PUBLIC ROUNDTABLE ON

BILL 16-514, "THE DC-USA ECONOMIC DEVELOPMENT ACT OF 2005"

Before the

Committee on Finance and Revenue
The Honorable Jack Evans, Chairman

Council of the District of Columbia

December 1, 2005, 1:45 p.m.
Room 120, John A. Wilson Building

Testimony of
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Good morning, Chairman Evans and members of the committee. I am John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify on Bill 16-514, "The DC-USA Economic Development Act of 2005."

The DC-USA project includes tax increment financing (TIF) totaling $42 million. This financing was certified under the TIF Act last summer by the CFO's office. Two million dollars of this TIF will support small businesses in Columbia Heights and $40 million was certified as necessary for project development costs. Based on an analysis by our office, no additional subsidy is necessary for this project to move forward. Furthermore, the most recent project cost analysis given to the OCFO for DC-USA includes property tax payments in the development budget.

"The DC-USA Economic Development Act of 2005" requests property, sales, and recordation tax abatements for the developer, DC-USA Operating Co. LLC, of up to $1,029,000. However, funds are currently not sufficient in the FY 2006 budget or in the FY 2006-2009 financial plan to implement the proposed legislation. These abatements would occur over the term of construction, which is expected to be completed in 2009, and there would be a negative fiscal impact of approximately $257,250 per year beginning in FY 2006 and continuing until FY 2009.

This negative impact could be reduced if the Mayor uses his existing authority to provide tax concessions to selected businesses within DC Enterprise Zones and other federally designated areas. The FY 2000 and 2001 Appropriations Acts authorized up to $6.5 million in tax concessions for selected businesses. There is more than $4 million remaining in authority available for tax concessions.

The Mayor's office has expressed its intent in using $600,000 in tax concessions from this source, thereby reducing the need to use more than $429,000 in tax abatements under this proposed legislation. If the Mayor's office documents its commitment to use this alternative source, it will significantly reduce the negative fiscal impact during construction to $107,250 per year.

In addition, the OCFO recommends a technical change to the legislation. The sales tax exemption granted by the legislation terminates upon issuance of a Certificate of Completion. The Certificate of Completion is a contractual document between the developer and the Redevelopment Land Agency Revitalization Corporation, to which the District government is not a party. The OCFO recommends that this requirement be changed to a Certificate of Occupancy, which is a document issued by the Department of Consumer and Regulatory Affairs, and would occur before the commercial tenants move into the building.

This concludes my testimony, and I welcome any questions you may have.

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