

**PUBLIC HEARING ON  
PR 15-913, “TAX INCREMENT REVENUE BONDS  
CORCORAN GALLERY OF ART PROJECT APPROVAL  
RESOLUTION OF 2004”**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**June 28, 2004, 11:00 a.m.  
Room 120, John A. Wilson Building**



**Testimony of  
John Ross  
Senior Advisor and Director  
Office of Economic Development Finance**

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

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am John Ross, senior advisor to the Chief Financial Officer and director of the Office of Economic Development Finance. I am pleased to be here today to testify on Proposed Resolution 15-913, the “Tax Increment Revenue Bonds Corcoran Gallery of Art Project Approval Resolution of 2004.”

The Corcoran Gallery of Art, the sponsor of the project, is the oldest art museum in the District and is the District’s only professional college of art and design. The Corcoran Gallery will renovate their existing building and construct an approximately 140,000 square foot addition designed by Frank Gehry (“the Gehry wing”).

The Chief Financial Officer certified the project on June 15, 2004, for up to \$40 million in tax increment financing on the basis of the project’s special merits, as concluded by the Deputy Mayor for Planning and Economic Development. Total costs for the project will be about \$200 million. The Corcoran plans to finance the remaining \$160 million of the costs using 501(c) 3 bonds.

### **Fiscal Impact**

The project will be financed with TIF notes, which will be issued to the sponsor. The TIF note structure used for this project provides protection to the District in several ways. First, because the TIF notes will be escrowed until the Corcoran has obtained a certificate of occupancy for the renovated building and Gehry wing, the District will not incur construction risk for the project. Second, issuing TIF notes

to the developer results in lower issuance costs compared to the public sale of bonds. Also, we have capped the variable interest rate on the notes at 7.5 percent.

Depending on interest rates, we estimate that annual debt service payments on the TIF notes will be between about \$2.5 million and \$3.5 million during the 20-year repayment period. The repayment period will begin with the beginning of construction; however, no money will be paid to the Corcoran until project completion. As a result, the District will incur a future liability that is not currently reflected in the District's budget and financial plan. The budget and financial plan will have to be adjusted accordingly. The CFO's fiscal impact statement on the project is attached herewith.

### **Certification Considerations**

I have certified the project based on its special merits and the reasonable probability that the special merits of the project will not be achieved without the TIF allocation.

The Deputy Mayor for Planning and Economic Development supports the Corcoran renovation and expansion and has concluded that the project has special merits. Specifically, Deputy Mayor Price notes that the Corcoran expansion will be the first Gehry-designed building in the area and will become a prominent part of the District's architectural landscape. As such, the Deputy Mayor expects the project to attract many new visitors to the District each year – tourists who will contribute to the District's economy through their spending in hotels, restaurants and other venues. Deputy Mayor Price also points to the construction impacts from the project. In addition, Deputy Mayor Price highlights the project's contribution to the cultural life of District residents.

## **TIF Program to Date**

The Corcoran Gallery project is the sixth project to be certified for tax increment financing. \$147.55 million in TIF debt has been issued by the District to date.

Under the terms of the Retail Incentive Act, an additional \$25 million has been allocated for downtown retail projects and \$25.7 million will be allocated to the Skyland project, if the Council approves it. If the Council approves funding for the Corcoran, about \$62 million in issuance authority will remain.

I will be pleased to answer any questions you may have.

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