

Tax Increment Financing (TIF) Program

Table TX0-1

Description	FY 2017	FY 2018	FY 2019	FY 2020	% Change
	Actual	Actual	Approved	Approved	from FY 2019
OPERATING BUDGET	\$55,872,861	\$47,790,020	\$60,377,117	\$64,352,319	6.6
FTEs	0.0	0.0	0.0	0.0	N/A

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 2020 approved budget is presented in the following tables:

FY 2020 Approved Gross Funds Operating Budget and FTEs, by Revenue Type

Table TX0-2 contains the approved FY 2020 budget by revenue type compared to the FY 2019 approved budget. It also provides FY 2017 and FY 2018 actual data.

Table TX0-2

(dollars in thousands)

Appropriated Fund	Dollars in Thousands						Full-Time Equivalents					
	Actual FY 2017	Actual FY 2018	Approved FY 2019	Approved FY 2020	Change		Actual FY 2017	Actual FY 2018	Approved FY 2019	Approved FY 2020	Change	
					from FY 2019	% Change*					from FY 2019	% Change
ENTERPRISE AND OTHER												
Enterprise and Other Funds-Dedicated												
Taxes	55,873	47,790	60,377	64,352	3,975	6.6	0.0	0.0	0.0	0.0	0.0	N/A
TOTAL FOR ENTERPRISE AND OTHER	55,873	47,790	60,377	64,352	3,975	6.6	0.0	0.0	0.0	0.0	0.0	N/A
GROSS FUNDS	55,873	47,790	60,377	64,352	3,975	6.6	0.0	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 2020 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2020 Approved Operating Budget, by Comptroller Source Group

Table TX0-3 contains the approved FY 2020 budget at the Comptroller Source Group (object class) level compared to the FY 2019 approved budget. It also provides FY 2017 and FY 2018 actual expenditures.

Table TX0-3

(dollars in thousands)

Comptroller Source Group	Actual FY 2017	Actual FY 2018	Approved FY 2019	Approved FY 2020	Change from FY 2019	Percentage Change*
50 - Subsidies and Transfers	44,885	33,749	40,455	42,421	1,966	4.9
80 - Debt Service	10,987	14,041	19,922	21,931	2,009	10.1
SUBTOTAL NONPERSONAL SERVICES (NPS)	55,873	47,790	60,377	64,352	3,975	6.6
GROSS FUNDS	55,873	47,790	60,377	64,352	3,975	6.6

*Percent change is based on whole dollars.

FY 2020 Approved Operating Budget and FTEs, by Division/Program and Activity

Table TX0-4 contains the approved FY 2020 budget by division/program and activity compared to the FY 2019 approved budget. It also provides FY 2017 and FY 2018 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 2017	Actual FY 2018	Approved FY 2019	Approved FY 2020	Change from FY 2019	Actual FY 2017	Actual FY 2018	Approved FY 2019	Approved FY 2020	Change from FY 2019
(1000) TAX INCREMENT FINANCING (TIF) PROGRAM										
(1100) Tax Increment Financing (TIF) Program	55,873	47,790	60,377	64,352	3,975	0.0	0.0	0.0	0.0	0.0
SUBTOTAL (1000) TAX INCREMENT FINANCING (TIF) PROGRAM	55,873	47,790	60,377	64,352	3,975	0.0	0.0	0.0	0.0	0.0
TOTAL APPROVED OPERATING BUDGET	55,873	47,790	60,377	64,352	3,975	0.0	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 2020 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 and the Tax Increment Financing Reauthorization Amendment Act of 2017. 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 \$4,310,500;
- **The Mandarin Oriental Hotel** – opened in March 2004 and has an estimated debt service payment of \$4,504,125;
- **Verizon Center** – funded improvements at the arena, now known as Capital One Arena, 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 \$3,660,775;
- **City Market at O Street** – a mixed-use development project under construction that has an estimated debt service payment of \$2,386,406;
- **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 \$1,364,040; and
- **Convention Center Hotel** – the project opened in May of 2014 and has an estimated debt service of \$8,428,716.

In addition, the budget includes estimated debt service for the following projects expected to be under construction during FY 2020:

- **Skyland** – a mixed-use development project with an estimated debt service payment of \$685,560 to be paid from capitalized interest;
- **Bryant Street** – a residential/retail development project with an estimated debt service payment of \$1,440,000 to be paid from capitalized interest; and
- **Union Market** – a multi-phased, mixed-use development with an estimated debt service payment of \$4,944,000 to be paid from capitalized interest.

For certain projects, a revenue contingency totaling \$32,628,197 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 2020, the District is expected to be entitled to refunds from the Gallery Place and Mandarin bond trustees totaling \$10,184,884. This is the amount by which estimated tax increments from the Gallery Place and Mandarin projects exceed scheduled bond debt service. The District also expects to be entitled to \$2,000,000 from the Convention Center Hotel project in accordance with bond agreement provisions on distributing excess revenues. The transfer of these excess revenues to the General Fund 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 2020 approved budget.

FY 2019 Approved Budget to FY 2020 Approved Budget, by Revenue Type

Table TX0-5 itemizes the changes by revenue type between the FY 2019 approved budget and the FY 2020 approved budget. For a more comprehensive explanation of changes, please see the FY 2020 Approved 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 2019 Approved Budget and FTE			
		60,377	0.0
Increase: To align budget with projected debt service payments	Tax Increment Financing (TIF) Program	2,009	0.0
Increase: To align budget with projected revenues	Tax Increment Financing (TIF) Program	1,966	0.0
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2020 Mayor's Proposed Budget			
		64,352	0.0
No Change		0	0.0
ENTERPRISE AND OTHER FUNDS-DEDICATED TAXES: FY 2020 District's Approved Budget			
		64,352	0.0
GROSS FOR TX0 - TAX INCREMENT FINANCING (TIF) PROGRAM		64,352	0.0

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

FY 2020 Approved Budget Changes

The Tax Increment Financing Program's approved FY 2020 gross budget is \$64,352,319, which represents a 6.6 percent increase over its FY 2019 approved gross budget of \$60,377,117. The budget is comprised entirely of Enterprise and Other Funds - Dedicated Taxes.

Mayor's Proposed Budget

Increase: The FY 2020 proposed budget for the Tax Increment Financing Program includes an increase of \$2,009,018 in Debt Service to reflect payments from capitalized interest while projects are under construction. The budget proposal also includes an increase of \$1,966,184 in Subsidies and Transfers to align the budget with projected tax revenues provided by the Office of Revenue Analysis.

District's Approved Budget

No Change: The Tax Increment Financing (TIF) Program's budget reflects no change from the Mayor's proposed budget to the District's approved budget.