

PUBLIC HEARING

ON

Bill 18-1070 “Rhode Island Avenue Plaza Revenue Bonds Amendment Act of 2010”

**Before the
Committee on Finance and Revenue
Councilmember Jack Evans, Chairman
and the
Committee on Economic Development
Councilmember Kwame Brown, Chairman
Council of the District of Columbia**

**November 22, 2010, 10:00 AM
John A. Wilson Building, Room 412**



**Testimony of
John Ross
Senior Advisor and Director of Economic Development Finance
Office of the Chief Financial Officer**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer. I am here to testify on, Bill 18-1070, the Rhode Island Avenue Plaza Revenue Bonds Amendment Act of 2010.

The proposed bill approves the use of available tax increment from the Downtown TIF Area as credit enhancement for a Payment in Lieu of Taxes (PILOT) note issued to support the Rhode Island Avenue Metro plaza project. The project began construction in spring of 2010, and includes replacement of WMATA surface parking at the Rhode Island Avenue Metrorail station with a parking garage, 274 apartments and 70,000 square feet of retail.

The District issued a \$7.2 million PILOT note to the project developer in March 2010. Currently, the sole source of repayment of the PILOT note is PILOT revenue that will be generated by the project (set equal to the amount the project would otherwise have paid in real estate taxes). The Downtown TIF Area credit enhancement would provide a purchaser of the PILOT note additional security that the debt service payments will be made, and should assist the project developer in monetizing the note. The developer intends to

use proceeds from the PILOT note to repay a loan provided by the project's general contractor, to pay developer fee, and to repay a portion of the developer's equity contributed to the project.

The Chief Financial Officer estimates the cost of the proposed legislation at \$625,000, to be incurred in FY 2011. Using the Downtown TIF Area to back the PILOT note will require including one year's debt service reserve in the budget. This reserve would be non-lapsing, would be used if revenues from the Downtown TIF Area become necessary, and would be required to be replenished if used in any year. Based on current market conditions, one year of debt service on a \$7.2 million note is estimated to be approximately \$600,000, and an additional \$25,000 will be incurred in transaction costs.

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