

# Tax Increment Financing (TIF) Program

**Table TX0-1**

Description	FY 2022	FY 2023	FY 2024	FY 2025	% Change
	Actual	Actual	Approved	Proposed	from FY 2024
OPERATING BUDGET	\$58,066,516	\$27,554,665	\$39,754,704	\$45,791,825	15.2
FTEs	0.0	0.0	0.0	0.0	N/A
CAPITAL BUDGET	\$0	\$0	\$0	\$0	N/A
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 2025 proposed budget is presented in the following tables:

## FY 2025 Proposed Gross Funds Operating Budget and FTEs, by Revenue Type

Table TX0-2 contains the proposed FY 2025 budget by revenue type compared to the FY 2024 approved budget. It also provides FY 2022 and FY 2023 actual data.

**Table TX0-2**

(dollars in thousands)

Appropriated Fund	Dollars in Thousands						Full-Time Equivalents					
	Actual FY 2022	Actual FY 2023	Approved FY 2024	Proposed FY 2025	Change		Actual FY 2022	Actual FY 2023	Approved FY 2024	Proposed FY 2025	Change	
					from FY 2024	% Change*					from FY 2024	% Change
<b>ENTERPRISE AND OTHER</b>												
Enterprise and Other Fund-Dedicated Tax - TIFS	58,067	27,555	39,755	45,792	6,037	15.2	0.0	0.0	0.0	0.0	0.0	N/A
<b>TOTAL FOR ENTERPRISE AND OTHER</b>	<b>58,067</b>	<b>27,555</b>	<b>39,755</b>	<b>45,792</b>	<b>6,037</b>	<b>15.2</b>	<b>0.0</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>58,067</b>	<b>27,555</b>	<b>39,755</b>	<b>45,792</b>	<b>6,037</b>	<b>15.2</b>	<b>0.0</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) and Special Purpose Revenue type, please refer to **Schedule 80 Agency Summary by Revenue Source** in the **FY 2025 Operating Appendices** located on the Office of the Chief Financial Officer's website.

## FY 2025 Proposed Operating Budget, by Account Group

Table TX0-3 contains the proposed FY 2025 budget at the Account Group level compared to the FY 2024 approved budget. It also provides FY 2022 and FY 2023 actual expenditures.

**Table TX0-3**

(dollars in thousands)

Account Group	Actual	Actual	Approved	Proposed	Change	Percentage
	FY 2022	FY 2023	FY 2024	FY 2025	from FY 2024	Change*
714100C - Government Subsidies and Grants	34,432	18,250	26,187	33,866	7,679	29.3
715100C - Other Expenses	0	217	0	0	0	N/A
718100C - Debt Service Payments	23,634	9,088	13,568	11,926	-1,642	-12.1
<b>SUBTOTAL NONPERSONNEL SERVICES (NPS)</b>	<b>58,067</b>	<b>27,555</b>	<b>39,755</b>	<b>45,792</b>	<b>6,037</b>	<b>15.2</b>
<b>GROSS FUNDS</b>	<b>58,067</b>	<b>27,555</b>	<b>39,755</b>	<b>45,792</b>	<b>6,037</b>	<b>15.2</b>

\*Percent change is based on whole dollars.

## FY 2025 Proposed Operating Budget and FTEs, by Division/Program and Activity

Table TX0-4 contains the proposed FY 2025 budget by division/program and activity compared to the FY 2024 approved budget. It also provides FY 2022 and FY 2023 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 2022	Actual FY 2023	Approved FY 2024	Proposed FY 2025	Change from FY 2024	Actual FY 2022	Actual FY 2023	Approved FY 2024	Proposed FY 2025	Change from FY 2024
<b>(CO0029) CFO OPERATIONS</b>										
(C02901) Debt Service	58,067	27,555	39,755	45,792	6,037	0.0	0.0	0.0	0.0	0.0
<b>SUBTOTAL (CO0029) CFO OPERATIONS</b>	<b>58,067</b>	<b>27,555</b>	<b>39,755</b>	<b>45,792</b>	<b>6,037</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL PROPOSED OPERATING BUDGET</b>	<b>58,067</b>	<b>27,555</b>	<b>39,755</b>	<b>45,792</b>	<b>6,037</b>	<b>0.0</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**. For detailed information on this agency's Cost Center structure as reflected in the District's Chart of Accounts, please see **Schedule 30-CC FY 2025 Proposed Operating Budget and FTEs, by Division/Office**. Additional information on this agency's interagency agreements can be found in **Appendix H**. All schedules can be found in the FY 2025 Operating Appendices, Volume 6 located on the Office of the Chief Financial Officer's website.

## 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 9 projects:

- **Gallery Place** – a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$3,486,250;
- **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 \$3,029,119;
- **City Market at O Street** – a mixed-use development project under construction that has an estimated debt service payment of \$2,811,631;
- **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. Outstanding debt issued under these programs includes one project, Georgia Avenue CVS. Estimated debt service is \$123,308;
- **Convention Center Hotel** – the project opened in May of 2014 and the TIF Note was refinanced in 2021. Although principal prepayments can be made on the note, no principal debt service payments are due until fiscal year 2026. Estimated debt service for interest only is \$2,233,838;
- **Skyland** - the first phase of a mixed-use development project opened in 2021 with an estimated debt service payment of \$1,352,697;
- **Bryant Street** – a residential/retail development project that opened in 2021 with an estimated debt service payment of \$1,246,300;
- **Reunion Square** – a multi-phased, mixed-use development project that began construction in FY 2021 with an estimated FY 2025 debt service payment of \$653,352 to be paid from capitalized interest; and
- **Union Market** – a multi-phased, mixed-use development project that was supported by an initial TIF debt issuance in 2021. No debt service payments are due until FY 2026.

In addition, the budget includes estimated debt service for future issuances for the following project anticipated to be under construction during FY 2024:

- **Union Market (Phase 2)** – in addition to the issuance described above, additional debt will be issued in FY 2024 to continue with planned development activities. No debt service payments will be due until FY 2026.
- **Skyland (Phase 2)** – in addition to the debt service payment for the first phase of the Skyland project described above, additional debt may be issued for the next phase of development with no planned debt service payments until FY 2026.

For certain projects, a revenue contingency totaling \$31,508,681 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. The District expects to be entitled to \$1,000,000 from the Convention Center Hotel project in accordance with bond agreement provisions on distributing excess revenues. In accordance with bond agreement provisions for Bryant Street, this budget anticipates distribution of \$309,968 in excess revenues to the General Fund for this project. 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 Program has no program structure changes in the FY 2025 proposed budget.

## FY 2024 Approved Budget to FY 2025 Proposed Budget, by Revenue Type

Table TX0-5 itemizes the changes by revenue type between the FY 2024 approved budget and the FY 2025 proposed budget. For a more comprehensive explanation of changes, please see the FY 2025 Proposed Budget Changes section, which follows the table.

### Table TX0-5

(dollars in thousands)

DESCRIPTION	DIVISION/PROGRAM	BUDGET	FTE
<b>ENTERPRISE AND OTHER FUND-DEDICATED TAX - TIFS: FY 2024 Approved Budget and FTE</b>			
		<b>39,755</b>	<b>0.0</b>
Increase: To align the budget with projected revenues	Multiple Programs	6,037	0.0
<b>ENTERPRISE AND OTHER FUND-DEDICATED TAX - TIFS: FY 2025 Mayor's Proposed Budget</b>			
		<b>45,792</b>	<b>0.0</b>
<b>GROSS FOR TX0 - TAX INCREMENT FINANCING (TIF) PROGRAM</b>		<b>45,792</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 interagency projects funded within this agency, please see Appendix J, FY 2025 Interagency Budgets, in the Executive Summary budget volume.

## FY 2025 Proposed Operating Budget Changes

Table TX0-6 contains the proposed FY 2025 budget by fund compared to the FY 2024 approved budget.

### Table TX0-6

Appropriated Fund	FY 2024 Approved	FY 2025 Proposed	% Change from FY 2024
Enterprise and Other Fund-Dedicated Tax - TIFS	\$39,754,704	\$45,791,825	15.2
<b>GROSS FUNDS</b>	<b>\$39,754,704</b>	<b>\$45,791,825</b>	<b>15.2</b>

## Mayor's Proposed Budget

**Increase:** The FY 2025 budget proposal for the Tax Increment Financing (TIF) program includes a net increase of \$6,037,121 to align the budget with projected dedicated revenues and reduced debt service payments.