

Tax Increment Financing (TIF) Program

Description	FY 2010 Actual	FY 2011 Approved	FY 2012 Proposed	% Change from FY 2011
Operating Budget	\$25,665,670	\$49,029,000	\$43,404,211	-11.5

Tax Increment Financing (TIF) is a program through which the District provides economic development project funds by borrowing against future tax receipts expected to be generated as a result of the construction and operation of projects partially funded by these funds.

The agency's FY 2012 proposed budget is presented in the following tables:

FY 2012 Proposed Gross Funds Operating Budget, by Revenue Type

Table TX0-1 contains the proposed FY 2012 agency budget compared to the FY 2011 approved budget. It also provides FY 2009 and FY 2010 actual expenditures.

Table TX0-1
(dollars in thousands)

	Actual FY 2009	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Percent Change*
Appropriated Fund						
General Fund						
Special Purpose Revenue Funds	28,609	25,666	49,029	43,404	-5,625	-11.5
Total for General Fund	28,609	25,666	49,029	43,404	-5,625	-11.5
Gross Funds	28,609	25,666	49,029	43,404	-5,625	-11.5

*Percent change is based on whole dollars.

Note: If applicable, for a breakdown of each Grant (Federal and Private), Special Purpose Revenue type and Intra-District agreement, please refer to **Schedule 80 Agency Summary by Revenue Source** in the FY 2012 Operating Appendices located on the Office of the Chief Financial Officer's website.

FY 2012 Proposed Operating Budget, by Comptroller Source Group

Table TX0-2 contains the proposed FY 2012 budget at the Comptroller Source Group (object class) level compared to the FY 2011 approved budget. It also provides FY 2009 and FY 2010 actual expenditures.

Table TX0-2
(dollars in thousands)

Comptroller Source Group	Actual FY 2009	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Percent Change*
50 - Subsidies and Transfers	18,912	15,956	0	31,678	31,678	0
80 - Debt Service	9,697	9,710	49,029	11,727	-37,302	-76.1
Subtotal Nonpersonal Services (NPS)	28,609	25,666	49,029	43,404	-5,625	-11.5
Gross Funds	28,609	25,666	49,029	43,404	-5,625	-11.5

*Percent change is based on whole dollars.

Program Description

Tax Increment Financing operates through the following program:

Tax Increment Financing - provides budget authority pursuant to the Tax Increment Financing Act of 1998, which established a TIF program and authorized the issuance of up to \$300 million in debt to support economic development projects that would not be developed "but for" public financial assistance. The initiative was reauthorized by the Tax Increment Financing Reauthorization Act of 2002, which included an increase in TIF authority to a total of \$500 million. In addition, the District Council approved other project-based tax-supported revenue bonds, including Tax Increment Financings, outside the scope of the TIF Act.

The program contains the following 7 projects:

- **Gallery Place** - a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$5,206,000;
- **The Mandarin Oriental Hotel** - opened in March 2004 and has an estimated debt service payment of \$4,504,000;
- **Verizon Center** - provides debt service assistance for improvements to be repaid using an incremental tax of 4.25 percent on merchandise sold and tickets for events at the venue and has an estimated debt service payment of \$3,377,000;

- **D.C. USA** - a retail development project that opened in March of 2008. The District financed a publicly owned garage and has an estimated debt service payment of \$2,571,700;
- **Capitol Hill Towers** - a housing, hotel, retail, and parking development project that has an estimated debt service payment of \$935,000;
- **Special Retail and Great Streets** - smaller TIF financings issued under a special retail TIF program in the downtown area and retail or mixed-use projects located in Great Streets areas. Estimated debt service for debt issued under these programs is \$2,214,000; and
- **Convention Center Hotel** - There are no projected tax increment revenues for debt service at this stage in the construction of the project.

For certain projects, a revenue contingency of \$13,358,711 is budgeted if projected revenues are higher than minimum debt service and principal payment in accordance with the bond agreements.

Some of the projects include a provision that requires the District to make repayments from General Fund revenues if TIF revenues are less than the debt service obligations. The District has obtained language in its Appropriations Act allowing it to appropriate an additional amount from its fund balance to make any required repayment.

In addition, the budget includes \$6,237,800 for authorized TIF debt which may be issued by FY 2012. A total of \$11,526,790 remained in TIF authority under the Downtown Retail Priority Area as of July 1, 2011, and the budget includes an estimate of \$1,492,400 which may be dedicated to debt service pursuant to that program. A total of \$53,065,269 of debt issuance authority is available for the Great Streets TIF program in FY 2012, and the budget includes an estimate of \$4,486,000 for TIF area revenues which may be dedicated to debt service pursuant to the legislation. A total of \$46,500,000 of TIF debt has been authorized for City Market at O Street, and although debt service during FY 2012 will be funded from capitalized interest, and the budget includes \$137,000 for estimated tax increment required to be set aside pursuant to financing agreements. A total of \$10,000,000 of TIF debt has been authorized for the Fort Lincoln Retail project, and the budget includes \$122,400 of tax increment from this TIF area.

Finally, the budget includes \$5,000,000 of Great Streets tax increment from the H Street Retail Priority Area, which is authorized for the uses specified in the H Street, NE Retail Priority Incentive Act of 2010.

Budgeted expenditures are slightly lower than the revenue transfers into the TIF special revenue fund in FY 2012, and any excess revenues will become part of the fund balance. District budget policy requires a one-year debt service reserve for all TIF debt that issued with the backing of the Downtown TIF Available Increment.

Program Structure Change

Tax Increment Financing (TIF) Program has no program structure changes in the FY 2012 Proposed Budget.

FY 2012 Proposed Operating Budget and FTEs, by Program and Activity

Table TX0-3 contains the proposed FY 2012 budget by program and activity compared to the FY 2011 approved budget. It also provides the FY 2010 actual data.

Table TX0-3

(dollars in thousands)

Program/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011
(1000) Tax Increment Financing (TIF) Program								
(1100) Tax Increment Financing (TIF) Program	25,666	49,029	43,404	-5,625	0.0	0.0	0.0	0.0
Subtotal (1000) Tax Increment Financing (TIF) Program	25,666	49,029	43,404	-5,625	0.0	0.0	0.0	0.0
Total Proposed Operating Budget	25,666	49,029	43,404	-5,625	0.0	0.0	0.0	0.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)

Note: For more detailed information regarding the proposed funding for the activities within this agency's programs, please see **Schedule 30-PBB Program Summary by Activity** in the **FY 2012 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2012 Proposed Budget

Cost Saving: The Tax Increment Financing budget decreased by a net \$5,624,789, in part due to the FY 2011 scheduled repayment of the Shakespeare Theatre TIF note.

Policy Initiative: The TX0 budget has been updated to reflect projected dedicated taxes from all authorized tax increment financing areas, based on currently issued Tax Increment Financing (TIF) debt and TIF debt expected to be issued prior to the end of FY 2012.

FY 2011 Approved Budget to FY 2012 Proposed Budget, by Revenue Type

Table TX0-4 itemizes the changes by revenue type between the FY 2011 approved budget and the FY 2012 proposed budget.

Table TX0-4

(dollars in thousands)

	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2011 Approved Budget and FTE		49,029	0.0
Cost Increase: Taxes dedicated to TIF based on authorized TIF areas	Tax Increment Financing (TIF) Program	31,678	0.0
Cost Decrease: Debt service payments required from TIF areas	Tax Increment Financing (TIF) Program	-37,302	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2012 Proposed Budget and FTE		43,404	0.0
Gross for TX0 - Tax Increment Financing (TIF) Program		43,404	0.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)