

# Tax Increment Financing (TIF) Program

**Table TX0-1**

Description	FY 2015	FY 2016	FY 2017	% Change
	Actual	Approved	Proposed	from FY 2016
OPERATING BUDGET	\$57,499,086	\$70,006,229	\$54,755,587	-21.8

Tax Increment Financing (TIF) is a program through which the District provides economic development project funds by borrowing against future tax receipts expected to be generated as a result of the construction and operation of projects partially funded by these funds.

The agency's FY 2017 proposed budget is presented in the following tables:

## **FY 2017 Proposed Gross Funds Operating Budget and FTEs, by Revenue Type**

Table TX0-2 contains the proposed FY 2017 budget by revenue type compared to the FY 2016 approved budget. It also provides FY 2015 actual data.

**Table TX0-2**

(dollars in thousands)

Appropriated Fund	Dollars in Thousands					Full-Time Equivalents				
	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change		Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change	
				FY 2016	Percentage Change*				FY 2016	Percentage Change
<b>ENTERPRISE AND OTHER</b>										
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES	56,133	70,006	54,756	-15,251	-21.8	0.0	0.0	0.0	0.0	N/A
ENTERPRISE AND OTHER FUNDS	1,366	0	0	0	N/A	0.0	0.0	0.0	0.0	N/A
<b>TOTAL FOR ENTERPRISE AND OTHER</b>	<b>57,499</b>	<b>70,006</b>	<b>54,756</b>	<b>-15,251</b>	<b>-21.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>
<b>GROSS FUNDS</b>	<b>57,499</b>	<b>70,006</b>	<b>54,756</b>	<b>-15,251</b>	<b>-21.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>

\*Percent change is based on whole dollars.

**Note:** If applicable, for a breakdown of each Grant (Federal and Private), Special Purpose Revenue type and Intra-District agreement, please refer to **Schedule 80 Agency Summary by Revenue Source** in the **FY 2017 Operating Appendices** located on the Office of the Chief Financial Officer's website.

## FY 2017 Proposed Operating Budget, by Comptroller Source Group

Table TX0-3 contains the proposed FY 2017 budget at the Comptroller Source Group (object class) level compared to the FY 2016 approved budget. It also provides FY 2014 and FY 2015 actual expenditures.

**Table TX0-3**

(dollars in thousands)

Comptroller Source Group	Actual FY 2014	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Percentage Change*
50 - SUBSIDIES AND TRANSFERS	38,894	46,800	56,853	37,818	-19,036	-33.5
80 - DEBT SERVICE	10,692	10,699	13,153	16,938	3,785	28.8
<b>SUBTOTAL NONPERSONAL SERVICES (NPS)</b>	<b>49,586</b>	<b>57,499</b>	<b>70,006</b>	<b>54,756</b>	<b>-15,251</b>	<b>-21.8</b>
<b>GROSS FUNDS</b>	<b>49,586</b>	<b>57,499</b>	<b>70,006</b>	<b>54,756</b>	<b>-15,251</b>	<b>-21.8</b>

\*Percent change is based on whole dollars.

## FY 2017 Proposed Operating Budget and FTEs, by Division/Program and Activity

Table TX0-4 contains the proposed FY 2017 budget by division/program and activity compared to the FY 2016 approved budget. It also provides FY 2015 actual data. For a more comprehensive explanation of divisions/programs and activities, please see the Division/Program Description section, which follows the table.

**Table TX0-4**

(dollars in thousands)

Division/Program and Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016
<b>(1000) TAX INCREMENT FINANCING (TIF)</b>								
(1100) TAX INCREMENT FINANCING (TIF)	54,749	70,006	54,756	-15,251	0.0	0.0	0.0	0.0
<b>SUBTOTAL (1000) TAX INCREMENT FINANCING (TIF)</b>	<b>54,749</b>	<b>70,006</b>	<b>54,756</b>	<b>-15,251</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>(9960) YR END CLOSE</b>								
(9961) YR END CLOSE	2,750	0	0	0	0.0	0.0	0.0	0.0
<b>SUBTOTAL (9960) YR END CLOSE</b>	<b>2,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL PROPOSED OPERATING BUDGET</b>	<b>57,499</b>	<b>70,006</b>	<b>54,756</b>	<b>-15,251</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

(Change is calculated by whole numbers and numbers may not add up due to rounding)

**Note:** For more detailed information regarding the proposed funding for the activities within this agency's programs, please see **Schedule 30-PBB Program Summary by Activity** in the **FY 2017 Operating Appendices** located on the Office of the Chief Financial Officer's website. "No Activity Assigned" indicates budget or actuals that are recorded at the division/program level.

## Program Description

The Tax Increment Financing Program operates through the following program:

**Tax Increment Financing** – provides budget authority pursuant to the Tax Increment Financing Act of 1998, which established a TIF program and authorized the issuance of up to \$300 million in debt to support economic development projects that would not be developed "but for" public financial assistance. The initiative was reauthorized by the Tax Increment Financing Reauthorization Act of 2002, which included an increase in TIF authority to a total of \$500 million. In addition, the District Council approved other project-based tax-supported revenue bonds, including Tax Increment Financings, outside the scope of the TIF Act.

This program contains the following 7 projects:

- **Gallery Place**– a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$4,312,750;
- **The Mandarin Oriental Hotel**– opened in March 2004 and has an estimated debt service payment of \$4,504,125;
- **Verizon Center**– funded arena improvements to be repaid using an incremental tax of 4.25 percent on merchandise and tickets sold at the venue, with an estimated debt service payment of \$3,550,423;
- **City Market at O Street**– a mixed-use development project under construction that has an estimated debt service payment of \$2,170,531;
- **Special Retail and Great Streets**– smaller TIF financings issued under a special retail TIF program in the downtown area and retail or mixed-use projects located in Great Streets areas. Estimated debt service for debt issued under these programs is \$1,928,359, which includes \$140,773 from the Downtown TIF reserve;
- **Convention Center Hotel**– the project opened in May of 2014 and has an estimated debt service of \$10,024,230; and
- **Waterfront Park Maintenance Fund**– has been established to deposit sales tax revenues and special property assessments attributable to the Waterfront Park Retail Area in order to pay the Capitol Riverfront BID for costs of maintaining “Yards Park.” In FY 2017, these funds are estimated to be \$478,430.

In addition, the budget includes estimated debt service for the following projects under construction in FY 2016:

- **Skyland**– a mixed-use development project with an estimated debt service payment of \$2,400,000 to be paid from capitalized interest; and
- **Fort Lincoln Phase II**– a retail strip mall in Ward 5 with an estimated debt service of \$537,972.

For certain projects, a revenue contingency totaling \$24,848,767 is budgeted if projected revenues are higher than minimum debt service payments, in accordance with the bond agreements. Depending on the structure of bond documents, such additional revenues may be used to pre-pay principal on TIF financings, reserved for future debt service payments, or returned to the District’s General Fund. For FY 2017, the District is expected to be entitled to refunds from the Gallery Place and Mandarin bond trustees totaling \$9,999,445. This is the amount by which estimated tax increments from the Gallery Place and Mandarin projects exceed scheduled bond debt service. This will be funded within the revenue contingency budget.

## Program Structure Change

The Tax Increment Financing (TIF) Program has no program structure changes in the FY 2017 proposed budget.

## FY 2016 Approved Budget to FY 2017 Proposed Budget, by Revenue Type

Table TX0-5 itemizes the changes by revenue type between the FY 2016 approved budget and the FY 2017 proposed budget. For a more comprehensive explanation of changes, please see the FY 2017 Proposed Budget Changes section, which follows the table.

**Table TX0-5**

(dollars in thousands)

DESCRIPTION	DIVISION/PROGRAM	BUDGET	FTE
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2016 Approved Budget and FTE</b>			
		<b>70,006</b>	<b>0.0</b>
Decrease: To align budget with projected revenues	Tax Increment Financing (TIF)	-15,251	0.0
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2017 Agency Budget Submission</b>			
		<b>54,756</b>	<b>0.0</b>
No Change		0	0.0
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2017 Mayor's Proposed Budget</b>			
		<b>54,756</b>	<b>0.0</b>
No Change		0	0.0
<b>ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2017 District's Proposed Budget</b>			
		<b>54,756</b>	<b>0.0</b>
<b>GROSS FOR TX0 - TAX INCREMENT FINANCING (TIF) PROGRAM</b>		<b>54,756</b>	<b>0.0</b>

(Change is calculated by whole numbers and numbers may not add up due to rounding)

## FY 2017 Proposed Budget Changes

The Tax Increment Financing (TIF) Program's proposed FY 2017 gross budget is \$54,755,587, which represents a 21.8 percent decrease from its FY 2016 approved gross budget of \$70,006,229. The budget is comprised entirely of Enterprise and Other Funds - Dedicated Taxes.

### Agency Budget Submission

**Decrease:** The proposed budget for Tax Increment Financing includes a net decrease of \$15,250,642 primarily in Subsidies and Transfers, to align the budget with projected tax revenues and the latest revenue estimates provided by the Office of Revenue Analysis.

The decrease of the budget is primarily attributable to the following:

- Two TIF projects under the Special Retail and Great Streets program no longer require budgeted debt service. This is due to loan repayment for one project and cancellation of the note for the other project;
- The Southwest Waterfront (The Wharf) is categorized as a Payment in Lieu of Taxes (PILOT) borrowing and has now been budgeted in the Repayment of PILOT Financing budget chapter (TY0); and
- The FY 2016 budget included fund balance from the H Street Retail Priority Area to be transferred to the General Fund in the amount of \$12,750,000. The FY 2017 budget does not include this expense.

**Mayor's Proposed Budget**

**No Change:** The Tax Increment Financing Program's budget proposal reflects no change from the agency budget submission to the Mayor's proposed budget.

**District's Proposed Budget**

**No Change:** The Tax Increment Financing Program's budget proposal reflects no change from the Mayor's proposed budget to the District's proposed budget.