The Washington Post
Democracy Dies in Darkness

Making the District into 'Singapore on the Potomac'

Real estate executive has proposed an incentive plan to bring businesses and workers back to D.C.

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December 5, 2023 at 5:32 p.m. EST

As president and chief investment officer of a commercial real estate firm in the District, Paul C. Dougherty would definitely like to see vacant downtown office buildings filled with tenants again. He'd be thrilled if more federal employees came into work five days a week, as they did before the pandemic.

But he doubts that they are going to give up the comforts of home anytime soon.

So, with the continuing vacancies eating away at city tax revenue and leading to deepening deficits, Dougherty came up with a plan to stop the hemorrhaging. To hear him tell it, the proposal that he presented at a recent meeting of the D.C. Tax Revision Commission would have the city coffers brimming with cash and make the city the most spectacular it has ever been.

"We would become the Singapore on the Potomac," Dougherty told me.

Singapore — a multicultural nation in Asia with a population just over 5 million — has an economy described as "business friendly" and features low taxes, a skilled workforce and advanced infrastructure. The schools and health-care services are good. Poverty is relatively low. The government has an authoritarian bent, to be sure, with a judiciary that prescribes caning, especially for repeat offenders, and the death penalty for certain acts of violence and drug offenses. The crime rate in Singapore is among the lowest in the world.

Dougherty, who heads the PRP real estate investment firm, said his interest is in the country's economic success, not its penal system.

For starters, his proposal would cut individual income taxes in half — making D.C. taxes comparable to Virginia's. He sees the Old Dominion as the District's main competition for attracting high-salary residents and the corporations that employ them.

“It’s hard to believe that Virginia can be a few hundred yards away yet so highly successful, and we are in this prolonged downward spiral, and it all comes down to policies,” Dougherty told me. “Like it or not, Virginia is doing great. It is one of the top and best-run states in the country.”

To entice more corporate relocation to D.C. and really bring that Singapore bling to the Potomac, Dougherty would enact a tax incentive package identical to what was implemented several years ago in Puerto Rico, titled Act 60.

The key components of Act 60 are a 4 percent flat tax for companies that move to D.C. for a minimum of 15 years; exemption from capital gains taxes; 75 percent abatement on real estate taxes; and 50 percent abatement on licensing taxes.

“I know people recoil when you mention the concept of tax cuts,” Dougherty told me, “but a low-tax environment doesn’t have to mean a handout to the rich. It could also mean you are doing a better job raising tax revenue, a better and more efficient job on spending, while drawing in more people who pay taxes.”

Dougherty declared that Act 60 “has been an overwhelming success in Puerto Rico, drawing hundreds of companies and billions in new capital to the island territory.”

But some Puerto Ricans worry that they will be priced out of their neighborhoods as investors buy up land to build luxury resorts. And the Internal Revenue Service is investigating whether some beneficiaries of the program committed fraud by falsely claiming to have met the requirements for a tax cut.

Nevertheless, a 2021 study commissioned by the Puerto Rico Department of Economic Development found that the tax incentive package had resulted in 33,000 new jobs on the island with an average yearly salary of $36,000 between 2012 and 2017. The median household income in Puerto Rico is about $22,000.

Without the tax breaks, Puerto Rico’s economic activity index would have been 2.6 points lower, according to the study.

There is a likelihood that low-income residents in D.C. would also be hurt by such a tax policy, just as they were when gentrification of the District drove up rents and home prices and resulted in thousands being displaced. D.C. leaders should have learned by now how to protect the city’s most vulnerable residents during economically tumultuous times.

But have they?

What’s certain is that more challenging economic times lie ahead. Some of the ways city leaders are choosing to handle them will probably make matters worse. For instance, a projected budget shortfall has already been covered in part by a half-billion dollars that the city expects to make after increasing the number of traffic enforcement cameras from 140 to more than 500.

If the goal is attracting more people and businesses to the District, waging a war on cars seems like an odd way of doing it.

“We’re spending a ridiculous amount of money on ‘want-to-have programs’ and ‘reimagining downtown’ with bike lanes and bus lanes taking away parking spaces, choking traffic and hurting local businesses,” Dougherty told me. “I love bikes. I have three bikes. But the major challenge facing the city is not where to ride a bike. It’s about smart growth and economic sustainability. We are at the heart of a region of people who drive, and that won’t change because bike and bus infrastructure is being forced onto the citizens.”

He says his tax plan is aimed at attracting high-wage earners to the city and helping residents who already live here stay here, regardless of their economic status.

“This should be a city for everybody,” he said. “People shouldn’t feel they have to leave to feel safe or to find a good school or because they aren’t getting the services that their taxes are supposed to provide.”

Dougherty is a sixth-generation Washingtonian and deeply invested in the socioeconomic life of the city. He was a co-founder of the Washington Chapter of the First Tee, an organization based at Langston Golf Course in Northeast Washington that empowers city kids through the game of golf. He has sat on the boards of the Children’s National Medical Center, the Children’s National Hospital Foundation and the Starlight Starbright Children’s Foundation, among others. His wife, Liz Dougherty, is a founding member of the Horton’s Kids board of directors in D.C., and she remains active in this organization serving the families of Southeast Washington.

His tax proposal is just one of many that have been presented to the Tax Revision Commission during this decennial reconsideration. And it’s a bold one. But that’s how Dougherty rolls. Speaking up, making your case. Nothing ventured, nothing gained.

“I simply want what is best for the city,” he told me. “I live here, and I plan to die here. And I’m not moving out. Not moving to Florida, or Virginia for that matter.”