PUBLIC HEARING ON

PR 17-0085, "SKYLAND PROJECT RETAIL PRIORITY AREA APPROVAL RESOLUTION OF 2007"

Before the

Committee on Finance and Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

March 14, 2007, 11:00 a.m.
Room 120, John A. Wilson Building

Testimony of
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify for the OCFO on the "Skyland Project Retail Priority Area Approval Resolution of 2007."

The resolution would repeal the "Skyland Project Retail Priority Area Approval Resolution of 2004," which authorized the District to provide the National Capital Revitalization Corporation (NCRC) with two tax increment financing (TIF) notes in the aggregate amount of $25.7 million. The first TIF note, which was authorized with a 10% interest rate, was for up to $17.2 million, and the second TIF note was an interest-free note for $8.5 million for unidentified projects in Wards 7 and 8.

The Skyland Project Retail Priority Area Approval Resolution of 2007 authorizes the District to issue a 25-year note to the NCRC in an aggregate principal amount of $40 million with an interest rate of not greater than 8%. The resolution stipulates that the annual debt service cannot exceed the available tax increment. The note would be repaid with tax increment revenue from the Skyland Retail Priority TIF Area. NCRC would use the note as security to fund an investment in the Skyland project.

Given the proposed development program, the OCFO currently estimates that the annual tax increment that will be generated by the future development of the site will be approximately $8.3 million on average, while the average annual debt service is estimated to be approximately $4.5 million. This difference of $3.8 million could be returned to the general fund or could be used to more rapidly reduce the obligation to NCRC.

It will be critical for NCRC to obtain a commitment from a financial institution for a bond issuance or private placement given the expected debt service coverage levels. To minimize the District's exposure, we recommend that the District require signed commitments with private developers for the retail and residential square footage in the Skyland project as conditions for the release of the TIF funds.

It is important to note that the OCFO's analysis is contingent upon the proposed development program and financing plan. If the development program or financing plan is altered, the OCFO's analysis will need to be revised.

It is also important to note that the debt will be considered tax-supported debt.

Thank you for the opportunity to testify. This concludes my testimony, and I am happy to answer any questions you have at this time.