

Government of the  
District of Columbia



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Chief Financial Officer

**District of Columbia**  
**Unified Economic Development Budget**  
**Report: Fiscal Year 2018 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 (District) is pleased to present the Fiscal Year 2018 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 2018.<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, 2017 and ending September 30, 2018.

<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 economic development 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 2018, the District spent approximately \$695 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 2018 that either have no impact on the District’s budget or will impact a future year’s budget. During FY 2018, 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 FY18 BUDGET	NUMBER OF COMPANIES/ INDIVIDUALS
<b>Total</b>	<b>\$695,231,543</b>	<b>\$1,317,956,380</b>	<b>1,437</b>
Expenditures on Contracts	422,458,798	N/A	108
Grants	54,153,520	N/A	163
Land Price Subsidies	0	N/A	0
Payment in Lieu of Taxes (PILOT) Financing	16,988,544	N/A	5
Revenue Bonds	116,029,960	1,236,522,577	34
Tax Abatements and Exemptions	26,287,602	74,210,703	978
Tax Credits (District)	33,780,945	7,223,100	140
Tax Increment Financing (TIF)	25,532,174	N/A	10
Tax Credits (District)	33,780,945	7,223,100	140
Tax Increment Financing (TIF)	25,532,174	N/A	10

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 2018 increased by less than 1 percent over the prior fiscal year as seen in Table 2. The most significant change was a \$9 million increase in Grants that was offset by a \$5 million decrease in Tax Abatements and Exemptions. The District saw a \$5 million decrease in Expenditures on Contracts in FY 2018 from FY 2017, which make up a majority of economic development expenditures.<sup>8</sup>

<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 2018 will be represented in future years as tax expenditures.

<sup>8</sup> Excludes \$3 million in expenditures on contracts by DMPED that were accrued but not expensed in FY 2018.

For activity not impacting the FY 2018 budget, as presented in Table 2, overall economic development incentives increased by 25 percent from the prior fiscal year. Revenue Bond issuances, not impacting the District budget, saw an increase of approximately \$219 million in debt secured by the District for FY 2018.

**Table 2: Change in Economic Development Incentives: FY 2017 vs. FY 2018**

% INCREASE (DECREASE)		FY 2017	FY 2018
<b>0%</b>	<b>Total Expenses</b>	<b>\$691,408,206</b>	<b>\$695,231,543</b>
(1)%	Expenditures on Contracts	427,645,345	422,458,798
20%	Grants	44,977,531	54,153,520
(100%)	Land Price Subsidies	5,069,425	0
8%	Payment In Lieu Of Taxes (PILOT) Debt Serv.	15,788,888	16,988,544
0%	Revenue Bonds Debt Service	115,660,285	116,029,960
(16%)	Tax Abatements & Exemptions	31,454,604	26,287,602
(3%)	Tax Credits	27,722,903	33,780,945
11%	Tax Increment Financing (TIF) Debt Service	23,089,226	25,532,174
<b>25%</b>	<b>Activity Not Impacting the Current Budget</b>	<b>\$1,048,098,370</b>	<b>\$1,317,956,380</b>
(11%)	New Markets Tax Credit Investment	8,189,764	7,223,100
N/A	PILOT Financing Issuance	0	0
22%	Revenue Bonds Issuance	1,017,042,870	1,236,522,577
N/A	Tax Increment Financing (TIF) Issuance	0	0
325%	Future Tax Abatements & Exemptions	22,865,736	74,210,703

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 41% of expenditures, which were for \$287 million of Expenditures 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 over \$911 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>\$60.1</b>	<b>\$0.0</b>	<b>\$61.7</b>	<b>\$286.7</b>	<b>\$23.0</b>	<b>\$77.5</b>	<b>\$3.4</b>	<b>\$5.6</b>	<b>\$18.8</b>	<b>\$0.1</b>	<b>\$158.6</b>
Expenditures on Contracts			61.7	286.7		55.2			18.8	0.1	
Grants					23.0	22.3	3.4	5.6			
Land Price Subsidies						0					
PILOT Debt Service											17.0
Revenue Bonds Debt Service <sup>2</sup>											116.0
Tax Abatements & Exemptions	26.3										
Tax Credits <sup>3</sup>	33.8										
TIF Debt Service											25.5
<b>Activity Not Impacting the FY18 Budget</b>	<b>\$74.2</b>	<b>\$325.4</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$7.2</b>	<b>\$911.1</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
Future Tax Abatements Enacted <sup>4</sup>	74.2										
New Markets Tax Credits					7.2						
Revenue Bonds Issuance <sup>5</sup>		325.4				911.1					

**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 economic development incentives among the District’s eight wards into two categories: (1) expenses, including debt service, and (2) activity not impacting the FY 2018 budget.<sup>9</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 economic development incentives 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>\$76.1</b>	<b>\$142.0</b>	<b>\$54.2</b>	<b>\$63.5</b>	<b>\$12.7</b>	<b>\$174.9</b>	<b>\$33.9</b>	<b>\$62.8</b>	<b>\$75.1</b>
Expenditures on Contracts	68.6	78.1	52.6	61.9	5.8	51.6	31.9	53.7	18.2
Grants	6.0	9.3	0.5	1.0	3.2	12.1	1.2	8.4	12.6
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	1.1	0.0	1.1	14.9	0.0	0.0	0.0
Revenue Bonds Debt Service	0.0	41.9	0.0	0.0	0.0	66.3	0.0	0.0	7.8
Tax Abatements & Exemptions	1.5	4.8	0.0	0.6	2.6	13.6	0.8	0.7	1.5
Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.8
TIF Debt Service	0.0	7.9	0.0	0.0	0.0	16.4	0.0	0.0	1.2
<b>Activity Not Impacting the FY18 Budget</b>	<b>\$0.0</b>	<b>\$412.0</b>	<b>\$369.7</b>	<b>\$13.6</b>	<b>\$194.9</b>	<b>\$71.8</b>	<b>\$34.5</b>	<b>\$90.8</b>	<b>\$130.7</b>
Revenue Bonds Issuance	0.0	361.7	369.7	13.6	171.4	71.8	34.5	83.0	130.7
Future Tax Abatements Enacted	0.0	50.2	0.0	0.0	23.5	0.0	0.0	0.5	0.0
New Markets Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0

<sup>9</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 2018 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 2018, totaling approximately \$348 million (as represented in blue on Chart 1).

Ward 2 expenditures of approximately \$78 million on schools and libraries were the highest in the District. Several specific projects that saw significant spending in FY 2018 included renovation and modernization projects at Bancroft Elementary School (Ward 1), Martin Luther King Jr. Memorial Central Library (Ward 2), Murch Elementary School (Ward 3) and Coolidge High School (Ward 4).

Every ward received expenditures for Grants along with Tax Abatements and Exemptions which support community projects and enhance economic development in neighborhoods across the District.

**Chart 1**

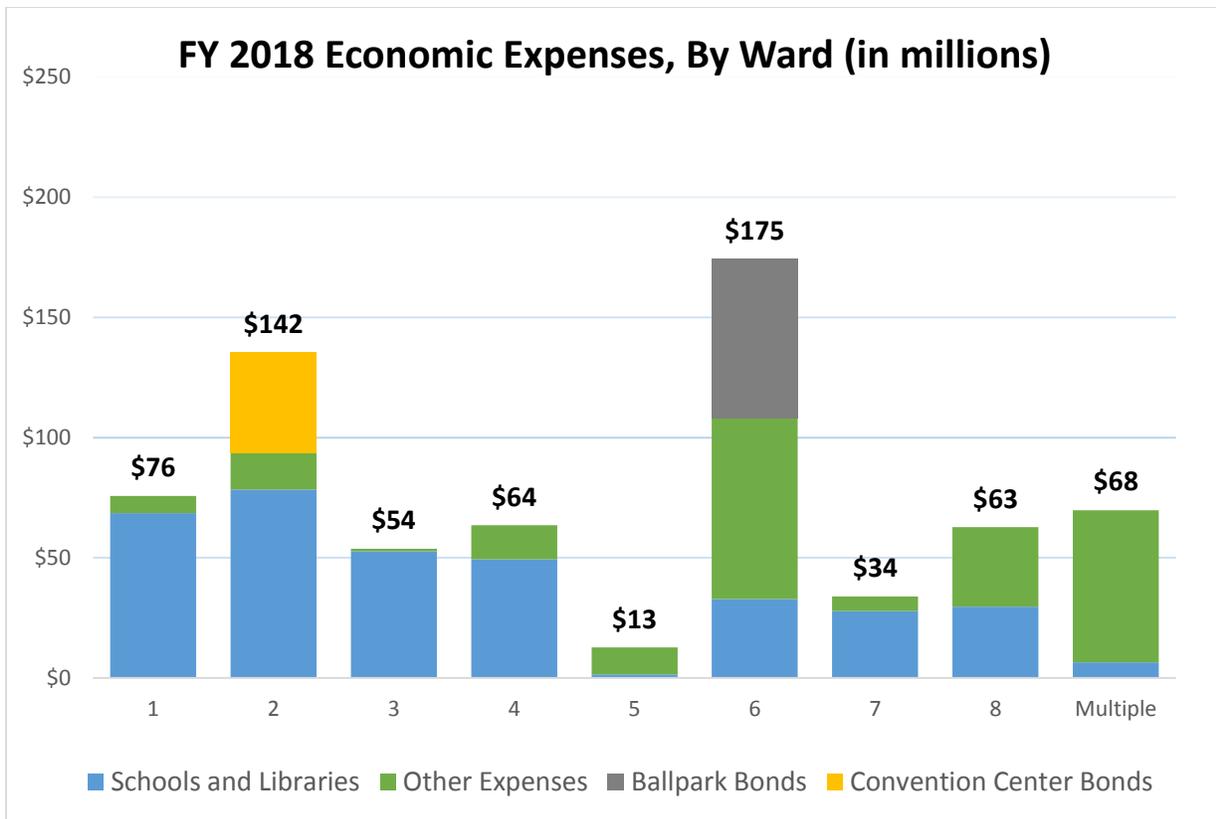
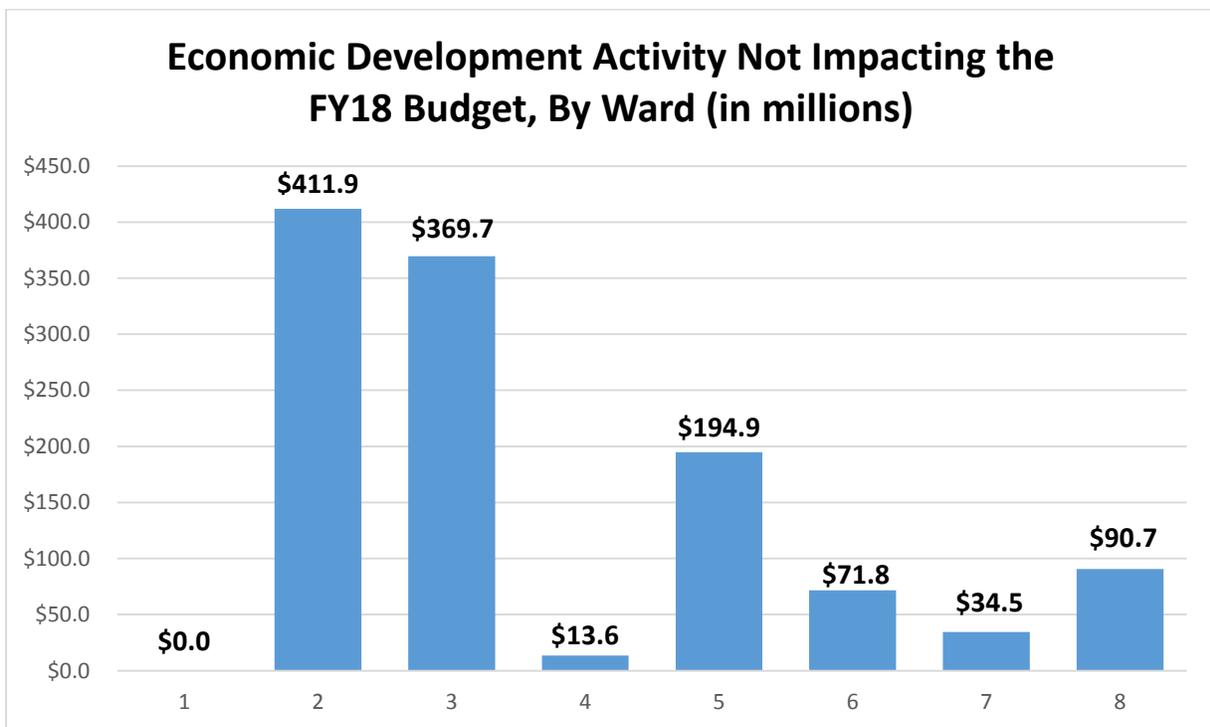


Chart 2 summarizes FY 2018 non-expense activity. Revenue Bond issuances of over \$911 million, managed by DMPED, represented a majority of the activity for this expenditure type. Ward 2 saw significant education-based issuances in FY 2018. A future tax abatement of \$50 million for the National Community Reinvestment Coalition was also approved in Ward 2, representing the largest future tax abatement in FY 2018. In Ward 3, \$141 million in revenue bonds was issued for Georgetown Day School, an independent coeducational PK-12 school. In Wards 7 and 8 revenue bonds were issued through District of Columbia Housing Finance Agency (DCHFA) for \$34 million and \$75 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 incentive 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>10</sup> The total expended in this category during FY 2018 is approximately \$422 million to 108 entities. The complete list of expenditures on contracts begins on page 2 of Appendix I.<sup>11</sup>

### Grants

District agencies awarded approximately \$54 million to 163 entities in FY 2018 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 8 of Appendix I.

### Land Price Subsidies

The District provided no Land Price Subsidies through parcels of land transferred for sale in FY 2018 for economic development purposes.<sup>12</sup>

### Loan, Loan Guarantees and Fee Waivers

No Loans or Loan Guarantees over \$75,000 were identified for the Report. No Fee Waivers in FY 2018 were identified for the Report.

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<sup>10</sup> Beginning in FY 2012, this report has included contracts for construction and renovation of public schools and libraries. For intra-district transactions the expenditures for vendors are not identified and are excluded. For FY 2018, the unidentified vendors for the renovation and modernization contracts for Garrison Elementary School, in Ward 2 were Science Applications International and Stockbridge Consulting.

<sup>11</sup> Note: a data adjustment was made for in FY 2018 to include DMPED operating funds spent directly on economic development contracts and grants. This change will also be reflected in future reports.

<sup>12</sup> Reported by Office of the Deputy Mayor for Planning and Economic Development. For land price subsidies, DMPED currently performs an appraisal based upon the required development program associated with the land disposition, as a result, the value of the property is usually less than the unencumbered market value. This is generally not considered a land price subsidy, such that a long term use covenant is placed on the property.

### New Markets Tax Credit Investment

The District of Columbia Housing Authority has a subsidiary, District of Columbia 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 District budget for this economic development incentive category. Detailed NMTCs can be found on page 19 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 Tax Increment Financing (TIF) bonds, relying on increases in the assessed value of a property generated by new construction as a source of bond repayment. In FY 2018 the District did not issue any new PILOT bonds. In total, approximately \$17 million was paid for PILOT debt service (see page 20 of Appendix I).

### Revenue Bonds Debt Service

FY 2018 expenses for Revenue Bonds 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 over \$116 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 2018 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 2018 was over \$1.2 billion.

Itemized bonds in this category are found on pages 22 of Appendix I.

### Tax Abatements & Exemptions

The total value of economic development Tax abatements and Exemptions provided in FY 2018 was approximately \$26 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, but not budgeted, during FY 2018 have a total estimated cost of approximately \$74 million in future foregone tax revenue, per assumptions outlined in OCFO fiscal impact analyses, which include a multiple year tax revenue cost estimate.

The complete list of future authorized Tax Abatements and Exemptions can be found on page 7 in Appendix I; the FY 2018 cost of Tax Abatements provided begins on page 26 and the FY 2018 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 (2016 tax returns), approximately \$34 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 2018.

#### Tax Increment Financing (TIF) Debt Service

FY 2018 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 2018 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 2018, the District made TIF debt payments on various retail and commercial projects as indicated in the Report on page 25 of Appendix I.