

Government of the  
District of Columbia



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Mayor

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Chief Financial Officer

**District of Columbia**  
**Unified Economic Development Budget**  
**Report: Fiscal Year 2016 Year-End**

**Produced by the Office of Economic Development Finance,**  
**Office of the Chief Financial Officer**

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

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

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**METHODOLOGY**

The Office of the Chief Financial Officer (OCFO) of the District of Columbia is pleased to present the Fiscal Year 2016 Year-End Unified Economic Development Budget Report (Report) which provides information on how economic development dollars were allocated in the District of Columbia during the past fiscal year. The Report, which was mandated by the Unified Economic Development Budget Transparency and Accountability Act of 2010 (Act), identifies all economic development incentives in excess of \$75,000 provided in Fiscal Year 2016.<sup>1</sup> Based on definitions in the law and conversations with Council staff, the OCFO included economic development incentives of the following types:

- Issuances of, and payments for, tax increment financing (TIF) bonds
- Issuances of, and payments for, payment in lieu of taxes (PILOT) bonds
- Issuances of, and payments for, revenue bonds
- Grants, loans, and loan guarantees
- Fee waivers
- Land price subsidies
- Tax abatements, tax exemptions, and tax credits
- Procured contracts (services, construction, reports, etc.)

The complete list of District agencies included in the Report data is:

District of Columbia Housing Enterprises (DCHE), a subsidiary of District of Columbia Housing Authority  
District of Columbia Housing Financing Agency (DCHFA)  
District of Columbia Public Libraries (DCPL)<sup>2</sup>  
District of Columbia Public Schools (DCPS)<sup>3</sup>  
Department of Housing and Community Development (DHCD)<sup>4</sup>  
Department of Employment Services (DOES)<sup>5</sup>

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

<sup>2</sup> Includes only capital expenditures for construction projects.

<sup>3</sup> Includes only capital expenditures for new construction and modernization projects (as managed by Department of General Services).

<sup>4</sup> Includes spending only in the following activities: Affordable Housing Project Financing; Property Acquisition; Community Services – Community Revitalization; Neighborhood Based Activities; Small Business Technical Assistance.

<sup>5</sup> Includes only expenditures under select employment programs.

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Department of Small and Local Business Development (DSLBD)  
Office of the Deputy Mayor for Planning and Economic Development (DMPED)

In the process of compiling the Report data, expenses from the District's financial reporting systems were sent to the fiscal officers and program staff in each of the agencies listed above. Agency staff provided additional expense descriptions and ward information. The Office of Economic Development Finance then reviewed and aggregated the data. As required under the Act, the Report presents expenditures by type of incentive, by ward, by granting body, and by recipient.

## FINDINGS

### Dollars by Incentive Type

In FY 2016, the District spent approximately \$721 million on various economic development incentives, as seen in Table 1. These expenditures include reductions to District revenue stemming from incentives such as tax abatements, exemptions and credits.

This Report also details economic incentives provided during FY 2016 that either have no impact on the District’s budget or will impact a future year’s budget. During FY 2016, such activity included bond issuances, tax credits, and newly authorized tax abatements and exemptions.<sup>6</sup>

The incentives were allocated by type of expenditure as follows:

**Table 1: Incentives by Expenditure Type**

	AGGREGATE EXPENSES	ACTIVITY NOT IMPACTING THE FY16 BUDGET	NUMBER OF COMPANIES/INDIVIDUALS
<b>Total</b>	<b>\$720,632,004</b>	<b>\$984,146,706</b>	1,424
Expenditures on Contracts	412,870,886	N/A	78
Grants	36,323,381	N/A	113
Land Price Subsidies	0	N/A	0
Payment in Lieu of Taxes (PILOT) Financing	15,193,012	N/A	5
Revenue Bonds	178,179,545	914,521,799	32
Tax Abatements and Exemptions	29,102,906	64,521,783	909
Tax Credits (District)	23,730,243	5,103,124	274
Tax Increment Financing (TIF)	25,232,031	N/A	13

Detailed information for the expenses aggregated above, including recipient and ward data, can be found in each of the Report’s appendices.

Total spending on economic development incentives in FY 2016 increased by 15% over the prior fiscal year as seen in Table 2. The most significant change was an \$88.7 million increase in Revenue Bond Debt Service, (primarily due to allowable prepayment of bonds). The District saw a \$7.4 million increase in Tax Increment Financing Debt Service, which was primarily due to bond payments starting for the Southwest Waterfront project, also known as The Wharf.

For activity not impacting the FY 2016 budget, as presented in Table 2, incentives decreased by 17% from the prior fiscal year. The largest source of the decrease was in Payment in Lieu of Taxes (PILOT) Financing Issuances, as no PILOT bonds were issued in FY 2016.

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<sup>6</sup> Debt service on the revenue bonds issued under the DMPED Revenue Bond Program or by DCHFA is paid by third parties, and therefore is not included in the District budget. Future debt service for PILOT or TIF bonds will be paid in future years. The cost of future tax abatements enacted in FY 2016 will be represented in future years as tax expenditures.

**Table 2: Change in Economic Development Incentives: FY 2016 vs. FY 2015**

% INCREASE (DECREASE)		FY 2016	FY 2015
<b>15%</b>	<b>Total Expenses</b>	<b>\$720,632,004</b>	<b>\$624,884,616</b>
3%	Expenditures on Contracts	412,870,886	401,431,059
(17%)	Grants	36,323,381	43,976,217
N/A	Land Price Subsidies	0	0
6%	Payment In Lieu Of Taxes (PILOT) Debt Serv.	15,193,012	14,299,960
99%	Revenue Bonds Debt Service	178,179,545	89,442,906
(3%)	Tax Abatements & Exemptions	29,102,906	29,863,349
(15%)	Tax Credits	23,730,243	28,050,770
42%	Tax Increment Financing (TIF) Debt Service	25,232,031	17,820,355
<b>(17%)</b>	<b>Activity Not Impacting the Current Budget</b>	<b>\$984,146,706</b>	<b>\$1,190,415,688</b>
70%	New Markets Tax Credit Investment	5,103,124	3,003,000
(100%)	PILOT Financing Issuance	0	180,245,000
1%	Revenue Bonds Issuance	914,521,799	908,833,392
N/A	Tax Increment Financing (TIF) Issuance	0	0
(34%)	Future Tax Abatements & Exemptions	64,521,783	98,334,296

Dollars by Granting Body/Agency

The allocation of total economic development dollars by granting body, or agency, is provided in Table 3 on the following page and in Appendix II. District of Columbia Public Schools (DCPS) accounted for approximately 39% of expenditures, which were for contracts to modernize various schools throughout the District. The Deputy Mayor’s Office for Planning and Economic Development (DMPED) was responsible for the largest share of non-expense activity, issuing \$620 million of revenue bonds to support construction projects for nonprofit organizations in the District.



**Table 3: Aggregate Economic Development Dollars by Granting Body/Agency (in millions)**

	None <sup>1</sup>	DCHFA	DCPL	DCPS	DHCD	DMPED	DOES	DSLBD	DGS	DHCE	Misc. Funds
<b>Total Expenses</b>	<b>\$52.8</b>	<b>\$0.0</b>	<b>\$17.9</b>	<b>\$282.4</b>	<b>\$21.9</b>	<b>\$33.0</b>	<b>\$3.3</b>	<b>\$3.9</b>	<b>\$86.9</b>		<b>\$218.6</b>
Expenditures on Contracts			17.9	282.4	7.3	18.5			86.9		
Grants					14.6	14.5	3.3	3.9			
Land Price Subsidies											
PILOT Debt Service											15.2
Revenue Bonds Debt Service <sup>2</sup>											178.2
Tax Abatements & Exemptions	29.1										
Tax Credits <sup>3</sup>	23.7										
TIF Debt Service											25.2
<b>Activity Not Impacting the FY16 Budget</b>	<b>\$64.5</b>	<b>\$294.7</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$619.8</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>0.0</b>	<b>\$5.1</b>	<b>\$0.0</b>
Future Tax Abatements Enacted <sup>4</sup>	64.5										
New Markets Tax Credits										5.1	
PILOT Issuance											
Revenue Bonds Issuance <sup>5</sup>		294.7				619.8					

**Notes**

1. Tax Expenditure (credits, exemptions, and abatements) which impact the budget as revenue reductions, are not attributed to any agency in this Report
2. Includes Ballpark, Convention Center, Convention Center Hotel, and Housing Production Trust Fund bonds
3. Estimate of total foregone tax revenue (includes QHTC tax credit recipients)
4. Estimated foregone revenue over the term of the abatement
5. Revenue bonds included are not repaid from the District's budget

**Agency Key**

None- Abatements, Exemptions and Tax Credits are not attributable to an agency

DCHFA - District of Columbia Housing Finance Agency

DCPL - District of Columbia Public Libraries

DCPS - District of Columbia Public Schools

DHCD - Department of Housing and Community Development

DMPED - Office of the Deputy Mayor for Planning and Economic Development

DOES - Department of Employment Services

DSLBD - Department of Small and Local Business Development

DGS - Department of General Services

DCHE - District of Columbia Housing Enterprises

Misc. Funds - Tax transfer agencies in the District's budget created for debt issuance purposes

Dollars by Ward

As required by the Act, this Report includes project data by ward. The Report separates incentives among the District’s eight wards into two categories: (1) expenses, including debt service, and (2) activity not impacting the FY 2016 budget.<sup>7</sup> Table 4 below provides the dollars per ward for each type of incentive, while Charts 1 and 2 on the following pages summarize the overall data by ward.

**Table 4: Aggregate Economic Development Dollars by District Ward (in millions)**

	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	Multiple
<b>Total Expenses</b>	<b>\$11.4</b>	<b>\$143.6</b>	<b>\$14.5</b>	<b>\$94.4</b>	<b>\$17.0</b>	<b>\$282.1</b>	<b>\$46.8</b>	<b>\$53.0</b>	<b>\$57.6</b>
Expenditures on Contracts	4.8	68.7	12.9	92.6	13.0	117.5	44.1	46.9	12.3
Grants	4.2	7.8	0.7	1.1	2.3	5.6	2.2	5.8	6.4
Land Price Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PILOT Debt Service	0.0	0.0	0.8	0.0	1.1	13.3	0.0	0.0	0.0
Revenue Bonds Debt Service	0.0	50.7	0.0	0.0	0.0	119.7	0.0	0.0	7.8
Tax Abatements & Exemptions	2.4	8.6	0.1	0.7	0.6	14.5	0.5	0.3	1.5
Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.7
TIF Debt Service	0.0	7.8	0.0	0.0	0.0	11.5	0.0	0.0	5.9
<b>Activity Not Impacting the FY16 Budget</b>	<b>\$27.0</b>	<b>\$365.0</b>	<b>\$25.6</b>	<b>\$28.1</b>	<b>\$42.1</b>	<b>\$217.2</b>	<b>\$186.7</b>	<b>\$92.3</b>	<b>\$0.0</b>
Revenue Bonds Issuance	27.0	300.5	25.6	28.1	40.4	217.2	183.3	92.3	0.0
Future Tax Abatements Enacted	0.0	64.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Markets Tax Credits	0.0	0.0	0.0	0.0	1.7	0.0	3.4	0.0	0.0

<sup>7</sup> Debt service on the revenue bonds issued under the Revenue Bond Program or by DCHFA is not paid from District funds, and therefore is not included in the District budget. In addition, the cost of future tax abatements enacted in FY 2016 will be represented in future years as tax expenditures.

The highest share of economic development spending occurred for projects located in Ward 6. In Ward 6, approximately \$120 million of the spending was attributable to debt service on the bonds for Nationals Park. This includes both regularly scheduled debt service (\$32 million) in addition to significant prepayment of bonds (\$88 million) in FY 2016. Ward 6 also saw the largest expenditures on contracts, which included significant spending on contracts to support the D.C. United Soccer Stadium.

Wards 2, 4, 7 and 8 saw the highest share of economic development spending on schools and libraries, each with multiple projects. Ward 4 expenditures on schools and libraries were the highest in the District (\$90 million).

In Ward 2, \$51 million was designated for Convention Center Bonds debt service which support both the Convention Center and the Convention Center Hotel. Lastly, several projects and programs spanned multiple wards and made up \$58 million in FY 2016.

**Chart 1**

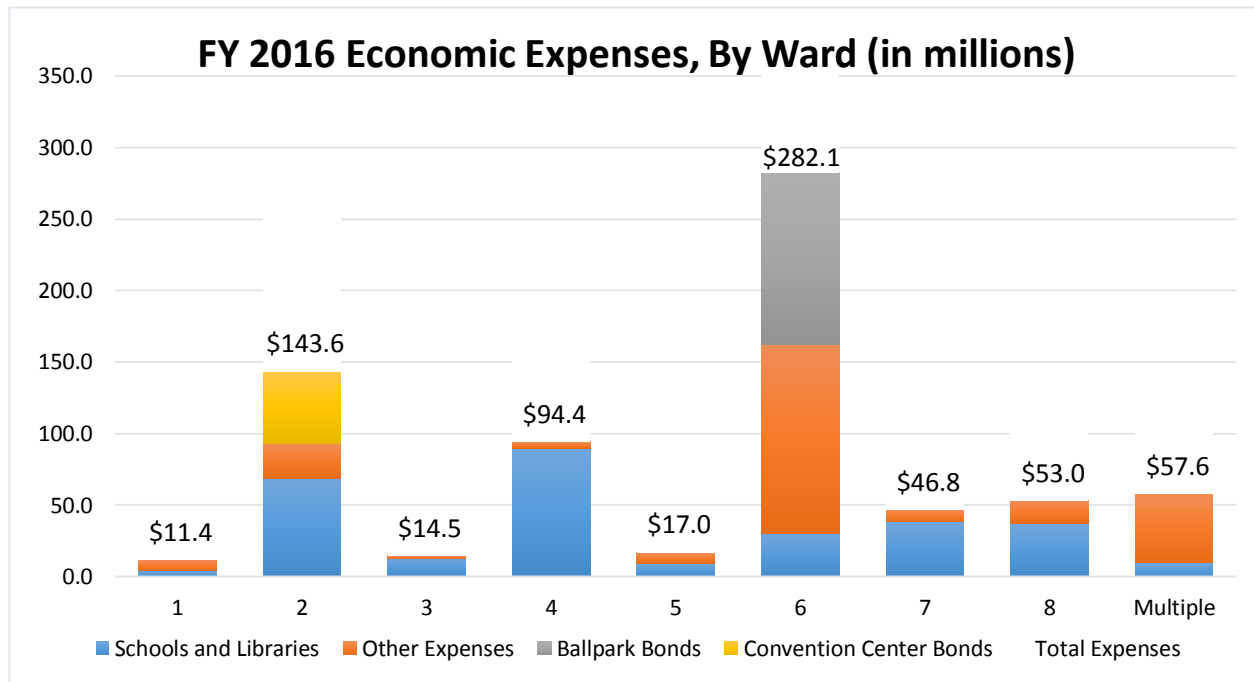
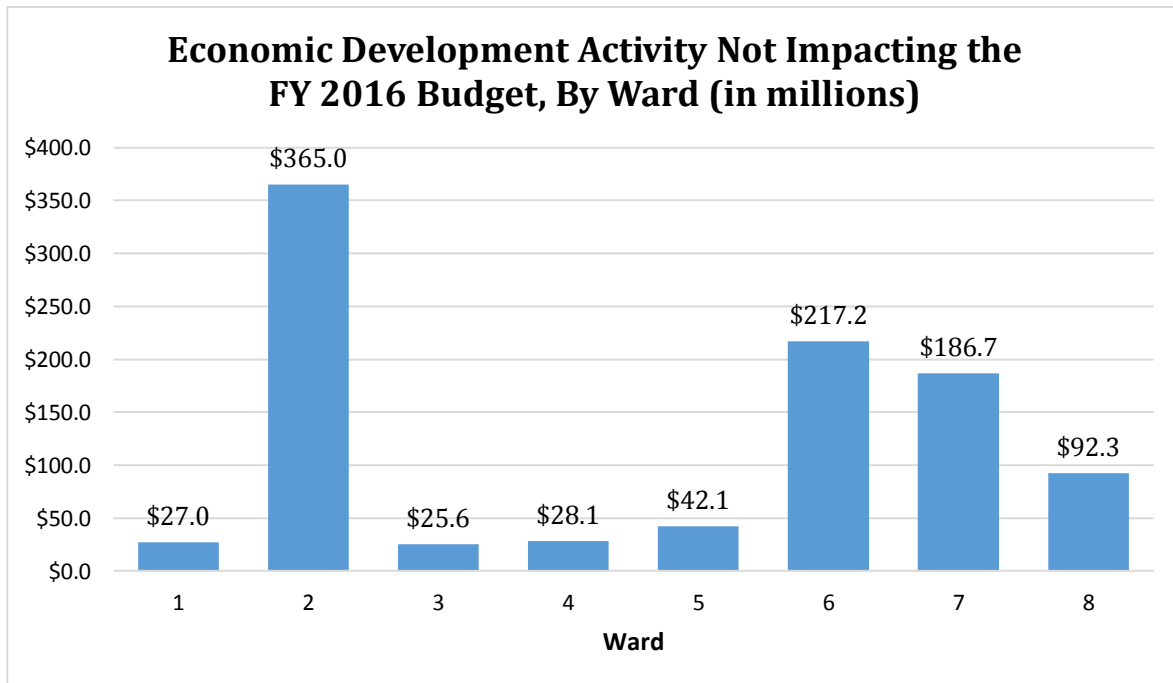


Chart 2 summarizes FY 2016 non-expense activity. Revenue bond issuances managed by DMPED represented a majority of the activity for this expenditure type (\$620 million). Ward 2 saw multiple education-based issuances in FY 2016. A future tax abatement of \$60 million through the Local Jobs and Tax Incentive Act of 2015 is also in Ward 2. In Ward 6, \$103 million was issued for the National Law Enforcement Officer’s Memorial. In Ward 7, \$79 million was spent on Friendship Public Charter School. Several bonds were issued in Ward 8, totaling over \$92 million in future economic development incentives.

**Chart 2**



The detailed list of ward-by-ward expenditures and other activity can be found in Appendix III, Detailed Economic Development Incentives by Ward.

## BACKGROUND

The following is a brief explanation of each economic development category included in the Report.

### Expenditures on Contracts

This category includes District expenditures on contracts related to economic development, such as construction, planning and asset management services provided by third parties, and may include both operating and capital budget dollars.<sup>8</sup> The total expended in this category during FY 2016 is approximately \$413 million. The complete list of expenditures on contracts begins on page 2 of Appendix I.

### Grants

District agencies awarded approximately \$36 million to 113 entities in FY 2016 as grants. These dollars were provided to a wide range of entities through programs administered by DMPED, DHCD, DOES, and DSLBD. The Report's itemized list of grants begins on page 9 of Appendix I.

### Land Price Subsidies

The District provided no subsidies through parcels of land transferred for sale or ground-leased in FY 2016 for economic development purposes.<sup>9</sup>

### Loan; Loan Guarantees; Fee Waivers

No loans or loan guarantees over \$75,000 were identified for the Report. No fee waivers in FY 2016 were identified for the Report.

### New Markets Tax Credit Investment

The District of Columbia Housing Authority has a subsidiary, DC Housing Enterprises (DCHE), which has received an allocation of federal New Markets Tax Credits (NMTC). NMTCs function to increase capital to businesses and low-income communities by providing private investor tax credits. As NMTC is a federal program, there is no impact on the DC budget for this spending category. The NMTCs can be found on page 26 of Appendix I.

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<sup>8</sup> Beginning in FY 2012, this report has included contracts for construction and renovation of public schools and libraries.

<sup>9</sup> Reported by Office of the Deputy Mayor for Planning and Economic Development.

### PILOT Debt Service

PILOT (Payment in Lieu of Taxes) financing is used for economic development in the District in a similar manner to TIF bonds, relying on increases in the assessed value of a property generated by new construction as a source of bond repayment. In FY 2016 the District did not issue any new PILOT bonds. In total, approximately \$15 million was paid for PILOT debt service (see page 17 of Appendix I).

### Revenue Bonds Debt Service

FY 2016 expenses for revenue bond debt service payments include payments on bonds issued to fund the construction of the District's Convention Center, the District's Convention Center Hotel, the National's Ballpark and to support projects funded with the Housing Production Trust Fund. District tax revenues totaling \$178 million were dedicated to pay debt service on these bonds, details can be found on page 18 of Appendix I.

New revenue bond issuances during FY 2016 include bonds issued by DMPED and by DCHFA. Bonds issued under the DMPED Revenue Bond Program support capital projects of a number of institutions based in Washington, DC (including universities, schools, and national non-profits). DCHFA's revenue bonds support new construction and renovation of apartment developments, including many reserved as affordable apartments. Debt service for Revenue Bond Program bonds and DCHFA bonds is paid by the project sponsor, not from the District budget. The total amount of these types of bonds issued in FY 2016 was \$915 million.

Itemized bonds in this category are found on page 27 of Appendix I.

### Tax Abatements & Exemptions

The total value of economic development tax abatements and tax exemptions provided in FY 2016 was \$29 million. These incentives were primarily reductions of real property taxes provided under individual acts of Council in order to spur new residential and commercial development, and promote business attraction and retention. New tax abatements and exemptions authorized by Council during FY 2016 have a total estimated cost of approximately \$65 million in future foregone revenue, per assumptions outlined in OCFO fiscal impact analyses, which include a multiple year cost estimate.

The complete list of future authorized tax abatements and exemptions can be found on page 25 in Appendix I; the FY 2016 cost of tax abatements provided begins on page 19 and the FY 2016 cost of tax exemptions provided begins on page 21.

Tax Credits (District)

The District's primary tax credit programs for economic development are the Qualified High Technology Credit (QHTC) and the Certified Capital Company (CAPCO) program. QHTC lowers corporate income taxes for qualifying companies that derive at least 51% of their gross revenue from technology-related goods and services and exempts certain high technology goods from sales taxes. Per most recent data available (2014 tax returns), approximately \$24 million was allocated for QHTC income tax credits and can be found on page 1 of Appendix I.

The CAPCO program offers insurance companies credits against District premium taxes for investments of private capital in local businesses. The CAPCO investments are made through funds managed by professional venture capital investment managers, who selected the businesses receiving the investments. There were no CAPCO investments made in the District in FY 2016.

TIF Debt Service

FY 2016 expenses include \$25 million in tax increment financing (TIF) debt service and bond redemptions. TIF is used by the District to subsidize a variety of new development projects by dedicating the increased tax revenues provided by the project to repayment of the TIF debt. FY 2016 payments for debt service on these bonds came from a portion of the real property taxes and/or sales taxes generated from the site. During FY 2016, the District made TIF debt payments on various retail and commercial projects as indicated in the Report on page 24 of Appendix I.