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Testifying Before the Committee of the Whole

The Fiscal Year 2024 Local Budget Act of 2023,” The “Fiscal Year 2024 Federal Portion Budget Request Act of 2023,” The “Fiscal Year 2024 Budget Support Act of 2023,” and the “Fiscal Year 2023 Revised Local Budget Emergency Adjustment Act of 2023”

Friday, April 14, 2023

Greetings Chairman Mendelson, Councilmembers, and staff. My name is Angela Franco, and I am the President and Chief Executive Officer of the DC Chamber of Commerce. Thank you for the opportunity to testify on behalf of the member companies of the DC Chamber of Commerce on the proposed Fiscal Year 2024 Budget and Budget Support Act of 2023.

In the last several years, the District has faced unprecedented challenges that have altered the lives of District residents and added uncertainty to the stability of District businesses. As we emerge from the pandemic, we need a budget that focuses on recovery, while embracing the new reality that a large number of employers and their employees – including a number of federal agencies – seem to be adopting a longer-term preference for more offsite work. As a result, large offices have closed or downsized, and storefront businesses serving these office employees have suffered. Many have left the city altogether. For example, I recently attended a vendor’s fair and met a DC licensed business owner in the food industry who told me she left the District because the cost of doing business was too high. We cannot lose sight of the fact that the majority of the businesses in the District have ten employees or under. These small businesses are the bedrock of our city and they will be threatened if we fail to make thoughtful, sustainable investments in their prosperity.

In addition, as commercial real estate valuations decline, the District is forecasting a meaningful drop in commercial property tax revenues, traditionally a strong contributor to the city’s overall revenue stream. For the first time in years, the Council faces stark budget constraints. Against this backdrop, we urge this Committee to consider the following thoughts and recommendations.

The Mayor's FY 2024 budget provides much-needed investments for our Central Business District recovery that must be preserved. We all need to come to grips with and address head-on the challenging transformational fiscal and economic environment before us. This budget should stand as an essential early pivot toward marshalling the combined public and private sector resources for economic and fiscal recovery that begins downtown and moves out to support opportunities for development, jobs and wealth generation in every neighborhood across the city. Specifically, we support the increase in existing abatements for downtown conversions, and the exemption of First Source and TOPA requirements to quicken the pace of development and amplify the impact of the abatements. We also support the preservation of \$1.5M in the Mayor's budget to support the investment in Creative and Open Space Modernization (COSM).

As we all know, the District is an expensive place to do business. Left unchecked, our high costs – including real estate, wage, and regulatory costs – may come to outweigh the benefits of doing business in a truly great city. The first pro-growth principle guiding your budget deliberations should be to do no harm. Some regulations ran amuck during years when the going was so good that most barely noticed. The categories and fees to get a local business license, for example, continued to proliferate, like weeds in an untended garden. With your leadership, the Council recently passed ground-breaking legislation making it simpler, faster, and cheaper to obtain a basic DC business license. We would ask the Council to fund measures such as the BEST Act aimed at streamlining agency functions and cutting red tape. We also strongly urge the council to preserve the proposed delay in implementation of the Transit Benefit Law. Now is not the time for this well-intentioned but pernicious pre-pandemic initiative, which places burdens businesses such as our hospitals and universities, while failing to recognize the changed circumstance in which we now find ourselves. Finally, we also support the proposed delay in the implementation of BEPS (Building Energy Performance standards). This additional time is need to refine the program and benefit those office buildings experiencing economic hardship.

We are fully aware that our challenging fiscal posture may spur calls for tax or fee increases, but DC recently raised taxes on thousands of upper-income residents and raised fees on commercial real estate transactions. As residents grapple with inflation and property owners face a proliferation of “For Lease” signs across the city, *we urge the Council to take tax increases off the table* – at least until the District is in a much stronger economic position. We encourage city policy makers to let the Tax

Revision Commission complete its work. We also urge the council to uphold the scheduled sunset of commercial real estate deed and recordation tax increases. That sunset is a closely watched indicator of just how welcoming the District will be to further growth and development opportunities across the District.

As I have testified in prior budget hearings, sustained economic growth is the single most important financial engine to generate the funding for our wide and deep array of health and human services programs. In this sense, we speak not just as representatives of the business community, but on behalf of the community at-large. We share the goal, to the greatest practical extent, of protecting generous public investments in our most important resource: the people of the District. But in order to accomplish that goal, we must advocate *today* for fiscal policies that contribute to the long-term economic health and dynamism of our city. The steps we take now – and in the case of adverse tax and regulatory policies, refrain from taking -- will redound to the benefit of our fellow residents in the years to come.

Finally, let me speak to the increasingly urgent issue of public safety. Many of our neighborhoods are experiencing alarming increases in serious crimes, including carjackings and murders. We know this is part of an unfortunate national trend. Thus, we fully support continued investments in recruitment and conversion bonuses for new hires (\$5.4M) and expanded educational incentives (\$1.2M). We also support investments in the MPD's civilianization efforts. If our residents don't feel safe, they can never take full advantage of an opportunity-rich city.

Thank you for your time today and I'm happy to answer any questions.