

PUBLIC HEARING

ON

**PR17-1173, “Tax Increment Revenue Waterfront Arts
Project Refundable TIF Approval Resolution of 2008”**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia
Councilmember Jack Evans, Chairman**

**December 9, 2008, 12:30 p.m.
Council Chamber, John A. Wilson Building**



**Testimony of
John Ross
Senior Advisor to the Chief Financial Officer
For Economic Development Finance**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am pleased to testify today on behalf of the CFO on Proposed Resolution 17-1173, the Tax Increment Revenue Waterfront Arts Project Refundable TIF Approval Resolution of 2008.

The CFO has certified this project based on the determination of special merits by the Deputy Mayor for Planning and Economic Development.

The proposed legislation would authorize the District to issue to the Arena Stage a \$10 million TIF Note to subsidize a portion of their \$160 million theater redevelopment project at 1101 Sixth Street, S.W. To date, the District has contributed \$30 million in grant funds for this redevelopment project.

Under the proposed financing structure, the TIF Note would be issued as a pledge by the District to fully pay the \$10 million plus interest in 2013 using available increment from the Downtown TIF Area. With this TIF Note, the Arena Stage will be able to obtain funds today from a third-party financial

institution for the completion of the project. The proposed financing structure will also require the Arena Stage to pay the District the full present value of the TIF Note, over 25 years. These payments will be made through pledges and/or increased ticket prices over the 2013 through 2038 time period.

To reduce the risk of non-payment by the Arena Stage, the District will require a reserve fund to be established equal to one-year's debt service payment. Each year, the Arena Stage will have to replenish any funds used from this reserve.

The District will use an estimated \$12.8 million of available increment from the Downtown TIF Area in FY 2013. Because this payment will be made after 2012, it has no fiscal impact on the FY 2009-2012 budget and financial plan. However, the payment will need to be included in the FY 2010 – FY 2013 financial plan.

Thank you very much. I am happy to answer any questions at this time.