deaths in the DMV region could slow the city's recovery. "I am concerned that we're seeing increases in the District, and what does that mean if we can't stay in Phase 2 and need to slip back to Phase 1?" said Mendelson.

Additionally, officials are feeling pressure around public transit needs. Any new federal relief package must include emergency operating funds for the Washington Metropolitan Area Transit Authority (WMATA) and other transit agencies, they say. WMATA is facing a $494.5 million funding shortfall as a result of the pandemic. The gap is so serious that WMATA has proposed eliminating weekend Metrorail service and closing 19 stations to offset losses.

"We're not in this spot by ourselves," said Mendelson. "Transit systems across are the country are in such dire straits because of the pandemic, and they're hanging by a thread."

Bowser is working with Norton to ensure D.C. fully shares in any new relief package. "We recognize how tough it has been and the city is doing everything

FACILITATOR

Anthony A. Williams,
CEO & Executive Director, Federal City Council

PRESENTERS

Muriel Bowser,
Mayor, District of Columbia

Eleanor Holmes Norton,
Delegate, U.S. House of Representatives

Phil Mendelson,
Chairman, Council of the District of Columbia

possible to help with the recovery," said Bowser. "We're looking forward to next year, to the new administration."

There is one federal legislative bright spot, noted Norton. She says the fact that infrastructure legislation tends to be nonpartisan means those bills have a better chance of passing Congress. But even that isn't automatically guaranteed. "Like every bill, the bill needs to have the imprimatur of the Senate" noted Norton, who sits as the lone subcommittee chair who was able to move a major infrastructure bill in the U.S. House in 2020.

Bringing Children Back to School

Ever mindful of the impact of the coronavirus on D.C. residents, Bowser said she is committed to making sure families and children have what they need from the public schools in 2021. Most importantly, Bowser says she's determined to bring students back into the classroom early next year.

While there are limited in-person opportunities for learning for District of Columbia Public Schools students currently during Term 2, the majority of schoolchildren are expected to return when the schools reopen Feb. 1, 2021—the start of Term 3.

"We've invested millions of dollars in school buildings. We've invested millions of dollars into our teachers. We're relying on every bit of innovation and know-how to keep our kids engaged," said Bowser.

The Mayor says parents who want to return their children to school can, although no one will be forced to attend in-person learning. Much depends on the availability of the COVID-19 vaccine. Bowser said that there have been challenges in reopening schools, most notably with labor unions, which have been reluctant to agree to in-person learning given the dangers of the coronavirus.

"We agreed to make coming in person during the second term voluntary," said Bowser. "For the remainder of the year, we have to have the capacity to staff our schools with our personnel."

Teleworking and Office Space

One of the unexpected turns of the pandemic—one that will likely impact the District more than other jurisdictions—is the growing recognition by many that they can work from home more effectively than they imagined.

"The government is a major provider of office space in the country," said Norton. "Teleworking has taught the government it doesn't need all of this space, and it will have a greater effect on the District of Columbia than other parts of the country. …That is both bad and good news for the District of Columbia."

The bad news, of course, could be the loss of millions of square feet in office space and federal workers in the District, as federal agencies take advantage of teleworking and other virtual workforce options. Some have estimated that the District could lose up to 30% of its daily workforce to telework.

The good news, however, is that an enormous amount of office space would come into the D.C. real estate market, which is always struggling for more affordable real estate. That could be even better news for businesses and residents in the District.

"In a city where you can't build high, and there's almost no room for expansion, this may not be bad news for the District," said Norton. "We've got a growing population. The question is where are we going to put them?"

Moving Forward

One of the greatest trials ahead for the District will be how to permanently adjust to the changes that COVID-19 has brought. Bowser said D.C.'s future will be strong but it will be changed because of the pandemic, of course, but also because of the changes in people's thinking about how to live and work.

"The D.C. we're going to come back to is going to be different," she said. "In some ways, it will be better, and in some ways, it will be evolving. A lot of cities like us will have to face that. How many people are coming back to offices? Are office spaces going to be different?"

Bowser said that many short-term changes to policies and regulations designed to reduce barriers for local business and to boost job creation to survive the pandemic have been extremely popular, and they likely will carry forward. Prominent examples include telehealth, alcohol-home delivery and blocking streets for open-air restaurant dining.

"It's going to require us to rethink some things that have been sacrosanct," she said. "We'll have to have a strategy for attracting workers and keeping them in our downtown and really being imaginative about how we use our space."

The Mayor told conference attendees that as hopeful as she is about the District's future, she recognizes that there is a great deal still left to do. "We're at the beginning of the end with the emergency response," she said, "but we're in the beginning of our recovery." ■

SECTOR ANALYSES
Impact & Outlook

The Mini-Conference included two lightning-round sessions where moderators led brief discussions of key sectors in flux. In the *Sector Outlooks* session, Andrew Trueblood, Director of the DC Office of Planning, facilitated presentations by leading consultants about four sectors of interest: federal government, universities, real estate and hospitality.

"The core material we are sharing today has been made possible by pro bono research from the District's leading consulting firms," said Thomas Davis, the former Congressman and President of the Federal City Council. "I want to thank Accenture, Deloitte, EY and KPMG for their contributions to the *Sector Outlooks* session."

Federal Government

Federal employment remains an essential building block of the D.C. economy and proved a lifesaving factor during the pandemic as COVID-19 precautions wreaked havoc on private and nonprofit sector employment over the past year.

"We've diversified the D.C. economy toward the private sector, but still the federal government provides nearly 200,000 of the jobs in the District," said Josephine Tucker of Deloitte. "The effects of COVID-19 put more pressure on private sector jobs."

The federal government controls 159 million square feet of office space in the D.C. metropolitan area. Still, there have been efforts to shift government space outside the region, within the region and within the city. For example, the Department of Homeland Security's move to the West Campus of St. Elizabeths was a major shift. There are 372,300 federal jobs in the D.C. metro area, of which 54% (199,500) are based in the District.

Currently, 40% of federal workers are working remotely due to COVID-19. Sarah Burns Williams of Deloitte said the teleworking experiment has illustrated to some agencies that they can meet their mission remotely, and Deloitte expects some agencies to invest in technological efficiencies rather than real estate.

What does this mean for D.C.? It's uncertain at this point, but it could follow three different paths:

A limited disruption—a short-term return to work, the lapse of 2.1 million sqf of leased space and a 10% decrease in the D.C. leased portfolio.

A new normal—the adoption of new space standards to accommodate social distancing, a reduction of 4 million sqf of leased space and a 20% decrease in the portfolio.

A severe impact—return-to-work uncertainty, the lapse of 8.3 million sqf of leased space and a 40% decrease in the portfolio.

"No matter what, we're going to see some kind of reduction as we move toward recovery," said Tucker. "In the longer term, … the focus needs to be on the D.C. government starting to support other sectors of the economy." **To access the full Deloitte report on the Federal Government, please click HERE.**

Higher Education

The last decade has not been kind to higher education in the United States. Many colleges and universities have seen flat or declining enrollments, financial instability, evolving preferences for the delivery of academic instruction and evolving student demographics. And then COVID-19 arrived.

During the pandemic, higher education institutions were at the frontlines of change. Schools closed down campuses and if they kept them open, there was a constant risk of spreader events and virus outbreaks. Students complained of paying full tuition for online or hybrid courses, and undergraduate enrollment plummeted.

"We were approaching an inflection point prior to COVID-19 and the pandemic and economic crises accelerated those problems," says Matthew Burnham of Accenture, noting that enrollment is down for first-time

FACILITATOR

Andrew Trueblood, Director, DC Office of Planning

PRESENTERS

Federal Government
Josephine Tucker and Sarah Burns Williams, Deloitte

Higher Education
Matthew Burnham, Accenture

Real Estate
Genevieve Hanson, EY

Hospitality
Alice Yu, KPMG

students and underserved populations. "We expect to see a quarter to a third of classes delivered virtually in a post-pandemic world."

There were 42,000 workers employed at D.C. higher education institutions before the pandemic, and those job numbers have shrunk significantly in 2020. D.C. higher education employment is not expected to return to 2018 levels until 2028.

How can the community come together? D.C. could help higher education recovery efforts by supporting the development of hybrid campus settings, offering incentives for operational corrections and partnering with institutions and employers to align and scale sector shifts. Ideas include sharing faculty resources between institutions, opening up more outdoor space, employing unused public buildings and deploying more high-speed Internet access. **To access the full Accenture report on Higher Education, please click HERE.**

Real Estate

While the District's real estate market had been robust before the pandemic, it had started to soften at the end of 2019 with increases in vacancy rates, but rents and sales were still high. Most observers expected it to rebound by 2022 and 2023. COVID-19 fractured that game plan.

In fact, the vanguard of the real estate sector—the developers, construction companies, appraisers, investors, finance firms, brokers and realtors—account for a significant share of D.C.'s economy. Real estate and construction is the third largest sector in the District and contributes 10% to its total GDP.

"Multi-family and office space are huge components of real estate, and the dynamics of the pandemic have shifted the way D.C. works, plays and dines," said Genevieve Hanson of EY.

Still, large institutions like the federal government and the World Bank comprise more than 50% of the city's office leasing market. During the pandemic, there have been a number of large office transactions downtown and in Navy Yard—good news for the sector.

There was a dip in commercial property values in the spring and summer, but they've largely recouped those losses to reach pre-COVID levels by November. The industrial real estate market, with the explosion in e-commerce and cold storage, has remained strong.

The contraction in office space demand downtown for remote work and the federal government's shrinking of its downtown footprint remain troubling trends. A Downtown DC BID survey in July 2020 showed that only 5% of office tenants occupied their spaces, and occupancy is expected to steadily increase 20% to 50% by the end of the year.

Some companies are taking advantage of this moment to renegotiate their rents or shrink their square footage. Hanson said 93% of executives plan to decrease their office space footprints, but there are construction opportunities to make office space more attractive by improving ventilation systems, deploying self-cleaning offices and touchless services and developing online workspace reservations.

Hanson suggested the D.C. government could help by redesigning the permitting and inspection processes; providing targeted tax incentives for timber construction; creating gap funding for programs assisting firms in paying wages and taxes; continuing micro grants to encourage development; and creating more workforce development opportunities to better meet the needs of the private sector. **To access the full EY report on Real Estate, please click HERE.**

Hospitality

The Accommodations and Food Service and the Arts and Entertainment sectors are especially impacted by the lack of foot traffic and personal contact in the city, as the number of tourists and business travelers has dropped significantly over the last year.

The recovery of these two significant sectors in the D.C. economy will continue to lag behind other sectors deep into 2021 in spite of the availability of the COVID-19 vaccine, due to their reliance on a high level of person-to-person contact to thrive.

"Both sectors have been struggling and it may take one or two years for them to fully recover," said Alice Yu of KPMG. "Compared to the previous recession, the impact of COVID-19 has been substantial."

These interrelated sectors play an important role in D.C.'s economy. Accommodations and Food Service account for $5.3 billion of D.C.'s private sector gross domestic product (GDP) and $780 million in local tax revenues in 2019. There were some 72,000 employees in this sector before the pandemic.

The contributions of the Arts and Entertainment sector to D.C.'s economy are just as significant. It was responsible for $1.4 billion of D.C.'s GDP in 2019 and it had $1.7 billion in sales and revenues in 2017. Some 10,000 employees worked in the Arts and Entertainment sector.

The Accommodations and Food Service sector interacts closely with the Arts and Entertainment sector, which means that damage done to one sector will impact the other sectors in the supply chain. Given the importance of these two sectors, it's critical that the D.C. government, the private sector and city residents work together to revive them. KPMG proposed several ideas for consideration, including the D.C. government launching an inexpensive app for meal takeout and delivery and allowing people on government food benefits to use vouchers at local restaurants. **To access the full KPMG report on Hospitality, please click HERE.** ■

LEARN MORE ABOUT THE FC2 AND ITS MEMBERSHIP, PROGRAMS AND INITIATIVES.

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