

Tax Increment Financing (TIF) Program

Description	FY 2012 Actual	FY 2013 Approved	FY 2014 Proposed	% Change from FY 2013
Operating Budget	\$26,279,161	\$60,468,181	\$63,930,900	5.7

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 2014 proposed budget is presented in the following tables:

FY 2014 Proposed Gross Funds Operating Budget, by Revenue Type

Table TX0-1 contains the proposed FY 2014 agency budget compared to the FY 2013 approved budget. It also provides FY 2011 and FY 2012 actual expenditures.

Table TX0-1

(dollars in thousands)

Appropriated Fund	Actual FY 2011	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Percent Change*
General Fund						
Special Purpose Revenue Funds	40,403	26,279	60,468	63,931	3,463	5.7
Total for General Fund	40,403	26,279	60,468	63,931	3,463	5.7
Gross Funds	40,403	26,279	60,468	63,931	3,463	5.7

*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 2014 Operating Appendices located on the Office of the Chief Financial Officer's website.

FY 2014 Proposed Operating Budget, by Comptroller Source Group

Table TX0-2 contains the proposed FY 2014 budget at the Comptroller Source Group (object class) level compared to the FY 2013 approved budget. It also provides FY 2011 and FY 2012 actual expenditures.

Table TX0-2

(dollars in thousands)

	Actual FY 2011	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Percent Change*
Comptroller Source Group						
50 - Subsidies and Transfers	30,695	16,493	13,800	53,239	39,439	285.8
80 - Debt Service	9,708	9,786	46,668	10,692	-35,976	-77.1
Subtotal Nonpersonal Services (NPS)	40,403	26,279	60,468	63,931	3,463	5.7
Gross Funds	40,403	26,279	60,468	63,931	3,463	5.7

*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 11 projects:

- **Gallery Place** – a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$4,310,500;
- **The Mandarin Oriental Hotel** – opened in March 2004 and has an estimated debt service payment of \$4,504,100;
- **Verizon Center** – funded arena improvements to be repaid using an incremental tax of 4.25 percent on merchandise and tickets sold at the venue, with an estimated debt service payment of \$3,447,400;
- **D.C. USA** – a retail development project that opened in March of 2008. The District financed a publicly owned garage, and the project has an estimated debt service payment of \$1,498,000;
- **Capitol Hill Towers** – a housing, hotel, retail, and parking development project that has an estimated debt service payment of \$506,000;
- **Fort Lincoln Retail** – a Costco store that opened in November 2012 and an additional shopping plaza to be constructed; estimated debt service is \$1,298,100;
- **City Market at O Street** – a mixed-use development project under construction that has an estimated debt service payment of \$1,877,000;
- **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 \$2,608,900;

- **Convention Center Hotel** – a project expected to open in May of 2014. Debt service of \$11,985,000 will be paid from a capitalized interest reserve and any taxes generated from the site in FY 2014 will be sent to the bond trustee for future debt service obligations;
- **Arena Stage** – a tax increment financing note in support of the 2009 construction and renovation of the Arena Stage theater complex will be repaid from available increment in the Downtown TIF area, in the amount of \$12,590,000; and
- **Waterfront Park Maintenance Fund** – a fund established to deposit \$449,296 of sales tax revenues and special property assessments attributable to the Waterfront Park Retail Area and to pay the Capitol Riverfront BID for costs of maintaining the “Yards” park.

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.

For certain projects, a revenue contingency of \$13,857,016 is budgeted if projected revenues are higher than minimum debt service and principal payment in accordance with the bond agreements. Depending on the structure of bond documents, such additional revenues may be used to pre-pay principal on TIF financings, be reserved for future debt service payments, or may be returned to the District’s General Fund. For FY 2014, the District is expected to be entitled to a refund from the Gallery Place bond trustee of \$8,128,000, which is the amount by which estimated tax increment from the Gallery Place project exceeds scheduled bond debt service and which will come from this \$13,857,016.

H Street, NE Retail Priority 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.

Program Structure Change

The Tax Increment Financing (TIF) Program has no program structure changes in the FY 2014 proposed budget.

FY 2014 Proposed Operating Budget and FTEs, by Program and Activity

Table TX0-3 contains the proposed FY 2014 budget by program and activity compared to the FY 2013 approved budget. It also provides the FY 2012 actual data.

Table TX0-3

(dollars in thousands)

Program/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013
(1000) Tax Increment Financing (TIF) Program								
(1100) Tax Increment Financing (TIF) Program	26,279	60,468	63,931	3,463	0.0	0.0	0.0	0.0
Subtotal (1000) Tax Increment Financing (TIF) Program	26,279	60,468	63,931	3,463	0.0	0.0	0.0	0.0
Total Proposed Operating Budget	26,279	60,468	63,931	3,463	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 2014 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2014 Proposed Budget Change

The Tax Increment Financing (TIF) program's proposed FY 2014 gross budget is \$63,930,900, which represents a 5.7 percent increase over its FY 2013 approved gross budget of \$60,468,181. The budget is comprised entirely of Special Purpose Revenue funds.

Agency Budget Submission

Increase: The FY 2014 budget proposal for Special Purpose Revenue includes an increase of \$39,439,200 to align the budget with scheduled debt service payments. The variance is primarily attributable to the one-time scheduled FY 2014 payment for the Arena Stage financing. After FY 2014, the Arena Stage TIF note will be fully repaid.

Decrease: The FY 2014 budget proposal for Special Purpose Revenue reflects a decrease of \$35,976,461 in debt service because the budget has been aligned with scheduled debt service payments on issued debt and anticipated debt service payments on authorized debt.

Mayor's Proposed Budget

The Tax Incremental Financing (TIF) has no changes from the FY 2014 agency budget submission to the FY 2014 Mayor's proposed budget.

District's Proposed Budget

The Tax Incremental Financing (TIF) has no changes from the FY 2014 Mayor's proposed budget to the FY 2014 District's proposed budget.

FY 2013 Approved Budget to FY 2014 Proposed Budget, by Revenue Type

Table TX0-4 itemizes the changes by revenue type between the FY 2013 approved budget and the FY 2014 proposed budget.

Table TX0-4

(dollars in thousands)

	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2013 Approved Budget and FTE		60,468	0.0
Increase: To align the budget with scheduled debt service payments on issued debt and anticipated debt service payments on authorized debt	Tax Increment Financing (TIF) Program	39,439	0.0
Decrease: To align the budget with scheduled debt service payments on issued debt and anticipated debt service payments on authorized debt	Tax Increment Financing (TIF) Program	-35,976	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2014 Agency Budget Submission		63,931	0.0
No Changes		0	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2014 Mayor's Proposed Budget		63,931	0.0
No Changes		0	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2014 District's Proposed Budget		63,931	0.0
Gross for TX0 - Tax Increment Financing (TIF) Program		63,931	0.0

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

