

Government of the
District of Columbia



Vincent C. Gray
Mayor

Natwar M. Gandhi
Chief Financial Officer

District of Columbia

Unified Economic Development Report

**FY13 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**

Issued July 2012

(this page intentionally left blank)

District of Columbia Unified Economic Development Report on Proposed FY 2013 Budget

Table of Contents

INTRODUCTION	1
Scope	1
Capital Budget Information	3
FINDINGS	4
Summary: Dollars by Incentive Type.....	4
Trend	5
Dollars by Agency	5
Dollars by Ward.....	7
APPENDICES	
I. Detailed Economic Development Budget by Incentive Type	
II. Detailed Economic Development Budget by Agency	
III. Detailed Economic Development Budget by Ward	
IV. Existing Capital Budget Allotment by Ward	
V. Unified Economic Development Budget Transparency and Accountability Act	

(this page intentionally left blank)

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 2013 cost of economic development incentives. The Report details all potential sources of economic development incentives that would be available in Fiscal Year 2013¹ under Mayor Vincent Gray’s budget proposal submitted March 23, 2012, 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; a debt service payment for a bond issued for economic development purposes; or an estimate of foregone revenue for economic development tax abatements, exemptions and credits³. The Report includes spending from the District’s General Fund, Capital Fund and Federal Grant sources. New for the current version of the Report, the Report’s definition of economic development activities has been broadened to include capital projects of the District of Columbia Public Schools and the District of Columbia Public Library. As always, spending on real estate development for commercial and residential use (including affordable housing), workforce training, and business development incentives is also included. The following agency budget categories were used to determine the value of economic development incentives identified in this report:

¹ Beginning on October 1, 2012 and ending September 30, 2013.

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 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
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, DT0, EZ0, TX0, TY0	Debt service and debt service reserve costs for Ballpark Revenue bonds, Convention Center bonds, Tax Increment Financing (TIF) bonds, Payment in Lieu of Taxes (PILOT) bonds, and Housing Production Trust Fund 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 from prior years. The balance of capital budget allotments available as of March 23, 2012 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 2013 (including the estimated revenue reduction of available tax abatements, exemptions and credits) will be approximately \$790.3 million under the Mayor’s proposed budget. Not included in this total is approximately \$283.3 million of existing capital budget allotment that agencies may spend in FY 2013 (but have the authority to spend before, during or after FY 2013).

The \$790.3 million of incentives will be allocated by type as follows:

Table 2: Economic Development Incentives in FY 2013 Proposed Budget, by Type

Incentive Type	Total Cost	Percentage of Total
Expenditures on Contracts ¹	\$519,859,378	65.8%
Grants	\$85,156,011	10.8%
Payment in Lieu of Taxes (PILOT) Debt Service	\$15,992,989	2.0%
Revenue Bond Debt Service ²	\$70,530,602	8.9%
Tax Abatements ³	\$14,116,630	1.8%
Tax Credits ³	\$18,083,000	2.3%
Tax Exemptions ³	\$16,107,580	2.0%
Tax Increment Financing (TIF) Debt Service	<u>\$50,468,173</u>	<u>6.4%</u>
TOTAL	\$790,314,363	100.0%

Notes

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 \$519.9 million, or 66% of the total, is proposed. Much of the cost reflected in this category is for FY 2013 allotments of capital projects. Taken together as one category, spending on debt service for TIF, PILOT and revenue bonds will be \$137.0 million, or 17% of the total.

Detailed information for the expenses aggregated above, including recipient and ward data for projects, 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 FY13 budget (including tax expenditures), we have compared the proposed spending to the FY 2012 budget as approved. This comparison shows increasing amounts of the District budget allocated to economic development incentives. The proposed FY 2013 increase over FY 2012 is 27.6%.

Table 3: Budget Trend for Economic Development Incentives, Fiscal Years 2012 – 2013 (Proposed)

Incentive Type	FY12 Approved Budget ¹ (in millions)	FY13 Proposed Budget (in millions)	% Increase (Decrease) vs. FY 2012 Budget
Expenditures on Contracts	\$316.3	\$519.9	64.3%
Grants	\$125.4	\$85.2	(32.1)%
Revenue Bond Debt Service	\$72.2	\$70.5	(2.3)%
Tax Expenditures (combined) ²	\$44.9	\$48.3	7.6%
TIF & PILOT Debt Service (combined)	\$60.6	\$66.5	9.7%
TOTAL	\$619.4	\$790.3	27.6%

Notes

1. The FY12 Budget has been amended from the total reported in the June 2012 version of this Report, in order to include capital projects of D.C. Public Schools and D.C. Public Library.
2. Estimate of total foregone tax revenue.

Dollars by Agency

The allocation of total economic development dollars by agency is provided in Table 4 below and in Appendix II. The largest share of proposed spending is for D.C. Public Schools facility modernization and renovation projects, which totals \$392.6 million. A total of \$140.7 million of economic development dollars will flow through the miscellaneous funds which make payment of TIF & PILOT debt service and revenue bond debt service for Ballpark Revenue bonds, Convention Center bonds and Housing Production Trust Fund bonds¹. The Office of the Deputy Mayor for Planning and Economic Development (DMPED) requested \$91.3 million of budget allotment for economic development incentives.

¹ Agencies BK0, DT0, EZ0, TX0, TY0 and TZ0 in the District’s budget

Table 4: Economic Development Incentives in FY 2013 Proposed Budget, by Agency

	None ¹	DCPL	DCPS	DHCD	DMPED	DOES	DSLBD	Film DC	Misc. Funds	TOTAL
<i>\$ in millions</i>										
Expenditures on Contracts		\$23.0	\$392.6	\$19.2	\$84.0		\$0.7	\$0.3		\$519.9
Grants				\$40.8	\$6.6	\$33.2	\$2.0		\$2.5	\$85.2
Payment In Lieu Of Taxes (PILOT) Financing Debt Service									\$16.0	\$16.0
Revenue Bonds Debt Service ²									\$70.5	\$70.5
Tax Abatements ³	\$12.2				\$0.7				\$1.3	\$14.1
Tax Credits ³	\$18.1									\$18.1
Tax Exemptions ³	\$16.1									\$16.1
Tax Increment Financing (TIF) Debt Service									\$50.5	\$50.5
Total Expenses	\$46.4	\$23.0	\$392.6	\$60.0	\$91.3	\$33.2	\$2.7	\$0.3	\$140.7	\$790.3

Notes

1. Tax expenditures not associated with an agency.
2. Includes Ballpark, Convention Center and Housing Production Trust Fund bonds.
3. 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
- 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 BK0, 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 capital budget projects have been associated with a particular ward. However, approximately 26% of the FY 2013 proposed economic development costs do not have a ward specified and may be allocated for city-wide initiatives.

The following table summarizes proposed economic development dollars by ward, including tax expenditures. In addition, the table summarizes the location of capital projects with existing budget allotment as of the end of March 2012. Please note that because new ward boundaries went into effect January 1, 2012, project locations may be different from those indicated in previous reports.

Table 5: Economic Development Incentives in FY 2013 Proposed Budget, by Location
(in millions)

Incentive Type	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	Not specified	Total
Expenditures on Contracts	\$84.8	\$10.6	\$21.1	\$25.4	\$115.7	\$26.4	\$10.1	\$156.6	\$69.1	\$519.9
Grants						\$2.5			\$82.7	\$85.2
Payment in Lieu of Taxes (PILOT) Debt Service					\$0.6	\$13.5			\$1.9	\$16.0
Revenue Bond Debt Service		\$33.1				\$31.9			\$5.6	\$70.5
Tax Abatements ¹	\$0.3	\$4.1		\$0.5		\$9.1	\$0.1			\$14.1
Tax Credits ¹									\$18.1	\$18.1
Tax Exemptions ¹	\$2.2	\$6.2	\$0.1		\$0.5	\$2.6	\$0.5	\$0.3	\$3.6	\$16.1
Tax Increment Financing (TIF) Debt Service	\$1.9	\$12.1		\$0.1	\$1.3	\$5.4			\$29.6	\$50.5
Subtotal FY13 Proposed	\$89.2	\$66.2	\$21.2	\$26.0	\$118.1	\$91.4	\$10.7	\$156.9	\$210.5	\$790.3
Existing Capital Allotment ²	\$53.7	\$7.9	\$10.4	\$9.7	\$35.1	\$20.0	\$25.3	\$83.1	\$38.1	\$283.3
Total Available	\$142.9	\$74.1	\$31.6	\$35.7	\$153.2	\$111.4	\$36.1	\$240.0	\$248.6	\$1,073.6

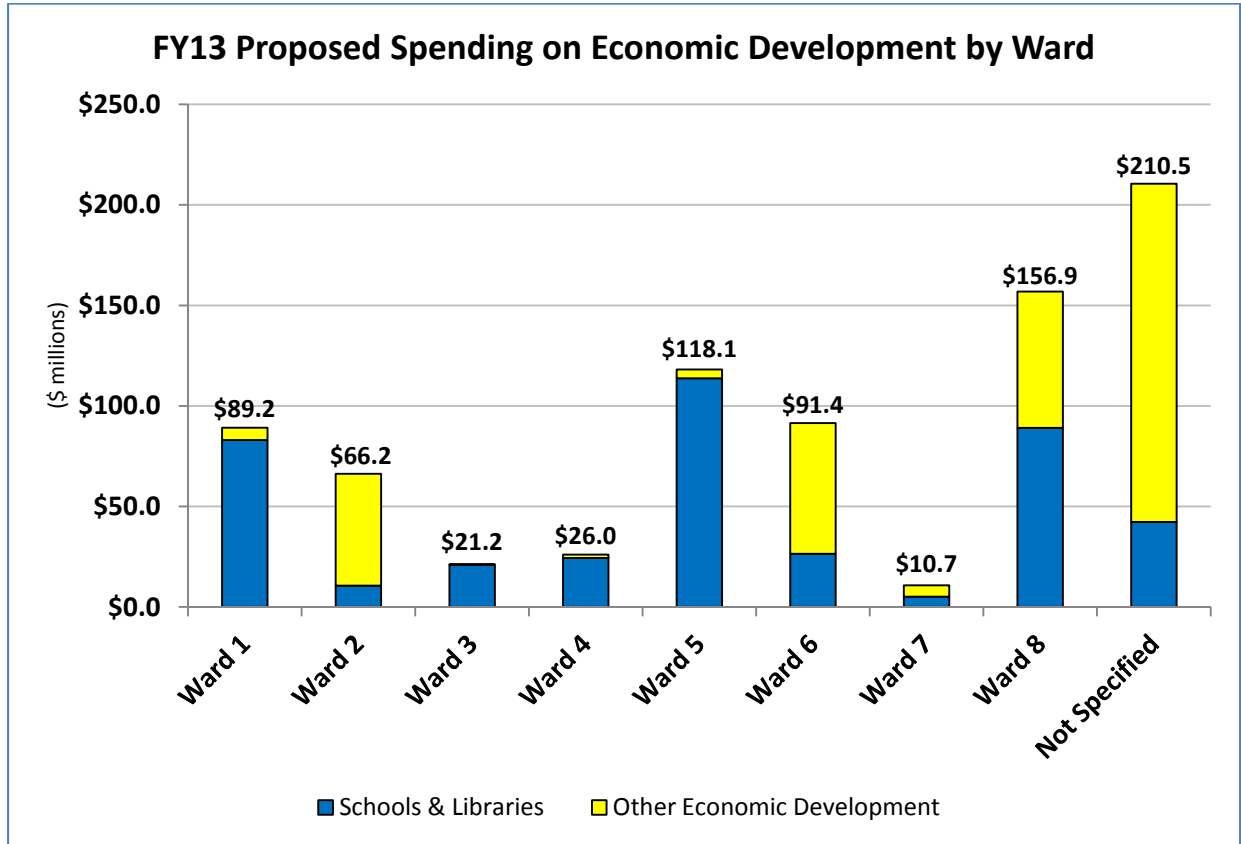
Notes

1. Estimate of total foregone tax revenue
2. Existing budget allotment balance for capital projects as of March 20, 2012. Amounts may be spent before or after FY13.

Approximately \$579.8 million of economic development incentives have been proposed for projects located in one of the District's eight wards, while about \$210.5 million have not been specified or will be spent city-wide. Of those amounts specified, the District will spend the most on projects located in Wards 8 and 5. Ward 8 expenditures on contracts include \$67.6 million for the St. Elizabeth's East Campus Infrastructure project and \$53.0 million for Ballou Senior High School renovation. Ward 5 expenditures on contracts

include \$57.4 million for Dunbar Senior High School and \$34.5 million for Brookland Middle School.

The following chart presents total economic development dollars designated by ward, broken out between school/library construction and other types of economic development spending:



More detailed information on ward-by-ward expenditures in the FY 2013 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.