

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 2017 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 2017 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<sup>1</sup> provided in Fiscal Year 2017.<sup>2</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
- Procured contracts (services, construction, reports, etc.)
- Grants, loans, and loan guarantees
- Land price subsidies
- Tax abatements, tax exemptions, and tax credits
- Fee waivers

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>3</sup>
- District of Columbia Public Schools (DCPS)<sup>4</sup>
- Department of Housing and Community Development (DHCD)<sup>5</sup>

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<sup>1</sup> For some large grant programs, data includes some individual grants less than \$75,000

<sup>2</sup> Beginning on October 1, 2016 and ending September 30, 2017.

<sup>3</sup> Includes only capital expenditures for construction projects.

<sup>4</sup> Includes only capital expenditures for new construction and modernization projects (as managed by Department of General Services).

<sup>5</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.

Department of Employment Services (DOES)<sup>6</sup>  
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 obtained from the District's financial reporting systems were sent to fiscal officers and program staff in each of the agencies listed above. Agency staff validated expense data 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.

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<sup>6</sup> Includes only expenditures under select employment programs.

## FINDINGS

### Dollars by Incentive Type

In FY 2017, the District spent approximately \$691 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 2017 that either have no impact on the District’s budget or will impact a future year’s budget. During FY 2017, such activity included bond issuances, tax credits, and newly authorized tax abatements and exemptions.<sup>7</sup>

The incentives were allocated by type of expenditure as follows:

**Table 1: Incentives by Expenditure Type**

	AGGREGATE EXPENSES	ACTIVITY NOT IMPACTING THE FY17 BUDGET	NUMBER OF COMPANIES/ INDIVIDUALS
<b>Total</b>	<b>\$691,408,206</b>	<b>\$1,048,098,370</b>	<b>1,225</b>
Expenditures on Contracts	427,645,345	N/A	115
Grants	44,977,531	N/A	166
Land Price Subsidies	5,069,425	N/A	2
Payment in Lieu of Taxes (PILOT) Financing	15,788,888	N/A	5
Revenue Bonds	115,660,285	1,017,042,870	25
Tax Abatements and Exemptions	31,454,604	22,865,736	751
Tax Credits (District)	27,722,903	8,189,764	152
Tax Increment Financing (TIF)	23,089,226	N/A	9

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 2017 decreased by 4% over the prior fiscal year as seen in Table 2. The most significant change was a \$62.5 million decrease in Revenue Bond Debt Service, (primarily due to significant prepayment of bonds in FY 2016). The District saw a slight increase in expenditures on contracts in FY 2017, which make up a majority of economic development expenditures.

For activity not impacting the FY 2017 budget, as presented in Table 2, incentives increased by 6% from the prior fiscal year. Revenue Bond issuances saw an increase of over \$102 million in debt secured by the District.

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<sup>7</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 2017 will be represented in future years as tax expenditures.

**Table 2: Change in Economic Development Incentives: FY 2016 vs. FY 2017**

% INCREASE (DECREASE)		FY 2016	FY 2017
<b>(4%)</b>	<b>Total Expenses</b>	<b>\$720,632,004</b>	<b>\$691,408,206</b>
4%	Expenditures on Contracts	412,870,886	427,645,345
24%	Grants	36,323,381	44,977,531
N/A	Land Price Subsidies	0	5,069,425
4%	Payment In Lieu Of Taxes (PILOT) Debt Serv.	15,193,012	15,788,888
(35%)	Revenue Bonds Debt Service	178,179,545	115,660,285
8%	Tax Abatements & Exemptions	29,102,906	31,454,604
17%	Tax Credits	23,730,243	27,722,903
(8%)	Tax Increment Financing (TIF) Debt Service	25,232,031	23,089,226
<b>6%</b>	<b>Activity Not Impacting the Current Budget</b>	<b>\$984,146,706</b>	<b>\$1,048,098,370</b>
60%	New Markets Tax Credit Investment	5,103,124	8,189,764
N/A	PILOT Financing Issuance	0	0
11%	Revenue Bonds Issuance	914,521,799	1,017,042,870
N/A	Tax Increment Financing (TIF) Issuance	0	0
(65%)	Future Tax Abatements & Exemptions	64,521,783	22,865,736

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 48% of expenditures, which were for contracts to modernize various schools throughout the District. Map 1 on page 6 of this report shows the distribution and level of expenditures on modernization and renovation projects for DCPS over the past 6 fiscal years.

The Deputy Mayor’s Office for Planning and Economic Development (DMPED) was responsible for the largest share of non-expense activity, issuing \$877 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>\$59.2</b>	<b>\$0.0</b>	<b>\$34.0</b>	<b>\$330.9</b>	<b>\$13.8</b>	<b>\$85.0</b>	<b>\$3.1</b>	<b>\$4.7</b>	<b>\$6.4</b>	<b>\$0.0</b>	<b>\$154.6</b>
Expenditures on Contracts			34.0	330.9		56.4			6.4		
Grants					13.8	23.5	3.1	4.7			
Land Price Subsidies						5.1					
PILOT Debt Service											15.8
Revenue Bonds Debt Service <sup>2</sup>											115.7
Tax Abatements & Exemptions	31.5										
Tax Credits <sup>3</sup>	27.7										
TIF Debt Service											23.1
<b>Activity Not Impacting the FY17 Budget</b>	<b>\$22.9</b>	<b>\$140.1</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$877.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>0.0</b>	<b>\$8.2</b>	<b>\$0.0</b>
Future Tax Abatements Enacted <sup>4</sup>	22.9										
New Markets Tax Credits										8.2	
Revenue Bonds Issuance <sup>5</sup>		140.1				877.0					

**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

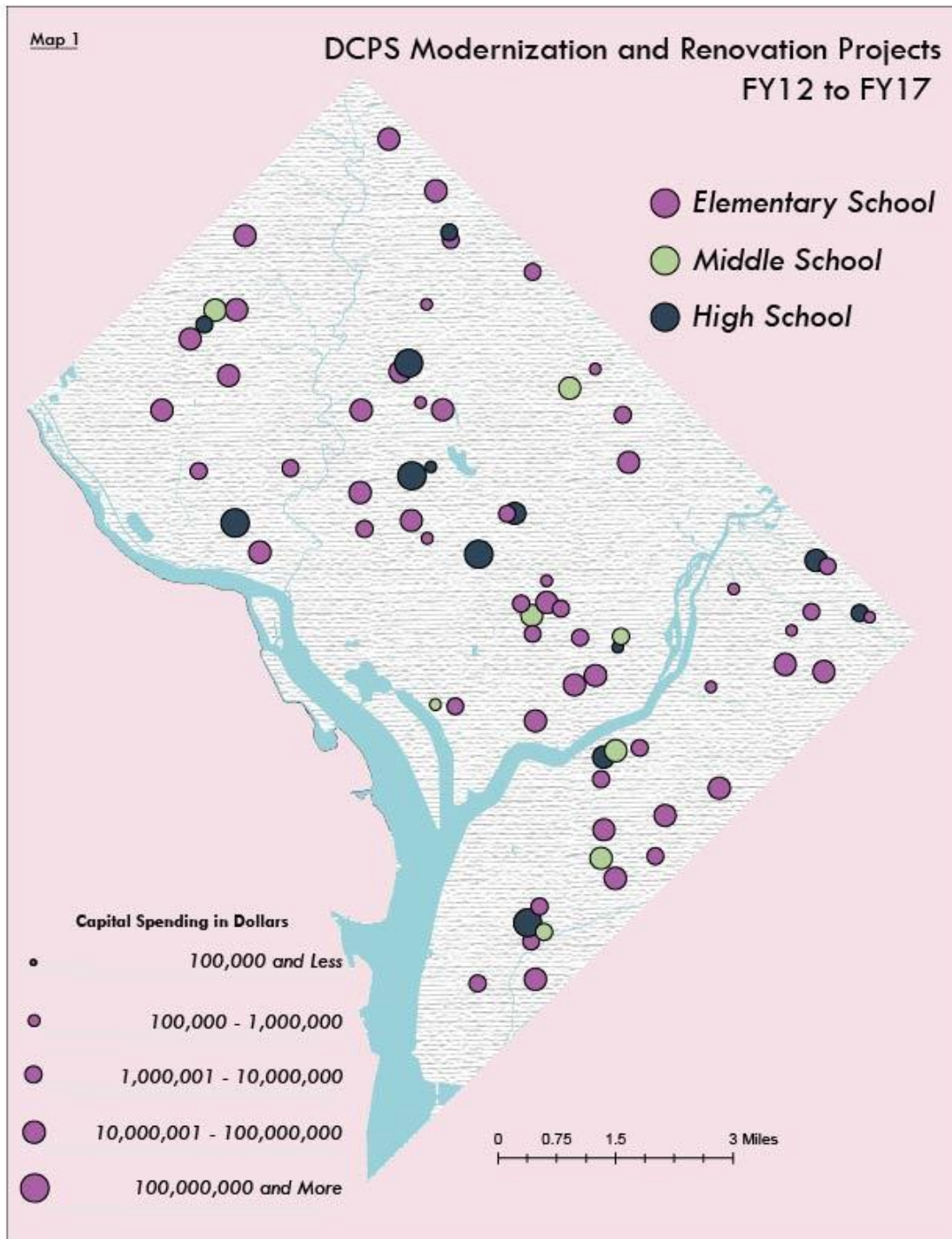
DSLBD - Department of Small and Local Business Development

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

MAP: The figure below illustrates expenditures on public schools from FY 2012 to 2017



Source: Data from District’s financial reporting system were overlaid in DCPS geospatial locations from Open Data DC.

Dollars by Ward

As required by the Act, this Report includes economic development dollars 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 2017 budget.<sup>8</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>\$86.8</b>	<b>\$202.7</b>	<b>\$44.1</b>	<b>\$44.8</b>	<b>\$19.4</b>	<b>\$169.4</b>	<b>\$10.8</b>	<b>\$45.2</b>	<b>\$67.5</b>
Expenditures on Contracts	76.0	130.5	42.8	39.8	13.4	59.1	5.7	39.9	20.5
Grants	7.9	7.8	0.4	4.3	2.3	8.1	0.9	5.1	8.1
Land Price Subsidies	0.0	0.0	0.0	0.0	0.0	2.0	3.1	0.0	0.0
PILOT Debt Service	0.0	0.0	0.8	0.0	1.1	13.9	0.0	0.0	0.0
Revenue Bonds Debt Service	0.0	50.6	0.0	0.0	0.0	57.2	0.0	0.0	7.8
Tax Abatements & Exemptions	2.9	5.9	0.1	0.7	2.6	15.8	1.1	0.8	1.5
Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7
TIF Debt Service	0.0	7.9	0.0	0.0	0.0	13.3	0.0	0.0	1.9
<b>Activity Not Impacting the FY17 Budget</b>	<b>\$75.6</b>	<b>\$550.5</b>	<b>\$0.0</b>	<b>\$267.5</b>	<b>\$31.5</b>	<b>\$51.8</b>	<b>\$21.0</b>	<b>\$50.3</b>	<b>\$0.0</b>
Revenue Bonds Issuance	75.6	531.6	0.0	267.5	27.6	51.8	21.0	42.1	0.0
Future Tax Abatements Enacted	0.0	18.9	0.0	0.0	3.9	0.0	0.0	0.1	0.0
New Markets Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.2	0.0

<sup>8</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 2017 will be represented in future years as tax expenditures.

As seen in Chart 1 below, The District again saw significant expenditure on contracts for schools and libraries across all wards in FY 2017, totaling \$365 million (represented in blue on Chart 1).

Ward 2 expenditures on schools and libraries were the highest in the District (\$131 million). Several specific projects that saw significant spending in FY 2017 included renovation and modernization projects at Duke Ellington School of the Arts (Ward 2), Marie Reed Elementary School (Ward 1), Watkins Elementary School (Ward 6) and Murch Elementary School (Ward 3).

Every ward saw expenditures for grants, tax abatements and tax exemptions which support community projects and enhance economic development in neighborhoods across the District.

**Chart 1**

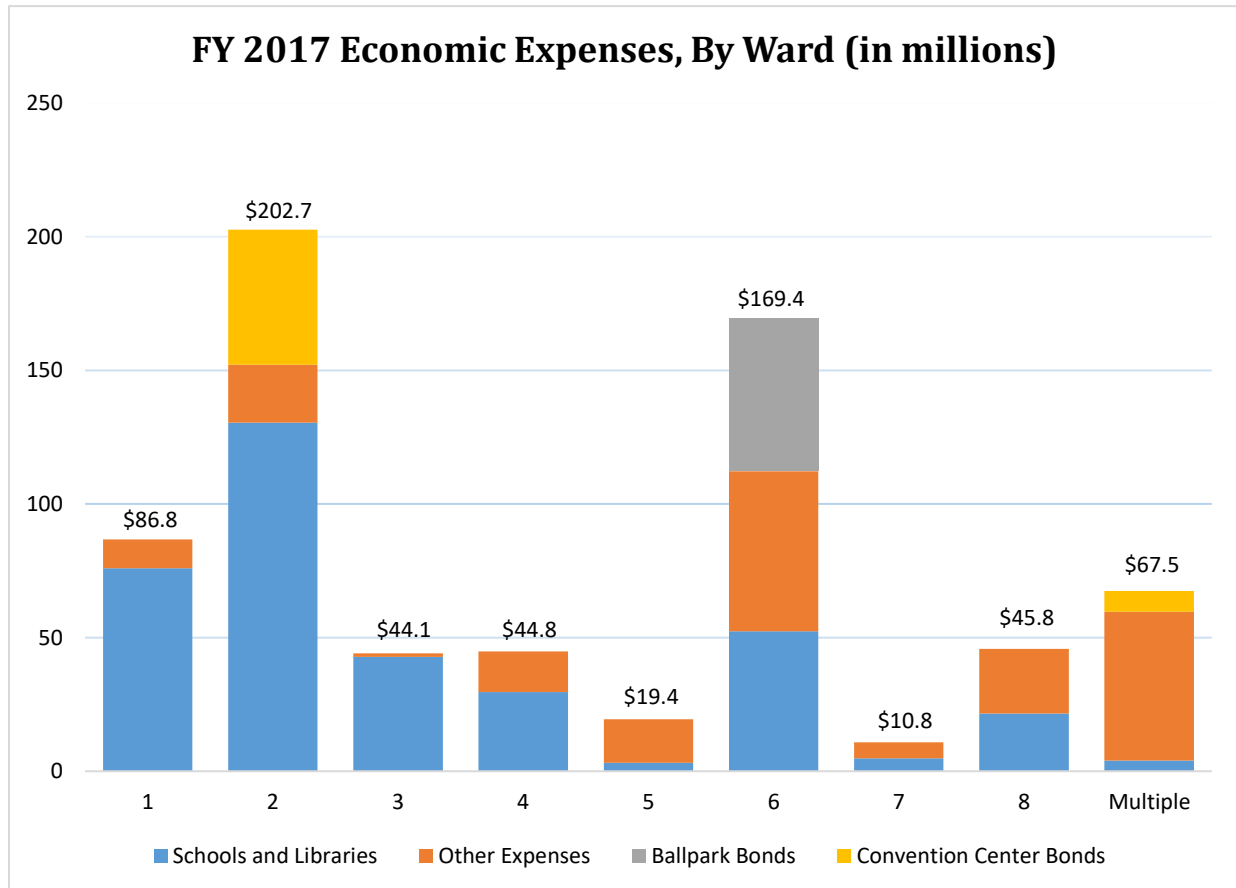
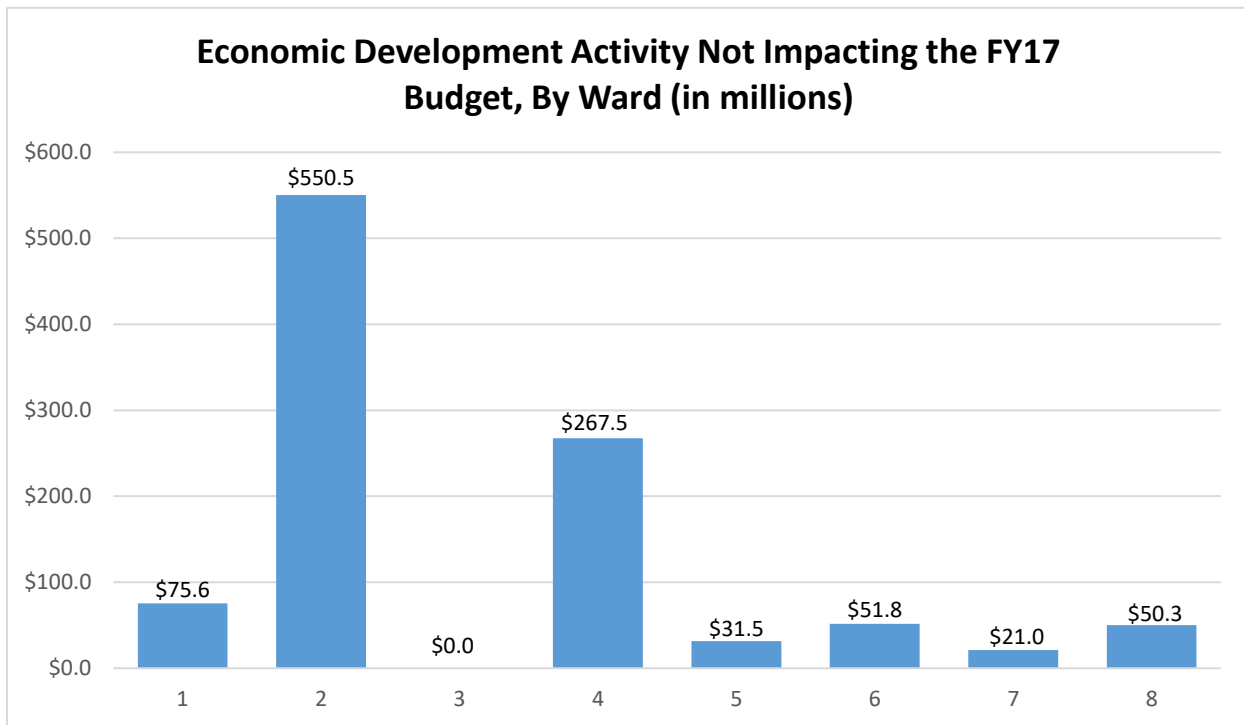


Chart 2 summarizes FY 2017 non-expense activity. Revenue bond issuances managed by DMPED represented a majority of the activity for this expenditure type (\$877 million). Ward 2 saw significant education-based issuances in FY 2017. A future tax abatement of \$18 million for the International Spy Museum was also approved in Ward 2, representing the largest future tax abatement in FY 2017. In Ward 4, \$216 million was issued for Ingleside Rock Creek, a retirement living provider. In Wards 7 and 8 revenue bonds were issued through DCHFA for \$21 million and \$35 million respectively for housing authority and affordable housing projects.

**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>9</sup> The total expended in this category during FY 2017 is approximately \$425 million. The complete list of expenditures on contracts begins on page 3 of Appendix I.<sup>10</sup>

### Grants

District agencies awarded approximately \$45 million to 166 entities in FY 2017 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 11 of Appendix I.

### Land Price Subsidies

The District provided two subsidies through parcels of land transferred for sale in FY 2017 for economic development purposes.<sup>11</sup> These can be found on page 1 of Appendix I, labeled Development and Disposition.

### Loan; Loan Guarantees; Fee Waivers

No loans or loan guarantees over \$75,000 were identified for the Report. No fee waivers in FY 2017 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

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<sup>9</sup> Beginning in FY 2012, this report has included contracts for construction and renovation of public schools and libraries.

<sup>10</sup> Note: a data adjustment was made for FY 17 to include DMPED operating funds spent directly on economic development contracts. This change will also be reflected in future reports.

<sup>11</sup> Reported by Office of the Deputy Mayor for Planning and Economic Development.

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 22 of Appendix I.

### 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 2017 the District did not issue any new PILOT bonds. In total, approximately \$16 million was paid for PILOT debt service (see page 23 of Appendix I).

### Revenue Bonds Debt Service

FY 2017 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 \$79 million were dedicated to pay debt service on these bonds, details can be found on page 24 of Appendix I.

New revenue bond issuances during FY 2017 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 2017 was \$1.02 billion.

Itemized bonds in this category are found on pages 25 of Appendix I.

### Tax Abatements & Exemptions

The total value of economic development tax abatements and tax exemptions provided in FY 2017 was \$30 million. These incentives were primarily reductions of real property taxes provided under individual acts of Council to spur new residential and commercial development, and promote business attraction and retention. New tax abatements and exemptions authorized by Council during FY 2017 have a total estimated cost of approximately \$23 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 10 in Appendix I; the FY 2017 cost of tax abatements provided begins on page 27 and the FY 2017 cost of tax exemptions provided begins on page 28 of 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 (2015 tax returns), approximately \$28 million was allocated for QHTC income tax credits and can be found on page 2 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 2017.

### TIF Debt Service

FY 2017 expenses include \$23 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 2017 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 2017, the District made TIF debt payments on various retail and commercial projects as indicated in the Report on page 26 of Appendix I.