

Tax Increment Financing (TIF) Program

Description	FY 2011 Actual	FY 2012 Approved	FY 2013 Proposed	% Change from FY 2012
Operating Budget	\$40,402,769	\$43,404,211	\$60,468,181	39.3

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 2013 proposed budget is presented in the following tables:

FY 2013 Proposed Gross Funds Operating Budget, by Revenue Type

Table TX0-1 contains the proposed FY 2013 agency budget compared to the FY 2012 approved budget. It also provides FY 2010 and FY 2011 actual expenditures.

Table TX0-1
(dollars in thousands)

	Actual FY 2010	Actual FY 2011	Approved FY 2012	Proposed FY 2013	Change from FY 2012	Percent Change*
Appropriated Fund						
General Fund						
Special Purpose Revenue Funds	25,666	40,403	43,404	60,468	17,064	39.3
Total for General Fund	25,666	40,403	43,404	60,468	17,064	39.3
Gross Funds	25,666	40,403	43,404	60,468	17,064	39.3

*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 2013 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2013 Proposed Operating Budget, by Comptroller Source Group

Table TX0-2 contains the proposed FY 2013 budget at the Comptroller Source Group (object class) level compared to the FY 2012 approved budget. It also provides FY 2010 and FY 2011 actual expenditures.

Table TX0-2
(dollars in thousands)

Comptroller Source Group	Actual FY 2010	Actual FY 2011	Approved FY 2012	Proposed FY 2013	Change from FY 2012	Percent Change*
50 - Subsidies and Transfers	15,956	30,695	31,678	13,800	-17,878	-56.4
80 - Debt Service	9,710	9,708	11,727	46,668	34,942	298.0
Subtotal Nonpersonal Services (NPS)	25,666	40,403	43,404	60,468	17,064	39.3
Gross Funds	25,666	40,403	43,404	60,468	17,064	39.3

*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 9 projects:

- **Gallery Place** – a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$4,312,000;
- **The Mandarin Oriental Hotel** – opened in March 2004 and has an estimated debt service payment of \$4,509,100;
- **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 \$3,411,000;
- **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 \$1,600,000;
- **Capitol Hill Towers** – a housing, hotel, retail, and parking development project that has an estimated debt service payment of \$935,000;
- **Fort Lincoln Retail** – a Costco store that is projected to open in November 2012 followed by construction of a shopping plaza; estimated debt service is \$1,298,100;
- **City Market at O Street** – a mixed-use development project under construction. Although FY 2013 debt service will be paid from a capitalized interest reserve funded through bond proceeds, an estimated \$1,320,000 of tax increment will be generated from real property taxes paid during the construction period and must be deposited with the bond trustee;

- **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 \$2,435,000; 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 \$24,960,981 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 \$5,687,000 for authorized TIF debt which may be issued by FY 2013, which has two components. First, a total of \$6,526,790 will remain in TIF authority under the Downtown Retail Priority Area after enactment of the FY 2013 Budget Support Act, and the budget includes an estimate of \$845,300 which may be dedicated to debt service pursuant to that program. Second, a total of \$49,065,269 of debt issuance authority is available for the Great Streets TIF program in FY 2013, and the budget includes an estimate of \$4,841,700 for TIF area revenues which may be dedicated to debt service pursuant to the legislation.

Finally, the budget includes \$10,000,000 of Great Streets tax increment from the H Street Retail Priority Area, of which \$5,000,000 is FY 2013 revenue and \$5,000,000 is from fund balance, 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 2013 proposed budget.

FY 2013 Proposed Operating Budget and FTEs, by Program and Activity

Table TX0-3 contains the proposed FY 2013 budget by program and activity compared to the FY 2012 approved budget. It also provides the FY 2011 actual data.

Table TX0-3

(dollars in thousands)

Program/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2011	Approved FY 2012	Proposed FY 2013	Change from FY 2012	Actual FY 2011	Approved FY 2012	Proposed FY 2013	Change from FY 2012
(1000) Tax Increment Financing (TIF) Program								
(1100) Tax Increment Financing (TIF) Program	40,403	43,404	60,468	17,064	0.0	0.0	0.0	0.0
Subtotal (1000) Tax Increment Financing (TIF) Program	40,403	43,404	60,468	17,064	0.0	0.0	0.0	0.0
Total Proposed Operating Budget	40,403	43,404	60,468	17,064	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 2013 Operating Appendices located on the Office of the Chief Financial Officer's website.

FY 2013 Proposed Budget

The Tax Increment Financing proposed FY 2013 gross budget is \$60,468,181, which represents a 39.3 percent increase over its FY 2012 approved gross budget of \$43,404,211. The budget is comprised entirely of Special Purpose Revenue funds.

Initial Adjusted Budget

Cost Increase: The FY 2013 budget proposal for Special Purpose Revenue reflects an increase of \$7,615,779 in Tax Increment Financing (TIF) Program and \$2,699,100 in Debt Service payment that aligns the budget to revenue projections as of September 2011.

Additionally Adjusted Budget

Cost Increase: The FY 2013 budget proposal for Special Purpose Revenue funds reflects an increase of \$6,749,091 in Debt Service and other payments under financing agreements that aligns the budget to revenue projections as of February 2012.

FY 2012 Approved Budget to FY 2013 Proposed Budget, by Revenue Type

Table TX0-4 itemizes the changes by revenue type between the FY 2012 approved budget and the FY 2013 proposed budget.

Table TX0-4

(dollars in thousands)

	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2012 Approved Budget and FTE		43,404	0.0
Cost Increase: Taxes dedicated to TIF	Tax Increment Financing (TIF) Program	7,616	0.0
Cost Increase: Debt service payment required from TIF areas	Tax Increment Financing (TIF) Program	2,699	0.0
FY 2013 Initial Adjusted Budget		53,719	0.0
Additional Adjustments: Cost Increase in Debt Service	Tax Increment Financing (TIF) Program	6,749	0.0
FY 2013 Additionally Adjusted Budget		60,468	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2013 Proposed Budget and FTE		60,468	0.0
Gross for TX0 - Tax Increment Financing (TIF) Program		60,468	0.0

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