

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 2015 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 2015 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 2015<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.)

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 Insurance, Securities and Banking (DISB)

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<sup>1</sup> Beginning on October 1, 2014 and ending September 30, 2015.

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

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

<sup>4</sup> Includes spending only in the following activities: Affordable Housing Project Financing; Portfolio and Asset Management; Property Acquisition; Community Services – Community Revitalization; Neighborhood Based Activities; Facilities Project Financing; Neighborhood-Based Activities.

Department of Employment Services (DOES)<sup>1</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 expenditures under select employment programs.

## FINDINGS

### Dollars by Incentive Type

For FY 2015, the District spent approximately \$625 million on various economic development incentives. These expenditures include reductions to District revenue stemming from incentives such as tax abatements, exemptions and credits.

This Report also details incentives provided during FY 2015 that either have no impact on the District’s budget or will impact a future year’s budget. During FY 2015, such activity included bond issuances and newly authorized tax abatements and exemptions<sup>1</sup>.

The incentives were allocated by type as follows:

	AGGREGATE EXPENSES	ACTIVITY NOT IMPACTING THE FY15 BUDGET <sup>1</sup>	NUMBER OF COMPANIES/ INDIVIDUALS <sup>2</sup>
<b>Total</b>	<b>\$624,884,616</b>	<b>\$1,190,415,688</b>	<b>1,182</b>
Expenditures on Contracts	401,431,059		99
Grants	43,976,217		133
Land Price Subsidies	0		0
Payment in Lieu of Taxes (PILOT) Financing	14,299,960	180,245,000	7
Revenue Bonds	89,442,906	908,833,392	28
Tax Abatements and Exemptions	29,863,349	98,334,296	840
Tax Credits (District) <sup>3</sup>	28,050,770	3,003,000	142
Tax Increment Financing (TIF)	17,820,355		11

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> Future 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. The cost of future tax abatements enacted in FY 2015 will be represented in future years as tax expenditures.

<sup>2</sup> Some recipients received more than one type of incentive; therefore the total is fewer than the sum of column. Certain tax abatements were received by multiple individuals residing in one multi-unit property.

<sup>3</sup> Value of some tax credits is from most recent income tax filings available (2013 filings).

Total spending on economic development incentives in FY 2015 was relatively flat, decreasing by just over 1% over the prior fiscal year. The most significant changes were: a \$37 million decrease in Tax Increment Finance debt service, in large part due to a number of TIF's being paid off in FY2014<sup>1</sup>; the increase in Tax Credits, due to an increase in Qualified High Technology Credits; and a 24% increase in Revenue Bond Debt Service, primarily due to inclusion of Convention Center Hotel bonds debt service.

For activity not impacting the FY 2015 budget, incentives increased 162%. The three largest changes included: an additional \$512 million in DMPED revenue bond issuances, the issuance of \$145.4 million of PILOT bonds for the Wharf, and an estimated \$76 million in future tax abatements supporting the Soccer Stadium development.

**Change in Economic Development Incentives: FY15 vs. FY14**

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% INCREASE (DECREASE)		FY15	FY14
<b>(1%)</b>	<b>Total Expenses</b>	<b>\$624,884,616</b>	<b>\$633,875,872</b>
(2%)	Expenditures on Contracts	401,431,059	411,257,885
23%	Grants	43,976,217	35,865,770
N/A	Land Price Subsidies	0	0
8%	Payment In Lieu Of Taxes (PILOT) Debt Service	14,299,960	13,266,036
24%	Revenue Bonds Debt Service	89,442,906	72,380,841
10%	Tax Abatements & Exemptions	29,863,349	27,441,443
52%	Tax Credits	28,050,770	18,469,292
(68%)	Tax Increment Financing (TIF) Debt Service	17,820,355	55,194,605
<b>162%</b>	<b>Activity Not Impacting the Current Budget</b>	<b>\$1,190,415,688</b>	<b>\$455,045,376</b>
N/A	New Markets Tax Credit Investment	3,003,000	0
N/A	PILOT Financing Issuance	180,245,000	0
129%	Revenue Bonds Issuance	908,833,392	396,649,000
N/A	Tax Increment Financing (TIF) Issuance	0	0
68%	Future Tax Abatements & Exemptions Enacted	98,334,296	58,396,376

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<sup>1</sup> A reclassification of Convention Center bonds also reduced TIF debt service, which had a corresponding increase on Revenue Bond debt service.



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. The majority of the total expenditures (54%) were spent by DC Public Schools (DCPS) on 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 \$737 million of revenue bonds to support nonprofit organizations construction projects in the District.

**Aggregate Economic Development Dollars by Granting Body/Agency**

*in millions*

	None <sup>1</sup>	DCHFA	DCPL	DCPS	DHCD	DMPED	DOES	DSLBD	DGS	DCHE	Misc. Funds
<b>Total Expenses</b>	<b>\$57.9</b>	<b>\$0.0</b>	<b>\$12.9</b>	<b>\$339.5</b>	<b>\$28.7</b>	<b>\$33.8</b>	<b>\$2.9</b>	<b>\$2.6</b>	<b>\$25.2</b>		<b>\$121.6</b>
Expenditures on Contracts			12.9	339.5	3.2	20.7			25.2		
Grants					25.5	13.0	2.9	2.6			
Land Price Subsidies											
PILOT Debt Service											14.3
Revenue Bonds Debt Service <sup>2</sup>											89.4
Tax Abatements & Exemptions	29.8										
Tax Credits <sup>3</sup>	28.1										
TIF Debt Service											17.8
<b>Activity Not Impacting the FY15 Budget</b>	<b>\$98.3</b>	<b>\$171.4</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$917.7</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>\$0.0</b>
Revenue Bonds Issuance <sup>4</sup>		171.4				737.5					
PILOT Issuance						180.2					
Future Tax Abatements Enacted	98.3										
New Markets Tax Credits										3.0	

Notes

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

Agency Key

- DCHE - District of Columbia Housing Enterprises
- DISB - Department of Insurance, Securities and Banking
- 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
- Misc. Funds - Tax transfer agencies in the District's budget

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 2015 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.

<b>Aggregate Economic Development Dollars by District Ward</b>									
<i>(in millions)</i>									
	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	Multiple
<b>Total Expenses</b>	<b>\$7.4</b>	<b>\$96.0</b>	<b>\$42.9</b>	<b>\$125.9</b>	<b>\$40.4</b>	<b>\$121.6</b>	<b>\$27.6</b>	<b>\$86.6</b>	<b>\$76.3</b>
Expenditures on Contracts	1.4	25.9	42.1	115.1	33.4	59.0	26.0	82.0	16.6
Grants	1.6	2.2		9.9	3.1	3.3	1.1	2.6	20.1
Land Price Subsidies									
PILOT Debt Service			0.8		0.7	12.8			
Revenue Bonds Debt Service		49.3				32.3			7.8
Tax Abatements & Exemptions	4.4	10.8		0.9	3.3	7.8	0.5	2.0	0.2
Tax Credits									28.1
TIF Debt Service		7.8				6.4			3.6
<b>Activity Not Impacting the FY15 Budget</b>	<b>\$131.5</b>	<b>\$100.5</b>	<b>\$3.2</b>	<b>\$94.8</b>	<b>\$440.2</b>	<b>\$320.7</b>	<b>\$49.6</b>	<b>\$49.9</b>	<b>\$0.0</b>
Revenue Bonds Issuance <sup>1</sup>	131.5	100.5	3.2	94.8	437.2	57.2	48.9	35.5	
PILOT Issuance <sup>1</sup>						180.2			
Future Tax Abatements Enacted <sup>1</sup>						83.2	0.7	14.4	
New Markets Tax Credits					3.0				

The wards with the most economic development spending were Wards 2, 4, and 6.

In Ward 2, a sizable portion of spending on economic development was designated for the Convention Center’s revenue bond debt service payments (\$49 million)<sup>2</sup>.

<sup>1</sup> Future debt service on the revenue bonds issued under the DMPED 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 2015 will be represented in future years as tax expenditures.

<sup>2</sup> This includes debt service payments for bonds that supported the construction of the Convention Center as well as the Convention Center Headquarters Hotel.

In Ward 4, almost all of the spending was attributable to contracts to build and rehabilitate schools and libraries. The largest of these contracts was designated for Roosevelt High School (\$85 million).

In Ward 6, the two projects with the most significant expenditures were debt service for the Baseball Stadium (\$32m) and contracts related to the DC United Soccer Stadium (\$25m).

Expenditures in Ward 8 were also high relative to some of the other Wards (\$87m). Almost all of this spending was attributable to build and rehabilitate schools and libraries. The largest single project expenditure in the ward was the reconstruction of Ballou High School (\$35m).

Chart 1

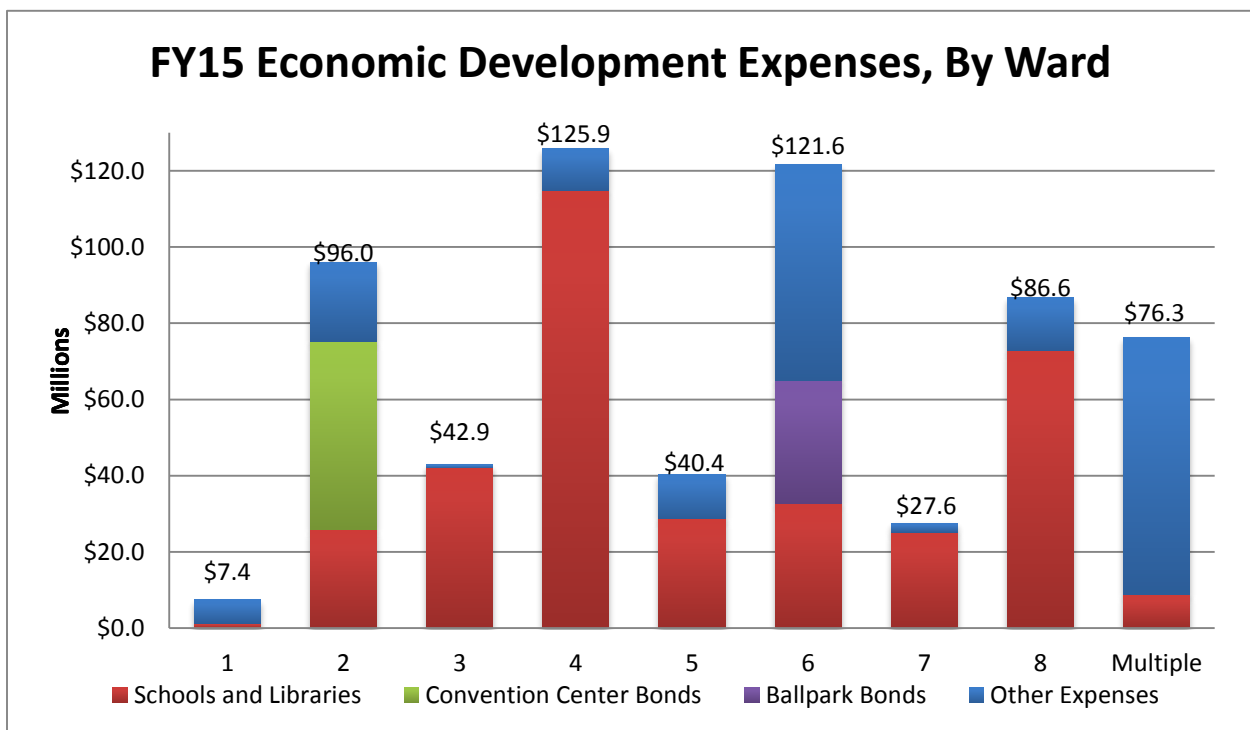
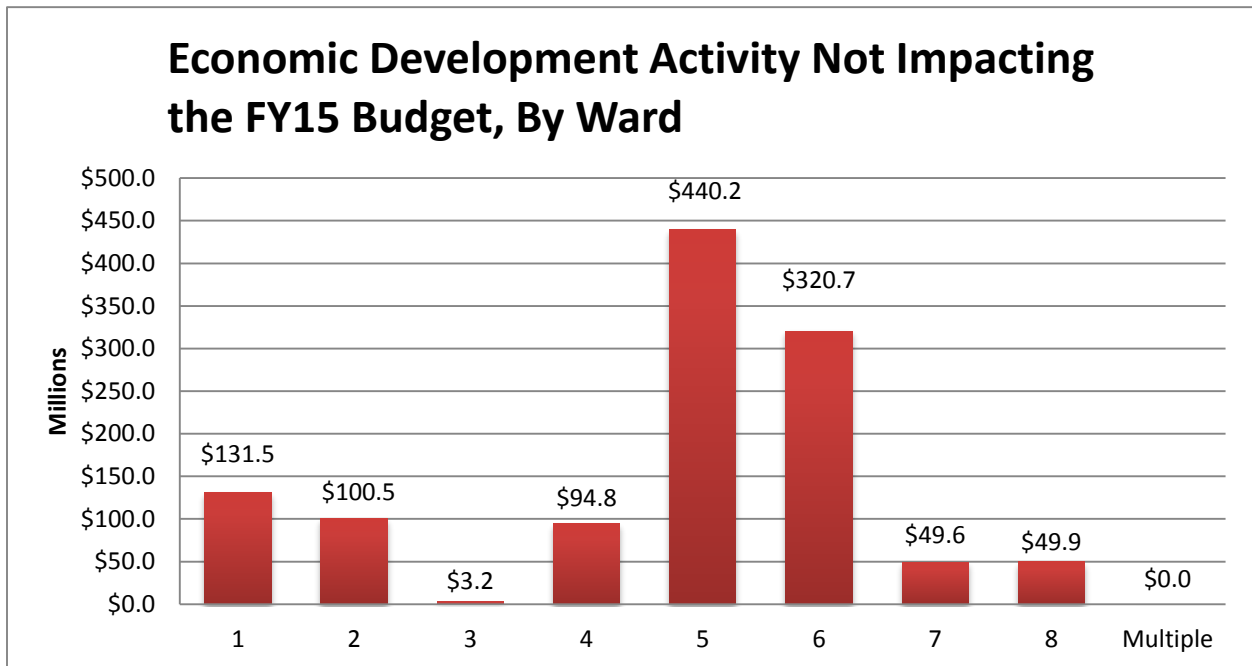


Chart 2 below summarizes FY 2015 non-expense activity. The two-and-a-half times increase of revenue bond issuances managed by DMPED (\$737 million) represented a majority of the activity. In Ward 5, \$373 million was issued to Children’s National Medical Center for healthcare. In Ward 1, \$118 million was issued for American University for education. The most significant Ward 6 activities were a \$145 million PILOT Bond for the Wharf Project and \$76 million in future tax abatements for the DC United Soccer Stadium<sup>1</sup>.

Chart 2



Detailed expenditures sorted by ward are included in Appendix III of this report.

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

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<sup>1</sup> Includes future Real Property, Deed Recordation Taxes, and Fee Waivers per the OCFO Tax Abatement Financial Analysis and Fiscal Impact Statement, estimates through FY2037.

## 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 2015 is approximately \$401 million. The complete list of expenditures on contracts begins on page 2 of Appendix I.

### Grants

District agencies awarded approximately \$44 million to 133 entities in FY 2015 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 11 of Appendix I.

### Land Price Subsidies

There were no parcels of land transferred for sale or ground-leased during FY 2015 for economic development purposes<sup>2</sup>.

### 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 additional loans or loan guarantees over \$75,000 were identified for the Report. No fee waivers in 2015 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).

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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.

<sup>2</sup> Reported by Office of the Deputy Mayor for Planning and Economic Development.

NMTCs function to increase capital to businesses and low-income communities by providing private investor tax credits. As shown on Page 29 of Appendix I, \$3 million of NMTCs were provided to KIPP DC.

### PILOT bonds

PILOT (Payment in Lieu of Taxes) financing is used for economic development in the District in a similar manner to TIF bonds (see below), relying on increases in the assessed value of a property generated by new construction as a source of bond repayment. In total, approximately \$14 million was paid for PILOT debt service (see page 20 of Appendix I). In FY 2015 the District also issued two new PILOT bonds totaling \$180 million to pay for infrastructure within economic development projects (see page 30 of appendix I).

### Revenue Bonds

FY 2015 expenses for revenue bond debt service payments include payments on bonds issued to fund the construction of the District's Convention Center, Convention Center Hotel, Baseball Stadium, and to support projects funded with the Housing Production Trust Fund. District tax revenues totaling \$89 million were dedicated to pay debt service on these bonds, details can be found on page 21 of Appendix I.

New revenue bond issuances during FY 2015 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 2015 was \$908 million.

Itemized bonds in this category are found on page 31 of Appendix I.

### Tax Abatements and Tax Exemptions

The total value of economic development tax abatements and tax exemptions provided in FY 2015 was \$30 million. These incentives were primarily reductions of real property taxes provided under individual acts of Council in order to spur new development, including residential developments. The FY 2015 cost of tax abatements provided begins on page 22 of Appendix I and the FY 2015 cost of tax exemptions provided begins on page 24 of Appendix I.

New tax abatements and exemptions authorized by Council during FY 2015 have a total estimated cost of approximately \$98 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 28 in Appendix I.

#### 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 (2013 tax returns), approximately \$28 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 2015.

#### TIF bonds

FY 2015 expenses include \$17.8 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 2015 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 2015, the District made TIF debt payments on various retail and commercial projects as indicated in the Report on page 27 of Appendix I.

