

Government of the
District of Columbia



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District of Columbia

Unified Economic Development Report

**FY14 Economic Development Incentives under the Mayor's
Proposed Budget and Previously Authorized Expenditures**

**Produced by the Office of Economic Development Finance,
Office of the Chief Financial Officer**

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District of Columbia Unified Economic Development Report on Proposed FY 2014 Budget

Table of Contents

INTRODUCTION	1
Scope	1
Capital Budget Information	3
FINDINGS	4
Summary: Dollars by Incentive Type.....	4
Trend	5
Dollars by Agency	5
Dollars by Ward.....	7
APPENDICES	
I. Detailed Economic Development Budget by Incentive Type	
II. Detailed Economic Development Budget by Agency	
III. Detailed Economic Development Budget by Ward	
IV. Existing Capital Budget Allotment by Ward	
V. Unified Economic Development Budget Transparency and Accountability Act	

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District of Columbia Unified Economic Development Budget Report

INTRODUCTION

The Office of the Chief Financial Officer (OCFO) of the District of Columbia is pleased to present this Unified Economic Development Report (Report) estimating the Fiscal Year 2014 cost of economic development incentives. The Report details all potential sources of economic development incentives that would be available in Fiscal Year 2014¹ under Mayor Vincent Gray's budget proposal submitted March 28, 2013, as well as previously authorized expenditures. The Report, which is mandated under the Unified Economic Development Budget Transparency and Accountability Act of 2010² (Act), provides information on the type of available economic development incentives and their allocation in the District of Columbia during the next fiscal year.

Scope

For purposes of the Report, economic development incentives are defined as the portion of an agency's proposed capital budget and proposed operating budget for "Nonpersonal Services" (as used in the District's budget and accounting systems) which may be available for economic development activities in the form of: a grant or contract for procured services; a debt service payment for a bond issued for economic development purposes; or an estimate of foregone revenue for economic development tax abatements, exemptions and credits³. The Report includes spending from the District's General Fund, Capital Fund and Federal Grant sources. As always, spending on real estate development for commercial and residential use (including affordable housing), workforce training, and business development incentives is included. The report also includes capital projects of the District of Columbia Public Schools and the District of Columbia Public Library. The following agency budget categories were used to determine the value of economic development incentives identified in this report:

¹ Beginning on October 1, 2013 and ending September 30, 2014.

² Please see Appendix V for excerpt of the Act requiring the Report.

³ Because of the Report's limitation to "Nonpersonal Services," training or other incentives provided directly by District employees will not be reflected.

Table 1: Economic Development Incentives in Agency Budgets

Agency	Agency Budget Code(s)	Budget Portion included as “economic development incentive”
Department of Employment Services (DOES)	CF0	Comptroller source group category “Subsidies and Transfers” of the Division 4000 “Workforce Development” in the operating budget
Department of Housing and Community Development (DHCD)	DB0	Capital projects and all Nonpersonal Services in the following Divisions of the operating budget: Development Finance Division, Property Acquisition and Disposition Division, and the Commercial Revitalization Activity portion of the Residential and Community Service Division
Department of Small and Local Business Development (DSLBD)	EN0	All Nonpersonal Services in the operating budget unrelated to department administration
District of Columbia Public Library (DCPL)	CE0	Capital projects
District of Columbia Public Schools (DCPS)	GA0	Capital projects
Office of the Deputy Mayor for Planning and Economic Development (DMPED)	EB0	Capital projects and all Nonpersonal Services in the operating budget unrelated to department administration
Office of Motion Picture and Television Development (FilmDC)	TK0	All Nonpersonal Services in the operating budget unrelated to department administration
Miscellaneous financing and dedicated tax transfer funds	BK0, DT0, EZ0, TX0, TY0	Debt service and debt service reserve costs for Ballpark Revenue bonds, Convention Center bonds, Tax Increment Financing (TIF) bonds, Payment in Lieu of Taxes (PILOT) bonds, and Housing Production Trust Fund bonds

Additionally, estimates of foregone tax revenue for tax abatements, tax exemptions and tax credits are included in this report as “Tax Expenditures.” These costs are generally not included in a District agency’s budget.

Existing Capital Budget Allotments

Agencies may also spend available capital budget allotments authorized in FY 2013 or from prior years. The balance of capital budget allotments available as of March 26, 2013 is reported separately in Appendix IV.

FINDINGS

Summary: Dollars by Incentive Type

We estimate that the total cost of potential economic development incentives in FY 2014 (including the estimated revenue reduction of available tax abatements, exemptions and credits) will be approximately \$943.9 million under the Mayor's proposed budget. Not included in this total is approximately \$280.7 million of existing capital budget allotment previously authorized by Council that agencies may spend in FY 2014 (but have the authority to spend before, during or after FY 2014).

The \$943.9 million of incentives will be allocated by type as follows:

Table 2: Economic Development Incentives in FY 2014 Proposed Budget, by Type

Incentive Type	Total Cost	Percentage of Total
Expenditures on Contracts ¹	\$606,305,337	64%
Grants	\$141,360,504	15%
PILOT Debt Service	\$16,341,000	2%
Revenue Bond Debt Service ²	\$74,412,714	8%
Tax Abatements ³	\$10,498,001	1%
Tax Credits ³	\$13,435,000	1%
Tax Exemptions ³	\$22,601,554	2%
Tax Increment Financing (TIF) Debt Service	\$58,931,317	6%
TOTAL	\$943,885,426	100%

Notes

1. Includes school and library capital projects.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. Estimate of total foregone tax revenue.

The largest incentive category is expenditures on contracts, for which approximately \$606.3 million, or 64% of the total, is proposed. Much of the cost reflected in this category is for FY 2014 allotments of capital projects. \$149.7 million will be spent on debt service for PILOT, revenue bonds, and tax increment financing bonds, and approximately \$141.4 million will be available for grants. Economic development tax expenditures (abatements, credits and exemptions) will total \$46.5 million in foregone FY14 revenue.

Detailed information for the expenses aggregated above, including recipient and ward data for projects, can be found in Appendix I, Detailed Economic Development Budget by Incentive Type.

Trend

For all economic development budget categories in the Mayor’s Proposed FY 2014 budget (including previously authorized tax expenditures), we have compared the proposed spending to the FY 2013 budget as approved. The proposed FY 2014 budget and tax expenditures would allocate \$126.1 million more to economic development incentives than amounts to be spent in FY 2013, or an increase of 15.4%.

Table 3: Budget Trend for Economic Development Incentives, Fiscal Years 2013 – 2014 (Proposed)

Incentive Type	FY13 Approved Budget (in millions)	FY14 Proposed Budget (in millions)	% Increase (Decrease) vs FY 2013 Budget
Expenditures on Contracts	\$519.45	\$606.31	16.7%
Grants	\$112.81	\$141.36	25.3%
Revenue Bond Debt Service	\$70.50	\$74.41	5.5%
Tax Expenditures (combined) ¹	\$48.56	\$46.53	(4.2%)
TIF & PILOT Debt Service (combined)	\$66.50	\$75.27	13.2%
TOTAL	\$817.81	\$943.89	15.4%

Notes

1. Estimate of total foregone tax revenue.

Dollars by Agency

The allocation of total economic development dollars by agency is provided in Table 4 below and in Appendix II. The largest share of proposed spending is for D.C. Public Schools facility modernization and renovation projects, which totals \$440.8 million. In addition, the Office of the Deputy Mayor for Planning and Economic Development (DMPED) requested \$159.5 million of budget authority for economic development incentives. Also, a total of \$149.7 million of economic development dollars will flow through the miscellaneous funds dedicated for payment of TIF & PILOT debt service and revenue bond debt service for Ballpark Revenue bonds, Convention Center bonds and Housing Production Trust Fund bonds¹.

¹ Agencies DT0, EZ0, TX0, and TY0 in the District’s budget

Table 4: Economic Development Incentives in FY 2014 Proposed Budget, by Agency

Aggregate Economic Development Dollars by Granting Body/Agency										
	in millions									
	None ¹	DCPL	DCPS	DHCD	DMPED	DOES	DSLBD	Film DC	Misc. Funds	TOTAL
Expenditures on Contracts		\$12.26	\$440.84		\$146.32	\$6.24	\$0.33	\$0.32		\$606.31
Grants				\$98.95	\$13.20	\$27.31	\$1.90			\$141.36
Payment In Lieu Of Taxes (PILOT)									\$16.34	\$16.34
Financing Debt Service										
Revenue Bond Debt Service ²									\$74.41	\$74.41
Tax Abatements ³	\$10.50									\$10.50
Tax Credits ³	\$13.44									\$13.44
Tax Exemptions ³	\$21.10								\$1.50	\$22.60
Tax Increment Financing (TIF) Debt Service									\$58.93	\$58.93
Total Expenses	\$45.03	\$12.26	\$440.84	\$98.95	\$159.52	\$33.55	\$2.23	\$0.32	\$151.19	\$943.89

Notes

1. Tax expenditures not associated with an agency.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. Estimate of total foregone tax revenue.

Acronym Key

- DCPL – District of Columbia Public Library
- DCPS – District of Columbia Public Schools
- DHCD - Department of Housing and Community Development
- DMPED - Office of the Deputy Mayor for Planning and Economic Development
- DOES - Department of Employment Services
- DSLBD - Department of Small and Local Business Development
- Film DC - Office of Motion Picture & Television Development
- Misc. Funds - Agencies DTO, ES0, TX0 & TY0 in the District's budget

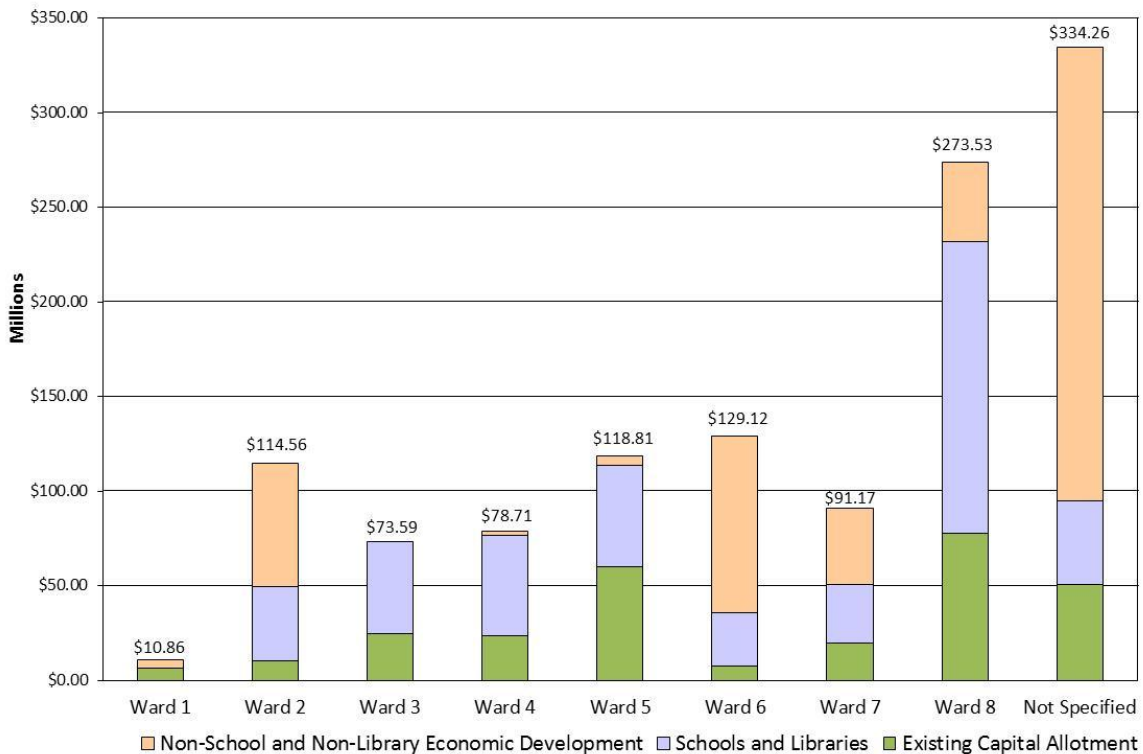
Detailed information for the expenses aggregated above, including recipient and ward data for projects already specified, can be found in Appendix II, Detailed Economic Development Budget by Agency.

Dollars by Ward

As required by the Act, this Report includes data on the ward location of the projects for which economic development dollars will be provided. Expenditures such as debt service for previously authorized economic development projects, tax exemptions and abatements, and some capital budget projects have been associated with a particular ward. However, approximately 30% of the FY 2014 proposed economic development costs are not specified for a particular location and may be allocated for city-wide initiatives.

The following chart presents total economic development dollars designated by ward, broken out between school/library construction and other types of economic development spending:

**FY14 Proposed Spending on Economic Development by Ward
including previously authorized capital allotments as of March 26, 2013**



The following table summarizes proposed economic development dollars by ward, including tax expenditures. In addition, the table summarizes the location of capital projects with existing budget allotment as of the end of March 2013.

Table 5: Economic Development Incentives in FY 2014 Proposed Budget, by Location

Incentive Type	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	Not Specified	TOTAL
Expenditures on Contracts		\$39.34	\$49.06	\$54.26	\$55.46	\$37.15	\$70.60	\$195.52	\$104.92	\$606.30
Grants						\$5.00			\$136.36	\$141.36
PILOT Debt Service					\$0.61	\$14.04			\$1.68	\$16.34
Revenue Bond Debt Service		\$33.08				\$33.51			\$7.82	\$74.41
Tax Abatements ¹	\$0.13	\$3.70		\$0.49		\$6.09	\$0.09			\$10.50
Tax Credits ¹									\$13.44	\$13.44
Tax Exemptions ¹	\$2.32	\$6.30		\$0.21	\$1.61	\$5.86	\$0.53	\$0.43	\$5.34	\$22.60
Tax Increment Financing (TIF) Debt Service	\$1.93	\$21.78		\$0.14	\$1.30	\$19.93			\$13.86	\$58.93
FY14 Proposed Spending (Subtotal)	\$4.38	\$104.20	\$49.06	\$55.10	\$58.98	\$121.57	\$71.22	\$195.95	\$283.42	\$943.88
Existing Capital Allotment ²	\$6.48	\$10.36	\$24.53	\$23.61	\$59.82	\$7.55	\$19.95	\$77.58	\$50.84	\$280.73
Total Available	\$10.86	\$114.56	\$73.59	\$78.71	\$118.81	\$129.12	\$91.17	\$273.53	\$334.26	\$1,224.61

Notes

1. Estimate of total foregone tax revenue.
2. Existing budget allotment balance for capital projects as of March 26, 2013. Amounts may be spent before or after FY14.

Approximately \$660.5 million of economic development incentives have been proposed for projects located in one of the District’s eight wards, while about \$283.4 million have not been specified or will be spent city-wide.

Of those amounts specified for projects in a particular ward, Ward 8 will have the largest share of economic development spending. Major Ward 8 projects include the renovation of four schools (Ballou Senior High School, Johnson Middle School, Kramer Middle School, and Stanton Elementary). In addition, the St. Elizabeth’s East campus redevelopment project is allocated approximately \$29.5 million.

Other significant projects included in the proposed FY14 budget are \$40.0 million for the Skyland Shopping Center in Ward 7, \$37.7 million for the modernization of Brookland Middle School in Ward 5, \$37.7 million for the modernization of Roosevelt High School in Ward 4, \$33.5 million on Ballpark Revenue debt service in Ward 6, and \$33.1 million for Convention Center debt service in Ward 2. More detailed information on ward-by-ward expenditures in the FY 2014 budget proposal can be found in Appendix III, Detailed Economic Development Budget by Ward.

Finally, economic development capital projects previously authorized included a total of \$280.7 million of capital allotments available as of March 26, 2013. Such amounts may be spent before or after FY 2014. The detailed list of those projects, sorted by ward location, can be found in Appendix IV. Existing available capital budget allotment balances are detailed separately and can also be found in Appendix IV.