

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 2014 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 2014 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 prior 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 over \$75,000 provided in Fiscal Year 2014<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 & tax credits
- Procured contracts (services, construction, reports, etc.)

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<sup>1</sup> Beginning on October 1, 2013 and ending September 30, 2014.

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>1</sup>
- District of Columbia Public Schools (DCPS)<sup>2</sup>
- Department of Housing and Community Development (DHCD)<sup>3</sup>
- Department of Employment Services (DOES)<sup>4</sup>
- Department of Small and Local Business Development (DSLBD)
- Office of the Deputy Mayor for Planning and Economic Development (DMPED)
- Office of Tax and Revenue, Office of the Chief Financial Officer (OTR)

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 aggregates expenditures by type of incentive, by ward, by granting body and by recipient.

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<sup>1</sup> Includes only capital expenditures for construction projects.

<sup>2</sup> Includes only capital expenditures for modernization projects (as managed by Department of General Services).

<sup>3</sup> Includes spending only in the following activities: Affordable Housing Project Financing; Development Finance Division Project Financing; Community Facilities Project Financing; Neighborhood-Based Activities; Community Services/Revitalization; Property Acquisition & Property Disposition.

<sup>4</sup> Includes only expenditures under the activity "Workforce Development."

## FINDINGS

### Dollars by Incentive Type

For FY 2014, the District spent approximately \$634 million on various economic development incentives. These expenditures include reductions to District revenue stemming from tax abatements, exemptions and credits.

This Report also details incentives provided during FY 2014 that either have no impact on the District's budget or will impact a future year's budget. During FY 2014, such activity included revenue bond issuances and newly authorized tax abatements and exemptions.

The incentives were allocated by type as follows:

|  | Aggregate Expenses      | Activity not Impacting the FY 2014 Budget | Number of Companies/ Individuals |
|--|-------------------------|---|----------------------------------|
| <b>Total</b>                               | \$633,875,872           | \$455,045,376                             | 1,915 <sup>1</sup>               |
| Expenditures on Contracts                  | 411,257,885             |   | 338                              |
| Grants                                     | 35,865,770              |   | 177                              |
| Land Price Subsidies <sup>2</sup>          | 0                       |   | 5                                |
| Payment in Lieu of Taxes (PILOT) Financing | 13,266,036              |   | 4                                |
| Revenue Bonds                              | 72,380,841 <sup>3</sup> | 396,649,000 <sup>4</sup>                  | 24                               |
| Tax Abatements & Exemptions                | 27,441,443              | 58,396,376 <sup>5</sup>                   | 1,618                            |
| Tax Credits                                | 18,469,292              |   | 117                              |
| Tax Increment Financing (TIF)              | 55,194,605              |   | 16                               |

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

<sup>1</sup> Because some recipients received more than one type of incentive, the total is fewer than the sum of column.

<sup>2</sup> The Office of the Deputy Mayor for Planning and Economic Development transferred 5 parcels of land in FY 2014 and has estimated the subsidy value to the purchasers as \$0.

<sup>3</sup> Revenue bond debt service includes Ballpark, Convention Center and Housing Production Trust Fund bonds.

<sup>4</sup> These revenue bonds were issued under DMPED's Revenue Bond Program or by the DC Housing Finance Agency, debt service for these bonds will be outside of the District budget.

<sup>5</sup> These amounts represent the total expected foregone revenue of future years' budgets.

Total spending on economic development incentives in FY 2014 did not significantly change over the prior fiscal year. However, spending on grants and tax credits declined. For activity not impacting the FY 2014 budget, revenue bond issuances decreased by 50% and future tax abatement and exemptions increased by \$34 million or 141% from FY 2013 to FY 2014.

**Change in Economic Development Incentives FY 2014 vs. FY 2013**

| % Increase<br>(Decrease) |   | FY 2014              | FY 2013              |
|--------------------------|---|----------------------|----------------------|
| <b>1%</b>                | <b>Total Expenses</b>                                   | <b>\$633,875,872</b> | <b>\$629,268,118</b> |
| 3%                       | Expenditures on Contracts                               | 411,257,885          | 400,789,374          |
| -29%                     | Grants  | 35,865,770           | 50,817,589           |
| 0%                       | Land Price Subsidies                                    | -                    | -                    |
| 13%                      | Payment in Lieu of Taxes (PILOT) Debt Service           | 13,266,036           | 11,752,550           |
| 1%                       | Revenue Bonds Debt Service                              | 72,380,841           | 71,856,977           |
| -2%                      | Tax Abatements & Exemptions                             | 27,441,443           | 28,139,205           |
| -21%                     | Tax Credits   | 18,469,292           | 23,414,174           |
| 30%                      | Tax Increment Financing (TIF) Debt Service <sup>1</sup> | 55,194,605           | 42,498,249           |
| <b>-45%</b>              | <b>Activity not Impacting the Current Budget</b>        | <b>\$455,045,376</b> | <b>\$820,344,533</b> |
| 0%                       | New Market Tax Credit Investment                        | -                    | -                    |
| 0%                       | PILOT Financing Issuance                                | -                    | -                    |
| -50%                     | Revenue Bonds Issuance                                  | 396,649,000          | 796,147,000          |
| 0%                       | Tax Increment (TIF) Issuance                            | -                    | -                    |
| 141%                     | Future Tax Abatement & Exemptions Enacted               | 58,396,376           | 24,197,533           |

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<sup>1</sup> This total contains the full repayment of four TIF projects in FY 2014; Capitol Hill Towers, Zara, DC USA and Arena Stage.



Dollars by Granting Body/Agency

The allocation of total economic development dollars by granting body, or agency, is provided in the table below and in Appendix II. Approximately 86% of the total expenditures on contracts were spent by DC Public Schools (DCPS) to modernize various schools throughout the District. The Deputy Mayor’s Office for Planning and Economic Development (DMPED) and the District of Columbia Housing Finance Agency (DCHFA) were each responsible for issuing nearly \$200 million respectively of revenue bonds.

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

|  | None <sup>1</sup> | DCHFA          | DCPL          | DCPS           | DHCD          | DMPED          | DOES         | DSLBD        | Misc. Funds    |
|--|-------------------|----------------|---------------|----------------|---------------|----------------|--------------|--------------|----------------|
| <b>Total Expenses</b>                            | <b>\$45.9</b>     | <b>\$0.0</b>   | <b>\$11.6</b> | <b>\$354.3</b> | <b>\$22.8</b> | <b>\$51.8</b>  | <b>\$3.3</b> | <b>\$3.3</b> | <b>\$140.8</b> |
| Expenditures on Contracts                        |                   |                | 11.6          | 354.3          |               | 45.3           |              |              |                |
| Grants   |                   |                |               |                | 22.8          | 6.5            | 3.3          | 3.3          |                |
| Land Price Subsidies                             |                   |                |               |                |               |                |              |              |                |
| PILOT Debt Service                               |                   |                |               |                |               |                |              |              | 13.3           |
| Revenue Bonds Debt Service <sup>2</sup>          |                   |                |               |                |               |                |              |              | 72.4           |
| Tax Abatements & Exemptions                      | 27.4              |                |               |                |               |                |              |              |                |
| Tax Credits <sup>3</sup>                         | 18.5              |                |               |                |               |                |              |              |                |
| TIF Debt Service                                 |                   |                |               |                |               |                |              |              | 55.2           |
| <b>Activity not Impacting the FY 2014 Budget</b> | <b>\$58.4</b>     | <b>\$197.0</b> | <b>\$0.0</b>  | <b>\$0.0</b>   | <b>\$0.0</b>  | <b>\$199.6</b> | <b>\$0.0</b> | <b>\$0.0</b> | <b>\$0.0</b>   |
| Revenue Bonds Issuance <sup>4</sup>              |                   | 197.0          |               |                |               | 199.6          |              |              |                |
| Future Tax Abatements <sup>5</sup>               | 58.4              |                |               |                |               |                |              |              |                |

Notes

1. Tax Expenditures (abatements, credits, and exemptions) which impact the budget only as a revenue reduction are not attributed to any agency in this Report.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. Value of some tax credits is from most recent income tax filings available (FY 2012 filings received in FY 2013).
4. Future debt service on the revenue bonds issued under the Revenue Bond Program or by DCHFA is paid by third parties, and therefore is not included in the District budget.
5. Estimated foregone revenue over the term of the abatement.

Agency Key

- 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
- Misc. Funds - Tax transfer agencies in the District's budget (no employees)

Dollars by Ward

As required by the Act, this Report includes location data by ward of the projects for which the economic development dollars were provided. The Report separates data about the allocation of incentives among the District's eight wards into two categories: (1) expenses, including debt service, and (2) activity not impacting the FY 2014 budget<sup>1</sup>. The table 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.

**Aggregate Economic Development Dollars by Ward**  
(in millions)

|  | Ward<br>1     | Ward<br>2      | Ward<br>3     | Ward<br>4     | Ward<br>5     | Ward<br>6      | Ward<br>7     | Ward<br>8      | Multiple      |
|--|---------------|----------------|---------------|---------------|---------------|----------------|---------------|----------------|---------------|
| <b>Total Expenses</b>                                | <b>\$13.3</b> | <b>\$113.4</b> | <b>\$38.7</b> | <b>\$36.8</b> | <b>\$91.9</b> | <b>\$101.2</b> | <b>\$27.9</b> | <b>\$145.3</b> | <b>\$65.5</b> |
| Expenditures on Contracts                            | 0.55          | 47.5           | 37.8          | 34.6          | 82.9          | 30.5           | 26.8          | 142.1          | 8.5           |
| Grants   | 3.7           |                | 0.1           | 1.5           | 5.5           | 1.6            | 0.9           | 2.4            | 20.2          |
| Land Price Subsidies                                 |               |                |               |               |               |                |               |                |               |
| PILOT Debt Service                                   |               |                | 0.8           |               | 1.5           | 10.9           |               |                |               |
| Revenue Bonds Debt Service                           |               | 33.1           |               |               |               | 31.5           |               |                | 7.8           |
| Tax Abatements & Exemptions                          | 4.1           | 10.2           |               | 0.7           | 2.0           | 7.7            | 0.2           | 0.7            | 1.9           |
| Tax Credits  |               |                |               |               |               |                |               |                | 18.5          |
| TIF Debt Service                                     | 5.0           | 22.6           |               |               |               | 19.0           |               |                | 8.6           |
| <b>Activity Not Impacting the FY<br/>2014 Budget</b> | <b>\$26.8</b> | <b>\$105.1</b> | <b>\$18.2</b> | <b>\$66.3</b> | <b>\$41.8</b> | <b>\$158.7</b> | <b>\$12.8</b> | <b>\$25.5</b>  |               |
| Revenue Bonds Issuance                               |               | 81.4           | 18.2          | 66.3          | 41.8          | 158.7          | 4.9           | 25.5           |               |
| Future Tax Abatements                                | 26.8          | 23.7           |               |               |               |                | 7.9           |                |               |

<sup>1</sup> Future 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. The cost of future tax abatements enacted in FY 2014 will be represented in future years as tax expenditures.

Chart 1

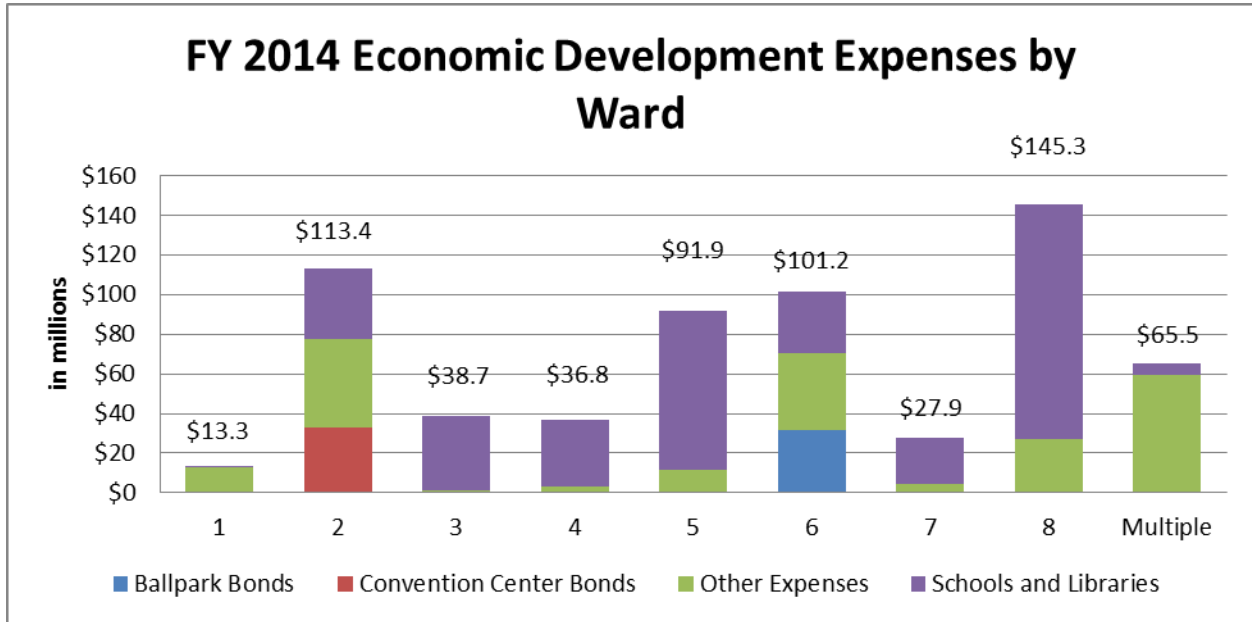


Chart 1 shows the highest share of economic development spending occurred for projects located in Wards 2 and 8. Ward 2 includes \$33.1 million in debt service for the Convention Center bonds and \$35.9 million in spending for schools and libraries.

In Ward 8, \$79.1 million of this spending went to contracts to modernize and renovate Ballou High School.

Chart 2

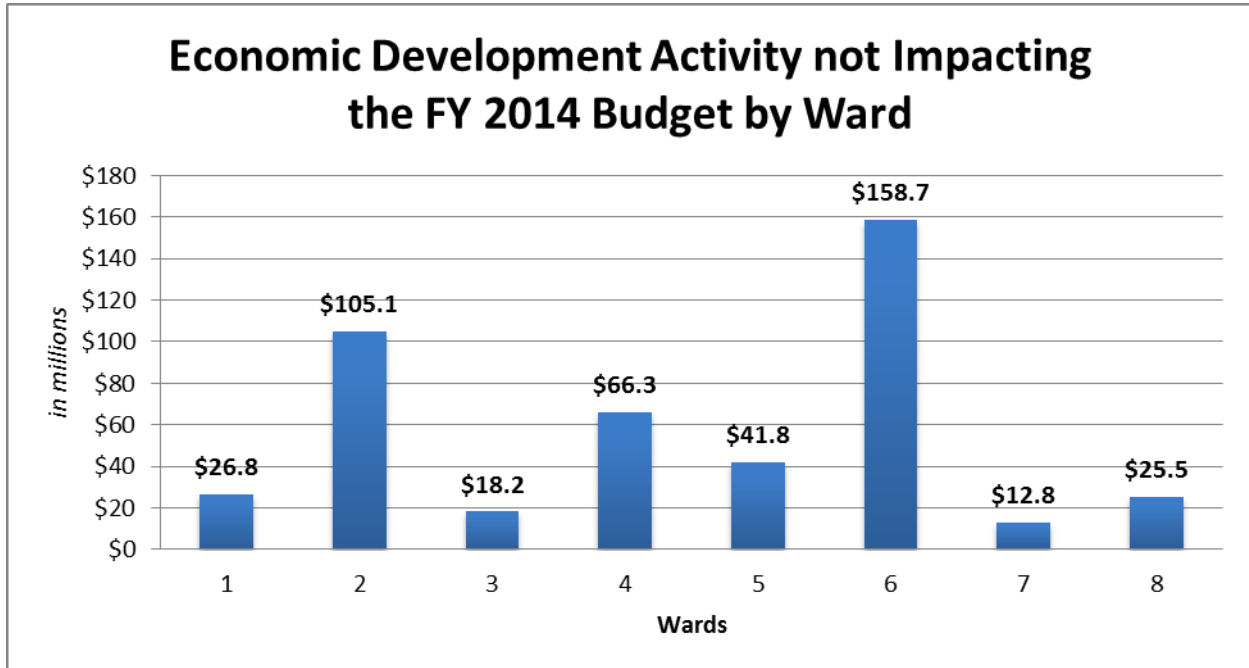


Chart 2 summarizes FY 2014 non-expense activity including revenue bonds and future tax expenses. Revenue bond issuances represented a majority of the expenditures in Wards 2 and 6. In Ward 2, DMPED issued \$81 million of revenue bonds of which \$14.2 million went to the Endocrine Society. In Ward 6, DCHFA issued \$158.7 million of revenue bonds of which \$95 million went to the Yards in for a housing development project.

The detailed list of ward-by-ward expenditures and other activity can be found in Appendix III, Detailed Economic Development Budget 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. The total expended in this category during FY 2014 is approximately \$411 million. The complete list of expenditures on contracts begins on page 2 of Appendix I.

### Grants

District agencies awarded approximately \$36 million to 177 entities in FY 2014 as a grant or “soft” loan<sup>1</sup>. Such 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 12 of Appendix I.

### Land Price Subsidies

Page 18 of Appendix I lists five parcels of land transferred for sale or ground-lease in FY 2014. In each case, the Office of Deputy Mayor for Planning and Economic Development has estimated the subsidy value to the purchaser as \$0. In estimating these values, the Office made adjustments to appraised values to reflect final zoning approvals, use conditions, affordable housing covenants, and in-kind contributions negotiated by the District. Transfer prices for the parcels may not, therefore, equal appraised values based on the appraiser’s determination of highest and best use for the land. For additional information on the particular parcels included in the report, please refer to the legislative history of disposition approval resolutions.

### Loans; Loan Guarantees; Fee Waivers

The District’s accounting systems classify certain loans as grants, and these have been included above (see note 1). No other loans over \$75,000 were identified for the Report.

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<sup>1</sup> “Soft” loans are often used to provide gap financing in the event a project cannot obtain a mortgage loan sufficient to fund development costs. Such loans are only paid after mortgage loans or other debts are repaid, and may be recorded in the District financial system as a grant.

No loan guarantees were identified for the Report. No fee waivers 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). DCHE did not award any NMTCs in FY 2014.

#### PILOT bonds

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. The District did not issue any additional PILOT bonds in FY 2014; approximately \$13 million was paid for PILOT debt service (see page 19 of Appendix I).

#### Revenue Bonds

FY 2014 expenses for revenue bond debt service payments include payments on bonds issued to fund the construction of the District's Convention Center, Baseball Stadium, and Housing Production Trust Fund bonds. Some of the District's tax revenues have been dedicated to pay debt service on each of these bonds, which totaled \$72 million in FY 2014 and can be found on page 20 of Appendix I.

Revenue bond issuances during FY 2014 include new bonds issued under the District of Columbia Revenue Bond Program and by DCHFA. Bonds issued under the 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 2014 was \$397 million. Itemized bonds in this category are found on page 28 of Appendix I.

#### Tax Abatements and Tax Exemptions

The total value of economic development tax abatements and tax exemptions provided in FY 2014 was \$27 million. These incentives were primarily reductions of real property taxes provided under individual acts of Council in order to spur new development, including a number of residential developments. New tax abatements and exemptions authorized by Council during FY 2014 have a total estimated cost of approximately \$58

million in future foregone revenue, per assumptions outlined in OCFO fiscal impact analyses (including a multiple year cost estimate). The complete list of future authorized tax abatements and exemptions can be found on page 27 in Appendix I; the FY 2014 cost of tax abatements provided begins on page 21 and the FY 2014 cost of tax exemptions provided begins on page 23.

#### 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 (2012 tax returns), approximately \$18 million was allocated for QHTC income tax credits.

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 2014.

#### TIF bonds

FY 2014 expenses include \$55 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 2014 payments for debt service on these bonds come from a portion of the real property taxes and/or sales taxes generated from the site. During FY 2014, the District made TIF debt payments on various retail and commercial projects as indicated in the Report on page 26 of Appendix I.

## **Appendix V: Unified Economic Development Budget Transparency and Accountability Act**

*Excerpted From Public Law 18-0223, Effective September 24, 2010*

### SUBTITLE V. UNIFIED ECONOMIC DEVELOPMENT BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT

Sec. 2251. Short title.

This subtitle may be cited as the "Unified Economic Development Budget Transparency and Accountability Act of 2010".

Sec. 2252. Definitions.

For the purposes of this act, the term:

- (1) "Chief Financial Officer" means the Office of the Chief Financial Officer established by section 424 of the District of Columbia Home Rule Act, approved April 17, 1995 (109 Stat. 142; D.C. Official Code § 1-204.24a).
- (2) "Economic development incentive" or "incentive" means any expenditure of public funds by a granting body for the purpose of stimulating economic development within the District of Columbia, including any bond issuance-including pilot bond, tax increment financing bond, and revenue bond issuances, grant, loan, loan guarantee, fee waiver, land price subsidy, matching fund, tax abatement, tax exemption, tax credit, and any other tax expenditure.
- (3) "Granting body" means an agency, board, office, instrumentality, or authority of the District government that provides or authorizes an economic development incentive.
- (4) "Recipient" means any non-governmental person association, corporation, joint venture, partnership, or other entity that receives an economic development incentive.
- (5) "Tax expenditure" shall include any loss of revenue to the Government of the District of Columbia that is attributable to an exemption, abatement, credit, reduction, or other exclusion under District tax law.
- (6) "Unified Economic Development Budget Report" or "Report" means the document that the Chief Financial Officer is required to create under section 2253.

Sec. 2253. Unified Economic Development Budget Report.

(a)(1) Not more than 3 months after the end of each fiscal year, the Chief Financial Officer shall compile and publish an annual Unified Economic Development Budget Report ("Report") with regard to the fiscal year just concluded. The report shall be produced in both printed and electronic form and shall be freely available in offices of all District agencies included in the report. A user-friendly electronic version of the report shall be posted on the Government of the District of Columbia's website in a central location that the public can easily locate.

(2) The comprehensive report shall provide the following information regarding the economic development incentives offered by the District:



- (A) The name of each recipient receiving one or more economic development incentives with a combined total value equal to or greater than \$75,000;
  - (B) The dollar value of each economic development incentive received by each recipient; provided, that any economic development incentive received by a recipient with a value less than \$75,000 shall not be itemized; the Chief Financial Officer shall report an aggregate dollar amount of those expenditures and the total number of recipients aggregated;
  - (C) The aggregate dollar amounts for each type of incentive;
  - (D) The aggregate dollar amounts expended per ward;
  - (E) The aggregate number of companies, groups, or individuals receiving each type of economic development incentive; and
  - (F) The total cost of all economic development incentives appropriated by each granting body categorized by the granting body's name.
- (b) The Chief Financial Officer shall submit annually, as part of the annual budget request to the Council, a single document estimating the costs of all economic development incentives for the fiscal year of the requested budget, including:
- (1) The total cost to the District resulting from the proposed economic development incentives, including the costs for each category of proposed tax expenditures, and the amounts of proposed tax expenditures classified by ward; and
  - (2) The cost to the District of all proposed appropriated funds for economic development incentives by District agency, instrumentality, or public institution of higher education.
- (c) Any granting authority agencies administering any economic development incentive shall cooperate and assist the Chief Financial Officer in the preparation of the Unified Economic Development Budget Report and all reporting requirements imposed by this subtitle.