



COUNCIL OF THE DISTRICT OF COLUMBIA

COMMITTEE ON TRANSPORTATION & THE ENVIRONMENT

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COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

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SUBJECT: Summary of the Joint Public Roundtable on The Revitalization of Cleveland Park's Commercial Corridor

Cleveland Park is a vibrant and historic¹ neighborhood located to the west of Rock Creek Park in the Northwest quadrant of the District of Columbia. Predominantly residential, Cleveland Park is a low-crime area with a healthy mix of high-income families and professional singles living in the neighborhood.² Residents enjoy a number of public transportation options, including the Cleveland Park Metro and five bus lines. The neighborhood has received a walkability score of 86 out of 100 and 65% of households own at least one vehicle within a three-mile radius of the business corridor³. The commercial district consists of several unique retail stores, restaurants, grocers, and convenience stores, many of which have been in their locations for years. Despite the promising neighborhood profile and coordinated efforts among small business owners, the Cleveland Park commercial corridor has experienced a number of challenges and business closures over the past several years.

In 2016, two-thirds of area business owners who were surveyed indicated that business was declining in Cleveland Park.⁴ That claim appeared to be substantiated

¹ Much of the Cleveland Park neighborhood is designated historic by the District's Office of Planning and is included in the National Register of Historic Places by the National Park Service. Cleveland Park's eastern commercial corridor, along Connecticut Avenue, NW, lies within the Cleveland Historic District. More information is available at <https://planning.dc.gov/node/593112>.

² Jon Stover & Associates, *Commercial Market Analysis & Enhancement Strategy For Cleveland Park*, Oct. 2016.

³ *Ibid.*

⁴ Jon Stover & Associates, *Commercial Market Analysis & Enhancement Strategy For Cleveland Park*, Oct. 2016.

when, nearly a year later, two well-established local restaurants closed in the commercial corridor within the span of a week.⁵ There are several potential causes of the decline, and the problem appears to involve a number of factors. Increased competition has created a strain on many businesses as the District's restaurant scene has expanded to new neighborhoods.⁶ At the same time, customers are drawn away from historical neighborhoods like Cleveland Park in favor of the new up-and-coming areas like 14th Street, Mt. Pleasant, Shaw, and the H Street Corridor. Additionally, aging buildings have made it difficult for restaurants to modernize and historic preservation codes make it difficult to change or improve the facades of existing buildings.⁷ Only certain types of businesses can effectively use these spaces due to the limited opportunity to make changes. As in other District neighborhoods, high rents remain a challenge for small businesses. In the Cleveland Park commercial district, each square foot costs anywhere between \$70 and \$90,⁸ in contrast to the average retail rate of \$46.59 per square foot.

To examine the issues facing the Cleveland Park commercial corridor and consider potential solutions to problems identified, the Committee on Transportation & the Environment and the Committee on Business & Economic Development convened a Joint Public Roundtable on the Revitalization of Cleveland Park's Commercial Corridor. The roundtable was held on July 12, 2017, at the University of the District of Columbia. The committees heard from government officials, business owners, and witnesses from the public. In addition to live testimony, the committees also received written submissions. This report is meant to memorialize the roundtable, capture and synthesize the testimony received, and suggest next steps. This report is not meant to be a complete survey of what the District government might do to encourage and promote the vitality of Cleveland Park, but rather it offers a sketch of areas for engagement and describes what might be potential avenues for action.

Several residents testified at the roundtable that the neighborhood is not, in fact, in decline. Instead, these longer-term residents interpret the pattern of business turnover as part of a cycle, and that Cleveland Park will naturally rebound and become a popular destination again. And, indeed, there is evidence to support the notion that current conditions along the commercial corridor simply reflect the ebb and flow of commercial activity. Indeed, since the roundtable, it was announced that Target will be moving into the Park & Shop on Connecticut Avenue, bringing over

⁵ For example, one restaurant that recently closed, Nam-Viet, had been in Cleveland Park for twenty years, and another, Ripple, had been in the neighborhood for seven. Rachel Chason, *Restaurant closings energize debate about Cleveland Park's future*, WASHINGTON POST, Jun. 22, 2017. The space where Ripple was will soon reopen with a new restaurant.

⁶ Over one hundred new establishments opened in the fall of 2016. Rachel Nania, *Why DC's Cleveland Park is losing its restaurants*, WTOP, Jul. 6, 2017.

⁷ Zak Salih, *Cleveland Park: Respecting the Past, Debating the Future*, DC URBAN TURF, Apr. 14, 2017.

⁸ Rachel Nania, *Why DC's Cleveland Park is losing its restaurants*, WTOP, Jul. 6, 2017.

23,000 square feet of retail.⁹ Moreover, several restaurants that had been closed are now or will soon be occupied with other businesses. However, a 2016 commercial market analysis conducted by the Department of Planning and Economic Development (DMPED) concluded that the customer base of the neighborhood is declining.¹⁰ Although the analysis took place before multiple business closures in 2017, DMPED's findings provide valuable insight into the ways the local government can provide assistance to the commercial corridor. And whether or not there are natural business forces that are exaggerating those effects, it is worth considering how the District government might ensure a vibrant commercial corridor for the neighborhood, the ward, and the District. DMPED's report suggested four retail enhancement opportunities: growing and strengthening the Cleveland Park Business Association, continuing to attract and serve local residents, capturing a larger share of Connecticut Avenue commuters, and attracting more visitors from outside neighborhoods.¹¹ Taken together with DMPED's Commercial Market Analysis & Enhancement Strategy for Cleveland Park, this report will help guide efforts by the Committees in considering possible legislative strategies. Potential solutions generally fall into three categories: physical improvements to the neighborhood, improved coordination among businesses, and government-sponsored financial relief.

Physical Improvements

Cleveland Park, though a beautiful and historic neighborhood, does suffer from some physical challenges. To improve pedestrian safety and generally improve the physical character of the commercial corridor, the Council allocated \$1,550,000. The majority of that money was spent on improvements to intersection signal timing and design, as well as substantial pedestrian safety enhancements. Slightly less than \$500,000 remains to be used to improve the street furniture and public space along Connecticut Avenue. That streetscape work has remained undone, however, because of drainage issues along the corridor and, in particular, the resulting flooding at the Cleveland Park Metrorail station. The District Department of Transportation (DDOT) has studied the drainage issue and recently concluded that more significant drainage remediation will be necessary than originally conceived, necessitating the excavation of Connecticut Avenue and surrounding roads.

A larger project, that combines the original streetscape improvements with the necessary drainage remediation, will not only use the remainder of the original allocation but also will likely require additional funding. This larger project will improve the appearance of the corridor, promote walkability around the Metro entrances, and eliminate the need for the unsightly sandbags alongside the East Metro entrance. Once the full cost of the combined project is known, further funding

⁹ Michael Neibauer, *Target comes to Cleveland Park*, Washington Business Journal, Nov. 2, 2017.

¹⁰ Jon Stover & Associates, *Commercial Market Analysis & Enhancement Strategy For Cleveland Park*, Oct. 2016.

¹¹ *Ibid.*

to cover that cost will need to be included in an approved District budget. Current consensus among neighbors favors delaying the installation of new street furniture until the stormwater drainage work is complete, and therefore limiting the disruption to the corridor to one time frame rather than two. Delaying that work will also allow the District government to evaluate whether additional funding will be necessary to realize a refurbished public space in the commercial corridor.

The problem of the lack of parking was brought up repeatedly at the public roundtable. Many residents testified that friends and family who didn't live in the neighborhood were deterred from visiting it because it is hard to find a parking space. Shoppers appeared to be much more likely to simply choose another neighborhood to visit or dine where parking is more accessible. Additionally, in the survey of business owners in the Commercial Market Analysis & Enhancement Strategy, 86% said that lack of available parking was one of the biggest challenges that their businesses are facing.¹² If Cleveland Park wants to draw in people from other neighborhoods to patronize local businesses, it is important to address this issue and make the neighborhood easy to access for people who want to drive their own vehicles. One solution that was brought up at the roundtable was using 27th Street for parking rather than Connecticut Avenue. Specifically, residents and the CPBA have identified that the use of Connecticut Avenue's reversible traffic lane, which causes parking to be prohibited from 4:00pm to 7:00pm, has significantly impeded access to the businesses on Connecticut Avenue. A DDOT study of this traffic pattern could be useful in determining the best solution for this problem.

Beyond the public space, physical improvements to the facades of businesses can help create a sense of renewal and cohesive branding. The District of Columbia's Great Streets program can be a valuable resource for such an effort. The program describes itself as "a three-prong, commercial revitalization initiative to transform emerging corridors throughout the District of Columbia into thriving and inviting neighborhood centers" by awarding grants to small businesses. The Great Streets Retail Small Business Reimbursement Grants, up to \$50,000, are available in legislatively designated Retail Priority Areas. Although Cleveland Park's Connecticut Avenue commercial corridor was designated a Retail Priority Area beginning in Fiscal Year 2014, the Office of the Deputy Mayor for Planning & Economic Development has stated that not many businesses have taken advantage of this opportunity.¹³ The application requires several forms and the grant is competitive, but it is a valuable opportunity nevertheless.¹⁴ Continued advertising and outreach to businesses directly could help establishments receive these grants.

¹² Jon Stover & Associates, *Commercial Market Analysis & Enhancement Strategy For Cleveland Park*, Oct. 2016.

¹³ Andrew Trueblood, the Chief of Staff in the Office of the Deputy Mayor for Planning & Economic Development, testified at the public roundtable on behalf of the office.

¹⁴ Great Streets, *Great Streets Small Business(s) Grant*, www.greatstreets.dc.gov/page/small-business-business-grants.

Coordination Among Businesses

Testimony at the roundtable highlighted that many of the perceived problems with the corridor can be addressed by coordination among businesses, with help from the District Government. Indeed, there have already been initial attempts at this kind of coordination: in an effort to reengage local residents, a number of Cleveland Park businesses began providing neighborhood discounts and specials for those with 20008 and 20016 area zip codes.¹⁵ A prime tool to effect that coordination will be the Cleveland Park Business Association (CPBA), which was founded in 2009 with the objective of improving the local business climate, guiding upgrades to the area's ambiance and appearance, and promoting the area as a shopping district. Several residents who spoke at the roundtable mentioned the importance of working with and strengthening the CPBA. The organization's stated purposes are to "foster an improved business climate in the CPBA Service Area, improve the appearance and ambiance of the CPBA Service Area, combat crime and improve security in the CPBA Service Area, and promote the CPBA Service Area as a shopping district."¹⁶ Working to achieve these goals will make Cleveland Park a safer and more popular destination. Organizations like the CPBA help businesses form a community within the neighborhood and can serve as an effective liaison between the government and business owners. Recently, the CPBA expanded its boundaries to include businesses in Woodley Park, and thus it formed a larger community association. At the public roundtable, the CPBA made several suggestions for improvements, including growing and strengthening the Association to "foster stronger collaboration and help constituents adapt to changing conditions and address their core needs."

By converting the CPBA into a Main Street, the association could access government funds to employ full-time staff. The Main Streets Program works to improve commercial corridors and "revitalize communities by retaining and recruiting businesses, improving commercial properties and streetscapes, and attracting consumers."¹⁷ Instead of giving grants to individual businesses like the Great Streets Program, the Main Streets Program focuses on an entire community or neighborhood at once. Operated through the Department of Small & Local Business Development (DSLBD), the program provides grants to non-profit neighborhood programs to assist commercial revitalization efforts. The non-profit entity is able to leverage those grants, along with fundraising, to coordinate the efforts of individual businesses.

¹⁵ Prince Of Petworth, "*First things first: Nanny O'Briens is not closing its doors!*" but "*is struggling to break even on some months. We are now looking to you, our neighbors and friends, for support.*", POPVILLE, Aug. 31, 2017.

¹⁶ Cleveland Park Business Association, *Business Overview*, www.cpbiz.org.

¹⁷ Department of Small and Local Business Development, *DC Main Streets Program*, www.dslbd.dc.gov/service/DCMS.

In the recent past, Main Streets have been jump-started with legislative language that designates and funds an initial grant, after which the non-profit applies for grants from the general DC Main Street Program fund. The CPBA could serve as a non-profit vehicle for a Main Street program in Cleveland Park. The CPBA has valuable existing relationships with establishments in the neighborhood and has expressed interest in having more coordinated façades and signage among businesses. Each Main Street program is unique, but all aim to advance the neighborhood's physical characteristics, economic viability, and brand. Branding Cleveland Park as a Main Street could help it become a more popular destination among consumers. This program has already shown success in two other locations in Ward 3: Tenleytown Main Street and Van Ness Main Street.¹⁸ The Main Street programs in the District have created over a thousand jobs and fostered the opening of seventy new businesses.¹⁹

Coordination branding by a Main Street program could draw diners and shoppers back to Cleveland Park as an exciting neighborhood to visit. According to DMPED, there are three main constituencies of people who patronize Cleveland Park businesses: local residents, commuters who utilize Connecticut Avenue, and visitors to the area (especially visitors to the National Zoo). The National Zoo is just south of Cleveland Park's commercial corridor and is a valuable resource to the businesses in this area. With proper improvements and marketing, visitors to the National Zoo could be persuaded to explore the Cleveland Park neighborhood as well. Targeting and advertising to these groups could help improve tourist awareness of the Cleveland Park neighborhood. Showcasing Cleveland Park's unique features, like the historic facades of the buildings, could attract people to visit the neighborhood over others. Hosting festivals and public events in the area could also help draw people in from other parts of the District. And, a coordinated brand could unite the western corridor along Wisconsin Avenue with the eastern corridor along Connecticut Avenue, creating a sense of a larger commercial destination for non-neighborhood shoppers.

Financial Relief

Relief for Construction Disturbances

Although the streetscape discussed earlier will bring much-needed improvements to the physical appearance and attractiveness of the Connecticut Avenue corridor, residents and business owners are concerned about the drop in business that will result from the prolonged major construction caused by this project. DDOT must plan carefully so as to disrupt business as little as possible and ensure that customers can still access the businesses during the construction. Some testimony suggested that the District could provide offsets to affected businesses for operating losses; however, the District does not currently have a mechanism to

¹⁸ *Ibid.*

¹⁹ *Ibid.*

implement such a scheme. When the streetcar was installed on the H Street corridor, a fund was established and administered by DMPED.²⁰ That fund provided \$5 million per year for five years, and was a dedicated pot for Great Street grants along the corridor. Although a similar program could be deployed in Cleveland Park, the neighborhood already has access to Great Street grants and has made minimal use of them.

Tax Deductions and Credits

Other testimony focused on the long-term effects produced by the combination of high taxes, high rents, and limitations applicable to operations in a designated historic district. Indeed, as Cleveland Park becomes more attractive to residents, the property values increase producing a corresponding increase in property taxes. As those taxes are passed on from property owner landlords to tenant businesses, those businesses see their rents rise. And several witnesses at the roundtable testified that the District should explore providing tax relief.

The District has already taken some steps in the direction suggested by those witnesses, and the full effects of those steps have likely not yet been fully realized. Beginning with the enactment of the tax reforms in the Fiscal Year 2015 budget, the District has effected a stepwise reduction in the business franchise tax from 9.975% in 2014 to 8.25% beginning in January 2018. Moreover, the District's business franchise tax law allows businesses to deduct their expenses, which includes the amount of rent paid for business property in which the business has no equity. Businesses can thus already offset those expenses, and thus the effects of increased property valuation are to some extent already mitigated. Deductions, though, are only helpful to offset tax liability. Nationally, only 13 percent of small businesses have \$50,000 or more in taxable income in a given year.²¹ And, in the District, 65.7% of business filers have no tax liability or minimum tax liability.²² As a result, although deductions can help reduce the effects of increased property values, they are useful only to some businesses which have sufficient business income and sufficient business tax liability. Converting those deductions to refundable tax credits, on the other hand, could put more money into the hands of small businesses, but would undoubtedly have a significant fiscal impact to the District and would need to be thoroughly analyzed and carefully crafted.

²⁰ Martin Di Caro, *One Year Later, How Has The Streetcar Changed The H Street Corridor?*, WAMU, Feb. 27, 2017.

²¹ <https://www.cbpp.org/research/cutting-state-personal-income-taxes-wont-help-small-businesses-create-jobs-and-may-harm>.

²² Norton Francis, Urban Institute, *Business Franchise Taxes in the District of Columbia*, October 2013, pg 25, available at http://docs.wixstatic.com/ugd/ddda66_1452d90f1669571690ca45f05e502337.pdf.

Legacy Business Programs

Few other jurisdictions have squarely attempted to address the problem of high commercial vacancies in high-wealth areas. One notable example, though, is San Francisco, which created a Legacy Business Program. Businesses can join a legacy program if they have been in business for more than thirty years and can demonstrate that they “have made a significant impact on the history or culture of their neighborhood.” If a business meets these requirements and is selected for the Legacy Business Registry, they may receive Business Assistance Grants of \$500 per full-time employee, and Rent Stabilization Grants of \$4.50 per square foot of space per year. The grants are capped at \$50,000 and \$22,500 a year, respectively. This type of program allows longstanding establishments to stay in business in the face of increasing rent. One potential issue with this plan is that it creates an arbitrary cut-off point between businesses that are eligible to receive funding and those that aren’t. The program has its critics in San Francisco, too, with one politician saying that the program is “is being sold as a way to save small businesses facing displacement but there is nothing in the language limiting the size of the business.”²³ This means that even businesses that don’t necessarily need the money from the Business Assistance and Rent Stabilization Grants could receive it. Whether such a program would work in the District would require extensive analysis and public input.

Other Suggestions

Additional avenues for financial improvement along the corridor lie in the relationships between tenants and landlords. Landlords may be willing to let retail spaces lie vacant, awaiting a plum tenant who will pay top dollar while leaving the storefronts dark in the meantime. Landlords could also consider longer-term leases to provide greater stability along the corridor, producing a more vibrant commercial space and thus longer-term returns. Similarly, Ellen McCarthy, Principal of The Urban Partnership and Former Interim Director of the Office of Planning, encouraged creative solutions between landlords and tenants. She suggested, for example, that property owners could introduce a base rent with an additional payment in the form of a percentage of profits from the tenant businesses. If the business succeeds, the property owner succeeds. This gives both property owners and businesses in the neighborhood a shared vision and desire to succeed. And, some have suggested that it may make sense to revisit the restaurant cap associated with Cleveland Park being zoned as a Neighborhood Commercial Zone District, which would provide both landlords and tenant businesses greater flexibility.

²³ J. K. Dineen, *Is Prop. J for preservation, or a slush fund?*, SAN FRANCISCO CHRONICLE, Oct. 6, 2015.

Looking Ahead

Ultimately, the revitalization of the Cleveland Park Corridor will require collaboration between the local businesses and the District government. And, within the government, there will need to be efforts by both executive agencies and the Council. Businesses are best poised to work collaboratively through the CPBA. On the executive side, DDOT will need to implement a complete streetscape with the requisite infrastructure improvements. And DMPED has provided a bold vision for the corridor with six goals: (1) growing and strengthening the CPBA to foster stronger collaboration and help constituents adapt to changing conditions and address their core needs; (2) retaining and expanding Cleveland Park's customer base in its primary market area (local residents within a half-mile of the retail core); (3) encouraging and capturing vehicular and transit commuters along the Connecticut Avenue to patronize local businesses; (4) attracting more visitors from outside neighborhoods, including (a) DC and Maryland residents looking to shop or dine and (b) visitors to the nearby National Zoo; (5) coordinating CPBA volunteers and committees: Resource Committee, Promotion, Marketing & Events Committee, Streetscape Committee, and the Economic Vitality Committee; and (6) identifying best strategies for business relief opportunities when construction begins to affect the revenue of existing businesses. DMPED is working on securing a vendor who will be assigned to implement the strategies outlined in the Cleveland Park Commercial Market Feasibility Study. This vendor can also help determine what role the Council can play in further supporting the commercial corridor. And, ultimately, the Council will have to fund projects as they're identified and consider legislative changes necessary to effect financial policies.