

Tax Increment Financing (TIF) Program

Description	FY 2009 Actual	FY 2010 Approved	FY 2011 Proposed	% Change from FY 2010
Operating Budget	\$28,608,861	\$32,105,844	\$49,029,000	52.7

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 2011 proposed budget is presented in the following tables:

FY 2011 Proposed Gross Funds Operating Budget, by Revenue Type

Table TX0-1 contains the proposed FY 2011 agency budget compared to the FY 2010 approved budget. It also provides the FY 2008 and FY 2009 actual expenditures.

Table TX0-1
(dollars in thousands)

	Actual FY 2008	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Percent Change*
Appropriated Fund						
General Fund						
Special Purpose Revenue Funds	17,551	28,609	32,106	49,029	16,923	52.7
Total for General Fund	17,551	28,609	32,106	49,029	16,923	52.7
Gross Funds	17,551	28,609	32,106	49,029	16,923	52.7

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

FY 2011 Proposed Operating Budget, by Comptroller Source Group

Table TX0-2 contains the proposed FY 2011 budget at the Comptroller Source group (object class) level compared to the FY 2010 approved budget. It also provides FY 2008 and FY 2009 actual expenditures.

Table TX0-2
(dollars in thousands)

	Actual FY 2008	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Percent Change*
Comptroller Source Group						
50 - Subsidies and Transfers	7,839	18,912	0	0	0	N/A
80 - Debt Service	9,712	9,697	32,106	49,029	16,923	52.7
Subtotal Nonpersonal Services (NPS)	17,551	28,609	32,106	49,029	16,923	52.7
Gross Funds	17,551	28,609	32,106	49,029	16,923	52.7

*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 can approve other project-based tax-supported revenue bonds, including Tax Increment Financings, outside the scope of the TIF Act.

The program contains the following 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 services 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 \$3,357,000;

- **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 \$3,290,000;
- **Capitol Hill Towers** - a housing, hotel, retail, and parking development project that has an estimated debt service payment of \$935,000;
- **Special Retail** - smaller TIF financings issued under a special retail TIF program in the downtown area. Estimated debt service payments for these projects in 2011 are \$1,873,000; and
- **Shakespeare Theatre** - requires a debt service payment in FY 2011 of \$12,878,000.

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. Rather than budget a reserve in Local funds, 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 \$7,168,000 is budgeted if projected revenues are higher than minimum debt service and principal payment in accordance with the bond agreements.

In addition, a total of \$55,000,000 of debt issuance has been authorized for the Great Streets TIF program, and the budget includes an estimate of \$9,820,000 for TIF area revenues which may be dedicated to debt service pursuant to the legislation.

Program Structure Change

Tax Increment Financing (TIF) Program had no program structure changes in the FY 2011 Proposed Budget.

FY 2011 Proposed Operating Budget and FTEs, by Program and Activity

Table TX0-3 contains the proposed FY 2011 budget by program and activity compared to the FY 2010 approved budget. It also provides the FY 2009 actual data.

Table TX0-3

(dollars in thousands)

Program/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010	Actual FY 2009	Approved FY 2010	Proposed FY 2011	Change from FY 2010
(1000) Tax Increment Financing (TIF) Program								
(1100) Tax Increment Financing (TIF) Program	28,609	32,106	49,029	16,923	0.0	0.0	0.0	0.0
Subtotal (1000) Tax Increment Financing (TIF) Program	28,609	32,106	49,029	16,923	0.0	0.0	0.0	0.0
Total Proposed Operating Budget	28,609	32,106	49,029	16,923	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 2011 Operating Appendices located on the Office of the Chief Financial Officer's website.

FY 2011 Proposed Budget

Transfer Out: A total of \$6,600,000 was transferred out to various agencies: \$2,263,000 to the Office of the State Superintendent to the Early Care and Education Child Care subsidy; \$1,800,000 to the Neighborhood Revitalization Fund to Main Streets and other components of the program; 850,000 to the University of the District of Columbia Subsidy to continue funding the Pre-K Higher Education Incentive Grant; \$300,000 to the Committee on Public Services and Consumer Affairs to the Office of the Tenant Advocate; \$239,166 to fund reforms at the Board of Real Property Assessments and Appeals; \$68,000 to eliminate Sumner School use fee proposal; \$54,834 to the District of Columbia Public Charter Schools to help fund the increase to the Uniform Facilities allotment from \$2,800 to \$3,000 to reflect the minimum recommendation of the Task Force; \$25,000 to eliminate fee for student hearing transcripts; and \$1,000,000 NPS decrease to reflect additional debt services savings on the Enterprise Funds Agency.

Cost Saving: A total of \$86,150,000 of debt issuance has been authorized for the Great Streets TIF project, which would require \$16,420,000 of debt service. However, an FY 2011 Budget Support Act subtitle, the “Timing of the Issuance of Tax Increment Financing Bonds Amendment Act of 2010,” limits the aggregate principal amount of bonds authorized under the Great Streets Neighborhood Retail Priority Areas Approval Resolution of 2007, effective July 10, 2007 (Res. 17-257; 54 DCR 7194), to not more than \$55,000,000. The debt service on this amount is \$6,600,000 less, allowing the transfers itemized above.

Policy Initiative: The Tax Increment Financing budget increased by \$11,352,000 for the additional projects in the program and the inclusion of contingency funding, and by \$12,171,000 due to higher debt service payment cost.

FY 2010 Approved Budget to FY 2011 Proposed Budget, by Revenue Type

Table TX0-4 itemizes the changes by revenue type between the FY 2010 approved budget and the FY 2011 proposed budget.

Table TX0-4

(dollars in thousands)

	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2010 Approved Budget and FTE		32,106	0
Enhance: Taxes dedicated to TIF based on authorized TIF areas	Tax Increment Financing (TIF) Program	11,352	0
Cost Increase: Debt service payments required from TIF areas	Tax Increment Financing (TIF) Program	12,171	0
Transfer Out: Multiple agencies for various purposes.	Tax Increment Financing (TIF) Program	-6,600	0
SPECIAL PURPOSE REVENUE FUNDS: FY 2011 Proposed Budget and FTE		49,029	0
Gross for TX0 - Tax Increment Financing (TIF) Program		49,029	0