

Tax Increment Financing (TIF) Program

Table TX0-1

Description	FY 2016	FY 2017	FY 2018	% Change
	Actual	Approved	Proposed	from FY 2017
OPERATING BUDGET	\$59,909,295	\$54,755,587	\$53,709,439	-1.9

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 2018 proposed budget is presented in the following tables:

FY 2018 Proposed Gross Funds Operating Budget and FTEs, by Revenue Type

Table TX0-2 contains the proposed FY 2018 budget by revenue type compared to the FY 2017 approved budget. It also provides FY 2016 actual data.

Table TX0-2

(dollars in thousands)

Appropriated Fund	Dollars in Thousands					Full-Time Equivalents				
	Actual FY 2016	Approved FY 2017	Proposed FY 2018	Change from FY 2017	Percentage Change*	Actual FY 2016	Approved FY 2017	Proposed FY 2018	Change from FY 2017	Percentage Change
ENTERPRISE AND OTHER										
ENTERPRISE AND OTHER FUNDS-DEDICATED										
TAXES	59,909	54,756	53,709	-1,046	-1.9	0.0	0.0	0.0	0.0	N/A
TOTAL FOR ENTERPRISE AND OTHER	59,909	54,756	53,709	-1,046	-1.9	0.0	0.0	0.0	0.0	N/A
GROSS FUNDS	59,909	54,756	53,709	-1,046	-1.9	0.0	0.0	0.0	0.0	N/A

*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 2018 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2018 Proposed Operating Budget, by Comptroller Source Group

Table TX0-3 contains the proposed FY 2018 budget at the Comptroller Source Group (object class) level compared to the FY 2017 approved budget. It also provides FY 2015 and FY 2016 actual expenditures.

Table TX0-3

(dollars in thousands)

Comptroller Source Group	Actual FY 2015	Actual FY 2016	Approved FY 2017	Proposed FY 2018	Change from FY 2017	Percentage Change*
50 - SUBSIDIES AND TRANSFERS	46,800	48,997	37,818	37,185	-633	-1.7
80 - DEBT SERVICE	10,699	10,913	16,938	16,524	-414	-2.4
SUBTOTAL NONPERSONAL SERVICES (NPS)	57,499	59,909	54,756	53,709	-1,046	-1.9
GROSS FUNDS	57,499	59,909	54,756	53,709	-1,046	-1.9

*Percent change is based on whole dollars.

FY 2018 Proposed Operating Budget and FTEs, by Division/Program and Activity

Table TX0-4 contains the proposed FY 2018 budget by division/program and activity compared to the FY 2017 approved budget. It also provides FY 2016 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 2016	Approved FY 2017	Proposed FY 2018	Change from FY 2017	Actual FY 2016	Approved FY 2017	Proposed FY 2018	Change from FY 2017
(1000) TAX INCREMENT FINANCING (TIF) PROGRAM								
(1100) TAX INCREMENT FINANCING (TIF) PROGRAM	59,909	54,756	53,709	-1,046	0.0	0.0	0.0	0.0
SUBTOTAL (1000) TAX INCREMENT FINANCING (TIF) PROGRAM	59,909	54,756	53,709	-1,046	0.0	0.0	0.0	0.0
TOTAL PROPOSED OPERATING BUDGET	59,909	54,756	53,709	-1,046	0.0	0.0	0.0	0.0

(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 2018 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 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. 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 6 projects:

- **Gallery Place** – a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$4,314,000;
- **The Mandarin Oriental Hotel** – opened in March 2004 and has an estimated debt service payment of \$4,509,125;
- **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 \$3,585,609;
- **City Market at O Street** – a mixed-use development project under construction that has an estimated debt service payment of \$2,211,531;
- **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 \$1,142,418; and
- **Convention Center Hotel** – the project opened in May of 2014 and has an estimated debt service of \$9,520,799.

In addition, the budget includes estimated debt service for the following projects expected to be under construction during FY 2018:

- **Skyland** – a mixed-use development project with an estimated debt service payment of \$740,000 to be paid from capitalized interest; and
- **Bryant Street** – a residential/retail development project with an estimated debt service payment of \$1,164,000 to be paid from capitalized interest.

For certain projects, a revenue contingency totaling \$26,521,957 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 2018, the District is expected to be entitled to refunds from the Gallery Place and Mandarin bond trustees totaling \$9,493,686. 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 2018 proposed budget.

FY 2017 Approved Budget to FY 2018 Proposed Budget, by Revenue Type

Table TX0-5 itemizes the changes by revenue type between the FY 2017 approved budget and the FY 2018 proposed budget. For a more comprehensive explanation of changes, please see the FY 2018 Proposed Budget Changes section, which follows the table.

Table TX0-5

(dollars in thousands)

DESCRIPTION	DIVISION/PROGRAM	BUDGET	FTE
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2017 Approved Budget and FTE			
		54,756	0.0
Decrease: To align budget with projected revenues	Tax Increment Financing (TIF) Program	-1,046	0.0
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2018 Agency Budget Submission			
		53,709	0.0
No Change		0	0.0
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2018 Mayor's Proposed Budget			
		53,709	0.0
No Change		0	0.0
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2018 District's Proposed Budget			
		53,709	0.0
GROSS FOR TX0 - TAX INCREMENT FINANCING (TIF) PROGRAM		53,709	0.0

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

FY 2018 Proposed Budget Changes

The Tax Increment Financing (TIF) Program's proposed FY 2018 gross budget is \$53,709,439, which represents a 1.9 percent decrease from its FY 2017 approved gross budget of \$54,755,587. 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 \$1,046,148, 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.

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.