



Information Presentation

Commission Meeting: October 5, 2017

PROJECT

Pennsylvania Avenue Initiative

3rd to 15th Streets, NW
Washington, DC

NCPC FILE NUMBER

7509

NCPC MAP FILE NUMBER

1.25(00.00)44618

SUBMITTED BY

National Capital Planning Commission

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The National Capital Planning Commission (NCPC), the General Services Administration (GSA), the National Park Service (NPS), and the District of Columbia Government formed an Executive Committee and launched the Pennsylvania Avenue Initiative to consider near- and long-term improvements to the Avenue.

Pennsylvania Avenue is one of Washington's – and the world's – most recognized streets, physically and symbolically connecting the U.S. Capitol with the White House. As home to federal headquarters, businesses, museums, residents, civic activities, and lively downtown events, it plays a significant economic and cultural role in the capital city. A major redevelopment effort led by the Pennsylvania Avenue Development Corporation (PADC) from the 1970s to the 1990s shaped the design and character of the street and surrounding neighborhood. Today, the Avenue retains a strong civic identity and character, but does not provide a consistently engaging experience on a daily basis. With public input and the guidance of the Executive Committee, the Initiative will improve the Pennsylvania Avenue experience.

The purpose of this presentation is to brief the Commission on the Initiative's key research findings, the outcomes of the Executive Committee's recent strategies workshop, and upcoming work for 2018.

Foundational research is nearly complete on the Avenue's economic, urban design, and transportation components. As the Initiative builds upon this work with an action plan for near- and long-term improvements, staff will share key findings from the market study and urban design analysis. Initial findings from the District Department of Transportation's (DDOT) transportation study (to be completed in early 2018) will also be provided. Building on these findings, staff will share the overall goals and general action plan direction.

- Urban Design Analysis Findings:
 - *The Avenue has a strong civic identity and character.*
 - *It does not provide a consistently engaging experience for daily users.*
 - *The Avenue is well-served by multiple modes of transportation.*
 - *It suffers from a lack of connectivity to surrounding areas.*

- Market Study Findings:
 - *The Avenue is in a centrally accessible location, with a concentration of cultural and entertainment destinations to draw visitors.*
 - *Office use, driven by government and the supporting private sector, remains the key driver of economic activity on the Avenue.*
 - *Real estate is expensive, with limited opportunities to build new space.*
 - *The area lacks a distinctive, defining identity relative to other Washington neighborhoods.*

- Transportation Study Initial Findings:
 - *Lack of east-west connectivity results in motorists traveling on the Avenue for a short distance to access major north/south routes.*
 - *Due to signal timing and the width of the Avenue, pedestrians must share the median space with bicyclists, often resulting in conflicts.*
 - *The Avenue is one of the busiest transit corridors in the region, with over 60 buses an hour during the peak periods.*

The Executive Committee's goals for the upcoming action plan include:

1. *Celebrate the Avenue's civic role and democratic experience.*
2. *Develop the Avenue's vital urban landscape in and around awe-inspiring architecture.*
3. *Reinvigorate the Avenue's circulation and mobility for 21st century needs.*
4. *Elevate the identity of the Avenue as a great destination.*

Near-term actions will focus on programmatic changes to tell the clear, captivating story of our city and nation; bring daily activity and interest back to the Avenue; and strengthen the Avenue's identity and character.

Long-term actions will focus on redesigning the Avenue to reinforce its civic significance; strengthen its daily use and experience; and ensure operational success.

ATTACHED:

- Market Study Executive Summary (*full report released to the public 10/5*)
- Urban Design Analysis Executive Summary (*full report released to the public 10/5*)

PROJECT TIMELINE

Previous actions	July 10, 2014 – Commission received information presentation on Initiative
Remaining actions (anticipated)	– Information presentation on Issues and Opportunities Executive Summary (<i>Spring 2018</i>) – Approval of new Pennsylvania Avenue Plan (<i>long-term</i>)



Pennsylvania Avenue Initiative

ECONOMIC AND REAL ESTATE MARKET ANALYSIS

March 2016

Executive Summary

On behalf of the National Capital Planning Commission and Sasaki, HR&A completed a real estate market analysis to inform an Economic and Urban Design Framework Plan for Pennsylvania Avenue. The following is an overview of HR&A's key findings and recommendations.

Study Objectives

HR&A's analysis provides a baseline assessment of current and projected market conditions along Pennsylvania Avenue approximately between 3rd Street and 15th Street NW ("the Study Area"). The goal of this work is to inform the Economic and Urban Design Framework Plan, considering:

- How do market conditions impact prospects for investment and development along the Avenue?
- What are the economic strengths and weaknesses of Pennsylvania Avenue?
- What is the mix of uses along Pennsylvania Avenue and which uses are supportable in the near- and long-term?

Executive Summary

Comparative Advantages

- **The Pennsylvania Avenue Study Area is a central and accessible location.** Located in the heart of Washington, DC, the Study Area benefits from its downtown location adjacent to the central business districts, government offices, the National Mall, Capitol Hill, and the White House. The Study Area is directly served by five of the six Metrorail lines, providing strong regional transit accessibility to the Corridor in addition to its connection to major road networks.
- **The concentration of cultural destinations and historic significance of the Avenue attract significant numbers of visitors.** Building on the proximity to Smithsonian museums and the White House, the Newseum, National Archives, and White House Visitor Center are among the most visited destinations in Washington. The cluster of hotels on the west end of the Avenue further supports the tourism industry. Finally, as home to the National and Warner Theaters and close to other downtown entertainment venues, the area attracts strong visitation from city and regional residents going to these venues.
- **Government is the key driver of economic activity by office users.** Approximately 51% of employees in the study area are government workers. The majority of the remaining workers are in government-serving organizations, including law firms, lobbyists, and trade associations. The proximity to government offices drives office demand by tenants who value the accessibility.
- **Preference for downtown living will continue to drive demand for residential space in the Study Area.** Millennials and baby-boomers, which make up a significant percentage of the population, continue to migrate to urban, walkable locations such as the Study Area. High residential rents and low vacancy along the Avenue reflect this trend.
- **As the number of centrally-located, large scale redevelopment opportunities in DC is limited, the redevelopment of the FBI site could be transformative for the Avenue.** The opportunity for redevelopment of a parcel of that size in such a central downtown location is rare and will likely be on the same scale as CityCenterDC. Redevelopment of the Hoover Building site has to potential to help catalyze investment along Pennsylvania Avenue.

Executive Summary

Comparative Disadvantages

- **Real estate in the Study Area is expensive.** Space along Pennsylvania Avenue is among the most costly in the District. Office tenants, residents, and retailers that are price conscious seek out locations in other neighborhoods due to the cost of space along the Avenue. Though rents for office space may decrease slightly in the short term to address elevated vacancy in the area, they are still likely to be on the high end relative to space elsewhere in the District.
- **There is limited opportunity to build new space in the Study Area.** The Study Area is largely built out, with little room for new construction. Additionally, the District's height limit makes it difficult to increase the density of the Study Area beyond what exists now. While sites such as the Hoover Building will provide opportunity for redevelopment in coming years, this type of ground up development is not common in the Study Area. Most buildings will rely on renovations to update and modernize space to remain attractive to prospective tenants. However, buildings with outdated floor plates or other design features that are difficult to alter may face challenges.
- **The Study Area lacks a distinctive, defining identity relative to other District neighborhoods.** Despite a concentration of cultural amenities and other notable features, the Study Area does not have an identity or recognizable brand in the way that other areas such as Chinatown, Georgetown, or 14th Street do. Further, growth in emerging neighborhoods, such as NoMa and the Southwest, is positive for the District overall, but creates more competition for Pennsylvania Avenue.
- **The urban design of Federal office buildings in the Study Area negatively impacts economic activity along Pennsylvania Avenue.** Security measures and other design features of Federal facilities hinders commercial activity along the southern side of Pennsylvania Avenue and reduces pedestrian activity in that portion of the Study Area.

Executive Summary

Demographic and Economic Trends

- The population of the Pennsylvania Avenue Study Area has grown 90% since 2000, but with only 1,500 residents it makes up only a small percentage of the total population Downtown. Growth in the study area has been muted in recent years due to no new residential construction. Households in the Study Area tend to have higher household incomes, be younger (25-34 years old), and are more likely to be a single person household than in the District overall.
- The Federal Government employs more than half of the workers in the Study Area. As a result, any actions by the Federal Government regarding space use or employment along Pennsylvania Avenue will have a significant impact on the corridor.
- Regionally, the Federal Government's share of economic activity in the region is decreasing. As the region becomes more economically diversified, it will be important to consider how Pennsylvania Avenue can remain an attractive location for private sector jobs.
- The Study Area benefits from the numerous cultural and entertainment attractions within and adjacent to its boundaries. The increasing tourism trend offers an opportunity for the Study Area to capitalize on that growth.
- A strong transportation system allows for regional accessibility to the Study Area . There are two Metro stations in the Study Area that together provide direct access to five of the six Metrorail lines.

Executive Summary

Office

- Regional office market demand has been sluggish in recent years due to sequestration, low job growth, and limited government activity. However, recent job growth numbers have been strong, which is spurring some office demand.
- The majority of new office space is being built in emerging neighborhoods, such as NoMa and Capitol Riverfront. Tenants seeking new space that are price sensitive are looking to those locations. Tenants, such as law firms and lobbyists that are less price sensitive will pay more to remain Downtown, but that market is competitive.
- Office vacancy in the Study Area is elevated due to the relocation of several major tenants to other neighborhoods. Despite having higher vacancy than comparable neighborhoods, the Study Area is maintaining higher rents. This may be a product of landlords not willing to accept a lower rent when re-leasing space. Any decision to lower asking rents will be building and owner specific, dependent on many variables.



Retail

- Out-of-town visitors and workers are the primary drivers of demand for retail in the Study Area. Residents and regional visitors make up a smaller portion of total demand. Retail in the Study Area is primarily characterized by food and beverage establishments.
- Due to the relatively low number of residential units, primarily residential serving retail such as grocery stores may be difficult to support in the Study Area.
- There is unmet demand for all retail categories in the Study Area, particularly for categories patronized by office workers and visitors, including limited and full service dining, health and personal care, and miscellaneous retailers (florists, gift stores, etc.)
- However, a lack of connectivity to surrounding areas of activity and poor continuity of retail space along Pennsylvania Avenue prevent the Study Area from reaching its full retail potential.



Executive Summary

Hotel

- Downtown hotels have outperformed hotels in the District with both higher occupancy and higher average daily rates. Given the central location of the Study Area and strong performance of downtown hotels, there may be potential for additional hotel space to be built in the Study Area in the future should an appropriate site become available.
- Pennsylvania Avenue has a fairly significant concentration of high end hotels, which will increase with the opening of the Trump International Hotel in 2016.



Residential

- The Pennsylvania Avenue Study Area contains 1,420 residential units, all of which were built between 1991 and 2007. As a result, the population grew rapidly in that time. The number of owned units is slightly greater than the number of rented units (53% versus 47%).
- Residential space is concentrated in the eastern end of the Study Area around Market Square. There is no residential space west of 9th Street.
- Low vacancy and high rents relative to other neighborhoods in the District suggest that there is additional demand for residential space in the Study Area. However, market fundamentals still favor the construction of office space, with office space being more valuable than residential space. As a result, construction of new residential space or conversion of offices to residential space are unlikely to occur without some type of policy or incentive.
- The majority of new residential units in the District are being built in emerging neighborhoods such as NoMa and Capitol Riverfront.



Executive Summary

Implications for the Future of the Study Area

- **IN THE SHORT TERM (1-5 years):** *The Study Area will continue to be a major visitor destination and central office location.* The opening of the Trump International Hotel and reopening of the Old Post Office Observation Deck will bring publicity to the Avenue that will help attract more visitors. The office market will seek to overcome elevated vacancy in the face of weak regional demand through renovation and re-tenanting of existing inventory. Although, for this to be successful, landlords may also need to pay more attention to the type of retail and amenities required to be attractive to tenants. While demand exists for new residential development, the difference in value between office space and residential will not support the development or conversion of new residential uses without some type of policy or incentive, unless the residential development is at the very high end of the market. Potential exists to strengthen the existing nodes of vibrancy such as Market Square and the Willard/W hotels through smaller scale initiatives such as activating public spaces, increasing connectivity to adjacent areas and the Mall, and better facilitating events to support existing retail. Additionally, there is potential to better define the Avenue's identity by leveraging cultural assets through branding or other small scale actions.
- **IN THE MEDIUM TERM (5-15 years):** *The office market should strengthen but will require redevelopment or extensive renovations to aging office buildings to remain a prime location for tenants.* Any changes to employment density or uses in Federal Government Buildings (i.e. reduction in leased space or densification of office space) will have significant impact on the environment along the Avenue. Redevelopment of the Hoover Building could supply new retail amenities and help activate the corridor, building on its relationship to Market Square to extend that node of vibrancy along the Avenue. Encouraging residential development on the Hoover site would also significantly impact activity on that block. The District will continue to have demand for new residential development from population growth. Should residential values increase to match office values on a dollars per square foot basis, there may be opportunities for residential conversion in the Study Area.

Executive Summary

Implications for the Future of the Study Area

- **IN THE LONG TERM (15+ years):** *The Study Area's central location in the District will always be an asset that supports a base of visitors, workers, and residents.* Pennsylvania Avenue will remain an important office location for organizations that do business with or seek to influence the Federal Government. While there is potential for a live, work, and play environment that creates a vibrant corridor, the long term potential of this depends on the relative strengths of the office and residential markets impacting landlord economics and the decision to convert or redevelop buildings. Office rents will need to decrease in existing buildings relative to new competition in order for redevelopment to be attractive. The location of culture and entertainment venues within the Study Area will drive visitors to the area and support strengthening the connection between the Avenue and adjacent areas of visitor activity. All of this will require an economic framework with flexibility that can adapt to changing economic conditions and suit Pennsylvania Avenue as it continues to evolve and grow.

Key Real Estate Products/ Assessment	Office	Retail	Residential	Hotel	Culture/ Entertainment
Key findings on economic conditions in the Pennsylvania Avenue Study Area	The departure of a few large tenants has resulted in high vacancy, but landlords have not yet lowered asking rents to attract tenants.	The Study Area struggles as a retail district due to lack of connectivity to nearby nodes of activity due to long blocks and non-continuous retail spaces. Additionally, there is limited existing space along the Avenue to build critical mass.	The residential market is a small component of the study area real estate portfolio , but what is there performs better than average for comparable products.	The Study Area is a desirable hotel location due to its centrality to business and tourist destinations. Average daily rates and occupancy of downtown hotels are higher than the District as a whole.	The Study Area has a concentration of cultural venues serving regional residents and tourists that is a strong anchor . These venues attract visitors to parts of the area in evenings and on weekends.
Drivers of demand for economic activity	Prospective tenants are seeking updated spaces and modern layouts. Primary tenants in the Study Area include law firms, government affairs offices, trade associations, and the Federal government .	Retail demand is primarily driven by out of town visitors and nearby workers . Spending potential suggests demand for an additional 220,000-400,000 SF of retail space, if positioned correctly.	The continuing preference for downtown living by millennials and empty nesters, which comprise a significant percentage of the population, supports continued strong demand for residential .	Metrics such as average occupancy and daily room rate indicate healthy demand for hotel rooms in the Study Area, driven by business travelers and tourists .	Record numbers of tourist visits and a growing city and regional population area provide strong demand for cultural and entertainment uses.
Real estate supply	There is little space available for new construction due to the Study Area being built out . However, some renovations to outdated buildings are occurring to make them more attractive to tenants.	Retail supply and tenancing is limited by lack of area identity. The existence of significant unmet spending potential in the Study Area with limited new retail supply planned suggests that there is also a lack of perceived demand for new space. This may be a product of low pedestrian counts in certain segments of the area.	Residential supply is constrained by market dynamics favoring development of office space . Though residential rents are high, they cannot match office rents in the area. As a result, without a policy to incentivize or require residential space, it is more profitable to build office space in the area.	Hotel rooms in the Study Area are primarily high-end , with the exception of Hotel Harrington. Total inventory will increase with the opening of the Trump International Hotel in 2016.	There is an existing concentration of cultural attractions in the Study Area including attractions such as the Newseum, Old Post Office, and White House Visitor Center. Additionally, the Corridor is home to entertainment venues such as the National Theatre, among others. A number of Smithsonian museums are located just outside the Study Area on the National Mall.
Impact of public realm	Metro accessibility from five lines at the Federal Triangle and Archives-Navy Memorial-Penn Quarter Metro stations makes the Study Area more attractive as a location for office space.	Retail uses are inhibited by the wide street, long blocks, and lack of storefronts on the south side of the Avenue.	Parts of the Study Area with residential space are among the most active and vibrant locations .	Open space near the Willard and W hotels promotes street activity at the western end of the Study Area.	A lack of wayfinding or clear signage hinders the ability of people, particularly visitors, to navigate between destinations in and adjacent to the Study Area.
Location along Pennsylvania Avenue	The south side of Pennsylvania Avenue is predominantly government-owned office . Private office space is spread throughout the remainder of the Study Area north of the Avenue.	There are nodes of retail activity at Market Square, near the Willard and W hotels, and at the International Trade Center . All three nodes are made up primarily by food and beverage offerings.	Residential space is currently concentrated on the eastern end of the Study Area near Market Square and the Newseum.	Hotels are concentrated in the western end of the Study Area close to the White House.	Attractions in the Study Area build on proximity to Smithsonian museums and the White House, with a cluster of cultural and entertainment destinations surrounding Pershing Park and Freedom Plaza . The Newseum serves as a cultural anchor on the east end of the Avenue.



The
**PENNSYLVANIA
AVENUE**
INITIATIVE

Urban Design
ANALYSIS

September 2017

Key Findings & Issues

The urban design analysis assesses the spatial and programmatic relationships between land use and activity, mobility and access, and urban form and placemaking to identify strengths and challenges faced by Pennsylvania Avenue. The following is a summary of the Executive Committee's key findings and issues.

KEY FINDINGS

- › The Avenue has a strong civic identity and character, but does not provide a consistently engaging experience for daily users.
- › The Avenue is well-served by multiple modes of transportation but suffers from a lack of connectivity to surrounding areas.

KEY ISSUES

A range of issues support the two key findings; some are strengths, and others are challenges.

1. The Avenue has a strong civic identity and character reinforced by the following factors.
 - A. The Avenue's grandeur and its vista, formed by its strong axis, monumental buildings, green frame, open sky, and generous public space network.
 - B. Federal Triangle's cohesive and expressive architecture; the Avenue's representation of architectural eras; the linear tree canopy that unifies each side of the street and frames the reciprocal vista between the U.S. Capitol and President's Park/U.S. Treasury Department; and the high quality and durable architectural materials that express strength, stability, and endurance.
 - C. The concentration of federal office, cultural, and entertainment uses; commemorative elements; and civic activities establish the Avenue as an important federal workplace and a national visitor destination.
 - D. The ability to accommodate small and large civic activities for local and national events because:
 - › i. The closure of E Street and Pennsylvania Avenue at the White House has reduced traffic, making it easier to coordinate closure of the Avenue's cartway for civic activities.
 - › ii. The parks and plazas offer a range of sizes, design characteristics, and settings for a variety of civic activities.
 - › iii. Civic uses usually take place when offices are closed, so that crowds do not interfere with business and government activities.
2. The Avenue does not provide a consistently engaging experience for daily users.
 - A. The closure of Pennsylvania Avenue and E Street at the White House eliminated their functions as city thoroughfares, diverting vehicular traffic and pedestrians to other routes. There is no longer a reason for people to use the Avenue to pass through the area, and no significant draw for people to come and linger there on a daily basis.
 - B. The large monumental buildings; the composition of buildings and public spaces; and the width of the Avenue's roadway and sidewalks, coupled with poor allocation of sidewalk uses, causes it to lack pedestrian scale, interest, and comfort.
 - C. Many of the parks and plazas, such as John Marshall Park and Freedom Plaza, are isolated and not connected to adjacent buildings. They have weak design programs, little or no activity programming, and maintenance backlogs.
 - D. The predominance of federal offices and cultural uses hinders the ability to generate activity during the evenings and on weekends. The federal and cultural buildings:
 - › i. Have limited or no weeknight hours and generate little evening or weekend activity unless there are programmed events.
 - › ii. Provide interior cafeterias, restaurants, retail, or other services, discouraging occupants from leaving the building during the day to seek services.
 - › iii. Are located in large buildings without well-marked entrances and visible ground floors, discouraging pedestrians from entering them.

3. The Avenue is well-served by multiple modes of transportation and provides good city and regional access.

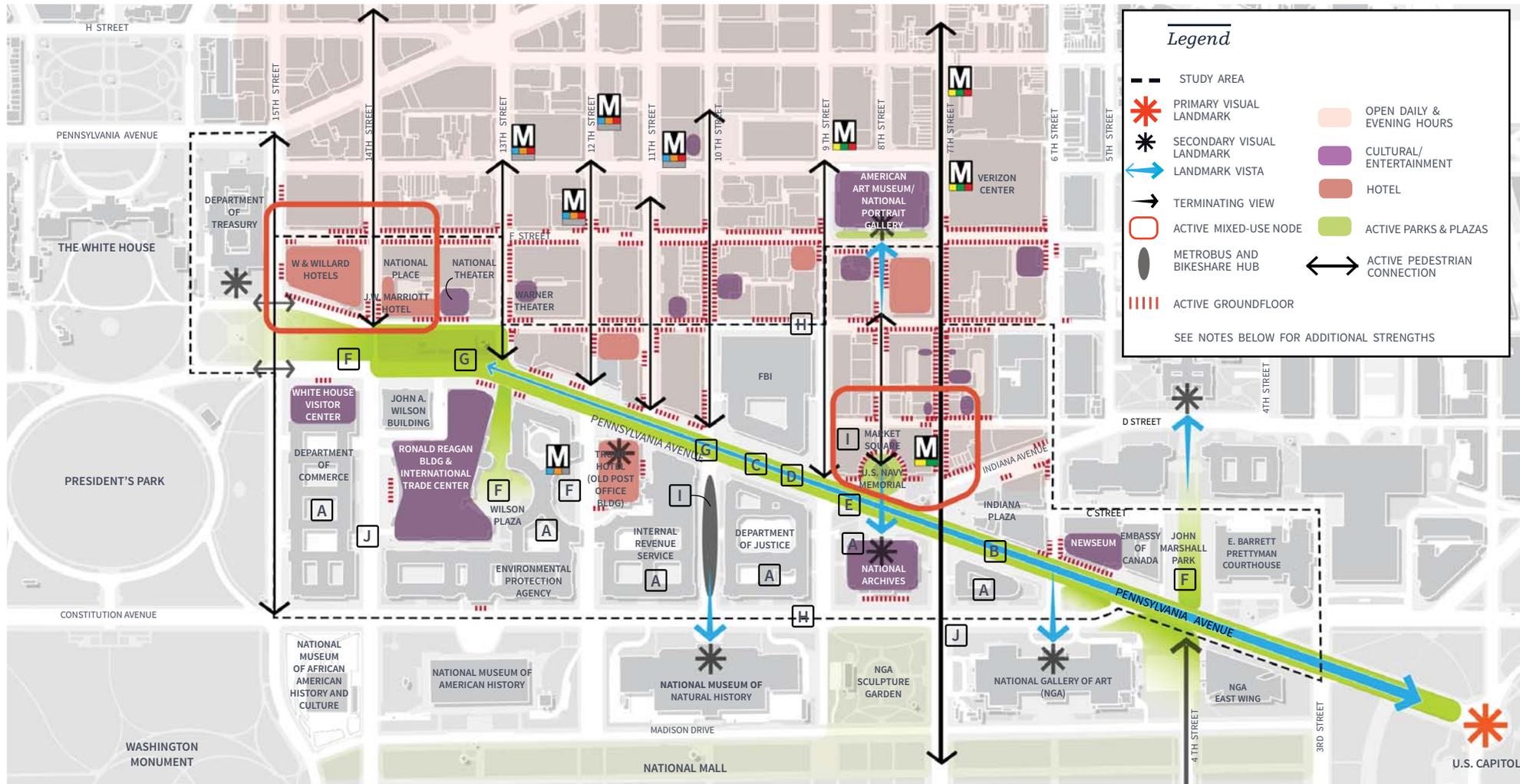
- A. Metrorail stations are located in and near the study area; highway access is convenient; and local, commuter, and tourist-related bus services support offices and visitor attractions.
- B. Half of the streets crossing the Avenue are accessible by bicycle. The Avenue's central median cycletrack provides convenient east-west bicycle access along with excellent views of the U.S. Capitol.
- C. 7th and 14th Streets have the strongest pedestrian connections between downtown and the National Mall.
- D. The Avenue's traffic capacity is greater than the current demand.

4. **The Avenue suffers from a lack of connectivity to surrounding areas.**

- A. On both sides of the Avenue, block-long single-use buildings, predominately filled with offices, discourage pedestrians from walking between President's Park and the Capitol Grounds.
 - › i. To the north, the distance between mixed-use nodes, length of inactive building frontages (with uses such as lobbies, financial institutions and day care use), and the lack of streetscape amenities affects east-west connectivity.
 - › ii. To the south, the absence of publicly accessible ground floors, restricted entries, security guards and barriers, and sidewalks with areas of low lighting affects east-west connectivity.

B. Pedestrian connectivity varies between downtown and the National Mall.

- › i. North of the Avenue, north-south connectivity is stronger because:
 - › a. The diversity of uses, presence of ground floor retail, and condition of the streetscape generally enhances the quality of the pedestrian experience.
 - › b. The southward views on 6th–8th, 10th, and 14th Streets terminate at important civic buildings or the National Mall, providing interesting views to draw people across the Avenue.
- › ii. To the south, connections through the Federal Triangle are weaker because each block consists of a large single office building with few publicly accessible ground floors and limited or restricted entries. The pedestrian experience varies depending on the:
 - › a. Block length, streetscape use and conditions, and wayfinding;
 - › b. Ventilation grates or other impediments;
 - › c. Maintenance of building yards and the tree canopy;
 - › d. Presence of security guards and barriers, except where security was well-integrated into the streetscape, such as at the Herbert C. Hoover Building (U.S. Department of Commerce Headquarters) along 14th and 15th Streets; and
 - › e. Obstructed views to the National Mall, such as at 9th and 12th Streets.

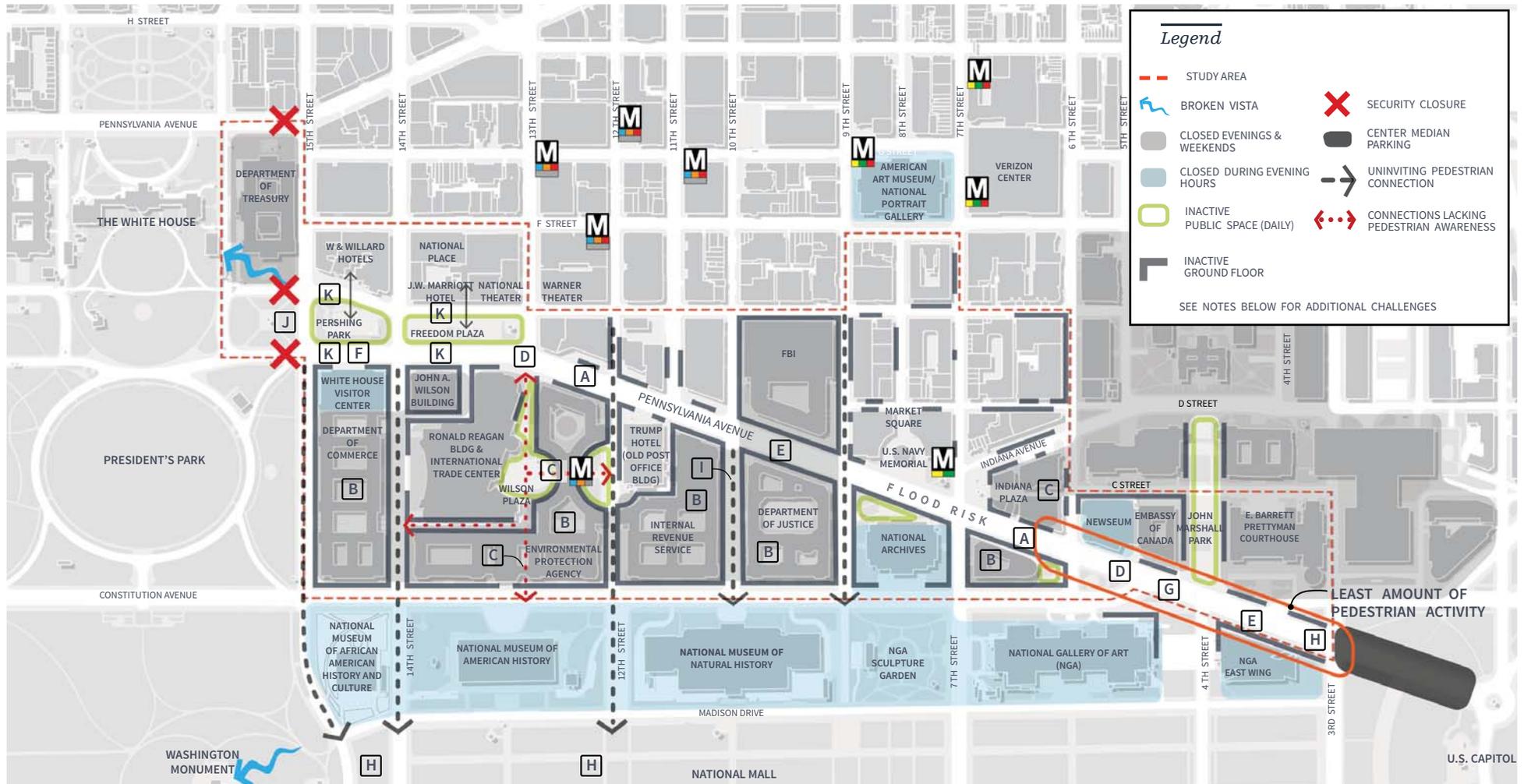


- A** The Federal Triangle has exceptional architectural interest and a unified character.
- B** The Avenue, with its strong axis and iconic vista, is well positioned between major destinations.
- C** The cohesive landscape provides linear continuity, formality, and a defining character.
- D** The generous width and openness of the right-of-way constitutes public space that contributes to the Avenue's unique form, building scale, and character.
- E** The flexible open space network accommodates small and large local and national civic activities.

- F** Ample public space exists, connecting and helping to activate ground floor uses.
- G** Daily sidewalk capacity is available to accommodate current volumes of pedestrians.
- H** Reduced traffic volume provides cartway flexibility for traffic and pedestrians.
- I** The Avenue is well-served by all modes of transportation and serves as an important local and regional transit corridor.
- J** 7th Street is the strongest north-south connection between downtown and the Mall. 14th Street is also a strong connection.



5 MINUTE WALK



- A** Different building characters reinforce a north-south division between downtown Washington and the monumental core.
- B** Federal Triangle building scale, ground floor design, and security is a barrier to circulation.
- C** Little awareness of pedestrian walks and passages throughout the Federal Triangle and along C Street at Indiana Plaza.
- D** Due to the Avenue's width, north-south pedestrian crossing is challenging.
- E** Building frontage at the ground floor has no interaction at the street level.
- F** Pedestrian activity at the White House Visitor Center is limited, due in part to minimal signage and limited visibility from the sidewalk into the ground floor space.

- G** The Avenue's east end has the least amount of pedestrian activity.
- H** The bicycle network lacks adequate connections to the Mall and Capitol Hill.
- I** The 10th St. bus hub is isolated with no amenities for commuters.
- J** Security at E Street and Pennsylvania Avenue has severed a primary thoroughfare, reducing traffic volumes on the Avenue and impacting connectivity.
- K** Parks and plazas are isolated with weak relationships to adjacent buildings.



5 MINUTE WALK