

PUBLIC HEARING

ON

**Bill 18-970 ‘H Street, N.E., Retail Priority Area Incentive Amendment
Act of 2010’**

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

**November 22, 2010, 10:00 AM
John A. Wilson Building, Room 412**



**Testimony of
John Ross
Senior Advisor and Director of Economic Development Finance
Office of the Chief Financial Officer**

**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, Director of the Office of Economic Development Finance in the Office of the Chief Financial Officer. I am pleased to testify today on Bill 18-970, the H Street, N.E., Retail Priority Area Incentive Act of 2010.

The legislation establishes the H Street Retail Priority Area Grant Fund and requires the CFO to deposit tax increment from the area into the Fund. Because the H Street Retail Priority Area was previously created by the Retail Incentive Act of 2004 and the Great Streets Retail Priority Areas Approval Resolution of 2007, the tax increment financing (TIF) transfers associated with the proposed legislation are already recognized in the budget and financial plan.

The Grant Fund would have two purposes: (1) to reimburse the General Fund for the \$5 million of tax abatements approved in the Third & H Streets, N.E. Economic Development Act of 2010, and (2) to pay for a new grant program to assist retail development in the H Street corridor. Total transfers to the Grant Fund would be limited to \$5 million annually, and \$25 million in total. Since \$5 million would be used to pay for the abatements, \$20 million would be available for grants.

The Third and H Streets Project will be a \$67 million, mixed-use development consisting of approximately 210 residential units, 42,000 square feet of retail space including a supermarket, and a parking garage with 250 to 270 spaces. The project is being developed by a subsidiary of Steuart Investment Company and construction is projected to begin in the spring of 2011.

The Third & H Streets, N.E. Economic Development Act of 2010, which was to take effect upon inclusion in the District's budget and financial plan, exempted the Third and H Street Project from a variety of taxes, including real property taxes, deed recordation, transfer taxes, and sales taxes on construction materials. In total, these exemptions are limited to \$5 million, which the OCFO estimates will be utilized during the District's financial plan period.

Council previously authorized \$95 million in debt to be issued through the District's tax increment financing program to support economic development projects within Great Streets corridors, including \$25 million for the H Street, N.E. corridor. None of the \$25 million allocated to the H Street, N.E. corridor has been utilized to date. The proposed legislation currently before the committee would eliminate the TIF bonding authority for the H Street Retail Priority Area while still allowing for financing

assistance in the corridor, in the form of grants and tax abatements. The reduction in bonding authority would have a positive impact on the District's debt cap restrictions.

Thank you for this opportunity to comment. I would be glad to answer any questions you may have.