

Government of the  
District of Columbia



**Muriel Bowser**  
Mayor

**Jeffrey S. DeWitt**  
Chief Financial Officer

## **District of Columbia**

# **Unified Economic Development Report**

**Fiscal Year 2016 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 2016 Budget

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**District of Columbia Unified Economic Development Budget Report**

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**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 2016 cost of economic development incentives. The Report details all potential sources of economic development incentives that would be available in Fiscal Year 2016<sup>1</sup> under Mayor Muriel Bowser’s budget proposal submitted April 2, 2015, as well as previously authorized expenditures. The Report, which is mandated under the Unified Economic Development Budget Transparency and Accountability Act of 2010<sup>2</sup> (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 or a debt service payment for a bond issued for economic development purposes.<sup>3</sup> Such expenses include spending on real estate development for commercial and residential use (including affordable housing), workforce training, and business development incentives and cover both local and non-local funds. Additionally, capital spending by the District of Columbia Public Schools and the District of Columbia Public Library for school and library renovation projects is also included. Finally, the report includes estimates of foregone revenue for economic development tax abatements, exemptions and credits.

The following agency budget categories were used to determine the value of economic development incentives identified in this report:

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<sup>1</sup> Beginning on October 1, 2015 and ending September 30, 2016.

<sup>2</sup> Please see Appendix V for excerpt of the Act requiring the Report.

<sup>3</sup> 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 Health Care Finance (DHCF)	HT0	Capital project “East-End Medical Center”
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; Intradistrict budget for Housing Production Trust Fund bonds.
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
Department of General Services (DGS)	AM0	Capital project “DC United Soccer Stadium”
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, EZ0, TX0, TY0	Debt service and debt service reserve costs for Ballpark Revenue bonds, Convention Center bonds, Tax Increment Financing (TIF) bonds and Payment in Lieu of Taxes (PILOT) 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 2015 or from prior years. The balance of capital budget allotments available as of April 10, 2015 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 2016 (including the estimated revenue reduction of available tax abatements, exemptions and credits) will be approximately \$991.8 million under the Mayor's proposed budget. Not included in this total is approximately \$456.9 million of existing capital budget allotment previously authorized by Council that agencies may spend in FY 2016 (but have the authority to spend before, during or after FY 2016).

The \$991.8 million of incentives will be allocated by type as follows:

**Table 2: Economic Development Incentives in FY 2016 Proposed Budget, by Type**

	Total Cost	Percentage of Total
<b>Total</b>	<b>\$991,815,432</b>	<b>100%</b>
Expenditures on Contracts <sup>1</sup>	628,766,212	63.4%
Grants	156,255,301	15.8%
Payment in Lieu of Taxes (PILOT) Financing	18,740,915	1.9%
Revenue Bonds <sup>2</sup>	71,080,064	7.2%
Tax Abatements and Exemptions <sup>3</sup>	41,797,113	4.2%
Tax Credits (District) <sup>3</sup>	20,441,000	2.1%
Tax Increment Financing (TIF)	54,734,827	5.5%

Notes, Table 2

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 based on real property assessment values and District of Columbia Tax Expenditure Report.

The largest incentive category is expenditures on contracts, for which approximately \$628.7 million, or 63.4% of the total, is proposed. Much of the cost reflected in this category is for FY 2016 allotments of capital projects, and particularly for public school construction (see agency data below). \$144.5 million will be spent on debt service for PILOT, revenue bonds, and TIF bonds, and approximately \$156.2 million will be available for grants. Economic development tax expenditures (abatements, credits and exemptions) will total \$62.2 million in foregone FY 2016 revenue.

Detailed information for the expenses aggregated above, including recipient and ward data when specified, 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 2016 Budget (including previously authorized tax expenditures), we have compared the proposed spending to the FY 2015 budget as approved. The proposed FY 2016 budget and tax expenditures would allocate \$189.7 million more to economic development incentives than the FY 2015 approved budget, or an increase of 24%. Expenditures on contracts increase 16% much of this is attributable to funding for the DC United soccer stadium preparation. Grants increased 163% primarily due to the Mayor’s affordable housing initiative. There was an increase in all types of incentives, except for debt service on revenue bonds and tax increment financing, which both decreased slightly.

**Table 3: Budget Trend for Economic Development Incentives, Fiscal Years 2015 Approved and FY 2016 Proposed**

% INCREASE (DECREASE)		FY 2016	FY 2015
<b>24%</b>	<b>Total Expenses</b>	<b>\$991,815,432</b>	<b>\$802,112,564</b>
16%	Expenditures on Contracts <sup>1</sup>	628,766,212	541,425,001
163%	Grants	156,255,301	59,388,392
18%	Payment In Lieu of Taxes (PILOT) Financing	18,740,915	15,881,839
(4%)	Revenue Bonds Debt Service <sup>2</sup>	71,080,064	74,412,714
17%	Tax Abatements & Exemptions <sup>3</sup>	41,797,113	35,841,828
4%	Tax Credits <sup>3</sup>	20,441,000	19,636,000
(1%)	Tax Increment Financing (TIF)	54,734,827	55,526,790

Notes, Table 3

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 based on real property assessment values and District of Columbia Tax Expenditure Report.

Dollars by Agency

The allocation of total economic development dollars by agency is provided in Table 4 on the next page and in Appendix II. The largest share of proposed spending is for D.C. Public Schools (DCPS) facility modernization and renovation projects, which totals \$334.8 million. In addition, the Department of Housing and Community Development (DHCD) requested \$205.7 million of budget authority for development and financing of affordable housing. Also, a total of \$137.2 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 and Convention Center bonds<sup>1</sup>. The Department of General Services (DGS) will be responsible for \$106 million to acquire, assemble and develop a new soccer stadium site. Initiatives under the Office of the Deputy Mayor for Planning and Economic Development (DMPED) will cost \$75.3 million in FY 2016.

**Table 4: Economic Development Incentives in FY 2016 Proposed Budget, by Agency**  
*\$ in millions*

	None <sup>1</sup>	DCPL	DCPS	DGS	DHCD	DHCF	DMPED	DOES	DSLBD	FilmDC	Misc. Funds
<b>Total Expenses</b>	<b>\$62.2</b>	<b>\$19.7</b>	<b>\$334.8</b>	<b>\$106.3</b>	<b>\$205.7</b>	<b>\$25.2</b>	<b>\$75.3</b>	<b>\$21.1</b>	<b>\$3.2</b>	<b>\$1.1</b>	<b>\$137.2</b>
Expenditures on Contracts <sup>2</sup>		19.7	334.8	106.3	74.1	25.2	68.7				
Grants					123.8		6.6	21.1	3.2	1.1	0.4
Land Price Subsidies											
PILOT Debt Service											18.7
Revenue Bonds Debt Service <sup>3</sup>					7.8						63.2
Tax Abatements & Exemptions <sup>4</sup>	41.8										
Tax Credits <sup>4</sup>	20.4										
TIF Debt Service											54.7

**Notes, Table 4**

1. Tax expenditures not associated with any agency.
2. Includes school and library capital projects.
3. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
4. Estimate of total foregone tax revenue based on real property assessment values and District of Columbia Tax Expenditure Report.

**Acronym Key**

- DCPL – District of Columbia Public Library
- DCPS – District of Columbia Public Schools
- DGS – Department of General Services
- DHCD - Department of Housing and Community Development
- DHCF – Department of Health Care Finance
- 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 DT0, 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.

<sup>1</sup> Agencies BK0, EZ0, TX0, and TY0 in the District's budget

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. Approximately \$659.3 million of economic development incentives have been proposed (or previously authorized) for projects located in one of the District’s eight wards, while about \$332.2 million have not been specified or will be spent city-wide. Table 5 summarizes the data by ward and shows which type of incentive is available for each ward.

**Table 5: Economic Development Incentives in FY 2016 Proposed Budget, by Location**

*in millions*

	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	City-wide or Not Specified
<b>FY 2016 Proposed Spending</b>	<b>\$38.9</b>	<b>\$152.4</b>	<b>\$53.9</b>	<b>\$81.4</b>	<b>\$34.5</b>	<b>\$221.8</b>	<b>\$33.1</b>	<b>\$43.3</b>	<b>\$332.5</b>
Expenditures on Contracts <sup>1</sup>	34.5	87.0	53.4	80.0	30.2	150.4	30.2	42.4	120.8
Grants						0.4			155.8
PILOT Debt Service					0.6	14.3			3.8
Revenue Bonds Debt Service <sup>2</sup>		33.0				30.3			7.8
Tax Abatements & Exemptions <sup>3</sup>	3.9	9.4	0.5	1.3	3.2	19.7	0.7	0.9	2.2
Tax Credits <sup>3</sup>		3.0							17.5
TIF Debt Service	0.6	20.1		0.1	0.5	6.6	2.2		24.6
<b>Existing Capital Allotment<sup>4</sup></b>	<b>\$0.0</b>	<b>\$116.6</b>	<b>\$45.9</b>	<b>\$125.6</b>	<b>\$24.6</b>	<b>\$47.3</b>	<b>\$31.1</b>	<b>\$65.8</b>	<b>\$0.0</b>
<b>Total Available</b>	<b>\$38.9</b>	<b>\$269.0</b>	<b>\$99.8</b>	<b>\$207.0</b>	<b>\$59.1</b>	<b>\$269.1</b>	<b>\$64.2</b>	<b>\$109.1</b>	<b>\$332.5</b>

Notes, Table 5

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 based on real property assessment values and District of Columbia Tax Expenditure Report.
4. Existing budget allotment balance for capital projects as of April 10, 2015. Amounts may be spent before or after FY 2016.

Of those amounts specified for projects in a particular Ward, Ward 6 will have the largest share of economic development spending. Major Ward 6 projects include contracts for DC United Soccer Stadium (\$106 million) and Watkins Elementary School modernization and renovation (\$20 million). Debt service for the Ballpark in Ward 6 will total approximately \$30 million.

Ward 2 will also see a large share of FY 2016 economic development expenditures, which are primarily composed of school modernizations, including for Duke Ellington (\$56

million) and Garrison Elementary School (\$25 million). In addition, debt service for the Convention Center Hotel will be approximately \$32.9 million.

In addition, economic development capital projects previously authorized included a total of \$456.9 million of capital allotments available as of April 10, 2015. Such amounts may be spent before or after FY 2016.

The chart below presents total economic development dollars designated by ward, broken out between school/library construction and other types of economic development spending, and includes available capital budget allotment as of April 10, 2015.

More detailed information on ward-by-ward expenditures in the FY 2016 budget proposal can be found in Appendix III, Detailed Economic Development Budget by Ward. Existing available capital budget allotment balances are detailed separately in Appendix IV.

**Economic Development Incentives in FY 2016 Proposed Budget, Including previously authorized capital allotments, by Ward**

