

Government of the
District of Columbia



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District of Columbia

Unified Economic Development Report

FY15 Economic Development Incentives under the Mayor's
Proposed Budget and Previously Authorized Expenditures

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

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District of Columbia Unified Economic Development Report on Proposed FY 2015 Budget

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District of Columbia Unified Economic Development Budget Report

INTRODUCTION

The Office of the Chief Financial Officer (OCFO) of the District of Columbia is pleased to present this Unified Economic Development Report (Report) estimating the Fiscal Year 2015 cost of economic development incentives. The Report details all potential sources of economic development incentives that would be available in Fiscal Year 2015¹ under Mayor Vincent Gray’s budget proposal submitted April 3, 2014, as well as previously authorized expenditures. The Report, which is mandated under the Unified Economic Development Budget Transparency and Accountability Act of 2010² (Act), provides information on the type of available economic development incentives and their allocation in the District of Columbia during the next fiscal year.

Scope

For purposes of the Report, economic development incentives are defined as the portion of an agency’s proposed capital budget and proposed operating budget for “Nonpersonal Services” (as used in the District’s budget and accounting systems) which may be available for economic development activities in the form of a grant or contract for procured services or a debt service payment for a bond issued for economic development purposes.³ Such expenses include spending on real estate development for commercial and residential use (including affordable housing), workforce training, and business development incentives and cover both local and non-local funds. Additionally, capital spending by the District of Columbia Public Schools and the District of Columbia Public Library for school and library renovation projects is also included. For this 2015 budget report, spending on the proposed new East-End Medical Center project has been included. Finally, the report includes estimates of foregone revenue for economic development tax abatements, exemptions and credits.

The following agency budget categories were used to determine the value of economic development incentives identified in this report:

¹ Beginning on October 1, 2014 and ending September 30, 2015.

² Please see Appendix V for excerpt of the Act requiring the Report.

³ Because of the Report’s limitation to “Nonpersonal Services,” training or other incentives provided directly by District employees will not be reflected.

Table 1: Economic Development Incentives in Agency Budgets

Agency	Agency Budget Code(s)	Budget Portion included as “economic development incentive”
Department of Employment Services (DOES)	CF0	Comptroller source group category “Subsidies and Transfers” of the Division 4000 “Workforce Development” in the operating budget
Department of Health Care Finance (DHCF)	HT0	Capital project “New East-End Medical Center”
Department of Housing and Community Development (DHCD)	DB0	Capital projects and all Nonpersonal Services in the following Divisions of the operating budget: Development Finance Division, Property Acquisition and Disposition Division, and the Commercial Revitalization Activity portion of the Residential and Community Service Division; Intradistrict budget for Housing Production Trust Fund bonds.
Department of Small and Local Business Development (DSLBD)	EN0	All Nonpersonal Services in the operating budget unrelated to department administration
District of Columbia Public Library (DCPL)	CE0	Capital projects
District of Columbia Public Schools (DCPS)	GA0	Capital projects
Office of the Deputy Mayor for Planning and Economic Development (DMPED)	EB0	Capital projects and all Nonpersonal Services in the operating budget unrelated to department administration
Office of Motion Picture and Television Development (FilmDC)	TK0	All Nonpersonal Services in the operating budget unrelated to department administration
Miscellaneous financing and dedicated tax transfer funds	BK0, EZ0, TX0, TY0	Debt service and debt service reserve costs for Ballpark Revenue bonds, Convention Center bonds, Tax Increment Financing (TIF) bonds and Payment in Lieu of Taxes (PILOT) bonds.

Additionally, estimates of foregone tax revenue for tax abatements, tax exemptions and tax credits are included in this report as “Tax Expenditures.” These costs are generally not included in a District agency’s budget.

Existing Capital Budget Allotments

Agencies may also spend available capital budget allotments authorized in FY 2014 or from prior years. The balance of capital budget allotments available as of March 31, 2014 is reported separately in Appendix IV.

FINDINGS

Summary: Dollars by Incentive Type

We estimate that the total cost of potential economic development incentives in FY 2015 (including the estimated revenue reduction of available tax abatements, exemptions and credits) will be approximately \$908.9 million under the Mayor's proposed budget. Not included in this total is approximately \$467.7 million of existing capital budget allotment previously authorized by Council that agencies may spend in FY 2015 (but have the authority to spend before, during or after FY 2015).

The \$908.9 million of incentives will be allocated by type as follows:

Table 2: Economic Development Incentives in FY 2015 Proposed Budget, by Type

	Total Cost	Percentage of Total
Total	\$908,915,865	100%
Expenditures on Contracts ¹	559,129,766	61.5%
Grants	162,641,959	17.9%
Payment in Lieu of Taxes (PILOT) Financing	14,681,698	1.6%
Revenue Bonds ²	74,180,064	8.2%
Tax Abatements and Exemptions ³	35,841,828	3.9%
Tax Credits (District) ³	19,636,000	2.2%
Tax Increment Financing (TIF)	42,804,550	4.7%

Notes, Table 2

1. Includes school and library capital projects.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. Estimate of total foregone tax revenue.

The largest incentive category is expenditures on contracts, for which approximately \$559 million, or 62% of the total, is proposed. Much of the cost reflected in this category is for FY 2015 allotments of capital projects, and particularly for public school construction (see agency data below). \$131.7 million will be spent on debt service for PILOT, revenue bonds, and TIF bonds, and approximately \$162.6 million will be available for grants. Economic development tax expenditures (abatements, credits and exemptions) will total \$55.5 million in foregone FY15 revenue.

Detailed information for the expenses aggregated above, including recipient and ward data when specified, can be found in Appendix I, Detailed Economic Development Budget by Incentive Type.

Trend

For all economic development budget categories in the Mayor’s Proposed FY 2015 budget (including previously authorized tax expenditures), we have compared the proposed spending to the FY 2014 budget as approved. The proposed FY 2015 budget and tax expenditures would allocate \$80 million less to economic development incentives than the FY 2014 approved budget, or a decrease of 8%. There was a decrease in all types of incentives, except for tax abatements and exemptions, where the value increased 8%.

Table 3: Budget Trend for Economic Development Incentives, Fiscal Years 2014 – 2015 (Proposed)

% INCREASE (DECREASE)		FY15	FY14
(8%)	Total Expenses	\$908,915,865	\$988,961,701
(9%)	Expenditures on Contracts ¹	559,129,766	617,111,457
(6%)	Grants	162,641,959	172,406,658
(10%)	Payment In Lieu Of Taxes (PILOT) Financing	14,681,698	16,341,000
(0%)	Revenue Bonds Debt Service ²	74,180,064	74,412,714
8%	Tax Abatements & Exemptions ³	35,841,828	33,099,555
(21%)	Tax Credits ³	19,636,000	24,787,000
(16%)	Tax Increment Financing (TIF)	42,804,550	50,803,317

Notes, Table 3

1. Includes school and library capital projects.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. Estimate of total foregone tax revenue.

Dollars by Agency

The allocation of total economic development dollars by agency is provided in Table 4 on the next page and in Appendix II. The largest share of proposed spending is for D.C. Public Schools (DCPS) facility modernization and renovation projects, which totals \$403.3 million. In addition, the Department of Housing and Community Development (DHCD) requested \$131.4 million of budget authority for development and financing of affordable housing. Also, a total of \$124.3 million of economic development dollars will flow through the miscellaneous funds dedicated for payment of TIF & PILOT debt service and revenue bond debt service for Ballpark Revenue bonds and Convention Center bonds¹. Initiatives under the Office of the Deputy Mayor for Planning and Economic Development will cost \$89.4 million in FY 2015.

¹ Agencies BK0, EZ0, TX0, and TY0 in the District’s budget

Table 4: Economic Development Incentives in FY 2015 Proposed Budget, by Agency
\$ in millions

	None ¹	DCPL	DCPS	DHCD	DHCF	DMPED	DOES	DSLBD	FilmDC	Misc. Funds
Total Expenses	\$55.4	\$31.0	\$403.3	\$131.4	\$35.9	\$89.4	\$32.6	\$4.1	\$1.5	\$124.3
Expenditures on Contracts ²		31.0	403.3	16.0	35.9	71.2		1.5	0.2	
Grants				107.6		18.2	32.6	2.6	1.3	0.5
Land Price Subsidies										
PILOT Debt Service										14.7
Revenue Bonds Debt Service ³				7.8						66.4
Tax Abatements & Exemptions ⁴	35.8									
Tax Credits ⁴	19.6									
TIF Debt Service										42.8

Notes, Table 4

1. Tax expenditures not associated with any agency.
2. Includes school and library capital projects.
3. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
4. Estimate of total foregone tax revenue.

Acronym Key

DCPL – District of Columbia Public Library
 DCPS – District of Columbia Public Schools
 DHCD - Department of Housing and Community Development
 DHCF – Department of Health Care Finance
 DMPED - Office of the Deputy Mayor for Planning and Economic Development
 DOES - Department of Employment Services
 DSLBD - Department of Small and Local Business Development
 Film DC - Office of Motion Picture & Television Development
 Misc. Funds - Agencies DT0, ES0, TX0 & TY0 in the District's budget

Detailed information for the expenses aggregated above, including recipient and ward data for projects already specified, can be found in Appendix II, Detailed Economic Development Budget by Agency.

Dollars by Ward

As required by the Act, this Report includes data on the ward location of the projects for which economic development dollars will be provided. Expenditures such as debt service for previously authorized economic development projects, tax exemptions and abatements and some capital budget projects have been associated with a particular ward. Approximately \$602 million of economic development incentives have been proposed (or previously authorized) for projects located in one of the District’s eight wards, while about \$307 million have not been specified or will be spent city-wide. Table 5 on the next page summarizes the data by ward and shows which type of incentive is available for each ward.

Table 5: Economic Development Incentives in FY 2015 Proposed Budget, by Location

	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	City-wide or Not Specified
FY15 Proposed Spending	\$4.5	\$188.1	\$32.6	\$119.5	\$60.7	\$97.4	\$20.7	\$78.7	\$306.7
Expenditures on Contracts ¹		123.1	32.6	118.6	53.2	29.0	17.7	78.2	106.8
Grants					3.4	0.5			158.8
PILOT Debt Service					0.6	13.2			0.8
Revenue Bonds Debt Service ²		33.0				33.4			7.8
Tax Abatements & Exemptions ³	4.0	9.4		0.8	2.3	15.0	0.7	0.5	3.2
Tax Credits ³									19.6
TIF Debt Service	0.5	22.7		0.1	1.3	6.4	2.2		9.6
Existing Capital Allotment⁴	\$8.7	\$28.3	\$30.8	\$68.8	\$35.0	\$17.2	\$44.1	\$102.4	\$132.5
Total Available	\$13.2	\$216.4	\$63.4	\$188.3	\$95.7	\$114.6	\$64.7	\$181.1	\$439.2

Notes, Table 5

1. Includes school and library capital projects.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. Estimate of total foregone tax revenue.
4. Existing budget allotment balance for capital projects as of March 31, 2014. Amounts may be spent before or after FY15.

Of those amounts specified for projects in a particular ward, Ward 2 will have the largest share of economic development spending. Major Ward 2 projects include the renovations of Duke Ellington High School (\$84 million), Garrison Elementary School (\$16 million) and the Martin Luther King, Jr. Memorial Library (\$20 million). Debt service for the Convention Center and the Marriott Marquis Convention Center hotel in Ward 2 will total approximately \$46 million.

Ward 4 will also see a large share of FY15 economic development expenditures, which are primarily composed of school modernizations, including for Roosevelt High School (\$76 million), Lafayette Elementary (\$20 million) and Powell Elementary (\$10 million).

In addition, economic development capital projects previously authorized included a total of \$467.7 million of capital allotments available as of March 31, 2014. Such amounts may be spent before or after FY 2015.

The chart on the following page presents total economic development dollars designated by ward, broken out between school/library construction and other types of economic development spending, and includes available capital budget allotment as of March 31, 2014.

More detailed information on ward-by-ward expenditures in the FY 2015 budget proposal can be found in Appendix III, Detailed Economic Development Budget by Ward. Existing available capital budget allotment balances are detailed separately in Appendix IV.

Economic Development Incentives in FY 2015 Proposed Budget, Including previously authorized capital allotments, by Ward

