2025

DC Chamber of Commerce
DELIVERING THE CAPITAL

STATE OF BUSINESS REPORT

Investing in growth

About the DC Chamber of Commerce

The DC Chamber of Commerce is the voice of business in Washington, D.C. 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, D.C., is a flourishing and diverse global city. The catalyst for the production of the 2025 State of Business Report: Investing in Growth is the importance of annually measuring how the District's macroeconomy and the business community are actually performing.

About this report

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 nonpartisan think tank committed to advancing policies for a strong, competitive, and vibrant economy in the District of Columbia. The organization's mission is to arm decision makers with fact-based, unbiased, and reliable research and analyses to help create a vibrant local economy that can maximize opportunities for residents, workers, and businesses in the District of Columbia.

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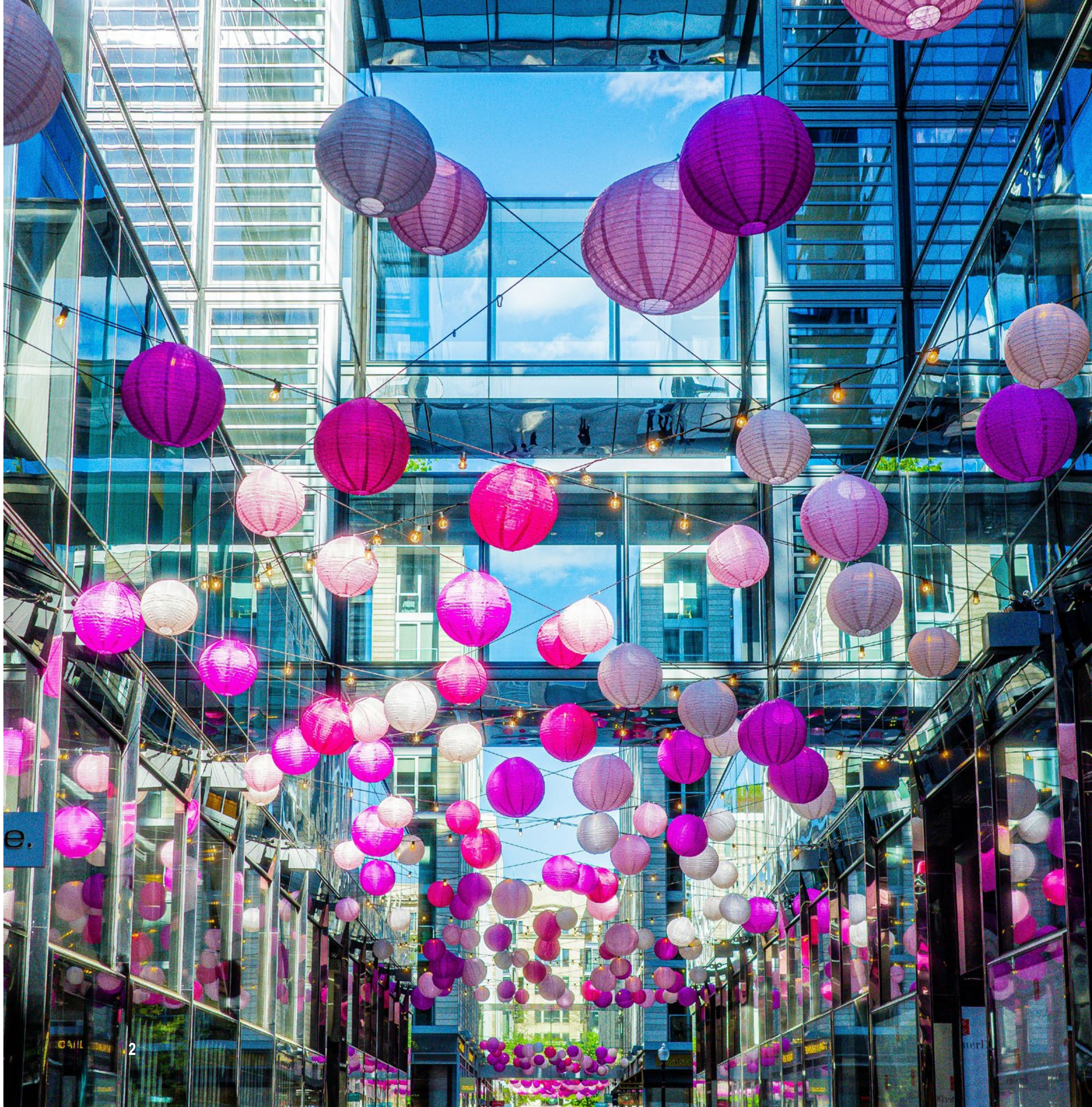

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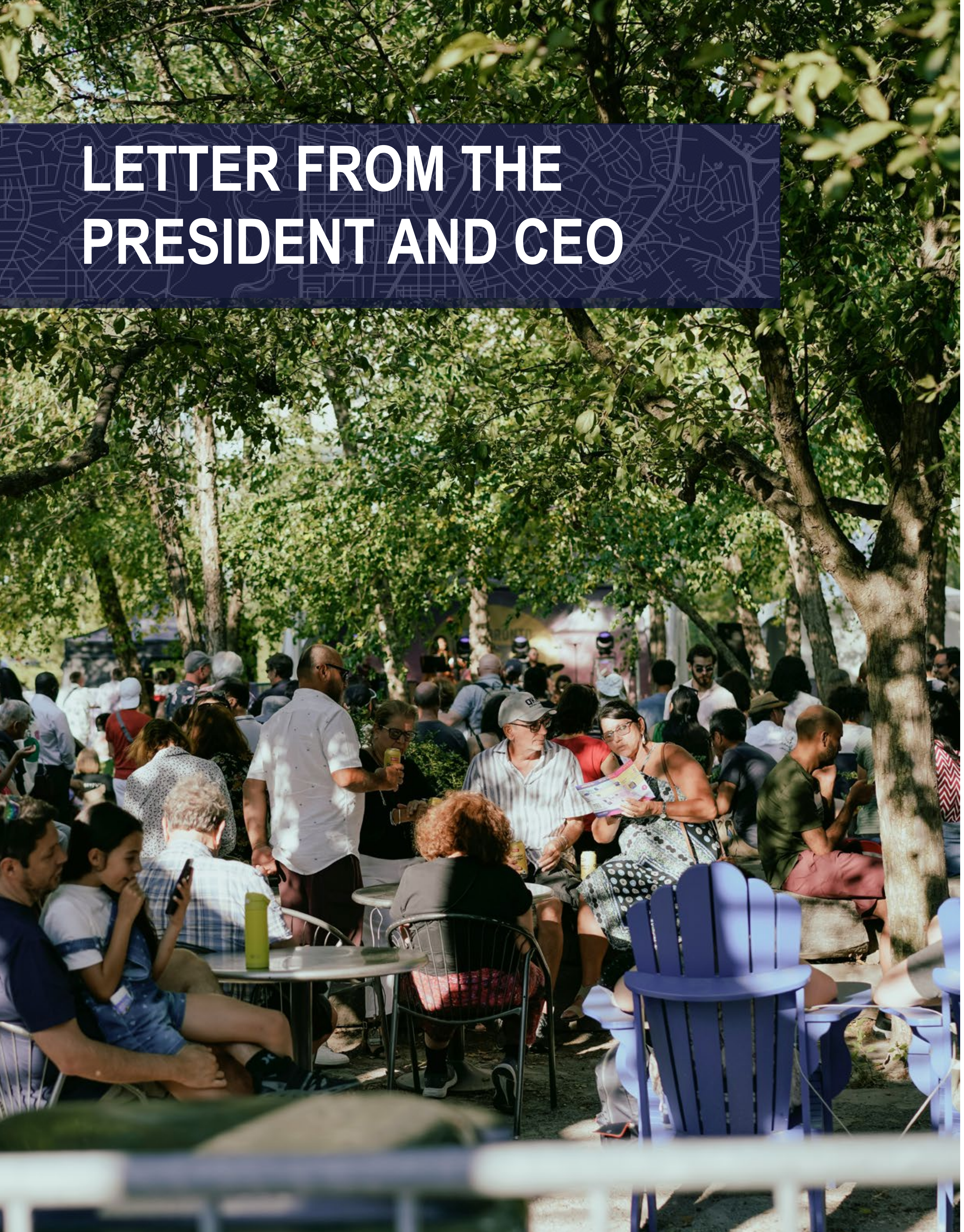


LETTER FROM THE PRESIDENT AND CEO

Chamber Members, Partners, and Stakeholders:

The DC Chamber's 2025 State of Business Report: Investing in Growth arrives at a pivotal moment for our city that demands bold action. The data tell a compelling story that Washington, D.C.'s economic recovery is gathering momentum, even as we continue to confront structural shifts in the way people live and work. We have already regained ground as the region's center of employment, and average weekly office occupancy has settled at roughly 50 percent of its pre-pandemic level—still too high, but an encouraging platform on which to build.

Though we operate with full awareness of our post-pandemic progress, challenges remain. Office vacancies approach near 20 percent in certain core sub-markets, entrepreneurial activity has decelerated, and employment remains 3.4 percent below its 2019 level. Yet the fundamentals are turning in our favor: 72.4 percent of District residents are now participating in the labor force—the highest rate since before the pandemic — signaling renewed confidence and untapped talent ready to power the next expansion.

This report lays out a clear, six-point growth agenda that the Chamber champions with unwavering commitment:

1. Supporting a comprehensive growth agenda to benefit all eight wards of the District
2. Supporting the economic revitalization of our downtown corridors
3. Advocating for the streamlining of regulations and the elimination of unnecessary impediments to economic vitality
4. Promoting fiscal responsibility by enhancing public spending oversight
5. Supporting ongoing efforts to enhance public safety
6. Promoting economic development and job creation

Implemented together, these strategies offer a roadmap for transforming today's headwinds into tomorrow's competitive advantages, positioning the District as a national model for tourism, sports and entertainment, innovation, and inclusive growth.

The Chamber stands ready to lead this agenda—working alongside businesses large and small, community leaders, and our government partners. The resilience, creativity, and commitment to the District that carried us through unprecedented disruption will now propel us toward a future defined by shared prosperity.

On behalf of our Board of Directors and the entire Chamber team, thank you for investing your time, energy, and resources in Washington, D.C.'s future. Together, we will turn opportunity into achievement and ensure that our nation's capital remains a vibrant place to live, work, and do business.

With optimism and resolve,

Chinyere J. Hubbard
President & Chief Executive Officer
DC Chamber of Commerce

D.C. Chamber of Commerce

Policy Agenda 2026

The Chamber's 2026 Policy Agenda outlines our strategic priorities for government relations, aimed at advancing our priorities as we continue to educate local policymakers on our values and goals.

Advocacy Priorities for 2026 and Beyond:

- Supporting a comprehensive growth agenda to benefit all eight wards of the District
- Supporting the economic revitalization of our downtown corridors
- Advocating for the streamlining of regulations and the elimination of unnecessary impediments to economic vitality
- Promoting fiscal responsibility by enhancing public spending oversight
- Supporting ongoing efforts to enhance public safety
- Promoting economic development and job creation

Spurring economic revitalization downtown and beyond to all eight wards

Despite its strengths, D.C. faces challenges that stymie its economic potential and, in turn, the city's ability to retain and attract residents, businesses, workers, and jobs. With the rise in remote work, far fewer workers in D.C. are in the office regularly. This results in less foot traffic downtown and fewer customers for local businesses. As a result, restaurants, coffee shops, bars, health clubs, nail salons, and other storefront businesses in the Central Business District have struggled.

The rise of remote work has also led to increased office vacancy rates, which have resulted in lower commercial real estate values and tax revenues. Historically, tax revenues from commercial real estate have been a reliably robust source of financing for the District's increasing investments in public education, housing, health care, and various social services. These worthy investments are now at risk.

Adding to this challenge, the District now faces the fiscal and economic uncertainties stemming from anticipated reductions in the local federal workforce. In his February 2025 report on FY2025 revenue estimates, Chief Financial Officer Glen Lee projected a decline in public revenues resulting from commercial real estate devaluations, coupled with the changing federal employment picture, resulting in losses averaging $342 million annually over the course of the District's four-year financial plan.

To boost the District's economic vitality, the Chamber will advocate for policies that not only prioritize downtown revitalization but also promote economic growth across the city. We offer a series of policy priorities that can help to unshackle our job creators, spur higher levels of local investment and unlock the city's full economic potential.

Streamlining regulations and reassessing agency practices

Regulations and agency practices that once seemed relatively manageable are now proving to be a growing source of frustration for our local businesses, especially our small businesses and our start-ups that create the majority of new jobs. Over the last several years, the Chamber has helped to enact and fund agency reforms to streamline our antiquated business licensing process, open new business opportunities for home-based bakers and chefs, and streamline the evaluation of health care investments and providers.

But there is more work to be done.

Many of our regulatory processes remain outdated and unnecessarily costly in both time and expense. Agency hurdles in areas as diverse as real estate development, restaurant permitting, broadband infrastructure, commercial construction, occupational licensing and healthcare provider credentialing were established with the best of intentions. But their cumulative weight slows private sector investment and hiring that can create more opportunities for our residents. Moreover, business compliance with our agency rules and practices often exceeds the time and expense of compliance with more manageable regulatory regimes established by many of our regional and national counterparts. District businesses once tolerated these excessive regulatory encumbrances and delays. The time has come to carefully evaluate the most burdensome rules and practices to determine if there are better ways to oversee our various business enterprises and sectors, maintaining appropriate protections, but doing so in a manner that does not unnecessarily impede our economic progress.

The Chamber will advocate for specific agency reforms, while also urging the District to consider a comprehensive, whole-of-government regulatory review process to reduce unnecessary delays and costs. This review should be informed by stakeholder input to ensure agency regulations and practices are cost-effective and not overly burdensome. Our goal is to help to create a more efficient and effective local regulatory regime that protects consumers, workers and residents, while facilitating business dynamism.

Promoting fiscal responsibility

The District faces fiscal pressures from declining commercial property tax revenues and reduced federal employment. Recent tax increases will impose an additional $402 million burden on residents and businesses. According to the D.C. Policy Center, throughout the four-year financial period beginning in FY2025, recurring expenditures are expected to consistently outpace recurring revenues, depleting the city's past savings by as much as $2.3 billion.

We urge policymakers to adopt a systematic approach to evaluate and reduce public spending. Rather than relying on tax increases, we urge District policymakers to balance our budget by fostering economic growth, reducing expenditures that have not proven to be good investments, and ensuring that our government uses taxpayer money efficiently and effectively.

Public safety

We applaud our public safety partners at the Metropolitan Police Department (MPD) for helping to decrease crime across the city. Still, public safety remains a top concern for the Chamber and its members. Crime has disproportionately impacted our smaller storefront business owners and workers. The Chamber will continue to support efforts to reduce street crime and enhance the safety of D.C. residents and businesses. We will advocate for appropriate levels of budgetary support for public safety, including funding for MPD officer recruitment, hiring, retention, and training, as well as non-MPD violence interruption programs that have demonstrated success.

Sustained economic growth and job creation

District policymakers have recently made exciting investments in our city's future. Most notably, Mayor Muriel Bowser proposed, and the Council approved a major capital investment in Chinatown to ensure the Capitals and Wizards remain at Capital One Arena. DC United now plays to sell-out crowds at our newest sports arena, Audi Field, with a proposal to further expand that stadium's facilities. And, in the biggest development opportunity in decades, the Council is now poised to approve a precedent-setting $2.7 billion private sector investment to bring the Washington Commanders home to D.C., playing in a new domed NFL stadium as an anchor for the economic development of more than 180 acres of land along the Anacostia River. These investments firmly root the District as one of, if not the, finest sports and entertainment venues in the country.

The District is also taking crucial steps to help incentivize the productive repurposing of its surplus commercial office space to attract and retain businesses and residents, especially downtown. We continue to support these efforts.

While funding for many of the most compelling features of Mayor Bowser's recent pro-growth budget proposal were redirected by the Council to other priorities, the Chamber remains a strong supporter of the Mayor's renewed emphasis on policies that promote higher levels of sustainable economic growth. That growth plan will not only help to create good-paying jobs for our residents but will also ensure a robust economic foundation from which to fund our highest affordable housing, health care, education and social services priorities.

In the coming year, the Chamber's advocacy for business growth and job creation will focus on:

- Encouraging public grant and loan programs to support District-based startups, business growth, and job creation
- Advocating for the streamlining of regulatory requirements and processes to help make them faster, cheaper and easier to successfully navigate
- Fostering partnerships between local employers and the District government to
- Providing educational and job training resources for residents
- Promoting the hiring of D.C. residents in both the private and public sectors, emphasizing opportunities for Certified Business Enterprises
- Creating new pathways to work for uncredentialed residents through collaboration with the Workforce Investment Council and the Department of Employment Services
- Advocating on-the-job training and apprenticeship programs, especially for underserved youth

EXECUTIVE SUMMARY

The District of Columbia's economic recovery is underway, with encouraging signs of progress amid various challenges. While overall activity has improved, the city must continue to grow in order to reclaim its pre-pandemic role as a regional employment center. The District's economy is grappling with a shrinking share of job activity, high office vacancy rates, stagnant nominal office rents, and waning entrepreneurial interest. These trends speak to the need for a policy agenda that invests in growth.

The District's economic position

Since the pandemic, the District has made important progress. The city has regained some ground as a physical center of regional work, and office occupancy rates have stabilized at around 50 percent of pre-pandemic levels. However, core office submarkets like the Central Business District and Georgetown face annual vacancy rates nearing 20 percent or higher. Annual office rents, when adjusted for inflation, have declined, reflecting weak demand and landlord concessions to retain tenants. Entrepreneurial activity has also slowed. The number of net new business establishments dropped by 69 percent between its 2021 peak and 2023, and business applications have also fallen from their highs early in the pandemic.

The District's labor market: An engaged resident workforce awaiting job growth

With an increasing number of District residents engaged in the labor force, the District's labor market awaits the job growth needed to drive its next expansion. As of early 2025, the resident unemployment rate in the District rose to 5.8 percent, and nonfarm employment remained 3.4 percent below 2019 levels. Job growth has stalled across nearly all sectors, with professional services showing recent declines and federal government employment contracting as well. Labor market dynamism—measured through job openings, hiring, and quits—has also declined, pointing to reduced employer demand and worker confidence. Business sentiment has followed suit: in April 2025, 80 percent of surveyed businesses expected the District's economy to worsen over the next six months.

Pivoting to innovation-driven growth

To secure long-term success, the District must pivot from office-centric development toward an economy that encourages experimentation, fosters innovation, and powers job growth. Investments in the vibrancy of the city will help attract talented residents, workers, and businesses—increasing the District's chances to emerge as a leading innovation or technological hub.

- Invigorating job growth through targeted, performance-based tax incentives focused on export-oriented industries that offer scalable employment opportunities.
- Diversifying the District's economy by cultivating emerging industry clusters and aligning workforce training with future-facing skill needs
- Fostering university-linked innovation by supporting research commercialization, expanding innovation infrastructure, and reforming tech transfer processes.
- Modernizing governance by simplifying permitting, regularly reviewing regulations, and embedding economic impact analysis into policymaking
- Investing in vibrancy by expanding the supply of housing, improving public infrastructure, and revitalizing downtown to attract and retain innovative residents, workers, and businesses

These strategies offer a roadmap for D.C. to build a more diverse, competitive, and dynamic economy. By enacting these policies and leveraging the city's existing strengths—a talented workforce, an array of respected research institutions, and a rich collection of civic assets—the District can reposition itself as a leading city characterized by efficiency, innovation, vibrancy, and growth.

CHAPTER 1
Economic activity and business performance

The District's economic recovery from the COVID-19 pandemic has progressed but it is not yet complete. While economic activity has improved since the start of the pandemic, it has not returned to its pre-2020 levels. The city has lost job activity, with fewer workers physically present given the shift to hybrid and remote work arrangements. Office occupancy remains just over 50 percent, and office vacancy rates are approaching 20 percent in key office submarkets like the Central Business District and Georgetown. Nominal office rents have stagnated, and in real terms, have likely declined. Business formation has also decelerated, reflected in fewer net new establishments, a drop in total business applications since the start of the pandemic, and slower growth in the number of private establishments. Together, these trends point to a weakening of the District's role as a hub for employment and business activity.

A shrinking share of regional job activity

The District's regional share of job activity, a measure of where workers physically perform their jobs, declined in the early years of the pandemic and has not recovered for most occupations. The shift to hybrid and remote work arrangements, coupled with changing employer location decisions, has pushed job activity into the suburbs and reduced the District's gravitational pull as a center of work.

While there has been some rebound from early in the pandemic, the recovery has been partial. For example:

- In education, legal, community service, arts, and media occupations, the District's share of job activity dropped from 33.3 percent in 2019 to 23.4 percent in 2021, before climbing back to 28.4 percent in 2023.
- In computer, engineering, and science occupations, the share declined from 25.2 percent in 2019 to 16.1 percent in 2021, before rising to 19.4 percent in 2023.
- Installation, maintenance, and repair was the only occupational group to see a notable increase in its share of job activity after the pandemic—rising from 11.7 percent in 2019 to 15.5 percent in 2023.

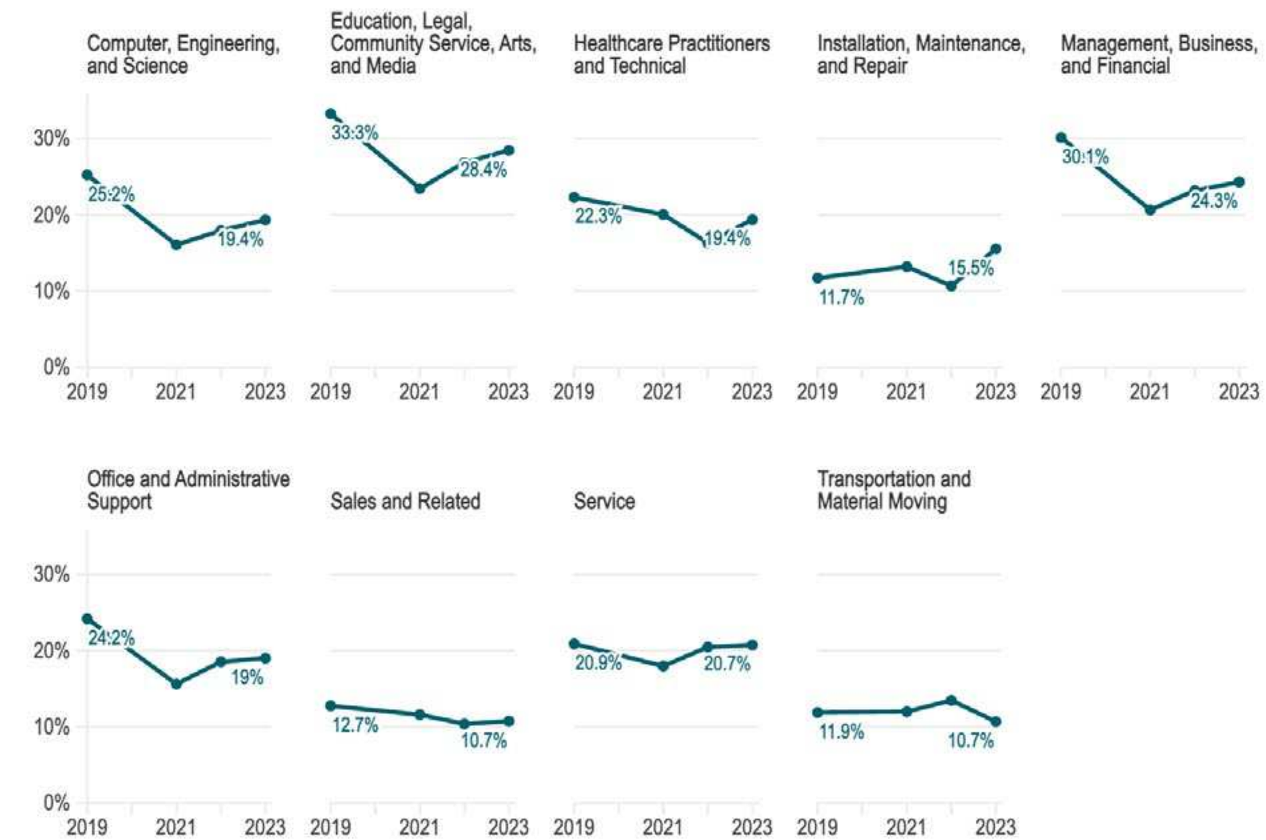
For most occupational categories, the lower share of job activity reflects not just temporary disruption, but a long-term realignment of the geography of work.

Office occupancy rates have stabilized at half of their pre-pandemic levels

The footprint of office workers in the District tells a similar story. As of April 2025, weekly office occupancy rates stood at just over 50 percent of pre-pandemic levels, with somewhat lower rates in the office-heavy Central Business District. The consequences are twofold:

- First, businesses that depend on office foot traffic, such as restaurants, retailers, and service providers, continue to struggle with reduced demand.
- Second, the commercial real estate market remains under strain from high vacancies and weak leasing activity.

Figure 1. Change in District of Columbia's regional share of job activity, 2019, 2021-2023.



Source: IPUMS American Community Survey (ACS), 1-year data, 2019, 2021-2023.

Figure 2. Weekly office occupancy rates, February 2020- April 2025.

Source: Kastle data borrowed from Office of Revenue Analysis D.C. Economic Dashboard.

Vacancy rates remain high across key office submarkets

At the end of 2024, the District's office vacancy rate was 17.5 percent, which was marginally higher than the regional rate of roughly 17 percent. Within the city, some traditionally vibrant commercial areas have even higher rates. The Central Business District and the East End, where vacancy rates were already rising before the pandemic, registered rates of almost 19 and 20 percent, respectively. Of the submarkets shown, Georgetown had the highest rate at 23.2 percent.

These high vacancy rates reflect not only the persistence of remote and hybrid work, but also the limited conversion of vacant space into alternative uses. Many buildings, especially older, less amenity-rich offices, remain ill-suited for the needs of tenants. In 2024, for instance, a little more than 29 million square feet of office space was vacant in the District.

Stagnant nominal office rents reflect muted demand for office space

Amidst elevated office vacancy rates, nominal gross office rents have stagnated. Between 2023 and 2024, rents in the District rose by less than one dollar, or 0.6 percent. Meanwhile, inflation, as measured by the Consumer Price Index, rose by 3 percent. Taken together, these numbers suggest that inflation-adjusted rents have declined by roughly 2.4 percent—indicating that landlords are accepting lower returns to maintain occupancy.

Subdued demand for office space partly reflects how technological advances—such as online commerce, remote work, and cloud-based data storage—have reduced businesses' need for large physical spaces. Along with higher construction costs and elevated interest rates, weak tenant demand has discouraged new investments in the District and the broader region. According to a recent report by Avison Young, the amount of office space under development in the D.C. metro region has hit a low not seen in more than two decades.

The data on net new establishments paints a concerning picture. At the start of the pandemic, the District experienced an increase in the number of net new establishments–peaking at an annual quarterly average of 546 in 2021. However, between 2021 and 2023, the number of net new establishments plummeted by 69 percent. This decline has been driven by an increase in establishment deaths and, to a lesser extent, a decrease in establishment births.

Figure 3. Annual office vacancy rates in select submarkets, 2010-2024.

Source: CoStar.

Figure 4. Nominal annual office gross rents in select submarkets, 2010-2024.

Source: CoStar.

Entrepreneurial activity in the District has cooled

Similar to the data on net new establishments, the early years of the pandemic saw a surge in business applications. However, this surge was not sustained:

- High-propensity applications—those most likely to become employer businesses — peaked at an annual monthly average of 385 in 2021 before tapering off to 361 in 2024.
- Applications from businesses with planned wages declined from a peak of 152 in 2021 to 140 in 2024.
- The decline in applications signals a cooling entrepreneurial environment and a reduction in business confidence.

Private establishment growth in the District has slowed

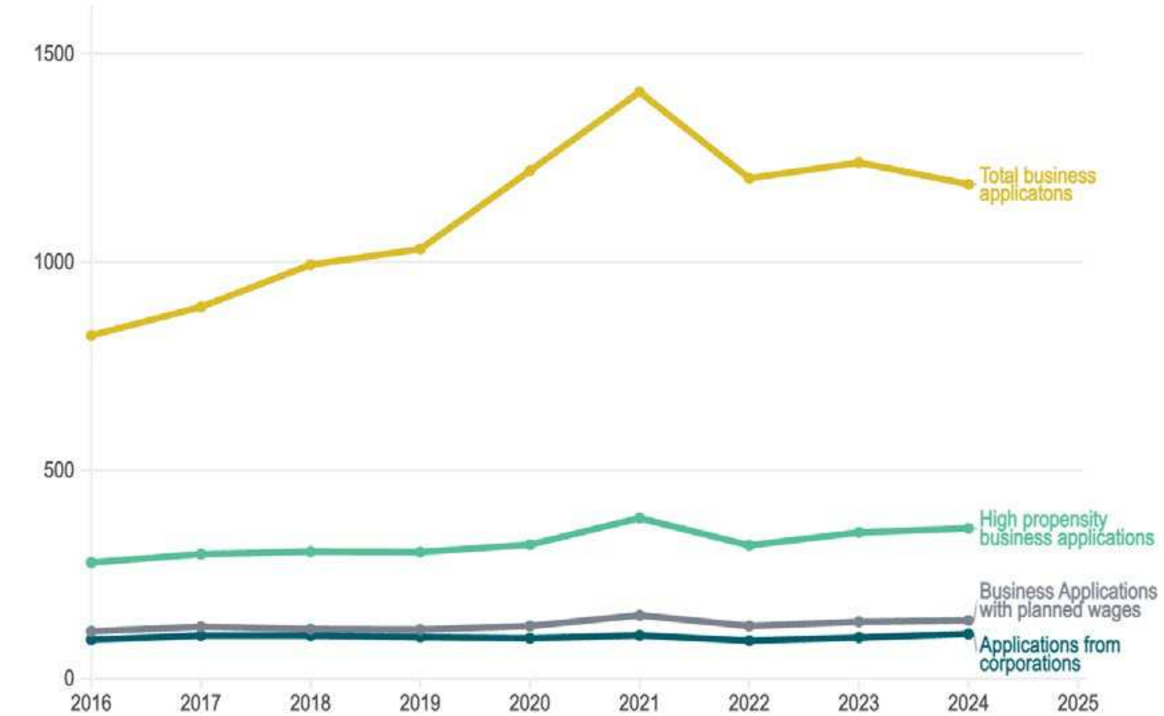
Private establishment growth in the District of Columbia slowed between 2023 and 2024, increasing by just 1.6 percent. This slowdown represents a deceleration compared to the growth in previous years: 9.5 percent between 2021 and 2022, and 6.1 percent between 2022 and 2023. In fact, all but one sector shown experienced slower establishment growth from 2023 to 2024 than from 2022 to 2023.

Whether this reflects broader macroeconomic uncertainty, cost pressures, or concerns about the District's competitiveness remains an open question. But the signal is clear: the appetite to start new businesses in D.C. has diminished.

Figure 5. Business establishment births, deaths, and net new establishments in the District of Columbia, 2014-2023.

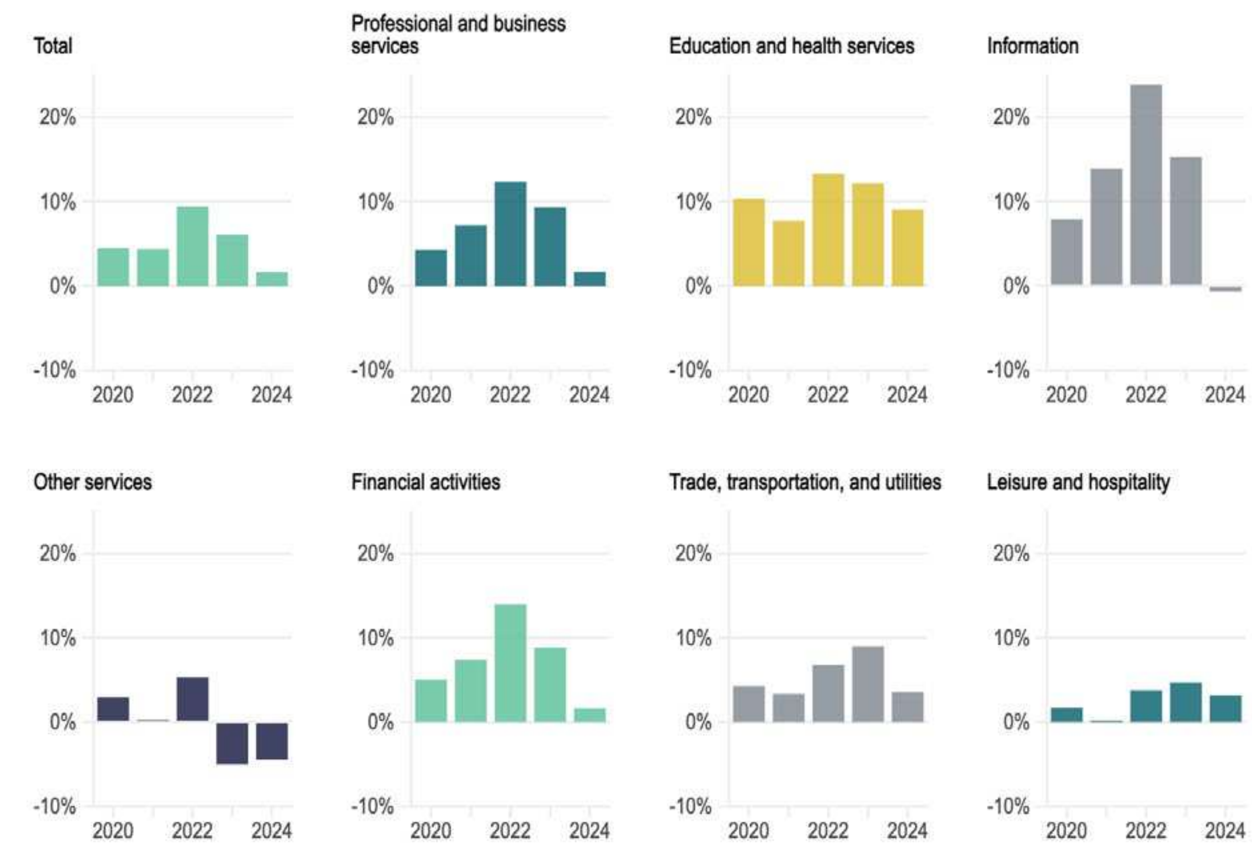
Source: U.S. Bureau of Labor Statistics, Business Employment Dynamics. Values represent quarterly average for the year.

Figure 6. Business applications in the District of Columbia, 2016-2024.



Source: Business Formation Statistics.
Note: Values represent annual monthly average.

Figure 7. Percentage change from the previous year in the number of private establishments in the District of Columbia.



Source: Quarterly Census of Employment and Wages (QCEW).

CHAPTER 2
An updated picture of the labor force

The District's labor market has softened. Although labor force participation has improved since the pandemic, job creation has not kept pace. The unemployment rate has risen, nonfarm employment remains below its pre-pandemic level, and labor market churn—measured through job openings, hiring, and quits—has slowed. These trends point to a labor market characterized by modest demand from employers and increasing slack among jobseekers.

A labor market awaiting job growth

Between January and April 2025, the District's resident unemployment rate increased from 5.3 percent to 5.8 percent. This increase continued a trend that began after the unemployment rate reached a pandemic-era low of 4 percent in mid-2022. This rise signals a labor market where the pace of hiring is insufficient to absorb growing labor force participation.

In absolute terms, the number of unemployed District residents increased from 22,300 to 24,409 in the first four months of 2025–an increase of approximately 9.5 percent. Over the same period:

- The number of residents in the labor force (working or seeking work) increased by 0.8 percent.
- The number of employed residents increased by only 0.3 percent.

This imbalance is the result of residents joining the labor force faster than jobs are being created.

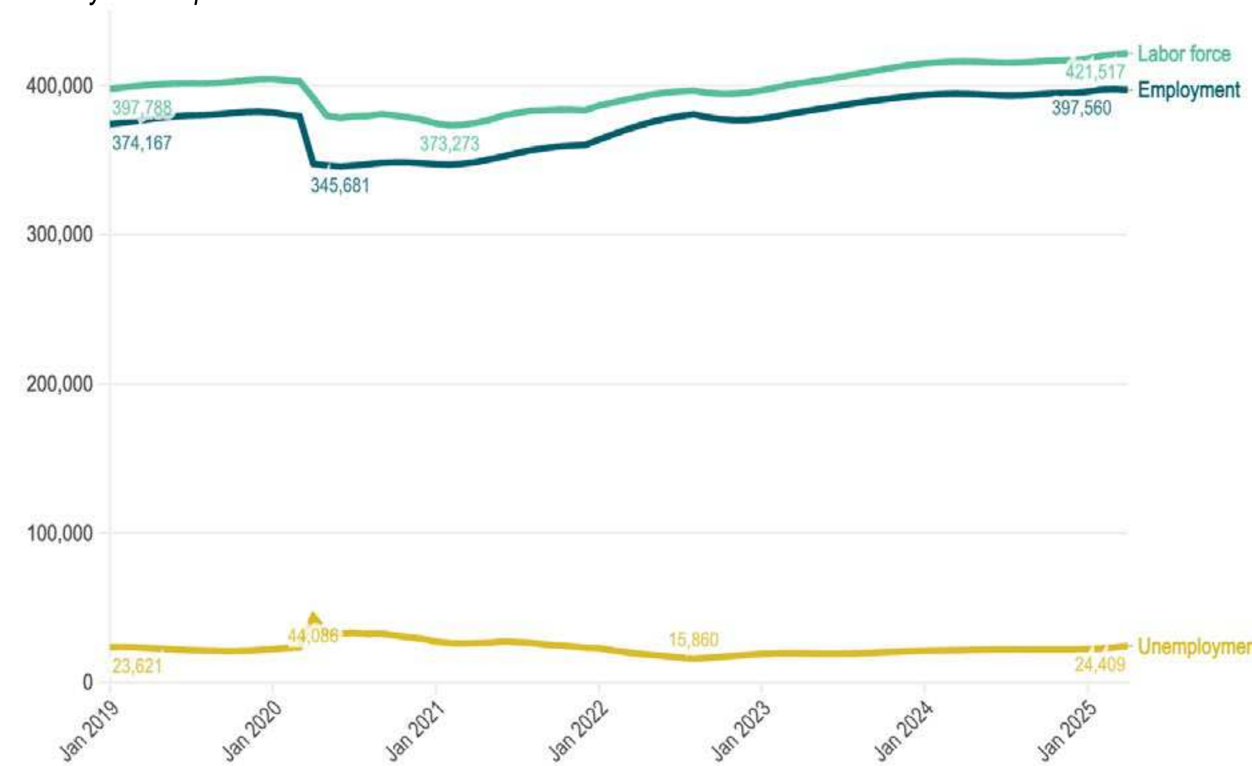
Labor force participation is a bright spot
Despite lackluster employment growth, labor force participation continues to climb from its pandemic low. In April 2025, 72.4 percent of D.C. residents were in the labor force, up from 68 percent in May 2020. This uptick is an encouraging sign; more residents are re-engaging with the labor market, either by taking jobs or by actively seeking them. Still, rising labor force participation must be met with rising employment. Otherwise, greater labor force participation translates to higher unemployment.

Job recovery remains incomplete—especially outside professional services

Nonfarm employment in the District, which includes anyone working for a D.C.-based establishment, regardless of where they reside, remains 3.4 percent below its 2019 level. In other words, compared to its pre-pandemic baseline, there has been a loss of almost 30,000 jobs.
The sector-level breakdown shows an uneven recovery:

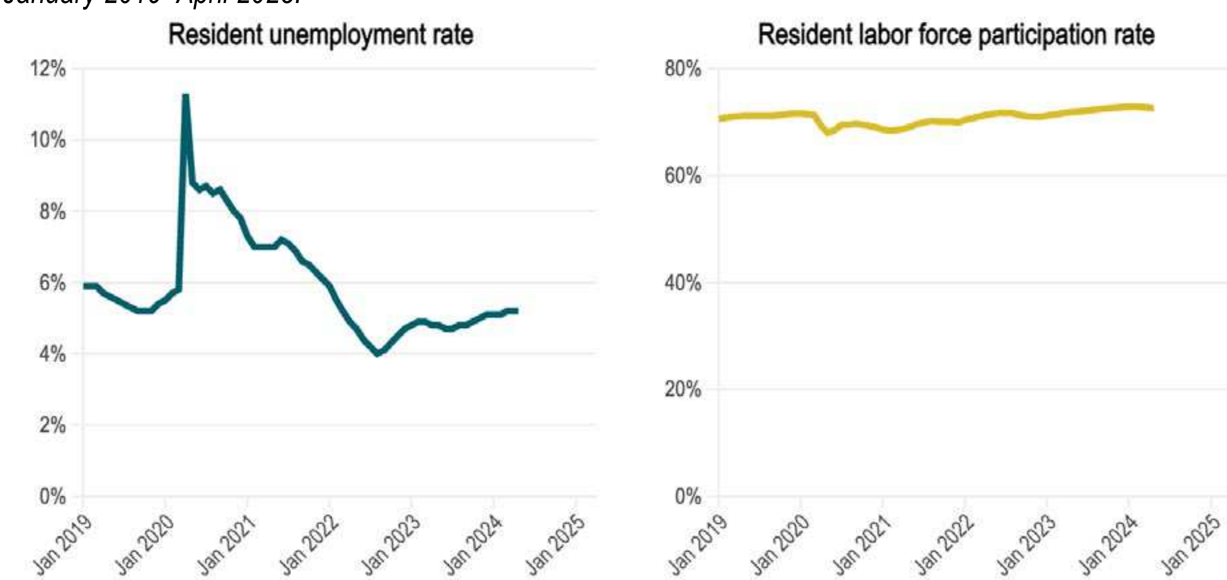
- Government employment is down 0.4 percent compared to its 2019 level.
- Leisure and hospitality, once among the city's strongest employment engines, remains roughly 6 percent below its pre-pandemic level.
- Only the professional and business services sector surpassed its 2019 employment total, although even this sector experienced a setback in 2024, shedding more than 2,500 jobs.

Figure 8. District of Columbia resident labor force, employment, and unemployment levels, January 2019-April 2025.



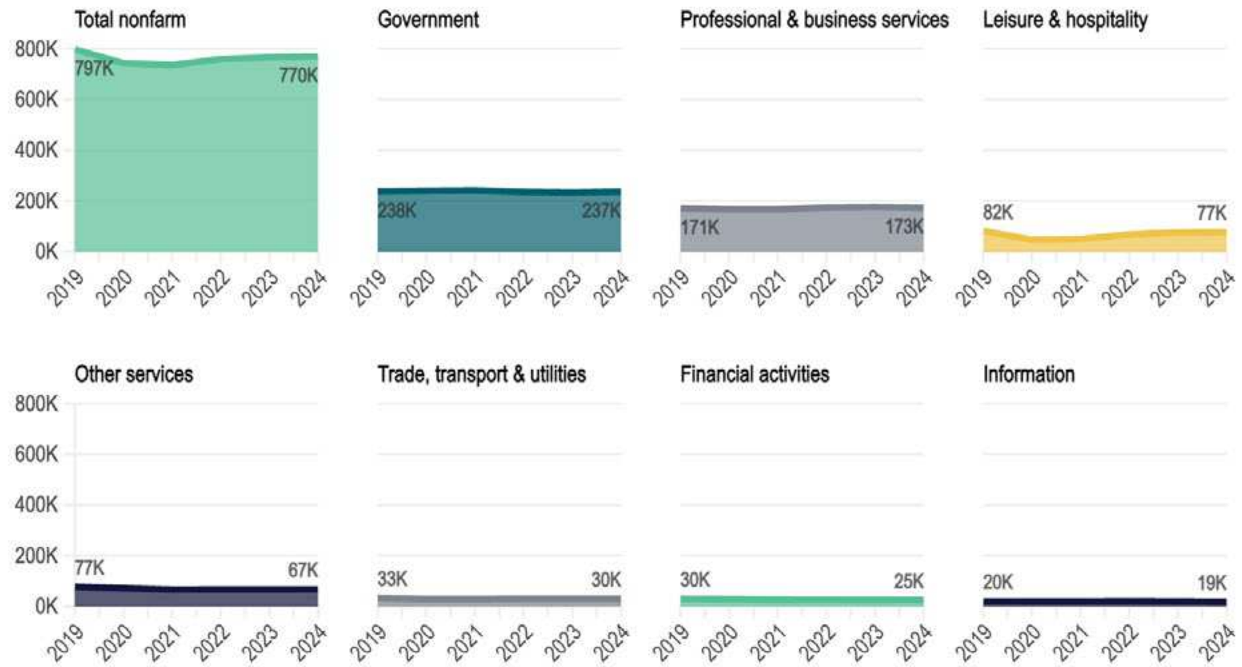
Source: U.S. Bureau of Labor Statistics - Local Area Unemployment Statistics (LAUS).

Figure 9. District of Columbia resident unemployment rate and resident labor force participation rate, January 2019- April 2025.



Source: U.S. Bureau of Labor Statistics - Local Area Unemployment Statistics (LAUS).

Figure 10. Annual employment by industry in the District of Columbia, 2019-2024.



Source: U.S. Bureau of Statistics - Current Employment Statistics (CES) - State and Metro Area Employment, Hours, & Earnings.

In 2024, most sectors experienced marginal changes in employment compared to the previous year. For example, the professional and business services sector had a net loss of 2,575 jobs, while leisure and hospitality posted a net gain of 1,125 jobs. Notably, the government sector in the District recorded some of the most substantial gains among all industries, adding 3,325 jobs year over year. However, due to ongoing efforts to downsize the federal government, employment growth in government had already turned negative by May 2025 with a loss of 3,300 jobs.

The number of federal government employees in the District has declined unevenly since 2019, in contrast to more stable trends in the broader region and the nation. Moreover, the District, the broader D.C. region, and the nation all experienced declines in federal employment between 2024 and May 2025. These declines likely reflect the cuts to the federal workforce, and the data shown may not yet capture the full extent of the decline. If federal employment in the District continues to shrink through 2025, the local labor market will likely further weaken.

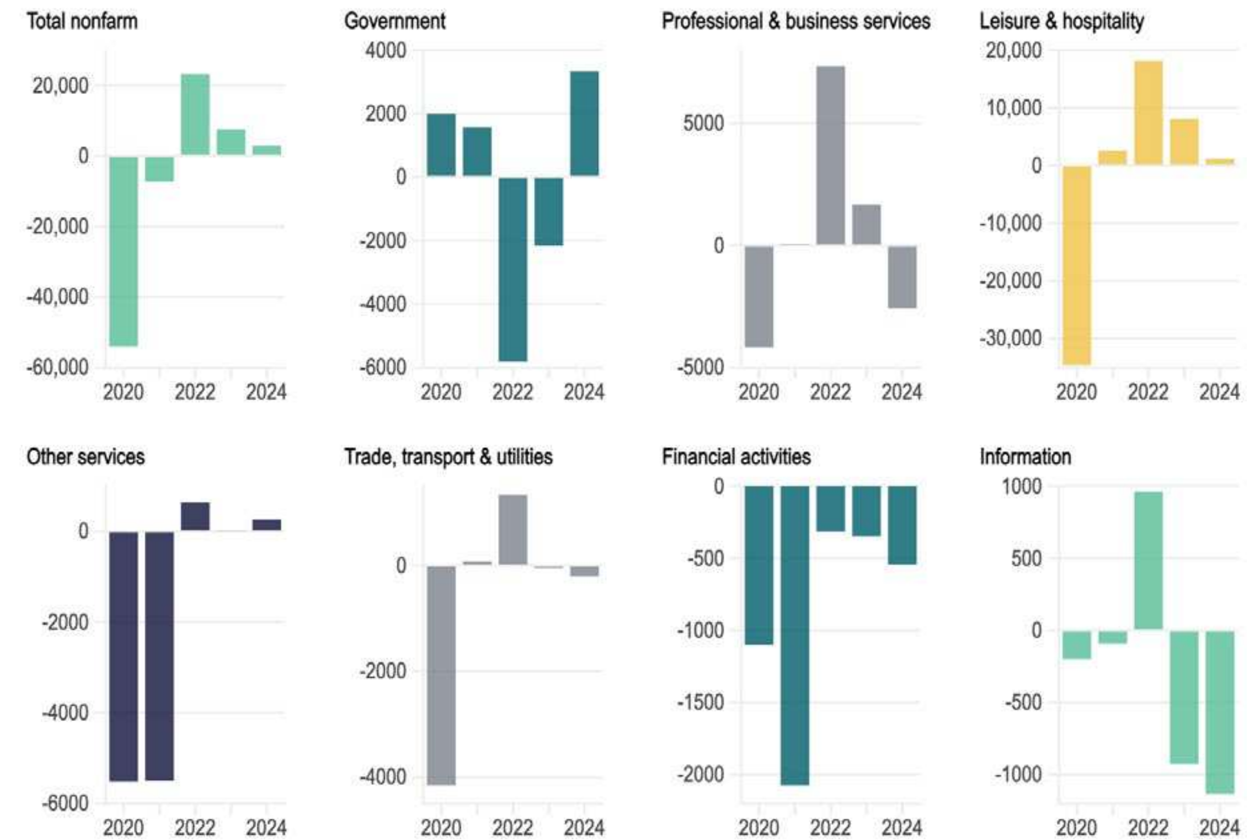
Declining job openings and quits signal a weakening labor market

Indicators of labor market dynamics also show signs of softening. The job opening, hiring, and quit rates have all declined in recent years.

- During the COVID-19 pandemic, the job opening rate in the District climbed to a high of 6.6 percent in July 2022 before declining to 3.4 percent by March 2025. This marks the lowest job opening rate since September 2020.
- The hire rate fell from 3.9 percent in October 2021 to 2.3 percent in March 2025.
- The quit rate declined from 2.5 percent in September 2022 to 1.8 percent in March 2025.

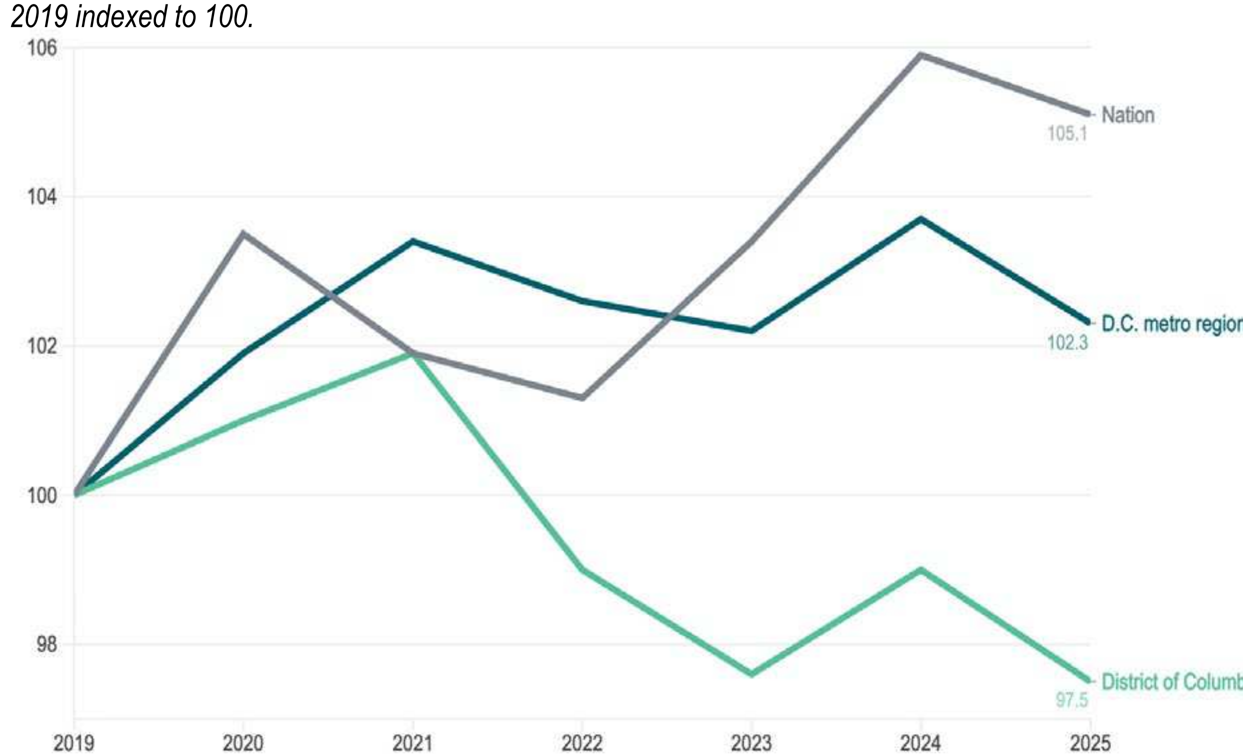
Taken together, these indicators suggest that the local labor market has lost momentum in recent years. The drop in job openings and hires reflects weakening employer demand, while the decline in quits indicates reduced worker confidence in transitioning between jobs.

Figure 11. Year-to-year job changes by industry in District of Columbia, 2019-2024.



Source: U.S. Bureau of Statistics - Current Employment Statistics (CES) - State and Metro Area Employment, Hours, & Earnings.

Figure 12. Federal government employment in the District, region, and the nation, 2019- May 2025, 2019 indexed to 100.

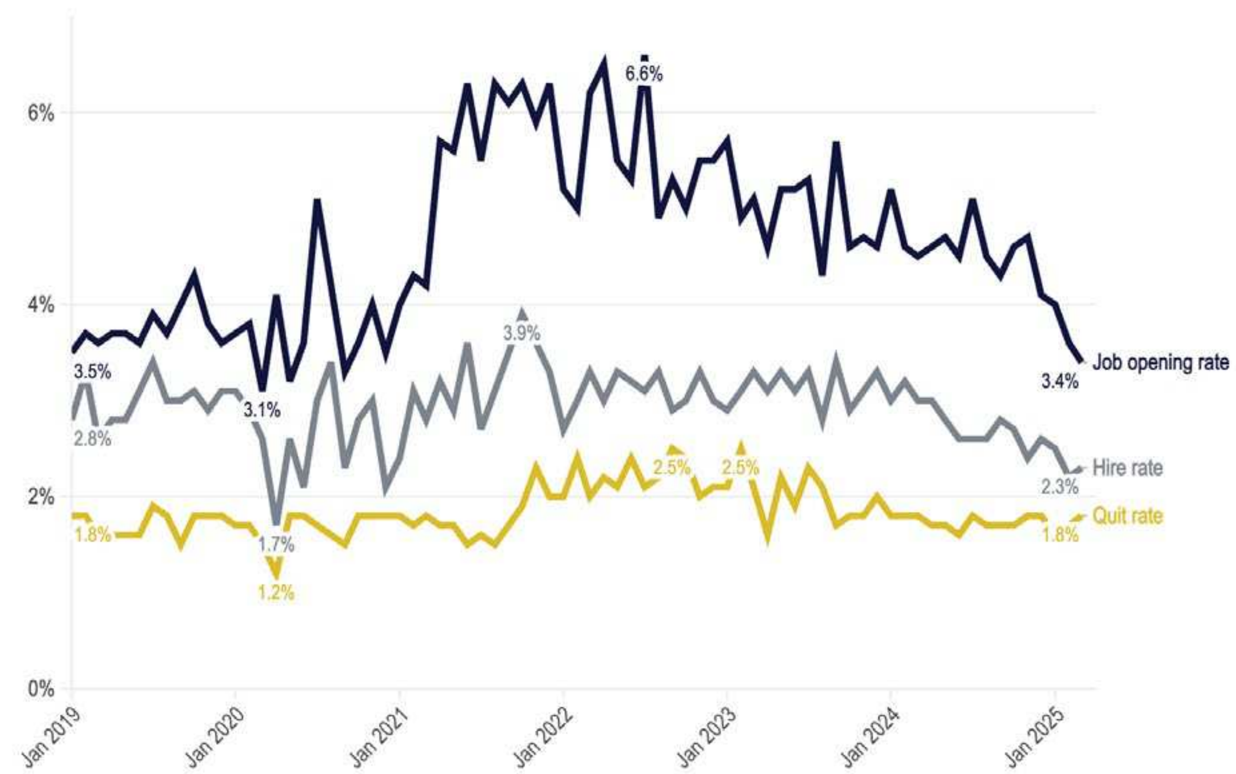


Source: Federal Reserve Bank of St. Louis, FRED (Series: SMU11479009091000001, CEU9091000001, SMU11000009091000001).

Businesses expectations of the District's economy deteriorated in early 2025

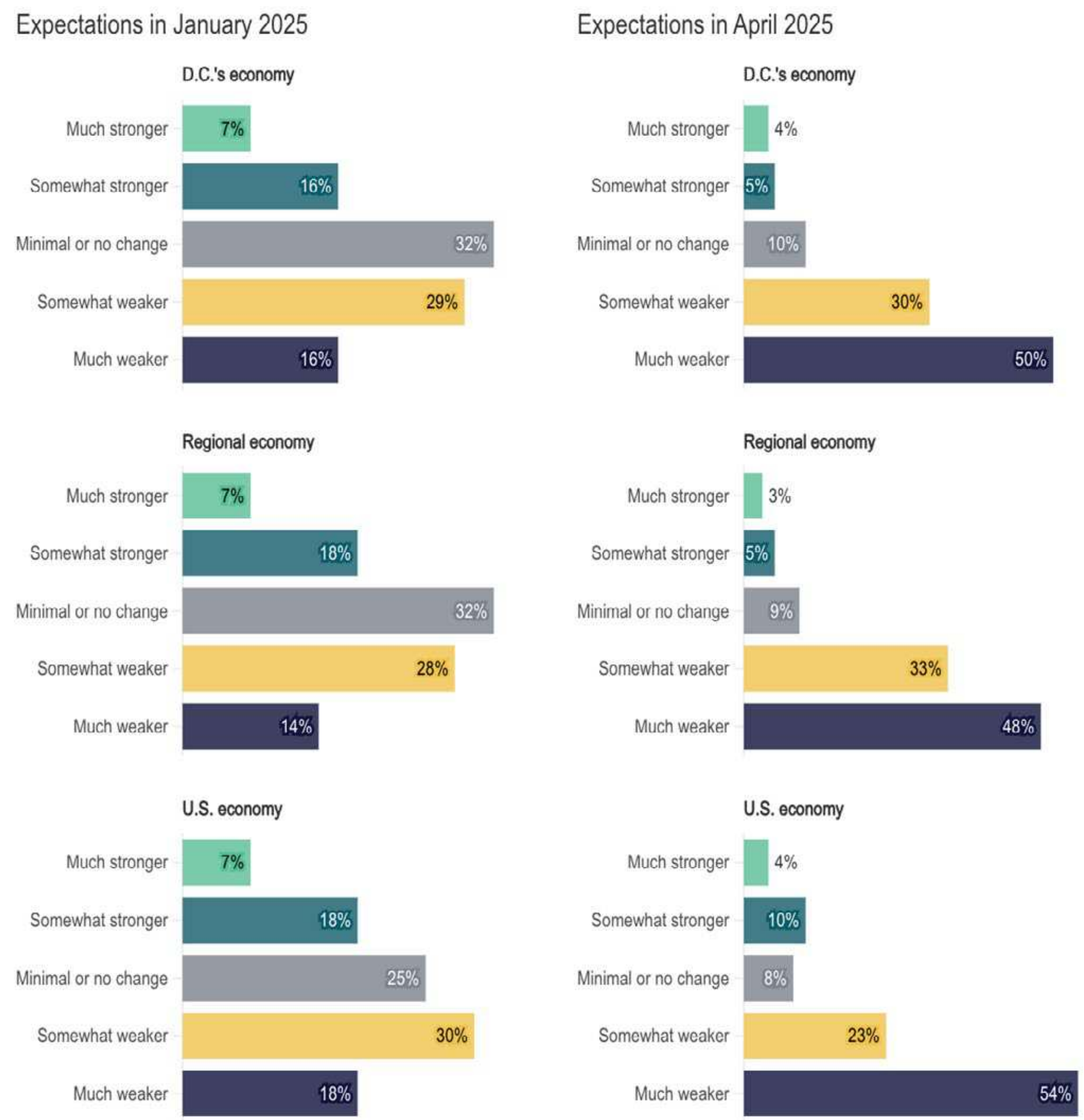
The D.C. Policy Center's Quarterly Business Sentiment Survey (QBSS) indicates that businesses do not expect economic conditions to improve any time soon. In fact, between January and April 2025, the economic outlook of surveyed businesses became increasingly pessimistic. In January 2025, 45 percent of surveyed businesses expected the District's economy to weaken over the next six months. By April, that number surged to 80 percent. The greater pessimism likely stems from uncertainty around federal trade and immigration policies and, perhaps to a lesser extent, cuts to the federal workforce.

Figure 13. District of Columbia job opening, hire, and quit rates, January 2019 to March 2025.



Source: U.S. Bureau of Labor Statistics - Job Openings and Turnover Survey (JOLTS).

Figure 14. Six-month expectations of local businesses for the local, regional, and national economies.



Source: D.C. Policy Center's Quarterly Business Sentiments Survey, Q1 2025 & Q2 2025.
Note: Samples differ from round to round. Responses are weighted by industry composition in the D.C. region.

CHAPTER 3
Investing in growth

To remain competitive in a changing economic environment, the District must move toward a more dynamic, innovation-driven economy. This pivot requires five complementary strategies: invigorating job growth, diversifying the District's economy, fostering university-linked innovation, streamlining government operations, and investing in vibrancy.

Invigorate job growth with well-designed tax incentives

Why it matters: Export-oriented industries—those that sell goods and services to a larger market than just the region itself—tend to generate more jobs than those only serving the local market.

How to do it:

- *Design sector-specific credits.* Offer graduated tax credits or exemptions for professional, scientific, and technical services firms that expand payroll or invest in new facilities.
- *Tie incentives to employment metrics*. Ensure credits scale with job creation, not just investment, to reward firms that expand the workforce.
- *Review and sunset regularly.* Institute automatic reviews to phase out incentives that no longer drive growth or that fail to meet benchmarks.

Diversify the District's economy

Why it matters: The decline of traditional office demand—accelerated by online commerce, remote work, and cloud computing—suggests that the District would be well-advised to reduce its dependence on office-reliant industries and to foster the conditions that maximize the chances for innovation-driven growth.

How to do it:

- *Cultivate emerging clusters.* Offer proof-of-concept grants to emerging establishments that can show employment scale.
- *Leverage workforce training.* Partner with community colleges and career and technical education providers to align curricula with the skill needs of new industries.

Promote innovation through public and private support of local universities and research institutions

Why it matters: Innovation is hard to engineer through government policy alone. History shows that several breakthrough ventures have originated in academic settings: Facebook at Harvard, Dell at the University of Texas, and Google at Stanford. These examples highlight the role universities play in fostering innovation. Importantly, the District already has a strong foundation on which to build. It is home to nationally recognized universities such as George Washington University, Georgetown University, American University, and Howard University, as well as a range of nonprofit and government research institutions.

How to do it:

- *Seed grant competitions.* Sponsor annual contests that reward faculty and student teams for commercially promising research, with follow-up support for prototype development.
- *Innovation hubs.* Transform underutilized city spaces into accelerator-style, co-working facilities staffed by mentors, with proximity to both university and government labs.
- *Technology transfer reforms.* Work with university tech-transfer offices to streamline licensing and lower barriers for spin-off formation.

Foster a more efficient, effective government and regulatory environment

Why it matters: Efficient, data-driven governance improves service delivery, reduces costs, and enhances the investment climate.

How to do it:

- *Cross-agency "one-stop" portals.* Consolidate permitting, licensing, and compliance processes under a unified digital platform with clear timelines and real-time tracking.
- *Regulatory review.* Establish a periodic review process every three years to assess whether existing rules achieve intended outcomes or impose undue burdens.
- *Economic impact analysis of regulatory and tax policy.* Establish a formal economic impact analysis process focused on business operating costs, compliance burdens, time-to-market, and the cost of goods and services.

Invest in vibrancy

Why it matters: A vibrant city— one which combines affordable housing, reliable transit, safe streets, quality schools, and engaging public spaces—attracts and retains top talent. D.C. must invest in such initiatives, including but not limited to revitalizing downtown.

How to do it:

- *Build more housing.* Legalize the building of more housing and make the process simpler. With more people working remotely, housing affordability is an important factor that people consider in their decisions to stay or move.
- *Double-down on key city functions.* Strengthen community policing efforts and rapid-response maintenance crews to keep sidewalks clean, lighting functional, and residents confident in their surroundings.
- *Downtown revitalization and public realm improvements.* Invest in high-quality parks, plazas, and cultural programming in downtown and emerging neighborhoods to create 24-hour activity nodes.

By aligning tax policy with job growth, diversifying the economy, nurturing university-born innovation, optimizing government performance, and investing in the city's vibrancy, D.C. can build a foundation for economic prosperity. These strategies will not only attract new businesses and talent, they will ensure that the District remains a dynamic, inclusive, and forward-looking capital city for decades to come.

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