

PUBLIC ROUNDTABLE ON
PR 16-485, THE “CHILDREN’S MUSEUM PROJECT
RETAIL PRIORITY AREA APPROVAL RESOLUTION
OF 2005”

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

The Honorable Jack Evans, Chairman

November 17, 2005, 11:00 a.m.
Council Chamber, John A. Wilson Building



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

Natwar M. Gandhi
Chief Financial Officer
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Goodmorning, 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 pleased to appear before you today to present testimony on PR 16-485, the “Children’s Museum Project Retail Priority Area Approval Resolution of 2005.”

Please note that this resolution is being introduced under the Retail Tax Increment Financing (TIF) Act, so it is not subject to CFO TIF project analysis and certification. Under the Retail TIF Act, the CFO issues only a fiscal impact statement. Therefore, please note that the CFO has not conducted a full TIF project analysis. The CFO does not have information about the final terms of the proposed TIF note, or about expected sales tax to be generated by the museum itself. We cannot say for certain whether the TIF note is necessary in order for the project to go forward, (“but for” the TIF would the Museum be built), nor can we say whether there will be sufficient tax revenues in the proposed TIF area to pay the debt service on the TIF note.

Based on the maximum interest rate in the proposed resolution, the District would make a payment of approximately \$940,000 per year for 25 years. The debt service on the note will be paid using 80 percent of the available property and sales tax increment in L’Enfant Plaza. A \$940,000 annual payment at today’s general obligation rates would enable the District to borrow approximately \$12.7 million.

While we do not perform a full TIF analysis, it is fairly clear that the museum itself

will not generate sufficient income to pay the debt service on the TIF note. As a non-profit organization, it would generate no property tax. It may generate a small amount of sales tax through the gift shop, café, and rental space planned for the museum. Therefore, this TIF is essentially a grant to the Children's museum, which will be paid back with a dedicated stream of tax revenue.

In sum, funds are currently not sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the "Children's Museum Project Retail Priority Area Approval Resolution of 2005." Because the TIF note debt service will not be paid until FY 2008, it will have no fiscal impact on the FY 2006 or FY 2007 budgets. The debt service must be budgeted in future years in order not to have a negative impact on the District's budget and financial plan.

Thank you for the opportunity to comment on this resolution. I would be happy to answer any questions you or other councilmembers might have at this time.

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