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# Tax Increment Financing (TIF) Program

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Description	FY 2014 Actual	FY 2015 Approved	FY 2016 Proposed	% Change from FY 2015
Operating Budget	\$49,585,807	\$60,438,790	\$70,006,229	15.8

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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 2016 proposed budget is presented in the following tables:

## **FY 2016 Proposed Gross Funds Operating Budget, by Revenue Type**

Table TX0-1 contains the proposed FY 2016 agency budget compared to the FY 2015 approved budget. It also provides FY 2013 and FY 2014 actual expenditures.

**Table TX0-1**  
(dollars in thousands)

<b>Appropriated Fund</b>	<b>Actual FY 2013</b>	<b>Actual FY 2014</b>	<b>Approved FY 2015</b>	<b>Proposed FY 2016</b>	<b>Change from FY 2015</b>	<b>Percent Change*</b>
<b>General Fund</b>						
Special Purpose Revenue Funds	40,746	49,586	0	0	0	N/A
<b>Total for General Fund</b>	<b>40,746</b>	<b>49,586</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Enterprise and Other</b>						
Enterprise and Other Funds-Dedicated Tax	0	0	60,439	70,006	9,567	15.8
<b>Total for Enterprise and Other</b>	<b>0</b>	<b>0</b>	<b>60,439</b>	<b>70,006</b>	<b>9,567</b>	<b>15.8</b>
<b>Gross Funds</b>	<b>40,746</b>	<b>49,586</b>	<b>60,439</b>	<b>70,006</b>	<b>9,567</b>	<b>15.8</b>

\*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 2016 Operating Appendices** located on the Office of the Chief Financial Officer's website.

## **FY 2016 Proposed Operating Budget, by Comptroller Source Group**

Table TX0-2 contains the proposed FY 2016 budget at the Comptroller Source Group (object class) level compared to the FY 2015 approved budget. It also provides FY 2013 and FY 2014 actual expenditures.

**Table TX0-2**  
(dollars in thousands)

<b>Comptroller Source Group</b>	<b>Actual FY 2013</b>	<b>Actual FY 2014</b>	<b>Approved FY 2015</b>	<b>Proposed FY 2016</b>	<b>Change from FY 2015</b>	<b>Percent Change*</b>
50 - Subsidies and Transfers	29,881	38,894	47,500	56,853	9,353	19.7
80 - Debt Service	10,865	10,692	12,939	13,153	214	1.7
<b>Subtotal Nonpersonal Services (NPS)</b>	<b>40,746</b>	<b>49,586</b>	<b>60,439</b>	<b>70,006</b>	<b>9,567</b>	<b>15.8</b>
<b>Gross Funds</b>	<b>40,746</b>	<b>49,586</b>	<b>60,439</b>	<b>70,006</b>	<b>9,567</b>	<b>15.8</b>

\*Percent change is based on whole dollars.

## Program Description

The Tax Increment Financing Program 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.

This program contains the following 7 ongoing projects:

- **Gallery Place** – a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$4,311,500;
- **The Mandarin Oriental Hotel** – opened in March 2004 and has an estimated debt service payment of \$4,504,125;
- **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 \$3,517,274;
- **City Market at O Street** – a mixed-use development project under construction that has an estimated debt service payment of \$2,097,131;
- **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 \$2,540,642;
- **Convention Center Hotel** – opened in May 2014 and has an estimated debt service of \$10,466,846; and
- **Waterfront Park Maintenance Fund** – has been established to deposit sales tax revenues and special property assessments attributable to the Waterfront Park Retail Area in order to pay the Capitol Riverfront BID for costs of maintaining “Yards Park.” In FY 2016, these funds are estimated to be \$445,609.

In addition, the program includes the following projects that will begin construction in FY 2015:

- **Skyland** – a mixed-use development project with an estimated debt service payment of \$2,240,000 to be paid from capitalized interest;
- **Fort Lincoln Phase II** – retail strip mall in Ward 5 with an estimated debt service of \$506,060; and
- **Southwest Waterfront** – also known as “The Wharf,” this project financing is intended to pay for the public infrastructure and parks in and around a mixed-use large-scale redevelopment project along the Potomac River in Southwest, DC. In FY 2016, TIF budget authority is not requested for this project.

For certain projects, a revenue contingency of \$26,627,043 is budgeted if projected revenues are higher than minimum debt service payments, 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, reserved for future debt service payments, or returned to the District’s General Fund. For FY 2016, the District is expected to be entitled to refunds from the Gallery Place and Mandarin bond trustees totaling \$9,075,794. This is the amount by which estimated tax increments from the Gallery Place and Mandarin projects exceed scheduled bond debt service. This transfer to the General Fund is funded within the revenue contingency budget.

Finally, the budget includes \$12,750,000 from fund balance from the H Street Retail Priority Area to be transferred to the General Fund.

### Program Structure Change

The Tax Increment Financing (TIF) Program has no program structure changes in the FY 2016 proposed budget.

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## FY 2016 Proposed Operating Budget and FTEs, by Program and Activity

Table TX0-3 contains the proposed FY 2016 budget by program and activity compared to the FY 2015 approved budget. It also provides the FY 2014 actual data.

**Table TX0-3**

(dollars in thousands)

Program/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2014	Approved FY 2015	Proposed FY 2016	Change from FY 2015	Actual FY 2014	Approved FY 2015	Proposed FY 2016	Change from FY 2015
<b>(1000) Tax Increment Financing (TIF)</b>								
(1100) Tax Increment Financing (TIF)	49,586	60,439	70,006	9,567	0.0	0.0	0.0	0.0
<b>Subtotal (1000) Tax Increment Financing (TIF)</b>	<b>49,586</b>	<b>60,439</b>	<b>70,006</b>	<b>9,567</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Proposed Operating Budget</b>	<b>49,586</b>	<b>60,439</b>	<b>70,006</b>	<b>9,567</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

(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 2016 Operating Appendices** located on the Office of the Chief Financial Officer's website.

## FY 2016 Proposed Budget Changes

The Tax Increment Finance (TIF) Program's proposed FY 2016 gross budget is \$70,006,229, which represents a 15.8 percent increase over its FY 2015 approved gross budget of \$60,438,790. The budget is comprised entirely of Enterprise and Other Funds – Dedicated Taxes.

### Agency Budget Submission

**Decrease:** The budget decreased by a net \$3,182,561 to align it with projected dedicated tax revenues and the latest revenue estimates provided by the Office of Revenue Analysis.

The decrease of the budget is primarily attributable to the following:

- Fort Lincoln Phase I was fully repaid in December of FY 2015. The annual debt service of Fort Lincoln Phase II is expected to be less than Phase I;
- H Street Retail Priority Grant of \$5,000,000, authorized for the uses specified in the H Street, NE Retail Priority Incentive Act of 2010, expired in FY 2015 and is not budgeted in FY 2016; and
- Convention Center Hotel has a lower debt service budget due to a revised projection.

One item that partially offsets these decreases is an increase in the City Market at O Street debt service, to reflect the start of principal repayments.

### Mayor's Proposed Budget

**Increase:** The Program's budget proposal reflects an increase of \$7,000,000 to cover a transfer to the General Fund from the H Street portion of the accumulated TIF fund.

### District's Proposed Budget

**Increase:** The Program's budget proposal reflects an increase of \$5,750,000 to cover a transfer to the General Fund from the H Street portion of the accumulated TIF fund.

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## FY 2015 Approved Budget to FY 2016 Proposed Budget, by Revenue Type

Table TX0-4 itemizes the changes by revenue type between the FY 2015 approved budget and the FY 2016 proposed budget.

**Table TX0-4**  
(dollars in thousands)

DESCRIPTION	PROGRAM	BUDGET	FTE
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2015 Approved Budget and FTE</b>		<b>60,439</b>	<b>0.0</b>
Decrease: To align budget with scheduled debt service payments	Tax Increment Financing	-3,183	0.0
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2016 Agency Budget Submission</b>		<b>57,256</b>	<b>0.0</b>
Increase: To cover a transfer to the General Fund from the H Street portion	Tax Increment Financing	7,000	0.0
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2016 Mayor's Proposed Budget</b>		<b>64,256</b>	<b>0.0</b>
Increase: To cover a transfer to the General Fund from the H Street portion	Tax Increment Financing	5,750	0.0
<b>ENTERPRISE AND OTHER FUND-DEDICATED TAXES: FY 2016 District's Proposed Budget</b>		<b>70,006</b>	<b>0.0</b>
<b>Gross for TX0 - Tax Increment Financing (TIF) Program</b>		<b>70,006</b>	<b>0.0</b>

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